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

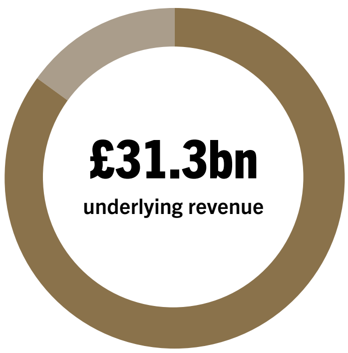
A global leader in food services

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.

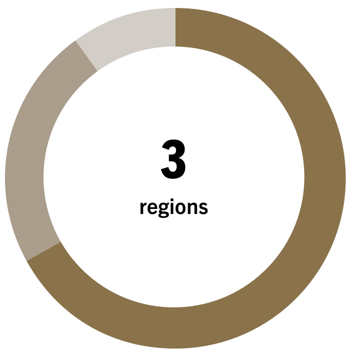
New business growth is currently benefiting from an increase in first-time outsourcing due to additional operational complexities and inflationary pressures.

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

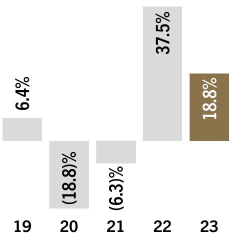
F Financial KPI NF Non-financial KPI

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%

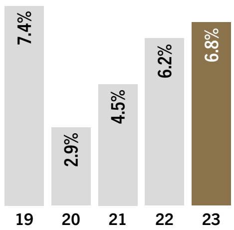


Organic revenue growth was strong at 18.8% reflecting balanced net new business growth across our regions, higher pricing and base volume recovery during the first half of the year.

Underlying operating margin[1]

F

6.8%

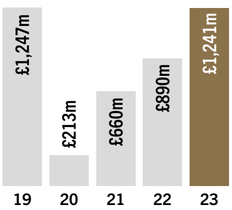


Underlying operation margin improved by 60bps to 6.8% as the Group benefited from operational leverage.

Underlying free cash flow[1]

F

£1,241m

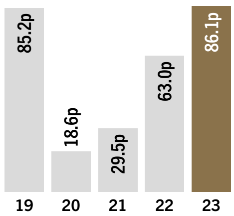


Underlying free cash flow increased to £1,241 million in 2023 representing a conversion rate of 58.5% of underlying operating profit.

Underlying basic earnings per share[1]

F

86.1p

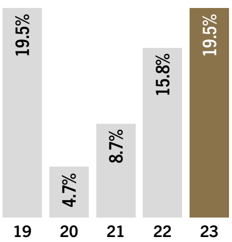


Earnings per share growth of 36.7% in 2023 reflected the Group's strong revenue growth and the improvement in underlying operating margin.

Return on capital employed (ROCE)[1]

F

19.5%

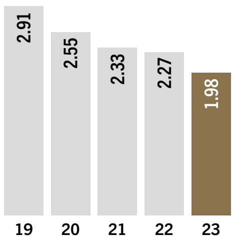


ROCE of 19.5% improved in the most part due to the increase in underlying operating profit during 2023.

Global Lost Time Incident Frequency Rate[2]

NF

1.98

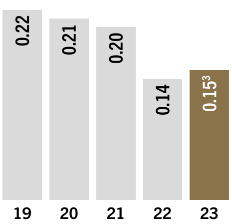


Lost Time Incident Rate further improved to 1.98 reflecting continued focus on loss prevention and return to work initiatives across our regions.

Global Food Safety Incident Rate[2]

NF

0.15

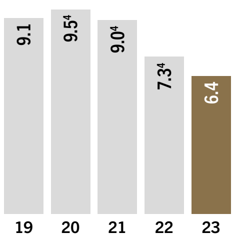


Our focus on Global Food Safety has led to a reduced rate of incidents on a 5-year basis (down 25%), despite our business having grown significantly since 2019.

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.

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.

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

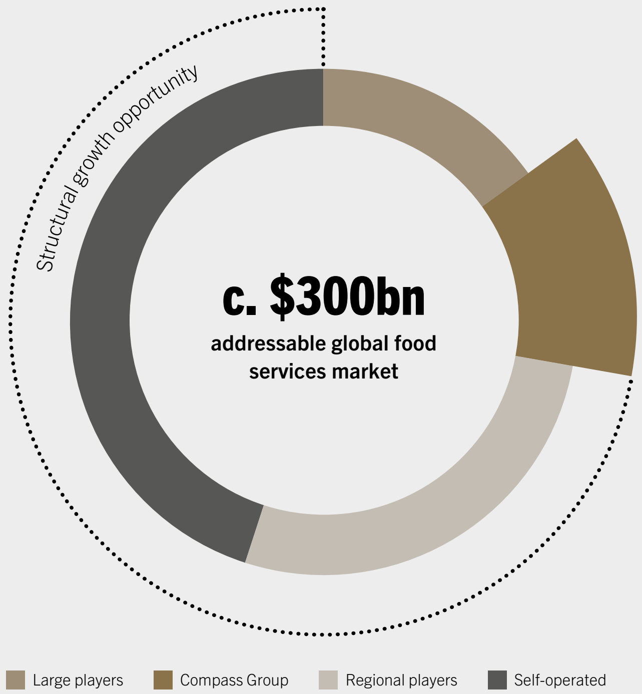
Statement on section 172 of the Companies Act 2006

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.

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.

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.

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.

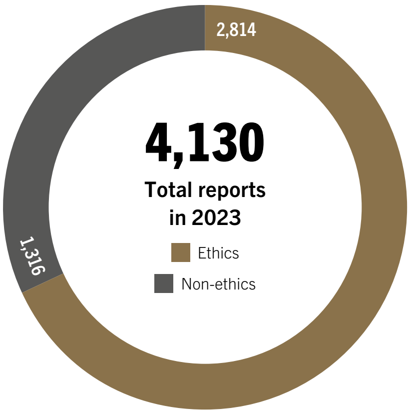
Of the total reports made to Speak Up, 1,386 involved issues that were non-ethics-related matters and were typically referred to internal teams for follow-up rather than requiring an ethics investigation. The remaining 2,814 were ethics-related matters assessed as potential breaches of our CBC of which 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

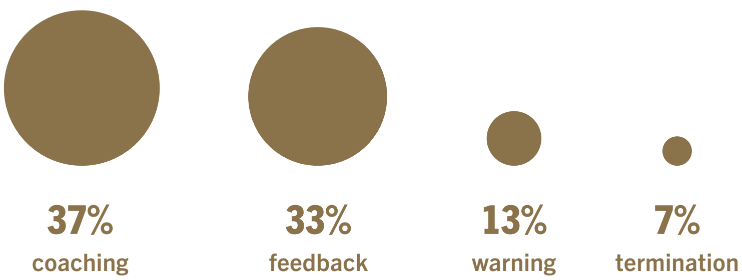
Employee behaviours (2,243 cases)	80%
Business integrity (398 cases)	14%
Health, safety & sustainability (132 cases)	5%
Finance (41 cases)	1%

***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.

Performance

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
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)
Net debt	**(3,653)**	(2,990)
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
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.

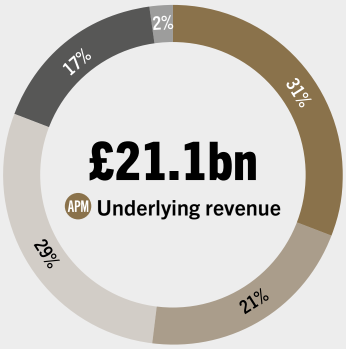
Palmer Brown
Group Chief Financial Officer

20 November 2023

Regional reviews

Regional performance

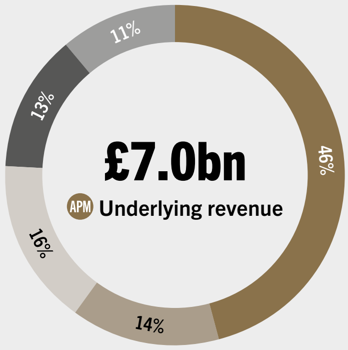
North America



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

▲28.0%
APM Underlying operating profit growth[1]

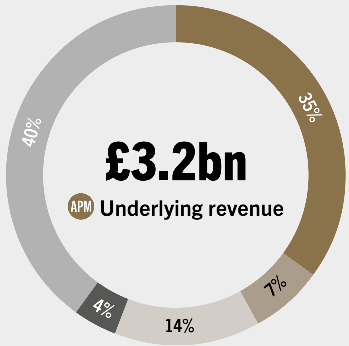
Europe



£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: Static 2022: Static **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: Static 2022: Increased **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: Static 2022: Static **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

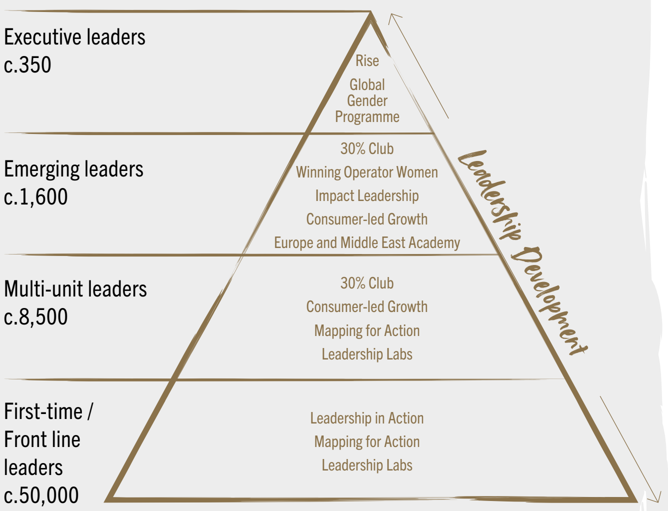
From entry level to leadership, Compass invests in its people to help them achieve their career ambitions and shape the expertise and passion that drives the businesses.

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.

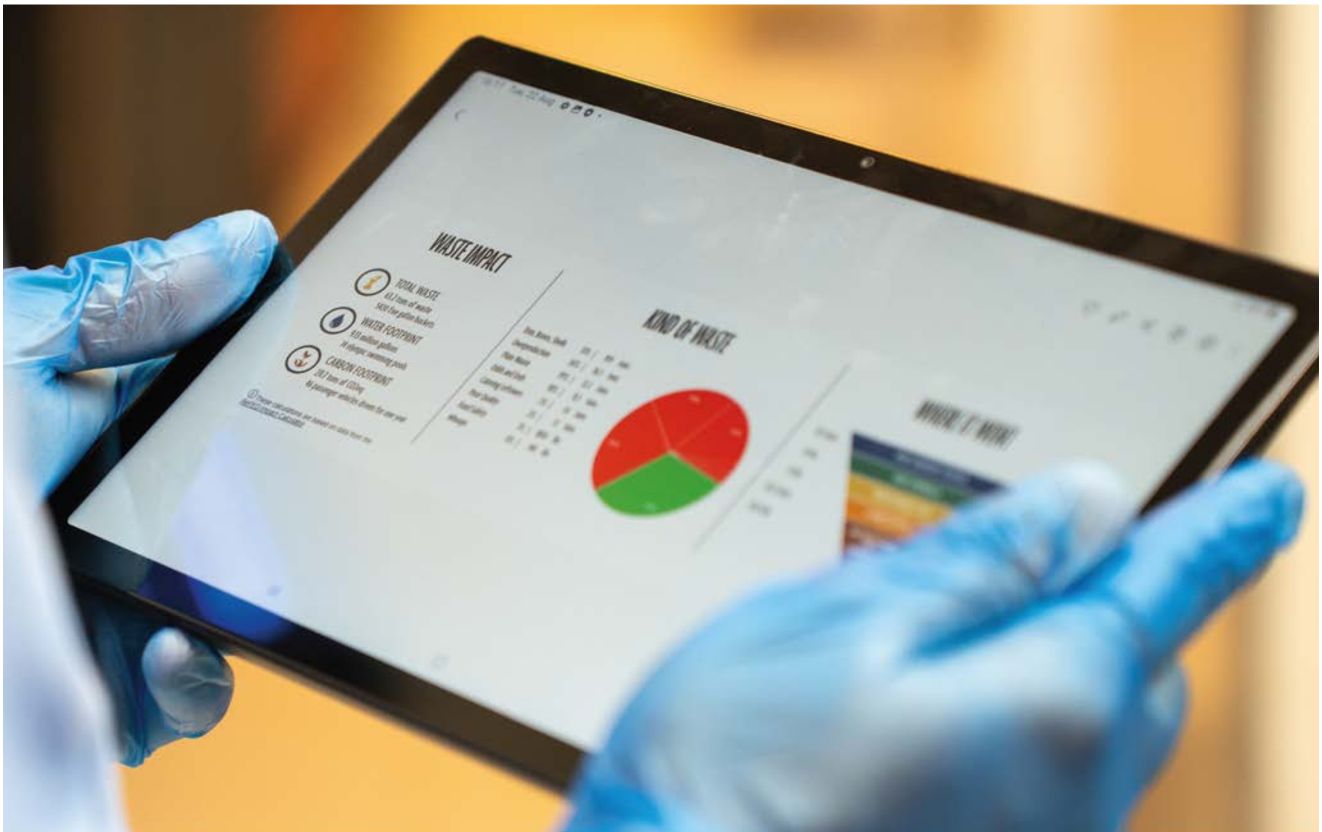
Qualitative scenario analysis

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	🟢	🟢	🟢	🟢	🟢	🟢
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	🟢	🟢	🟢	🟢	🟢	🟢
Extreme heat ❸	Chronic	Sustained abnormally high surface temperatures	Heat leading to cow weight loss and lower milk production	US and Australia	Beef, dairy	🟢	🟢	🟢	🟢	🟢	🟢
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	🟢	🟢	🟢	🟠	🟠	🟠
Taxation[2]	Transition	Carbon tax on agricultural and freight (Scope 3) emissions	Higher compliance costs or increased insurance premiums	US	Beef, dairy, poultry, pork, produce	🔴	🟠	N/A	N/A	N/A	N/A

Potential unmitigated annual food cost increase[1]

🟢 < 2.5% 🟠 2.5-5.0% 🔴 5.0-7.5%

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

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

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

Governance and leadership

Ian Meakins
Chair of the Board

Dear Shareholder

On behalf of the Board, I am pleased to present Compass Group PLC's annual Corporate Governance and Directors' Report for the financial year ended 30 September 2023. Throughout this and other parts of the Annual Report, we have sought to provide shareholders and other stakeholders with an insight into how our governance framework has supported our performance during the year.

Board changes, succession planning and talent pipeline

This year, as part of the ongoing succession planning process, the Nomination Committee undertook a comprehensive review of the composition of the Board, together with the succession plans for the Board and the Executive Committee and key roles in the Group's North America business. The review considered the tenure of the Board's non-executive directors and the skills and experience that will be needed in the future as directors retire, having served their term in office, and as the food services industry continues to evolve.

In May, the Nomination Committee recommended the appointment of Leanne Wood as a non-executive director to the Board. Leanne will stand for election at the forthcoming AGM in February 2024. More details of the appointment process and Leanne's induction are on page 94. The Committee also considered changes to the roles and responsibilities of some non-executive directors, and recommended these to the Board.

Following Gary Green's decision to retire and step down from the Board, as announced in September 2023, the Committee considered the appointment of his successor and also the appointment of a new Group Chief Financial Officer (CFO). I am pleased to report that our detailed succession planning processes ensured there was an exceptional pipeline of internal talent available, and this has enabled us to fill these two key Board positions with internal candidates. Carol Arrowsmith will retire from the Board at the conclusion of the 2024 AGM having served more than nine years on the Board. More details of all of these changes can be found in the Nomination Committee report on pages 94 and 95.

In the coming year, the Committee will continue to focus on succession planning for the Board and Executive Committee, ensuring there is a strong and diverse pipeline of future senior leaders.

Diversity, equity and inclusion

Across the Group, we continue to ensure the workforce is representative of the communities that Compass serves, and we are making promising headway. Information on the initiatives being implemented to drive positive change can be found in People on pages 32 to 37 and also on our website, www.compass-group.com.

At Board level, changes made in recent years reflect our aim for better gender balance and diversity in its broadest sense, and we will continue to advance this agenda. As set out on page 65, we have made good progress. At the date of this Report, 38% of directors are women versus 33% last year. In July, Anne-Françoise Nesmes succeeded John Bryant as Senior Independent Director, and three members of the Board are from a minority ethnic background. In the coming year, we hope to meet the target of having at least 40% of Board membership represented by women.

Audit tender process

This year was KPMG's 10th year as the Company's external auditor and, during the year, the Audit Committee conducted a competitive tender process for the role of external statutory auditor. Following the conclusion of the tender process, the Audit Committee recommended to the Board that the incumbent, KPMG LLP, be reappointed as the Company's external auditor. More detail about the audit tender process can be found in the Audit Committee report on pages 87 and 88.

Environmental, social and governance (ESG) matters

Throughout the year, the Board was kept up to date on the progress and effectiveness of the Group's ESG strategies. With regard to environmental matters, the Board and the Corporate Responsibility Committee have reviewed the Group's progress toward its climate net zero commitment, and closely monitored the developing sustainability disclosure landscape and reporting frameworks. On social matters, we reviewed plans to create lifetime career opportunities and to further improve the experience of employees in the Group, including initiatives designed to give back to and create value for the communities in which Compass operates. As part of the Group's continuing drive to improve its safety culture, the Corporate Responsibility Committee approved a move from the Lost Time Injury Frequency Rate (LTIFR) workplace health and safety performance measure, to the Total Recordable Injury Frequency Rate (TRIFR) performance measure for 2024, reflecting the continuing maturity of Compass' safety culture.

More detail on these matters can be found on in the Strategic report on pages 1 to 55 and on our website, www.compass-group.com.

Governance reforms

The Board and its committees continue to monitor developments in governance, particularly the proposed changes to the UK Corporate Governance Code 2018 and the proposed audit reforms.

Change in presentation currency

The Board approved a change in the Group's presentation currency from sterling to US dollars to take effect from 1 October 2023. More information can be found on pages 81 and 84.

Stakeholders

The Board values engagement with stakeholders. As set out on page 74, for practical reasons, most stakeholder engagement takes place between the Company's subsidiaries and their stakeholders at an operational level. Direct engagement between members of the Board and stakeholders is principally with employees and investors. However, the Board ensures that there are effective mechanisms in place to support the continuous flow of information between the Board, senior management and the wider organisation to enable the Board to understand the views of all our stakeholders.

Details of how the Board has oversight of stakeholders' interests, together with examples of how decisions taken by the Board have impacted stakeholders during the year, can be found on pages 74 to 79 and 81.

Board effectiveness

This year, we conducted an internal evaluation of the Board and its committees. The results of the evaluation concluded that the Board and its committees continue to operate effectively, and I am confident that we have an appropriate balance of capability, skills, experience and diversity on the Board to continue to do so. However, we are not complacent, and we have identified a number of priorities for the Board and its committees for the year ahead to help us continue to build on the progress we have made to date, and to contribute to the ongoing success of the Group.

Ian Meakins
Chair of the Board

20 November 2023

Compliance with the UK Corporate Governance Code 2018

Compliance statement

It is the Board's view that for the financial year ended 30 September 2023, the Company was compliant with the principles and provisions set out in the UK Corporate Governance Code 2018 (the Code) with the following exception. During the first three months of the financial year, the Company did not comply with provision 38 (alignment of executive director pension contribution rates with those available to the workforce). The Company has been compliant with provision 38 since 31 December 2022, when existing pension benefits for executive directors were aligned to the maximum rate available to the majority of the wider UK workforce.

For more information, please refer to page 115 of the Directors' Remuneration report.

The Company's auditor, KPMG LLP, is required to review whether the above statement reflects the Company's compliance with the provisions of the Code specified for its review by the Financial Conduct Authority's (FCA) Listing Rules and to report if it does not reflect such compliance. No such report has been made.

Our commitment to corporate governance

The Board is committed to the high standards of corporate governance set out in the Code. The Code can be found on the FRC's website, www.frc.org.uk.

This Corporate Governance report, together with the Directors' Remuneration report set out on pages 97 to 126, describes how the Board has applied the principles and complied with the provisions set out in the Code for the year under review. The Directors' Report also contains information required to be disclosed under the FCA's Listing Rules and Disclosure Guidance and Transparency Rules. To the extent necessary, certain information is incorporated into this Report by reference.

This Corporate Governance report on pages 56 to 126 and the Other Statutory Disclosures on pages 127 to 130, together with the Directors' responsibilities statement on page 131 and the Strategic report on pages 1 to 55, which make up the Directors' report have been incorporated by reference.

Board leadership and company purpose

Compass is led by an effective and balanced Board dedicated to promoting the long-term sustainable success of the Company, generating value for shareholders, and contributing to wider society. The Board has established the Company's purpose, values and strategy, which are aligned with its culture. Read more on pages 56 to 81.

Division of responsibilities

The roles of the Chair of the Board and the Group Chief Executive Officer (CEO) are separate, and there is an appropriate combination of executive and independent non-executive directors. The responsibilities of the Chair, Group CEO and Senior Independent Director (SID) are set out in writing. Read more on pages 66 to 68.

Composition, succession and evaluation

Appointments are subject to a formal, rigorous and transparent procedure. Succession plans, designed to promote diversity of gender, social and ethnic backgrounds, and cognitive and personal strengths, are in place for the Board and senior management. The Board and its committees are evaluated annually, in accordance with the Code. Read more on pages 93 to 96.

Audit, risk management and internal control

Formal, transparent policies and procedures are in place to ensure the independence and effectiveness of the internal and external audit functions, the integrity of financial and narrative statements, and to manage and mitigate risks. Read more on pages 82 to 88.

Remuneration

Compass has remuneration policies designed to support its strategy and promote long-term sustainable success. Executive remuneration is aligned to the Company's purpose and values and is clearly linked to the delivery of long-term strategy. Read more on pages 97 to 126.

Board of Directors

Ian Meakins (67)
Chair of the Board

Appointment: Appointed to the Board in September 2020. Became Chair of the Board in December 2020.

Key skills and competencies: Ian is an experienced Chair and former CEO with a strong background in B2B and B2C businesses across a variety of sectors in global organisations.

Current external appointments: Ian is a non-executive director and Chair Designate of Unilever PLC.

Previous experience: Ian is a former non-executive Chair of Rexel SA and a former Chief Executive of Wolseley plc (now Ferguson plc), Travelex Holdings Ltd and Alliance Unichem plc (until its merger with Boots). Prior to that, he held positions at Diageo plc, Bain & Company and Procter & Gamble, and was a founding partner at Kalchas Group management consultants. Ian was previously a non-executive director of O2 plc and SID at Centrica plc. He was formerly non-executive Chair of The Learning Network B.V.

Dominic Blakemore (54)
Group Chief Executive Officer (CEO)

Appointment: Joined the Board in February 2012. Previously held the roles of Group CFO, Group Chief Operating Officer (COO), Europe, and Deputy Group CEO. Assumed the role of Group CEO in January 2018.

Key skills and competencies: Dominic has extensive financial management experience in a number of international businesses, together with general operational management experience. He is a chartered accountant.

Current external appointments: Dominic is a non-executive director of London Stock Exchange Group plc and a member of the Council of University College London.

Previous experience: Dominic is a former non-executive director of Shire plc, CFO of Iglo Foods Group Limited, and European Finance & Strategy Director at Cadbury Plc, having previously held senior finance roles at that company. Before that, Dominic was a director at PricewaterhouseCoopers LLP.

Palmer Brown (52)
Group Chief Financial Officer (CFO)

Appointment: Appointed to the Board in October 2021, having joined the Group in 2001. Assumed the role of Group CFO in November 2021.

Key skills and competencies: During his tenure, Palmer has held a variety of senior finance, strategy and legal positions and played a central role as a member of the Executive team in North America. He also coordinated many of the acquisitions and disposals for the Group. Palmer has degrees in business and law and is a certified public accountant.

Current external appointments: None.

Previous experience: Palmer is a former Group Commercial Director and Chief Strategy Officer, Compass Group North America. Prior to that, he served as General Counsel and Executive Vice President of Corporate & Legal Affairs for the Group's US business.

Gary Green (66)
Group Chief Operating Officer (COO), North America

Appointment: Joined the Board in January 2007. Appointed Group COO, North America, in April 2012.

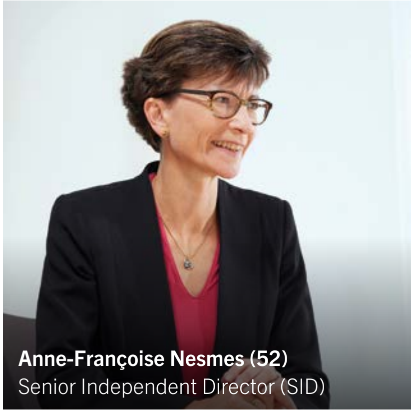
Key skills and competencies: Gary brings strong business and operational leadership, business development, and wide-ranging sales experience. Gary is a chartered accountant and has an honorary doctorate from Johnson & Wales University in the US.

Current external appointments: None.

Previous experience: Gary joined the Group in 1986 in a senior finance role in the UK and became a UK director in 1992. He relocated to the US in 1994 as CFO of the Group's North America business and, in 1999, became its CEO.

Committee membership key

- A Audit Committee
- C Corporate Responsibility Committee
- N Nomination Committee
- R Remuneration Committee
- Chair
- Senior Independent Director
- Designated Non-Executive Director for Workforce Engagement
- Secretary



Anne-Françoise Nesmes (52)
Senior Independent Director (SID)

A C N R

Appointment: Appointed to the Board in July 2018. Appointed Chair of the Audit Committee in February 2021. Appointed SID in July 2023.

Key skills and competencies: Anne-Françoise has a wealth of experience in finance and accounting in international organisations with a strong focus on strategy, M&A and governance. She is a chartered management accountant.

Current external appointments: CFO of Smith+Nephew PLC.

Previous experience: Anne-Françoise is a former CFO of Merlin Entertainments PLC and Dechra Pharmaceuticals PLC, and also held a number of senior finance roles during her 16-year tenure at GlaxoSmithKline.

Carol Arrowsmith (69)
Non-Executive Director

A C N R

Appointment: Appointed to the Board in June 2014.

Key skills and competencies: Carol brings extensive advisory experience, especially in advising boards on executive remuneration across a range of sectors. She is a Fellow of the Chartered Institute of Personnel and Development.

Current external appointments: Non-executive director of Centrica plc and a director and trustee of Northern Ballet Limited.

Previous experience: Carol is a former partner and adviser of Deloitte LLP and Vice Chair of their UK business, a director of the Remuneration Consultants Group, a director of Arrowsmith Advisory, a non-executive director of Vivo Energy PLC and TMF Group Limited, and a member of the Advisory Group for Spencer Stuart.

Stefan Bomhard (56)
Non-Executive Director

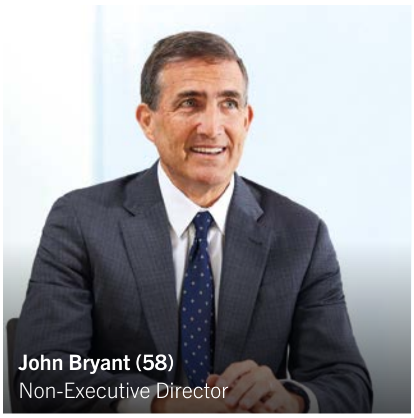
A C N R

Appointment: Appointed to the Board in May 2016.

Key skills and competencies: Stefan brings extensive experience of working in international environments, particularly in the operation, sales and marketing of well-known consumer food and drink brands.

Current external appointments: CEO of Imperial Brands PLC.

Previous experience: Stefan is a former CEO of Inchcape plc. Before joining Inchcape, he was President of Bacardi Limited's European region and was also responsible for its global commercial organisation and global travel retail. Previous roles have included a number of worldwide senior positions at Cadbury Plc, Unilever PLC, Diageo plc, Burger King and Procter & Gamble.



John Bryant (58)
Non-Executive Director

A C N R

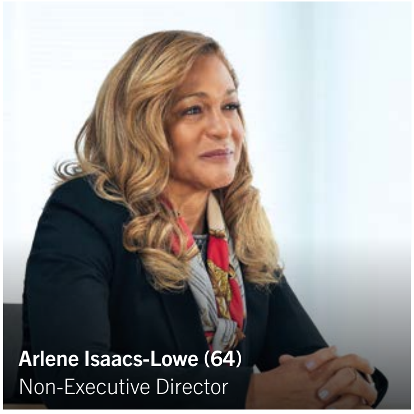
Appointment: Appointed to the Board in September 2018. Appointed Chair of the Remuneration Committee in February 2023.

Key skills and competencies: John brings over 30 years' experience to the Board with a particular focus on finance, operations, M&A, strategy and portfolio transformation.

Current external appointments: Non-executive Chair of Flutter Entertainment plc and non-executive director of Coca-Cola Europacific Partners plc and Ball Corporation.

Previous experience: John is a former Executive Chair and CEO of global consumer goods company Kellogg. Prior to joining Kellogg in 1998, John held strategic and operational roles in several companies, worldwide. John is also a former non-executive director of Macy's Inc.

Board of Directors continued



Arlene Isaacs-Lowe (64)
Non-Executive Director

A C N R

Appointment: Appointed to the Board in November 2021.

Key skills and competencies: Arlene brings over 20 years' executive experience in corporate social responsibility (CSR), finance, strategy and sales across the US, Europe, the Middle East and Africa.

Current external appointments: Non-executive director of Equitable Holdings, Inc. and Xenia Hotels & Resorts, Inc., Financial Secretary of The Links Foundation, Incorporated and a member of the advisory board of Howard University School of Business.

Previous experience: Arlene is a former Global Head of CSR of Moody's Corporation, where she developed and implemented their global CSR strategy. She joined Moody's Corporation in 1998, where she held various senior leadership, analytical, commercial and relationship management roles. Prior to joining Moody's, Arlene was CFO of Equinox Realty Advisors LLC, and before that, she was a portfolio manager with MetLife Realty Group, Inc. Arlene is a former member of the advisory board of Agbanga Karite LLC.

Sundar Raman (48)
Non-Executive Director

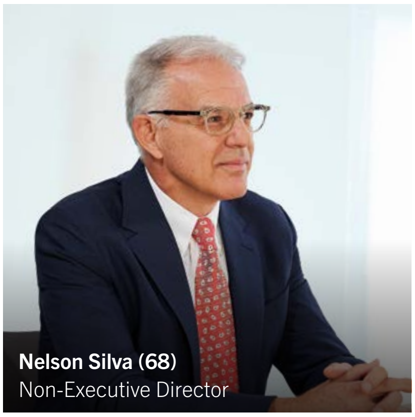
A C N R

Appointment: Appointed to the Board in January 2022.

Key skills and competencies: Sundar brings over 20 years' experience as an executive in the US, operating in highly competitive markets and successfully growing global consumer brands.

Current external appointments: Global CEO of Procter & Gamble's Fabric and Home Care business.

Previous experience: Sundar is a former President, Home Care and P&G Professional with Procter & Gamble. Sundar started his career with Procter & Gamble in 1998 as a market analyst and has held a number of senior leadership roles in business intelligence, marketing and innovation across a variety of product lines and market segments. Sundar is a former Chair of the American Cleaning Institute, and a former member of the Board of the National Underground Railroad Freedom Center.



Nelson Silva (68)
Non-Executive Director

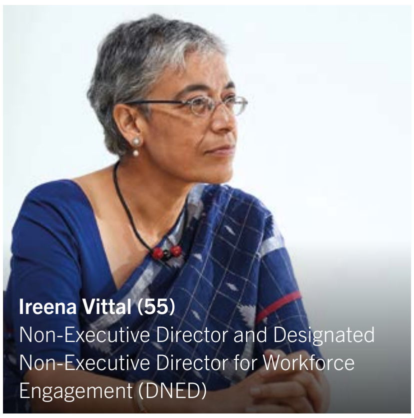
A C N R

Appointment: Appointed to the Board in July 2015. Appointed Chair of the Corporate Responsibility Committee in February 2017.

Key skills and competencies: Nelson has considerable executive management experience in a variety of senior leadership roles within major international companies, with a particular focus on Brazil.

Current external appointments: Non-executive director of Nutrien Ltd, Altera Infrastructure L.P. (private company) and an adviser to Appian Capital Advisory LLP and HSB Solomon Associates LLC.

Previous experience: Nelson is a former executive director of Petróleo Brasileiro S.A., CEO of BG Group in South America, non-executive director of Cosan Limited, Managing Director of Embraer for Europe and Africa, CEO of All Logistica in Argentina and President of BHP Billiton's Aluminium business unit. Prior to joining BHP Billiton, Nelson held a number of senior positions at Vale S.A., including Sales and Marketing Director.



Ireena Vittal (55)
Non-Executive Director and Designated Non-Executive Director for Workforce Engagement (DNED)

A C N R

Appointment: Appointed to the Board in July 2015. Appointed Designated Non-Executive Director for Workforce Engagement in October 2019.

Key skills and competencies: Ireena brings strong advisory, business and operational experience across a variety of retail businesses, with a particular focus on India.

Current external appointments: Non-executive director of Asian Paints Limited, Diageo plc and Godrej Consumer Products Limited, and an independent director of UrbanClap Technologies India Private Limited.

Previous experience: Ireena is a former non-executive director of WIPRO Limited, Housing Development Finance Corporation Limited, Titan Company Ltd, The Indian Hotels Company Limited, Cipla Limited, Tata Global Beverages Limited, Tata Industries, Zomato Media Private Limited, GlaxoSmithKline Consumer Healthcare and Axis Bank Limited. She was also previously Head of Marketing and Sales at Hutchinson Max Telecom and a partner at McKinsey and Company.

Committee membership key

- A Audit Committee
- C Corporate Responsibility Committee
- N Nomination Committee
- R Remuneration Committee
- Chair
- Senior Independent Director
- Designated Non-Executive Director for Workforce Engagement
- Secretary

Leanne Wood (51)
Non-Executive Director

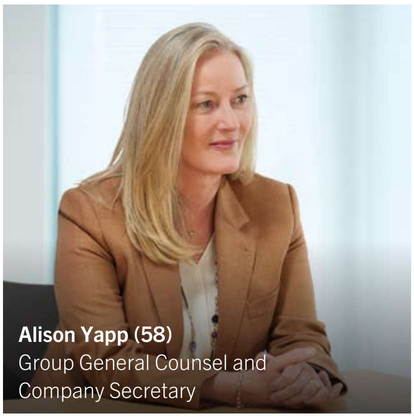
A C N R

Appointment: Appointed to the Board in May 2023.

Key skills and competencies: Leanne has a wealth of experience in people and organisational strategy and also has wider strategic and operational experience in global organisations, including in the food and beverage, retail and technology sectors.

Current external appointments: Leanne is Chief Human Resources Officer of Vodafone Group Plc and is the lead Vodafone non-executive director for Vodacom Group Limited, a publicly-listed company in South Africa.

Previous experience: Before joining Vodafone, Leanne was the Chief People, Strategy and Corporate Affairs Officer for Burberry Plc. Prior to that, she worked for Diageo plc for 15 years in a variety of roles, latterly as their Group HR Director. She has also worked in strategy and finance for Allied Domecq Plc, LEK Consulting and United Distillers. Leanne is a former non-executive director of The Go-Ahead Group Plc.



Alison Yapp (58)
Group General Counsel and Company Secretary

A C N R

Appointment: Joined the Group in August 2018. Appointed Group General Counsel and Company Secretary in October 2018.

Key skills and competencies: Alison has more than 30 years' international experience in FTSE and NYSE listed companies across the services, industrial and engineering sectors. She has significant experience in strategic M&A, crisis and change management. Alison is a solicitor.

Current external appointments: None.

Previous experience: Alison is the former Chief General Counsel and Company Secretary of Amec Foster Wheeler plc, Company Secretary and General Legal Counsel of Hays plc and Company Secretary and Group Legal Adviser of Charter plc. Prior to joining Charter, Alison held a number of senior legal roles at Johnson Matthey plc and was a corporate and commercial lawyer at Turner Kenneth Brown.

Directors' diversity of skills and experience

	CEO experience	Finance	Strategy and M&A	Remuneration	Health and safety	HR/people	Operations	Sales and marketing	Consumer goods and retail	Food and beverage	Art, culture and charity	Sustainability	Technology/ cyber-security
Ian Meakins	●		●		●		●	●	●	●			
Dominic Blakemore	●	●	●		●		●	●	●	●	●		
Palmer Brown		●	●		●		●	●	●	●		●	
Gary Green	●	●	●		●		●	●	●	●			
Carol Arrowsmith				●		●					●		
Stefan Bomhard	●		●		●		●	●	●	●			
John Bryant	●	●	●	●	●		●	●	●	●			●
Arlene Isaacs-Lowe		●	●			●		●				●	
Anne-Françoise Nesmes		●	●		●				●	●			
Sundar Raman	●		●				●	●	●				
Nelson Silva	●		●		●		●	●			●	●	
Ireena Vittal			●	●		●			●	●	●		●
Leanne Wood			●	●		●	●		●	●			

Board tenure

0-5 years	5-10 years	>10
5	6	2

Board balance

Chair	Executive directors	Non-executive directors
1	3	9

Executive Committee

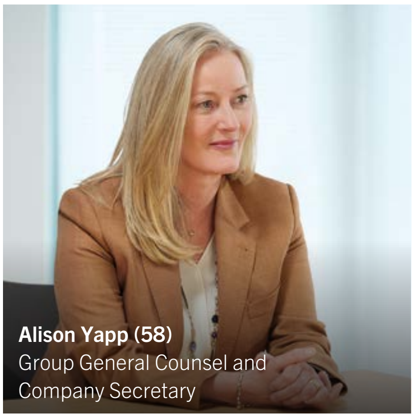

Dominic Blakemore (54)
Group Chief Executive Officer (CEO)

G

Appointment: Joined the Board in February 2012. Previously held the roles of Group CFO, Group COO, Europe, and Deputy Group CEO. Assumed the role of Group CEO in January 2018.

Key skills and competencies: Dominic has extensive financial management experience in a number of international businesses, together with general operational management experience. He is a chartered accountant.

Previous experience: Dominic is a former non-executive director of Shire plc, CFO of Iglo Foods Group Limited, and European Finance & Strategy Director at Cadbury Plc, having previously held senior finance roles at that company. Before that, Dominic was a director at PricewaterhouseCoopers LLP.

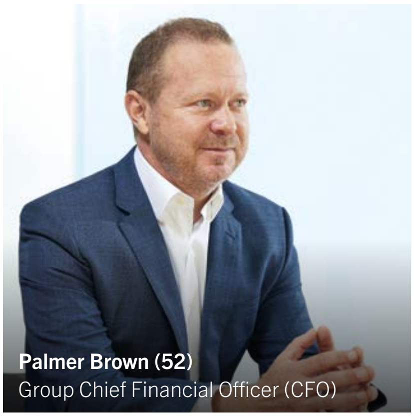

Alison Yapp (58)
Group General Counsel and Company Secretary

D
G

Appointment: Joined the Group in August 2018. Appointed Group General Counsel and Company Secretary in October 2018.

Key skills and competencies: Alison has more than 30 years' international experience in FTSE and NYSE listed companies across the services, industrial and engineering sectors. She has significant experience in strategic M&A, crisis and change management. Alison is a solicitor and holds an LLB (Hons) from Bristol University.

Previous experience: Alison is the former Chief General Counsel and Company Secretary of Amec Foster Wheeler plc, Company Secretary and General Legal Counsel of Hays plc and Company Secretary and Group Legal Adviser of Charter plc. Prior to joining Charter, Alison held a number of senior legal roles at Johnson Matthey plc and was a corporate and commercial lawyer at Turner Kenneth Brown.

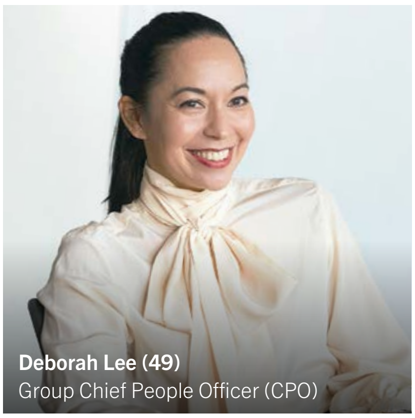

Palmer Brown (52)
Group Chief Financial Officer (CFO)

D
G
T

Appointment: Appointed to the Board in October 2021, having joined the Group in 2001. Assumed the role of Group CFO in November 2021.

Key skills and competencies: During his tenure, Palmer has held a variety of senior finance, strategy and legal positions and played a central role as a member of the Executive team in North America. He also coordinated many of the acquisitions and disposals for the Group. Palmer has degrees in business and law and is a certified public accountant.

Previous experience: Palmer is a former Group Commercial Director and Chief Strategy Officer, Compass Group North America. Prior to that, he served as General Counsel and Executive Vice President of Corporate & Legal Affairs for the Group's US business.


Deborah Lee (49)
Group Chief People Officer (CPO)

Appointment: Appointed to the Executive Committee as Group CPO in September 2021, having joined the Group in 2019.

Key skills and competencies: Deborah is highly experienced in strategic leadership, stakeholder engagement and people management in multinational environments. She is a chemistry graduate from Imperial College, London, holds a post-graduate qualification in Personnel Management, an HR MBA and is a Fellow of the Chartered Institute of Personnel and Development. Deborah possesses a wealth of global experience, having studied and worked in the US, Europe and the UK.

Previous experience: Deborah started her career at BT as a graduate in 1997, where she spent almost 20 years in various senior leadership roles across HR and learning and development. In 2016, she joined a luxury Italian online fashion retailer as Chief People Officer before joining Compass in 2019 as Group Engagement Director.

Committee membership key

D Disclosure Committee T Treasury Management Committee G General Business Committee

Gary Green (66)
Group Chief Operating Officer (COO), North America

G

Appointment: Joined the Board in January 2007. Appointed Group COO, North America, in April 2012.

Key skills and competencies: Gary brings strong business and operational leadership, business development, and wide-ranging sales experience. Gary is a chartered accountant and has an honorary doctorate from Johnson & Wales University in the US.

Previous experience: Gary joined the Group in 1986 in a senior finance role in the UK and became a UK director in 1992. He relocated to the US in 1994 as CFO of the Group's North America business and, in 1999, became its CEO.

Shelley Roberts (48)
Group Chief Commercial Officer (CCO)

Appointment: Appointed to the Executive Committee as Group CCO in January 2022, having joined the Group in 2017.

Key skills and competencies: Shelley has extensive strategic, operational and commercial management experience, including M&A, gained in leadership positions with Australian and FTSE listed organisations in highly complex operating environments. She is a Chartered Accountant (ICAEW), a graduate of the Australian Institute of Company Directors, and holds a Bachelor of Business Science and Finance (Hons) from the University of Cape Town.

Previous experience: Prior to joining Compass, Shelley was the Chief Operating Officer at Sydney Airport, Managing Director of Tiger Airways and also worked in investment banking at Macquarie Bank as a Division Director in Australia. Shelley qualified as a Chartered Accountant at KPMG in London, subsequently joining easyJet Plc, where she held various senior finance and strategy roles in the UK.

Robin Mills (56)
Managing Director, UK & Ireland

Appointment: Appointed to the Executive Committee in November 2015, having joined the Group in 2008. Appointed Managing Director of the Group's UK & Ireland (UK&I) business in November 2019.

Key skills and competencies: Robin holds a Bachelor's degree in history. He is a respected innovator with significant experience in people management and business operations.

Previous experience: Robin has held a variety of roles at Compass. Previously, Robin was Managing Director of Chartwells, UK and Group Chief People Officer. Prior to joining Compass, Robin's career included senior HR roles at Scottish and Newcastle Breweries, Diageo plc and Woolworth's (part of Kingfisher PLC).

Kathinka Friis-Møller (48)
Regional Managing Director, Europe and the Middle East

Appointment: Appointed to the Executive Committee as Regional Managing Director Europe and the Middle East in February 2022, having joined the Group in 2012.

Key skills and competencies: Kathinka has extensive commercial and operational experience and significant experience in change management. Kathinka holds a BI Executive in Board Management from Oslo Norwegian Business School, and a Bachelor's degree in International Business from Oslo University.

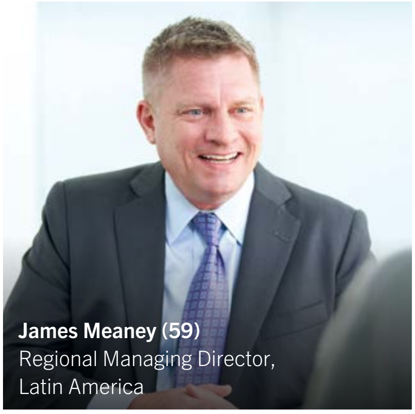
Previous experience: Kathinka joined Compass in 2012 as Operations Director for the Group's Norwegian business. In 2016, Kathinka was appointed MD of Norway and during her time in this role, she led the integration of one of the Group's largest acquisitions.

Prior to joining Compass, Kathinka's career included a number of senior roles, including Operations Manager at a Nordic facilities management company.

Executive Committee continued

Committee membership key

D Disclosure Committee T Treasury Management Committee G General Business Committee



James Meaney (59)
Regional Managing Director, Latin America

Appointment: Joined the Group and Executive Committee, and appointed Regional Managing Director Latin America in November 2017.

Key skills and competencies: James is highly experienced in business development and leadership and holds a Bachelor's degree in economics from Notre Dame University, an MBA from Harvard, and has completed INSEAD's advanced management programme.

Previous experience: James has spent over 30 years in Latin America as an entrepreneur, executive and non-executive board member in several service-based organisations in the region, including Founder and President of Contax SA, COO at Oi SA and Board and Audit Committee member at Gol Linhas Aereas.

Gaétan de L'Hermite (50)
Regional Managing Director, Asia Pacific

Appointment: Appointed to the Executive Committee and as Regional Managing Director Asia Pacific in October 2022, having joined the Group in 2002.

Key skills and competencies: Gaétan has 20 years' international experience working at Compass where he has held a number of Managing Director roles in Africa, Central Asia, Ireland and more recently France. During his time with the Group, Gaétan has acquired strong business development and operational leadership acumen and brings significant experience in market innovation and change management. Gaétan holds an MSc in Management from Emlyon Business School.

Previous experience: Gaétan started his career in audit with accounting firm Mazars before moving to management consulting at Deloitte where he specialised in large-scale outsourcing projects.

Group CFO with effect from 1 December 2023

Petros Parras (43)
Regional Finance Director, Europe and the Middle East

Appointment: Petros will succeed Palmer Brown as Group CFO on 1 December 2023 and will become a member of the Board of Directors and Executive Committee on the same date. Petros joined the Group in January 2020 and is the current Regional Finance Director, Europe and the Middle East.

Key skills and competencies: Petros has extensive financial, operational and portfolio transformation experience in large multinational businesses. He holds a BSc in Physics from Ioannina University and a PhD in Chemistry from Reading University.

Previous experience: Petros has been Regional Finance Director for Europe and the Middle East for just under four years where he has played a key role in the turnaround of the region, focusing on growth strategies, the operating model and core processes as well as the use of data analytics to drive better commercial outcomes.

Prior to joining Compass, Petros worked in fast-moving consumer goods businesses including Procter & Gamble, Reckitt Benckiser and Coty in Europe and North America in senior finance, operational and strategic roles.

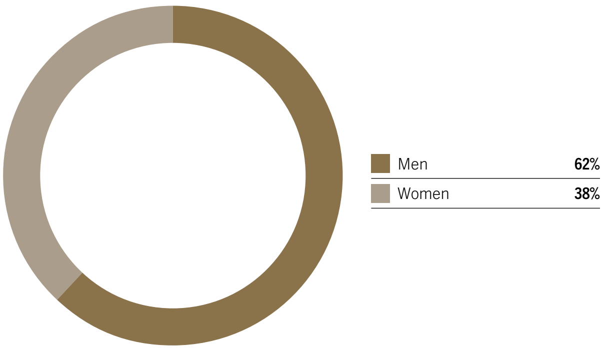
Diversity

Gender identity or sex	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, Chair and SID)	Number in executive management	Percentage of executive management
Men	8	62%	3	6	60%
Women	5	38%	1	4	40%

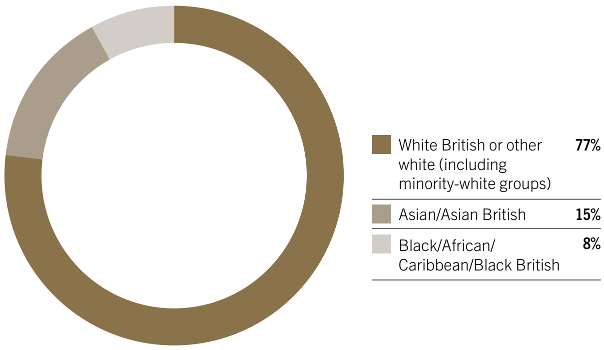
Ethnic background	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, Chair and SID)	Number in executive management	Percentage of executive management
White British or other white (including minority-white groups)	10	77%	4	9	90%
Mixed/Multiple ethnic groups	–	–	–	1	10%
Asian/Asian British	2	15%	–	–	–
Black/African/Caribbean/Black British	1	8%	–	–	–

Board

Gender identity or sex

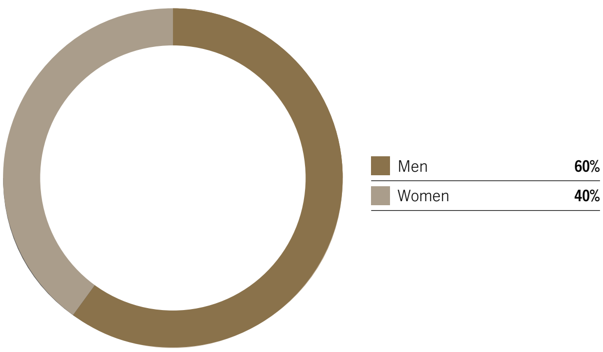


Ethnic background

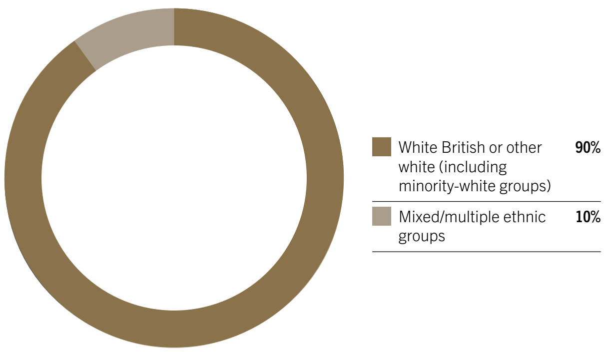


Executive Committee

Gender identity or sex



Ethnic background



Notes to table and graphics.

1. The information above is stated as at 30 September 2023.
2. The FCA's Listing Rules now set board diversity targets for listed companies that (i) at least 40% of the Board are women, (ii) at least one of the roles of CEO, CFO, Chair and SID is held by a woman and (iii) at least one director is from a minority ethnic background. Compass has met the targets for (ii) and (iii) but does not yet meet the target of 40% of the Board being women. During the year, the Company undertook a search for two new non-executive directors and took steps to ensure that a diverse pool of candidates was identified. As a result of the search, the Company offered roles to two female candidates but only one of those candidates accepted. The Company is continuing its search in the coming year and hopes to meet all the FCA's targets by the end of 2024.
3. Gary Green will step down as an executive director on 30 November 2023. Petros Parras will be appointed as an executive director from 1 December 2023. These changes will not affect the Board's gender identity/sex or ethnic background percentages shown above.

Governance framework

Board

The Board comprises the Chair, executive directors and independent non-executive directors, and their biographies can be found on pages 58 to 61. It is responsible for establishing the Group's purpose, values, strategies and objectives to generate and preserve value over the long term for shareholders and to contribute to wider society. It is assisted by four principal committees (Audit, Corporate Responsibility, Nomination and Remuneration), each of which is responsible for the matters delegated by the Board and set out in its own terms of reference.

Audit Committee

Responsible for the oversight of the Group's financial reporting and the effectiveness of the Internal and External audit functions.

See pages 82 to 88.

Corporate Responsibility Committee

Responsible for the oversight of the Group's corporate responsibility, people, health, safety and sustainability, ethics and integrity and stakeholder engagement strategies.

See pages 89 to 92.

Nomination Committee

Ensures the Board and the Executive Committee have the necessary balance of skills, experience and diversity to oversee and deliver the Group's strategy.

See pages 93 to 96.

Remuneration Committee

Determines the reward strategy for executive directors and senior management in the context of the wider workforce and ensures reward is aligned with shareholders' interests.

See pages 97 to 126.

A number of executive management committees have also been established: Executive, General Business, Treasury Management and Disclosure. These consider various matters for recommendation to the Board and its principal committees, or deal with day-to-day matters within the authority delegated by the Board.

The Executive Committee, led by the Group CEO, is responsible for day-to-day operational management and implementation of strategy.

The General Business Committee deals with general administrative matters on behalf of the Company within clearly defined limits delegated by the Board.

The Treasury Management Committee oversees the implementation of the treasury policies approved by the Board, while the Disclosure Committee oversees the disclosure of market-sensitive information and other public announcements (as necessary).

Responsibilities of the Board

Leadership

The Board leads the Group's governance structure. It provides stewardship of the Company to safeguard its long-term sustainable success, creating value for shareholders and enabling the Company and its subsidiaries to contribute to the communities and wider societies in which they operate. The Board is responsible for setting the tone from the top by demonstrating leadership.

Purpose, values and culture

The Group's corporate culture is integral to its success. It defines Compass, what the Company stands for, and how it does business. Compass' reputation has been built on a solid foundation of ethical values, underpinned by a well-defined and effective system of governance. This culture has assisted in the creation and protection of the long-term value of the Company and supports its strategy to deliver sustainable growth.

The Board defines the purpose of the Company and the values that guide it. A common set of expected behaviours based on Compass' corporate values, and an effective system of governance, are described in the Code of Business Conduct (CBC). These have shaped and embedded a strong ethical and governance culture across the Group.

The Group CEO and other members of the executive management team actively promote ethical standards to ensure they are maintained, and good governance is put into practice.

Key functions such as Legal, Finance, People, Ethics and Integrity and Internal Audit also promote and embed high standards of ethical behaviour and corporate governance across the Group.

The Board, supported by its committees, monitors the alignment of the Group's culture with its purpose, values and strategy through a variety of mechanisms, cultural indicators and reporting lines, including those summarised below.

Cultural indicators

Health and safety

– Lost Time Incident Frequency Rate (LTIFR)
– Food Safety Incident Rate (FSIR)
– safety walks and results

People

– results of the global employee engagement survey and pulse surveys
– gender pay gap disclosures
– diversity, equity and inclusion (DE&I) statistics
– retention rates

Ethics and integrity

– Internal Audit reports
– annual confirmation of compliance and pledge in respect of compliance with the CBC by senior managers
– Speak Up, We're Listening statistics and trends

Clients and suppliers

– adherence to the Global Supply Chain Integrity Standards
– client retention rates
– supplier audits

Sustainability

– greenhouse gas emissions
– food waste reduction
– number of sites deploying food waste technology
– sustainable sourcing

Workforce engagement

The Designated Non-Executive Director for Workforce Engagement (DNED) provides a communication channel between the Group's workforce and the Board to ensure that the employee voice is represented in the boardroom. As part of a structured programme of engagement, the DNED, Ireena Vittal, held six roundtable meetings in the year with a diverse set of employees representing different sectors, countries and cultures. In addition, non-executive director, Arlene Isaacs-Lowe held two further employee roundtable meetings. The outcomes of the discussions were reported back to the Corporate Responsibility Committee. Read more about these workforce engagement sessions on pages 75 and 91.

Governance and risk

The Board is responsible for oversight of risk and for setting risk appetite. It ensures that the necessary resources are in place for the Company to meet its objectives to measure its performance. A robust governance and risk management framework is in place to ensure that each business is being operated and managed appropriately, and that prudent and effective controls are in place to identify emerging and principal risks and to manage and mitigate those risks. Read more about risk management on pages 24 to 30.

Group strategy

The Board's approval, effective oversight and monitoring of the implementation of strategy are vital to the long-term sustainable success of the Group. The Board considers and approves the Group's strategic aims over the short, medium and long-term. The implementation of strategy is monitored and evaluated on an ongoing basis. Food service remains at the core of Compass' strategy. The market for food service continues to provide significant structural growth opportunities. To ensure Compass remains well placed to capture future market opportunities, the business continues to create innovative, bespoke offerings tailored to the needs of clients and consumers. More details of Compass' business model and strategy can be found on pages 1 to 55.

Engagement with stakeholders

The Board ensures that the Company continues to operate in the best interests of its shareholders as a whole. In exercising its duty to promote the success of the Company, the Board also has regard to other stakeholders, the environment, the reputation of the Company and the need to act fairly between its members. How the Company engages with its stakeholders and how the Board has oversight of stakeholder engagement is described on pages 74 to 79. The Company's Section 172 Statement can be found on page 80.

Management delegation and oversight

The Board delegates the delivery of strategy and day-to-day operational management of the Group to the Executive Committee, which is led by the Group CEO.

Responsibilities of the Board continued

Roles in the boardroom

The Board comprises executive and non-executive directors, which ensures that no individual or small group of individuals dominates the Board's decision-making. All non-executive directors, except the Chair of the Board, are considered independent. The Chair was considered to be independent on appointment. The roles and responsibilities of Board members are detailed below and demonstrate a clear division between the roles and responsibilities of the Board and executive management. The role descriptions of the Chair of the Board, Group CEO and SID are reviewed annually by the Board and are updated as necessary to reflect changes in legislation or best practice. These documents were last reviewed in September 2023. It was concluded that the documents in their current form continue to be fit for purpose and no changes were made.

Copies of the documents can be found on our website, www.compass-group.com

Role	Description
Non-Executive Chair Leading the Board and ensuring its overall effectiveness in discharging its duties.	– shaping the culture in the boardroom and promoting openness, challenge and debate – setting the agenda for Board meetings, focusing on strategy, performance, value creation, risk management, culture, stakeholders and accountability – chairing meetings and ensuring there is timely information flow before meetings and adequate time for discussion and debate – fostering relationships based on trust, mutual respect and open communication inside and outside the boardroom – leading relations with major shareholders to understand their views on governance and performance against strategy
Independent Non-Executive Directors Independent non-executive directors meeting the independence criteria as set out in the UK Corporate Governance Code comprise more than half of Board membership.	– providing constructive challenge, giving strategic guidance, offering specialist advice and holding executive management to account – ensuring that no individual or small group of individuals can dominate the Board's decision-making
Designated Non-Executive Director for Workforce Engagement Providing an effective engagement mechanism for the Board to understand the views of the workforce.	– bringing the views and experiences of the workforce into the boardroom – enabling the Board to consider the views of the workforce in its discussions and decision-making
Senior Independent Director Providing a sounding board for the Chair of the Board and serving as an intermediary for other directors and shareholders.	– providing the Chair of the Board with support in the delivery of objectives, where necessary – working closely with the Nomination Committee, leading the process for the evaluation of the Chair of the Board and ensuring orderly succession to the Chair role – acting as an alternative contact for shareholders, providing a means of raising concerns other than with the Chair of the Board or senior management
Group CEO and Executive Directors Leading the implementation of the Group's strategy set by the Board.	– Group CEO: leading the Executive Committee and ensuring its effectiveness in managing the overall operations and resources of the Group; also leading the implementation of the Group's strategy – executive directors: providing information and presentations to the Board and participating in Board discussions regarding Group management, financial performance and operational matters
Group General Counsel and Company Secretary Supporting the Chair of the Board and ensuring directors have access to the information they need to carry out their roles.	– providing a channel for Board and committee communications and a link between the Board and management – advising the Board on legal and corporate governance matters and supporting the Board in applying the Code and complying with UK listing obligations, and other statutory and regulatory requirements

Board meetings

Board meetings are held through a combination of physical and virtual attendance. Each year, the Board aims to hold one or two meetings overseas. This year, the Board visited the Group's business in the US.

Overseas visits provide an opportunity to assess local management performance and potential, gain further insight into how the business works on a day-to-day basis and to speak face-to-face with local management to better understand the challenges they face and listen to their views.

By visiting operations, directors meet with a diverse group of colleagues including regional, country and senior management and high-potential employees on a more informal basis, which supports the succession planning process. The format of visits often comprises an overview of the country's macroeconomic environment and social trends, the challenges and opportunities facing the business combined with a review of the competitive landscape, and a detailed review of the relevant sectors in which the business operates, including its people and its three-year plan.

In addition to health and safety, and routine financial and operating reports and updates, the Board spends time reviewing Group strategy and performance against the strategic plan.

Meetings between the Chair of the Board and non-executive directors, both with and without the presence of the Group CEO, are scheduled in the Board's annual programme.

During the year, the non-executive directors held regular meetings without the presence of the executives, typically following each Board meeting. These meetings provide the non-executive directors with a forum in which to share experiences and discuss wider business topics. In addition, the non-executive directors attended a dinner without the executive directors present.

Board and committee meeting attendance table

	Board		Audit Committee		Corporate Responsibility Committee		Nomination Committee		Remuneration Committee	
	Eligible to attend[1]	Meetings attended	Eligible to attend[1]	Meetings attended	Eligible to attend[1]	Meetings attended	Eligible to attend[1]	Meetings attended	Eligible to attend[1]	Meetings attended
Carol Arrowsmith	6	6	3	3	3	3	4	4	4	4
Dominic Blakemore	6	6	–	–	3	3	–	–	–	–
Stefan Bomhard	6	6	3	3	3	3	4	4	4	4
Palmer Brown	6	6	–	–	3	3	–	–	–	–
John Bryant	6	6	3	3	3	3	4	4	4	4
Gary Green	6	6	–	–	–	–	–	–	–	–
Arlene Isaacs-Lowe	6	6	3	3	3	3	4	4	4	4
Ian Meakins	6	6	–	–	3	3	4	4	–	–
Anne-Françoise Nesmes	6	6	3	3	3	3	4	4	4	4
Sundar Raman[2]	6	5	3	2	3	2	4	2	4	2
Nelson Silva	6	6	3	3	3	3	4	4	4	4
Ireena Vittal[3]	6	5	3	3	3	3	4	4	4	2
Leanne Wood[4]	2	2	1	1	1	1	2	2	2	2

1. Maximum number of meetings a member was eligible to attend.
2. Mr Raman was unable to attend due to unavoidable commitments that had been in place prior to his appointment, but provided his feedback on the papers to the Chair in advance of the meeting.
3. Mrs Vittal was unable to attend due to ill health, but provided her feedback on the papers to the Chair in advance of the meeting.
4. Appointed to the Board on 4 May 2023.

Board activities

Matters reserved for the Board

The Board has a formal schedule of matters reserved for its decision as follows:

– purpose, strategy and management
– values, culture and stakeholders
– Board membership and other appointments
– financial and other reporting and controls
– audit, risk and internal controls
– contracts and capital structure
– communication
– remuneration
– delegation of authority
– corporate governance and other matters

The matters reserved for the Board are reviewed annually to ensure that they continue to be fit for purpose. They were last reviewed in September 2023 when they were updated to align to the amended treasury policies and to update the financial approval requirements following the change in presentation currency which is effective from 1 October 2023.

Full details can be found on our website, www.compass-group.com.

The Board had a full agenda during the year as set out in the table below:

	November	February	March	May	July	September
Purpose, strategy and implementation						
Group CEO's review including a business update covering financial performance, health and safety performance, ESG, people and cultural indicators, initiatives and performance	●	●	●	●	●	●
Group CFO's report including performance results and outlook, finance, treasury and tax initiatives	●	●	●	●	●	●
M&A and disposals, contract approvals and other capital expenditure	●	●			●	●
Strategy review including Group, regional and sector/forum updates and post-investment review, budget and three-year plan	●	●	●	●	●	●
Stakeholder engagement and shareholder analysis		●		●		●
Approval of change in presentation currency from sterling to US dollars (effective 1 October 2023)				●		
Risks						
Formal biannual material risk assessment				●		●
Governance						
Review of full-year results including going concern, viability statement, and final dividend	●					
Review of half-year results and interim dividend				●		
Trading update		●			●	
Approval of outcome of audit tender process				●		
Review of AGM Notice of Meeting	●					
Approval of corporate governance documentation	●			●		●
Approval of Board appointments/changes to directors' roles/responsibilities	●			●	●	●
Review of Committee minutes	●	●	●	●	●	●
Review of post-AGM Remuneration Report resolution statement		●			●	
Effectiveness						
Annual Board evaluation process and outturn				●	●	
Annual review and approval, and ad-hoc review and approval of directors' conflicts of interest				●	●	

At every meeting, the Board is briefed on aspects of the Group's strategic pillars: People, Performance and Purpose.

People

People are Compass' greatest asset. During the year, the Board and the Nomination Committee continued their focus on developing the Board's blend of skills and experience. The Board also continued its employee engagement efforts through a variety of means including roundtable meetings and site visits.

In March, the Board visited the Group's US business. During the visit, the Board attended the annual Envision Summit at the University of Miami. The Envision Group provides expertise and functional support to all operating sectors in the US, with a focus on growth, innovation and performance underpinned by sustainability.

At the summit, the Board and other delegates listened to presentations from business leaders, and toured stands showcasing frictionless technologies and brands which are being deployed by Compass to deliver quality food and hospitality experiences and a positive impact for the food system. Afterwards, the Board met with the senior North America leadership team and other delegates on an informal basis and listened to their perspectives.

In May, Leanne Wood joined the Board, building on the work already undertaken to broaden the diversity and capabilities of the Board. Leanne is the current Chief Human Resources Officer of Vodafone Group Plc and has extensive HR, strategic and operational experience. The Board fully supports management's ambition to create a diverse workforce and to increase female representation at senior levels in the organisation.

The role of the DNED is to provide an effective communication channel between the Group's workforce and the Board to ensure that the employee voice is represented in the boardroom. Ireena Vittal has been the DNED since 2019. This year, the Board approved the Nomination Committee's recommendation that Ireena's tenure in this role be extended until the conclusion of her term in office as a non-executive director. Details of the employee roundtables held by Ireena during the year together with the meetings held by her Board colleague, Arlene Isaacs-Lowe, can be found on page 75.

During the year, a number of the non-executive directors separately visited some of the businesses' operations in Australia, Portugal, Switzerland and the US. During the visits, the directors met with local management and toured client sites in the Business & Industry and Education sectors. These visits gave the non-executive directors the opportunity to engage with clients to understand what is important to them and why they choose to work with Compass. Time was also spent talking to front line employees and consumers and listening to their feedback. One director took the opportunity to assist the local team with operational tasks and to join a safety moment before service commenced for the day. These visits provided the directors with a first-hand experience of the Group's businesses, the challenges and opportunities facing them, and the views of stakeholders.

Regular reports from management, feedback from activities undertaken by Ireena Vittal and her Board colleagues and other initiatives have helped inform the Board's discussions and decision-making during the year. More information on our People initiatives can be found on pages 32 to 37.

Performance

Throughout the year, the Board monitored the Group's performance against the strategic framework and priorities, including M&A, global trends, and risks and opportunities. To assist it, the Board received regular reports from the Group CEO and the Group CFO, and presentations from each of the Group's Regional Managing Directors on regional performance. It also received updates from key functional heads, e.g. Legal, Tax, Treasury, Information Systems and Technology, and People on matters that could have an impact on the Group's financial or operational performance.

In March, the Board reviewed the strategic plans for the Group. The Group's strategic priorities continued to be focused on organic growth across all sectors and geographies supplemented through disciplined M&A. The Board reviewed the addressable food services market analysed by region and sector together with the continued structural growth opportunities available to the Group, which were expected to deliver future revenue growth. The Board also reviewed the three strategic pillars underpinning the growth ambitions, namely People, Performance, and Purpose.

The Board receives reports from the Group CEO at every meeting on progress against the Group's strategy. In addition, the Board receives annual business updates from the regional management teams setting out progress against their regional strategic objectives.

At each meeting, the Board receives a report from the Group CFO setting out the financial performance of the regions and the Group in the latest period and for the year to date. The Board considers the key financial performance metrics, including revenue, organic revenue growth, operating profit and margin, operating cashflow and cashflow conversion. It also regularly reviews the financial outlook of the Group. Additionally, the Group CFO's report provides the Board with updates on tax and treasury matters, cyber-security arrangements and technology developments.

In September, the Board reviewed the Group's preliminary budget for the financial year ending 2024 and the three-year plan for 2024-2026. The Board reviewed the key financial metrics against the backdrop of an uncertain economic climate and elevated levels of inflation. The budget and the three-year plan were both approved in principle subject to final approval being given in November 2023.

Twice a year, the Board reviews the material financial and non-financial risks facing the Group's businesses, including new and emerging risks, and agrees the Group's principal risks at the half and full-year. It also considers the identification of risks and opportunities, the development of action plans to manage risks and maximise opportunities, and the continual monitoring of progress against agreed key performance indicators. The Board agreed that due to the escalating tensions in the Middle East and the ongoing Russia-Ukraine conflict, the trend for geopolitical risk should be elevated to reflect the year-on-year increase in risk. The Group's principal risks, and how these are managed, are set out on pages 24 to 30.

Board activities continued

The Board has also established processes for identifying emerging risks and horizon scanning for risks that may arise over the medium to long-term. The Board has identified artificial intelligence (AI) as an emerging risk as the democratisation of generative AI has given widespread access to powerful online AI services for content creation.

During the year, the Board conducted a post-investment review which sampled around 20 client contracts. The review considered the profiles of the contracts, including: annual revenues, capital expenditure and investment returns by sector and region, post-tax returns and contract ROCE, the performance of new and retained contracts versus the original business case, and proactive contract life cycle management designed to safeguard returns. The detailed post-investment review concluded that the Group's disciplined approach was creating shareholder value.

Following a recommendation from the Audit Committee, the Board approved a change in the Group's presentation currency from sterling to US dollars with effect from 1 October 2023. This will provide investors and other stakeholders with greater transparency over the Group's performance and will mitigate foreign exchange volatility on earnings, given that approximately three-quarters of the Group's underlying operating profit originates in US dollars.

The Board also received a presentation from chefs and culinary innovators from the Group's Global Culinary Forum. The Forum was created to bring together key culinary talent to collaborate and exchange ideas and share best practices by tapping into the rich seam of knowledge and unique insights from those at the forefront of the Group's businesses. The Board was keen to understand the progress being made by the Forum, which is helping to drive better commercial and sustainability outcomes. More information on our strategy and business model can be found on pages 1 to 55.

Purpose

At every meeting, the Board is briefed by the Group CEO on Purpose including up-to-date performance data on the Group's workplace health and safety and food safety metrics against the established limits set at the beginning of the year. It is also briefed on the progress being made on the Group's sustainability agenda, including the new food waste metric which was introduced at the beginning of the year, and social initiatives.

During the year, the Corporate Responsibility Committee monitored the adoption of food waste tracking technology in operations across the Group. 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. More information about our efforts to reduce food waste can be found on page 39.

In February, the Chair of the Board, together with the Group CEO, Group CFO, SID and Committee Chairs attended the 2023 AGM with the other directors participating online. The AGM is an important event in the Board's calendar where directors have the opportunity to listen to the perspective of shareholders, answer their questions and to meet with them on a more informal basis. At the 2023 AGM, shareholders asked questions about a wide range of topics including Compass' approach to the UK real living wage, job security, diversity, equity and inclusion, animal welfare and sustainability. In addition to the AGM, the Group CEO, Group CFO, other directors and senior managers also met regularly with investors as part of the Group's investor engagement programme, details of which can be found on page 76. The Remuneration Committee Chair also engaged extensively with investors during the year, and details of that engagement can be found on pages 97, 98, 103 and 104.

In November 2022, the Board considered and approved the Company's 2022 Modern Slavery Act (MSA) Statement which provides an update on the progress made in the last year to further develop Compass' approach to mitigating the risks of modern slavery in the Group's businesses and their supply chains.

The 2022 MSA Statement can be found on our website, www.compass-group.com.

The 2023 MSA Statement will be published on our website in December 2023. More information about the Group's Purpose can be found on pages 38 to 44.

Board administration

Information and support

All directors have access to the advice of the Group General Counsel and Company Secretary, who ensures that satisfactory Board procedures are followed, and good corporate governance and compliance processes and practices are adhered to. Together with the Group CEO and the Group General Counsel and Company Secretary, the Chair of the Board ensures that the Board is kept properly informed and is consulted on all matters reserved for it, that Board papers are of a high standard, and that information is distributed in a timely fashion to allow directors to be suitably prepared in advance of meetings.

The Board has established a procedure for directors, if deemed necessary, to seek independent professional advice at the Company's expense in the furtherance of their duties.

In accordance with the Company's articles of association, directors have been granted an indemnity by the Company to the extent permitted by law in respect of liabilities incurred as a result of their office. The indemnity would not provide any coverage where a director is proved to have acted fraudulently or dishonestly. The Company has also arranged appropriate insurance cover in respect of potential legal action against its directors and officers.

Board effectiveness, induction, training and development

A formal and rigorous evaluation of the Board, its committees, the Chair of the Board and individual directors is conducted every year. The Nomination Committee is responsible for overseeing the evaluation process. The Chair of the Board is responsible for acting on the evaluation's results, recognising strengths and addressing any areas for improvement that have been identified. The details of this year's internal evaluation process can be found on page 96.

The Chair of the Board addresses the developmental needs of the Board. All directors are required to refresh and update their skills, knowledge, expertise and familiarity with the Company on an ongoing basis, ensuring that the Board continues to operate effectively. A formal, comprehensive and tailored induction is provided to all directors following their appointment, including external training, visits to key locations within the Group, and meetings with members of the Executive Committee, other senior executives and functional heads. The induction also covers a review of the Group's governance policies and structures, including details of the risks and operating issues facing the Group.

As part of ongoing training, the Board and its committees receive regular updates from expert advisers such as the Group's auditors, external legal counsel, remuneration advisers and internal subject matter experts, and have access to external training courses where appropriate. The Chair of the Board, supported by the Nomination Committee, considers the training needs of directors as part of the annual evaluation process. Where a training need is identified by the Nomination Committee or a director, the Group General Counsel and Company Secretary facilitates this.

During the year, the directors participated in a training session delivered by the Group's sustainability team, the external auditor and the Company's external sustainability advisers, which focused on the evolving ESG landscape. The directors discussed the developing disclosure requirements under the EU Corporate Sustainability Reporting Directive and the International Sustainability Standard Board's first two sustainability reporting standards, together with recent TCFD developments. The training session also highlighted developments in the broader ESG landscape and the growing expectations of stakeholders.

Conflicts of interest

As part of their ongoing development, executive directors are permitted to take on one external non-executive role on a non-competitor listed company board, subject to prior approval by the Board. Fees earned for the appointment may be retained by the director. The Board monitors the extent of directors' other interests and the time commitment required to fulfil those interests to ensure that the effectiveness of the Board is not compromised.

Each director has a duty under the Companies Act 2006 to avoid a situation in which they have, or might have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company. This duty is in addition to the obligation owed to the Company to disclose to the Board an interest in any transaction or arrangement being considered by the Company. The Company's articles of association authorise the directors to approve such situations and to apply other provisions to allow conflicts of interest to be managed. The Board follows an established procedure when deciding whether to authorise an actual or potential conflict of interest. Only independent directors (i.e. those with no interest in the matter under consideration) can make the relevant decision. In making a decision, the directors must act in good faith and in a way they consider most likely to promote the Company's success. Further, the directors may, if appropriate, impose limits or conditions when granting authorisation.

The Board considered and authorised each director's reported actual and potential conflicts of interest at its meeting in July 2023. It also considered any changes on an ad-hoc basis throughout the year. Any authorised conflicts are reviewed at least every 15 months.

Stakeholder engagement

Compass is a geographically and culturally diverse business with operations in around 35 countries. As a result, it has a global and diverse community of stakeholders, each with their own interests in, and expectations of the Company.

As set out in the Strategic report, we have a decentralised structure enabling the development of strategies on a country-by-country and sector-by-sector basis for which country management are responsible and accountable. The Board's role is therefore to provide a framework that gives the Group's businesses the freedom and flexibility to make decisions, pursue opportunities, and manage risks.

Responsibility for the day-to-day operational management and implementation of Group strategy has been delegated to the Group Executive Committee, led by the Group CEO.

To enable the effective day-to-day running of the Group's businesses, the country Managing Directors and local leadership teams are responsible for local strategy, execution, and compliance, in alignment with Group values, governance and standards. Depending on the region, an additional layer of regional and functional leadership is present. As a result, stakeholder engagement primarily takes place at a local operational level, and the Board relies on local management to keep it informed of the impact of the Group's operations on its stakeholders.

During the year, the Board and the Corporate Responsibility Committee considered information from across the Group's businesses and received presentations from management. This enabled the Board to consider the likely consequences of decisions over the long term and, where relevant, the impact on stakeholders and the environment. Examples of decisions made during the year, and the stakeholders impacted, are given on page 81.

A summary of how Compass engages with its stakeholders and how the Board is involved and kept informed of stakeholder engagement follows.

Clients

Why we engage

By understanding what is important to clients, Compass can ensure that its solutions are tailored to support their individual business objectives.

How we engage

Compass maintains open and transparent relationships based on honesty and respect. Engagement with clients occurs in many ways, including:

- updating clients through quarterly business reviews
- creating targeted strategies to meet their sustainability goals
- hosting sustainability advisory councils
- gathering insights from print and social media
- collecting feedback from surveys
- hosting online events, podcasts and teaching kitchens
- utilising NPS (net promoter scores) in some markets

Areas of focus

- talent recruitment and retention
- on-trend technology solutions
- diversity, equity and inclusion (DE&I)
- clean and safe environments
- sustainability commitments including: climate net zero, plant-forward menus, reduction of food waste and single-use plastics, and supporting local communities
- providing cost-effective, quality food solutions for our clients

Engagement in the year

- Sustainability Advisory Council with key Business & Industry clients in the Group's largest business in the US
- annual Stop Food Waste Day global activities, including a live event with 50+ clients in Portland, Oregon
- Chef Appreciation Week
- working as part of a global collaborative network for leading innovators in the food space
- developing custom solutions through consultation with clients
- webinars, roundtables, and factsheets on topical issues, including inflation and sustainability
- individual visits by non-executive directors to some of the Group's businesses where the directors directly engaged with clients
- UK Social Mobility client event in London
- Agro Food Park in Denmark
- Innovation Council with industry experts in the US and UK
- Global Eating at Work survey – consumer research conducted for engagement with clients

How the Board has oversight

The Board is kept informed of business performance by the Regional Managing Directors (RMDs), who provide an overview of operations at a regional, country and sector level. The RMDs are supported by their senior leadership and marketing teams, who provide further analysis of the client base. From these reports and those of the Group CEO and Group CCO, the Board forms a view of the interests of the clients of the businesses, ongoing client engagement activities, and what is important to clients.

People

Why we engage

People are at the heart of the Group's strategy for growth. Compass wants employees to thrive in a fair and inclusive work environment. Understanding their needs and motivations helps to drive business performance and to provide a great place to work.

How we engage

Employee engagement is primarily conducted through the Group's supportive management structure. A policy of honesty and openness facilitates feedback for discussion. Engagement takes many forms including: surveys, roundtables, sector and functional forums, townhalls, Speak Up, We're Listening reports, internal social media channels, and consultative bodies.

Areas of focus

- DE&I and wellbeing
- digital and technology
- proposed consolidation of the UK pension trust arrangements
- talent and progression
- executive remuneration

Engagement in the year

- engagement surveys in 19 countries, including a full engagement survey in the US, with over 140,000 responses received
- virtual townhalls
- roundtables with the DNED, Ireena Vittal, supplemented by roundtables held by non-executive director, Arlene Isaacs-Lowe
- Board and non-executive director visits to some of the Group's businesses where they engaged directly with front line employees
- DE&I Be the Difference conference in the US
- further leveraging the use of mobile apps to better connect with front line colleagues
- employee forums and virtual panel discussions, such as the People Happiness Forum held by Compass Middle East
- carbon literacy training for UK Foodbuy colleagues
- consultation with UK employees who are members of Compass' UK pension schemes and the UK Works Council (which includes representatives nominated by recognised trade unions) on the proposed merger of the UK defined benefit and defined contribution schemes

How the Board has oversight

The Group CEO, Group CFO, Group CPO and other senior executives hold townhalls and make presentations to update employees on the Group's strategy and performance, and on key initiatives such as the Group's climate net zero commitment. The townhalls include Q&A sessions for employees to ask questions about the Group's performance and the challenges and opportunities facing the business. A proportion of the time is also allocated during the sessions to celebrate the achievements of front line and other colleagues, who are able to share their experiences of working at Compass.

During the year, Ireena Vittal, the DNED, engaged directly with employees across the Group to understand their views and experiences of working at Compass, hearing what could be improved and taking feedback on our approach to remuneration.

Six roundtable meetings were held with employees from a variety of sectors, businesses and geographies across the Group as part of a structured programme of engagement designed and supported by the Group CPO. These roundtables provided the DNED with opportunities to hear directly from employees in an open environment, which in turn enabled the Board to better understand the differing views of our people.

DNED roundtables in 2023

6 February session, countries represented:
Australia, UK

7 February session, countries represented:
Canada, Finland, UK

8 May session 1, countries represented:
Australia, Colombia, UAE

8 May session 2, countries represented:
Belgium, USA

22 August session, countries represented:
India, Italy, USA

23 August session, countries represented:
Netherlands, Spain, USA

Participants valued the opportunity to share experiences and learn from each other. They particularly appreciated the open, intimate structure of the sessions and the freedom to explore a variety of topics that are important to them.

The feedback from these roundtables was combined with the output from the Group's wider engagement activities and were reported to the Corporate Responsibility Committee. The main themes arising from the roundtables included:

- the challenges faced by operations and functions in recruiting and retaining talent
- the importance of development opportunities for employees
- the positive sentiment about how Compass considers the wellbeing of its employees and the importance of maintaining focus in this area
- the sharing of best practices across different markets and businesses, which has been hugely beneficial and should continue to be encouraged
- continuing to focus on the development of unit managers

Two further employee roundtables were held in the year hosted by non-executive director, Arlene Isaacs-Lowe. The first session was held virtually when Ms Isaacs-Lowe met with colleagues representing the UAE, North America, and Türkiye. The second roundtable meeting was held face-to-face when Ms Isaacs-Lowe met with Black Ambassadors from the Group's UK&I business, in support of the UK&I's Black Future Month, one of a series of initiatives held during the year to recognise and promote opportunities available to the diverse communities of talent across the Group. These sessions provided an opportunity for black and ethnic minority colleagues to share their personal experiences of working at Compass and their views on the actions being taken by management to give a voice to, and inspire talent from, black and ethnic minority communities.

Feedback from employee roundtables, and output from the wider engagement activities, enable the Board to form a view of the interests of employees, what is important to them, and ongoing engagement activities. Some examples of how the Board has considered employees in its decision making are set out on page 81.

Stakeholder engagement continued

Shareholders

Why we engage

Compass' philosophy is to engage in regular, open, and transparent dialogue with existing and prospective shareholders. Their views and opinions are shared with and valued by the Board, which reviews the feedback and, where considered appropriate, takes action to address any concerns.

How we engage

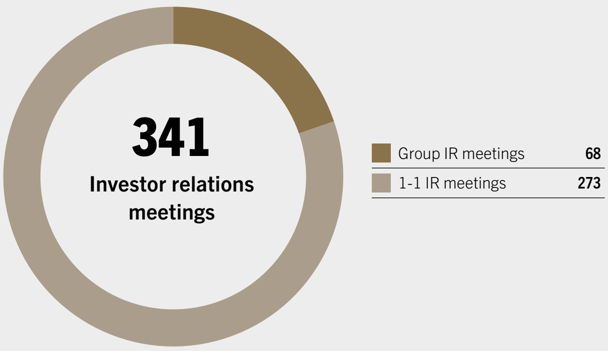
Compass engages with existing investors through one-to-one and group meetings, webcasts, presentations, conference calls and the Company's AGM.

Areas of focus

- financial performance
- competitive positioning
- strategy and outlook
- ethical business practices and sound governance
- leadership and succession planning
- debt and liquidity
- sustainability and ESG
- executive remuneration

Engagement in the year

During the year, as part of its proactive engagement programme organised by the Group's Investor Relations team, the Company held 341 meetings (virtually and in person), with representatives from 430 institutional investors through a mix of group and one-to-one appointments. Of these, 81 were attended by the Group CEO and/or Group CFO (2022: 71).



The Chair of the Board, the Remuneration Committee Chair and other members of the Group's management such as the Group General Counsel and Company Secretary, Group CPO, Group Reward Director and Group CCO, as appropriate, also engaged with investors on a wide range of matters including governance, people, remuneration and sustainability. The Company also held a virtual investor deep dive on sustainability, which was attended live by 86 institutional investors and sell-side analysts.

The 2023 AGM was held at Twickenham Rugby Football Union stadium. Shareholders were encouraged to submit questions in advance of the meeting. All questions and answers were posted on the Company's website.

How the Board has oversight

The Chair of the Board ensures that the Board maintains an appropriate dialogue with shareholders. The Group CEO, Group CFO and Head of Investor Relations and Corporate Communications meet regularly with institutional investors to discuss strategic issues and to make presentations on the Company's results.

Committee Chairs are available to engage with major shareholders regarding their areas of responsibility. Non-executive directors develop an understanding of the views of major shareholders through regular updates from the Head of Investor Relations and Corporate Communications and from external advisers.

The Group General Counsel and Company Secretary also acts as an important focal point for communications on corporate governance matters throughout the year, particularly around shareholder meetings.

All shareholders are invited to attend the Company's AGM, which provides a forum where they can put questions to the Board and meet with individual directors and senior executives after the AGM.

Consumers

Why we engage

Compass serves people safe and healthy food and drink, which improves learning and helps them work more productively and recover better. As an organisation, Compass wants its consumers to thrive and creates environments to help them do that.

How we engage

Compass uses a variety of methods to engage with consumers including:

- gathering external consumer research and trends
- conducting internal surveys, comment cards, and focus groups
- through interactions with front line staff
- providing demonstrations through chefs' tables and in person
- executing global campaigns, e.g. Stop Food Waste Day
- virtual teaching kitchens, podcasts, and social media posts

Areas of focus

- clean and safe environments
- technology-enabled solutions including apps to speed up service, and alternative payment methods such as frictionless payment or payroll deduction
- safe, delicious and healthy food with a variety of offerings, including local and global flavours at a competitive price
- on-trend offers specifically around wellness and sustainability
- excellent service

Engagement in the year

- climate-friendly menus
- Stop Food Waste Day
- Chef Appreciation Week
- spotlighting local farmers and producers
- engaging with diverse suppliers
- eco-labelling
- behavioural change pilots promoting more sustainable and healthy diets
- real-time feedback through digital apps
- IGNITE – National Student Dining Advisory Board on college campuses that enables students across the US to come together virtually and to provide thought leadership on Compass' dining programmes
- Global Eating at Work survey – consumer research conducted for engagement with clients and consumers

How the Board has oversight

The Board receives updates on trends from sector leaders, including details of opportunities, challenges, and developments in consumer food services, e.g. product innovation and consumer interest in brand responsibility and sustainability. Understanding what is important to the Group's consumers and responding to evolving consumer trends and behaviour is essential to the success of the business. Management has well-established processes and solutions for capturing market information on changes in consumer trends. These are reported to the Board by the Executive team, particularly through the Group CEO's reports, and presentations provided by the regional management teams and country Managing Directors.

Suppliers

Why we engage

Compass engages with its suppliers: to collaborate on building resilient and sustainable supply chains through mutually beneficial, lasting partnerships; to address shared challenges in responsible and sustainable sourcing, and to communicate the Group's supply chain standards, expectations and commitments.

How we engage

The Group's businesses regularly communicate with their suppliers. Examples of how they engage include:

- regular open dialogue
- formal supplier surveys, reviews, and audits
- hosting annual summits in large markets with senior operators, and with culinary and marketing leaders
- creating client roundtables for targeted sustainability initiatives
- utilising NPS data
- attending conferences with key suppliers and NGOs involved in supply chain monitoring
- via the implementation of Sedex

Areas of focus

- food safety and provenance
- workplace health and safety
- supply chain integrity
- human rights and modern slavery
- environmental impact
- inflation
- allergen and nutritional information
- ethical recruitment practices
- Business Integrity Policy

Engagement in the year

- plastic-free pilots with well-known soft drinks brands
- supplier collaboration to achieve sustainability commitments e.g. cage-free eggs
- roundtable participation with ethical suppliers e.g. Responsible Soy (RTRS), Sustainable Palm Oil (RSPO), Seafood Watch, and Global Coalition for Animal Welfare
- supplier conferences organised by Foodbuy in the US and the UK
- allergen and nutritional information
- Foodbuy Sustainability Hub (which won the Stakeholder Engagement award at the Footprint awards in the UK)
- Black, Indigenous and People of Colour (BIPOC) Farmer Program in North America
- Diverse Supplier Accelerator Program in North America
- dialogue with five farms within the UK&I business's supply chain that are part of the Soil Association Exchange programme

How the Board has oversight

The Board is kept informed about supply chain initiatives through the Corporate Responsibility Committee which receives reports from the Group CCO, the Sustainability team and the Group Head of E&I, including work to identify and prevent modern slavery and human trafficking in the Group's businesses and supply chains.

Stakeholder engagement continued

Communities

Why we engage

Compass engages with the communities in which it operates in order to: build trust by operating responsibly and sustainably; by addressing issues that are important to the communities; and by providing training opportunities, careers and support to local people, particularly those who are not in education, training or employment.

Compass aims to enrich the communities in which it operates and to minimise its impact on the environment. Our businesses operate in culturally diverse communities with differing characteristics and needs.

How we engage

Compass operates many local employment programmes to recruit and develop local people to work at its sites. This includes partnering with local charities and organisations to raise awareness and donating funds to help local causes. Surplus food is also donated to various organisations that pass it on to people in their communities who need it. Through The Compass Group Foundation (the Foundation), we engaged with charities and community organisations in the US, UK, Türkiye, India, Australia, and Spain to fund inclusive job and training opportunities for under-privileged groups, as well as to empower local and SME suppliers.

Areas of focus

– fair employment and equal opportunities
– local causes and issues

Engagement in the year

The Foundation provided grants to a number of charities around the world, with Compass employees (where possible) volunteering their skills and expertise to amplify the Foundation's impact.

In India, the Foundation and the Indian business are partnering with the Sai Swayam Society to train young people with speech and hearing disabilities in hospitality, IT, life and soft skills, which has increased their confidence, self-esteem and, importantly, enabled them to secure positions in well-respected companies. Employees from Compass in India have visited the organisation's facilities to support with training activities and identifying job opportunities.

In Spain, the Foundation and our Spanish business are working with Fundación Integra to train women who have been victims of domestic violence, and to provide them with free access to a hospitality certification via Compass Group Spain's Women's Academy. Volunteers from Compass in Spain have provided training and tutoring to the women as they progress with the qualification.

In Türkiye, the Foundation and Compass' Türkiye business engaged with the Down's Syndrome Association (DSA) to train and place people with Down's Syndrome in jobs in the food and hospitality sector and raise awareness of the contribution of people with Down's Syndrome in the job market.

In the UK, the Foundation and our UK&I business are working with FoodCycle to recruit and train project leaders to undertake the running of community kitchens to support food security and tackle isolation. Compass UK&I chefs have been donating their time to upskill FoodCycle volunteers. In addition, the Foundation is working with the KERB social enterprise to provide opportunities for very early start food business owners, particularly those from less advantaged backgrounds, to access street food equipment and to trading at a market.

In the US, the Foundation and our US business are supporting the Carolina Farm Stewardship Association to provide advice and support to small farmers in food safety planning and certification, focusing on sustainable farming practices and climate resilience.

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 Compass Group 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.

During the year, further engagement took place with several other charities, with more projects due to be funded by the Foundation in 2024.

Beyond the Foundation, there are many instances of community engagement across the businesses, including:

– DelightFul week in the USA – 300 college campuses performing a million acts of kindness
– SoldierOn, an Australian organisation dedicated to supporting veterans and their families including a focus on creating employment opportunities and investing in mental health
– Mission to a Million – Compass Group UK&I's commitment to provide support to one million people by 2030 through jobs, training, community engagement and development

How the Board has oversight

Community engagement is primarily achieved though liaison with local organisations and representatives and via initiatives that are sensitive to cultural differences. The Board is kept informed of such activity through the Corporate Responsibility Committee, which receives regular reports from the Group CCO and the Sustainability team, and through the presentations given to the Board by the regional and country management teams.

Non-governmental organisations

Why we engage

Compass engages with non-governmental organisations (NGOs) to ensure it stays up to date and develops effective action plans to enable it to have a positive impact on key social, environmental and economic issues relevant to the Group's businesses.

How we engage

Dialogue with NGOs is maintained through regular communications, interactions, and meetings, as well as through industry association memberships and at forums and conferences.

Areas of focus

- human rights
- climate change
- animal welfare
- social issues
- food waste

Engagement in the year

- our US business integrated analytics data from its non-profit partner, ReFED, in the Waste Not 2.0 dashboard to report the environmental impact of food waste being generated at its sites
- our US businesses presented at the ReFED Food Waste Solutions summit in the US including endorsing Stop Food Waste Day
- our US business co-created case studies with ReFED on behavioural changes to reduce consumer food waste in the US
- World Business Council for Sustainable Development workstreams, plus Asia Pacific culinary training programme
- our US business participated in the Food Tank Chief Sustainability Officer roundtable
- our US business is a founding member of and annual presenter at Menus of Change in the US
- our global procurement team held regular dialogue with animal welfare NGOs
- our UK business worked in partnership with WRAP, a climate action NGO, to support various Courtauld working groups, including: UK Agri Forum, Supply Chain GHG, Hospitality and Foodservice (food waste and plastics)
- our Canadian business created Forward Food menus, in conjunction with Humane Society International
- our US business worked in partnership with the World Resources Institute as part of The CoolFood Pledge
- our US business worked in partnership with Single-Use Material Decelerator to create a packaging scorecard (now used globally within Compass)

How the Board has oversight

The Board is kept up to date on interactions with NGOs, which support Compass with their knowledge and expertise. The Corporate Responsibility Committee receives reports from the Group CCO, the Group Sustainability team, and the Group Director for Employment, Equity and Social Impact on key areas of focus, such as climate change, farm animal welfare and human rights.

Governments and regulators

Why we engage

It is important to engage with governments and regulators in order to communicate Compass' views to those who have the responsibility for implementing policy, laws, and regulations relevant to our businesses.

How we engage

Compass' views are made known through a series of industry consultations, forums, and conferences.

Areas of focus

- consumer health and public health policies
- food safety
- workplace health and safety
- human rights
- climate change
- legal and regulatory compliance
- public sector procurement
- government buying standards for food and catering services

Engagement in the year

- engagement with government departments responsible for environment, food, and rural affairs
- consultation on food waste
- consultation on public sector procurement legislation
- changes to nutritional standards in the public sector
- participated in the UK FCA's consultation on audit and corporate governance reform
- UK&I business engagement with the UK Cabinet Office, including its public sector sourcing industry forum covering changes to public procurement legislation, and joint development of sourcing playbooks
- UK&I business engagement with the UK Department for Environment, Food and Rural Affairs (DEFRA) Food Data Transparency Partnership, consultations on Government Buying Standards for Food Waste reporting, Extended Producer Responsibility (packaging), and the proposed Deposit Return Scheme
- UK&I Managing Director's membership of the UK Government's Food and Drink Sector Council (DEFRA secretariat)

How the Board has oversight

The Group General Counsel and Company Secretary, Group Head of Tax, and other subject matter experts regularly update the Board and its committees on regulatory developments affecting the Group and its businesses. In addition, the Board receives updates from the regional and country Managing Directors on relevant developments in their businesses.

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. In making decisions, the directors consider what is most likely to promote the success of the Company for its shareholders in the long term, as well as the interests of the Group's other stakeholders. The directors understand the importance of taking into account the views of stakeholders and the impact of the Company's activities on local communities, the environment, including climate change, and the Group's reputation.

The table below sets out the areas of this Report which demonstrate how the directors have had regard to their Section 172 responsibilities.

Section 172	Find out more
(a) the likely consequences of any decision in the long term	– Strategic report: pages 1 to 55 – Consideration of stakeholder interests: page 81
(b) the interests of the company's employees	– Chief Executive's review: page 10 – Strategic framework and our business model: pages 4 to 6 – Stakeholder engagement: page 75 – People: pages 32 to 37 – Consideration of stakeholder interests: page 81 – Remuneration Committee report: page 98 – Ethics and integrity: pages 13 and 14
(c) the need to foster the company's business relationships with suppliers, customers and others	– Strategic report: pages 1 to 55 – Stakeholder engagement: page 77 – Consideration of stakeholder interests: page 81
(d) the impact of the company's operations on the community and the environment	– Strategic report: pages 1 to 55 – Stakeholder engagement: page 78 – TCFD report: pages 45 to 54 – Consideration of stakeholder interests: page 81 – Purpose: pages 38 to 44
(e) the desirability of the company maintaining a reputation for high standards of business conduct	– Risk management: pages 24 to 30 – Consideration of stakeholder interests: page 81 – Audit Committee report: page 84 – Ethics and integrity: pages 13 and 14 – Safety culture: page 12
(f) the need to act fairly as between members of the company	– Strategic report: page 8 – Stakeholder engagement: pages 74 to 79, and 103 to 105 – Consideration of stakeholder interests: page 81 – Remuneration Committee report: pages 103 to 105

The above Statement on Section 172 of the Companies Act 2006 is incorporated by reference into the Strategic report on pages 1 to 55.

Consideration of stakeholder interests during the year

The examples below give an insight into how the Board had regard for the interests of its stakeholders in some of its decision-making processes during the year.

Key decisions

Shareholder returns

The Board recognises the importance of shareholder returns and, during the year, rewarded shareholders by recommending a final dividend of 22.1 pence per share for the financial year ended 2022, and approving an interim dividend of 15.0 pence per share for the financial year ended 2023. The Board also approved share buybacks of £1 billion (£250 million in H1 and £750 million in H2) in the year under review.

In its deliberations, the Board considered the Group's strong financial performance in the financial year ended 2022 and in the first six months of the 2023 financial year, including its cash position and distributable reserves, together with its stated dividend policy and capital allocation model, as set out on pages 6 and 20. The Board also considered shareholders' views and the impact of the dividend payments and share buybacks on the Group's UK defined benefit pension scheme. The Board concluded that approval of the dividends and the share buybacks were in the best interests of the Company and its shareholders as a whole and that there was no material impact on the UK pension scheme in light of its current surplus.

Stakeholder impact:

Shareholders People

Presentation currency

The Company announced with the half-year results in May 2023, that it would change its reporting currency from sterling to US dollars with effect from 1 October 2023.

In coming to that decision, the Board carefully considered the relative merits of such a change and the impact for shareholders. The Board concluded the change in presentation currency was in the interests of shareholders and other stakeholders and would provide them 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.

Stakeholder impact:

Clients People Shareholders
Consumers Suppliers Communities
NGOs Governments and regulators

Capital expenditure

During the year, the Board considered capital expenditure requests from the Group's North America business in connection with the implementation of Enterprise Resource Planning (ERP) software to replace in-unit accounting systems which had reached the end of life.

Before arriving at its decision, the Board considered the benefits and challenges of implementing the new ERP software, noting that it would help: simplify operational processes; create business efficiencies (e.g. automate contractual billings and payments; automate vendor invoice processing and workflow management, and reduce manual journal entries); and improve data accuracy and the overall control environment.

The Board noted that the ERP software had been piloted at two large and complex Education sites with the purpose of testing and validating the operation of ERP software in live units, validating the assumed risks of significant process changes, and to inform the requirements for scaled deployment.

The Board approved the capital expenditure requirements on the basis that it would strengthen and improve operational and organisational processes, which was beneficial to the Group's North America employees, clients and suppliers.

Stakeholder impact:

People Clients Suppliers

Audit Committee report

Anne-Françoise Nesmes
Chair of the Audit Committee

Governance

Anne-Françoise Nesmes was appointed Chair of the Audit Committee in February 2021 and is the serving Chief Financial Officer of Smith+Nephew PLC. She is a chartered management accountant and is considered by the Board to have recent and relevant financial experience and to be competent in auditing and accounting.

Committee membership comprises the Chair of the Committee and all of the non-executive directors (other than the Chair of the Board). Each member of the Committee has appropriate financial and commercial experience in multinational and/or complex organisations, combined with a sound understanding of the Company's business, and is therefore considered by the Board to be competent in the Company's sector. The expertise and experience of the directors can be found in the biographies on pages 59 to 61. The Board considers each member of the Committee to be independent in accordance with the criteria set out in the UK Corporate Governance Code 2018 (the Code) and capable of assessing the work of management, the assurances provided by the Internal Audit function and the external auditor, as well as the effectiveness of the risk management and internal control systems.

Members of the Committee are appointed by the Board following recommendation by the Nomination Committee. The Committee meets at least three times a year. The quorum for a meeting is two members. The Committee held three meetings during the year. The meetings attendance table can be found on page 69. The Chair of the Committee reports to the Board on Committee activities and engages regularly with key individuals involved with the Company's governance. The Chair also has regular contact with the external Senior Statutory Audit Partner and attends the AGM to respond to any shareholder questions that might be raised on the Committee's activities.

Only members of the Committee have the right to attend Committee meetings. Other individuals such as the Chair of the Board, the Group CEO, Group CFO, Group Financial Controller, Director of Financial Planning & Analysis, Group Director of Risk and Internal Audit, Group Chief Information Officer (CIO), Group Head of Tax, Group Head of Ethics and Integrity (E&I) and external advisers, may be invited to attend all or part of any meetings, as and when appropriate. The Group General Counsel and Company Secretary, who acts as Secretary to the Committee, attends all meetings of the Committee. The external auditor also attends all meetings of the Committee. Other members of senior management are invited to present such reports as are required for the Committee to discharge its duties. At the end of every meeting, Committee members hold private discussions with the external auditor, without executive management and other invitees being present. Committee members also have discussions with the Group Director of Risk and Internal Audit without executive management and other invitees being present.

The Committee is authorised to seek external legal and independent professional advice as it sees fit. The terms of reference of the Audit Committee are reviewed annually to ensure they continue to be fit for purpose. They were last reviewed in September 2023. The review concluded that the terms of reference of the Committee in their current form continue to reflect best practice.

A copy of the terms of reference can be found on our website, www.compass-group.com.

The Committee has an annual agenda which is aligned to the terms of reference and key events in the Company's financial calendar. The agenda is flexible enough to include additional topics of particular importance to the Committee and to allow it to respond to emerging issues.

Committee activities during the year

The Audit Committee is responsible for monitoring the integrity of the Company's and the Group's published financial statements and related disclosures; and for assessing any formal announcements relating to the Group's financial reporting matters, as well as key accounting and audit judgements related to the preparation of the Company's and the Group's financial statements. The Committee's other responsibilities include:

– reviewing the adequacy and effectiveness of the risk management and internal control systems, including the Group's key internal controls over financial reporting and IT controls framework, and providing assurance to the Board
– reviewing the going concern and viability statements
– monitoring and reviewing the role, mandate and effectiveness of the Group's Internal Audit function
– managing the selection, appointment, independence, effectiveness and remuneration of the Group's external auditor, including compliance with the Non-Audit Services Policy. In the year, this included primary responsibility for a formal statutory audit tender process
– reviewing arrangements for the Group's workforce/stakeholders to raise concerns in confidence about possible improprieties in financial reporting or other matters (via Speak Up, We're Listening), and ensuring that they are investigated
– advising the Board on how it has discharged its responsibilities and considering whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and providing assurance to the Board

The key priorities of the Committee during the year under review are described in the pages that follow.

Financial reporting and accounting matters

During the year, the Committee reviewed the interim and annual financial statements and considered the following:

- whether the description of the performance of the Group in the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy
- the clarity of disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements and guidelines, including Alternative Performance Measures
- the accounting policies adopted in the Group's financial statements, any proposed changes to them and the adequacy of their disclosure
- the significant transactions, accounting matters, and key judgements and estimates used in preparing the 2023 Annual Report and Accounts and the interim financial statements and in particular management's assumptions underpinning the going concern and viability statements
- the Company's disclosure in the Strategic Report on the Task Force on Climate-related Financial Disclosures (TCFD) reporting requirements, and related disclosures in the financial statements
- non-financial key performance indicators (KPIs)
- consideration of the potential implications of the UK BEIS White Paper: *Restoring Trust in Audit and Corporate Governance* and the Financial Reporting Council's (FRC) consultation on the UK Corporate Governance Code

The Committee is responsible for considering the significant areas of complexity, management judgement and estimation in relation to the financial statements. Set out in the table below are the significant areas of accounting judgement or management estimation and a description of how the Committee concluded that such judgements and estimations were appropriate.

Areas of significant accounting judgement and estimation	How each was addressed by the Committee
Carrying value of goodwill The Group undertakes a formal goodwill impairment exercise for its cash-generating units at least once a year in accordance with IAS 36 Impairment of Assets, based on the most recent approved budget and financial plan.	The Group tests at least annually whether goodwill has suffered any impairment in accordance with IAS 36 Impairment of Assets, based on the most recent budgets and plans that have been formally approved by management. The recoverability of the carrying value of goodwill involves the use of assumptions, including operating cash flow forecasts, long-term growth rates and discount rates. The Committee reviewed the key assumptions used to assess the recoverability of goodwill, including the higher discount rates caused by the increases in market interest rates in the year, and concluded that these were appropriate. The Committee noted that the headroom in the UK cash-generating unit is sensitive to reasonably possible changes in key assumptions. The Committee reviewed the goodwill impairment assessment disclosures and concluded that these were appropriate.
Tax The Group operates in multiple tax jurisdictions and is subject to the rules of their various taxation authorities. Due to the complexity and changing nature of tax rules and transfer pricing across multiple tax jurisdictions, a degree of judgement is required in determining levels of tax recognised in the financial statements.	The Committee oversaw the development and reporting of the Company's and the Group's direct tax strategy. It assessed the impact of changes in the approach of governments to tax and discussed with management the key judgements made. The Committee also reviewed disclosures on contingent tax liabilities. KPMG, the external auditor, reported on significant provisions to the Committee. Based on the above, the Committee was satisfied that the level of tax provisioning and tax disclosures for the Group remained appropriate.
Strategic portfolio review The Group has continued its strategic portfolio review of non-core activities to allow the focus of its resources on its core operations, which in the year resulted in the exit from several countries, including Central and Eastern Europe (Czech Republic, Hungary, Slovakia and Romania), and the sale of a business, site closures, and contract renegotiations and terminations in the UK.	The Committee considered the accounting consequences of the ongoing strategic portfolio review. This included the derecognition of assets and recoverability of deferred consideration for exited business. In relation to the review of non-core activities in the UK, the Committee reviewed the key judgements made by management, including provisions for impairment made in respect of ongoing obligations for closed sites, and for the related contract negotiations and terminations. The external auditor reported on these matters to the Committee. The Committee was also satisfied with management's disclosure of the charge outside underlying operating profit on the basis that it was a material, unusual item and did not arise in the ordinary course of trading.
Post-employment benefits The Group's defined benefit pension schemes are assessed half-yearly in accordance with IAS 19 Employee Benefits. The present value of the defined benefit liabilities is based on assumptions determined following independent actuarial advice.	The Committee considered management's valuation of the liabilities of the Group's post-employment benefit schemes, which is sensitive to actuarial assumptions, including discount rates, inflation, pension and salary increases, and mortality and other demographic assumptions. The Committee considered the external auditor's assessment of the reasonableness of the assumptions, together with a comparison of the assumptions to those made by other companies, and was satisfied that the assumptions made with respect to post-employment benefits were appropriate.
Going concern and viability The going concern and viability statements were reviewed in detail.	The assumptions and evidence supporting the going concern and viability statements were reviewed and challenged by the Committee. Financial models of scenarios prepared by management over the assessment periods were considered by the Committee, as well as the liquidity position of the Group, the principal risks, the level of headroom against committed facilities and compliance with financial covenants attached to issued debt. Having considered in detail the analysis undertaken and the assessment of the external auditor, the Committee was satisfied that the going concern and viability statements were appropriate.

Fair, balanced and understandable Annual Report and Accounts

The Code provides that the Board should provide a fair, balanced and understandable assessment of the Company's position and prospects in its Annual Report and Accounts. At the Board's request, the Committee has reviewed the 2023 Annual Report and Accounts to determine whether it considers the Annual Report and Accounts, taken as a whole, meets this standard and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. The Committee has concluded that this requirement has been met.

Throughout the Annual Report and Accounts, performance during the year is presented against a mix of financial and non-financial KPIs, which the Board and executive management consider best reflect the Company's strategic priorities. The Committee has considered these KPIs and is satisfied that the information that has been selected by the Board and executive management will help to convey an understanding of the performance and the culture of the business, and the drivers which contribute to its success, and will be of interest to stakeholders.

Presentation currency

During the year, the Committee was updated on the proposal to change the Group's presentation currency from sterling to US dollars from 1 October 2023 so as to provide greater transparency of the Group's performance and to reduce foreign exchange volatility. The Committee also noted the planned timeline for implementation and reviewed the approach and the implementation plan. Additionally, the Committee considered the external reaction to the change, including communications. Having considered these matters, the Committee recommended the change of presentation currency to the Board for approval.

Risk management and internal controls

The Committee is responsible for reviewing the Company's internal financial controls and internal control and risk management systems. During the year, the Committee:

- received and discussed regular reports summarising: the Group's risk management activities; the identification of any changes to principal risks including the impact of macroeconomic and elevated geopolitical factors; and emerging risks such as the development of generative artificial intelligence (AI), and the actions taken to mitigate these risks; the findings from internal audits, and the status of resultant actions agreed with management
- reviewed and approved the internal audit plan for 2024 and monitored delivery of the 2023 plan
- reviewed the resources, terms of reference and effectiveness of the Internal Audit and Risk Management function
- reviewed arrangements for the Group's workforce/stakeholders to raise concerns in confidence about possible improprieties in financial reporting or other matters (via Speak Up, We're Listening), including arrangements for investigating such matters
- received presentations from the Group Head of E&I in relation to business integrity risks and Speak Up, We're Listening cases and investigations in relation to theft and fraud
- received regular reports from the Head of Group Tax on tax policies, uncertain tax positions, and tax audits and inquiries
- received updates on the activities of the Regional Governance Committees
- received updates in relation to cyber-security arrangements
- considered the assurance provided over the implementation of new enterprise resource planning (ERP) systems in the Group in the US and Europe

The Audit Committee reviews the integrity of any material financial statements made by the Company. It monitors and conducts a robust review of the effectiveness of the Group's internal control systems, accounting policies and practices and certain compliance controls (including key financial controls) as well as the Company's statements on internal control, before they are agreed by the Board for inclusion in the Annual Report and Accounts.

Management have defined a set of key internal controls over financial reporting which must be complied with by all countries. During the year, these key internal controls over financial reporting have been updated by the Group Financial Control team to ensure compliance with best practice, regulations and standards. These updates were reviewed by the Committee. Compliance with the key internal controls over financial reporting is tested by Group Internal Audit annually for the Group's top 10 countries and on a rotational basis for other countries, and the results are reported to the Committee.

In accordance with the guidance set out in the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting 2014, and in the Code itself, the Group has established a risk management framework. This has been in place for the full financial year and up to the date on which the financial statements were approved. The framework is designed to manage rather than eliminate the risk of failure to achieve the Group's strategic objectives, to safeguard the Group's assets against material loss, to fairly report the Group's performance and position, and to ensure compliance with relevant legislation and regulation including that related to social, environmental and ethical matters. The framework provides reasonable, but not absolute, assurance against material misstatement or loss. Further details of the Group's risk management framework and principal risks are set out on pages 24 to 30.

The Audit Committee is responsible for reviewing the risk management framework. As part of this process, Group companies submit biannual certificates of assurance to the Group CFO on internal control and risk management matters. The Group CFO summarises these submissions for the Audit Committee, and the Chair of the Audit Committee reports to the Board on any matters that have arisen from the Committee's review of the way in which risk management and internal control processes have been applied. The Committee annually reviews and considers the effectiveness of Compass' approach to risk management and any changes to the risk policy. The Committee and the Board remain satisfied that the Company's risk management framework continues to operate effectively and provides the necessary flexibility without compromising the integrity of risk management and internal control systems.

Whistleblowing, anti-bribery and fraud

The Audit Committee receives updates on any allegations of theft or fraud in the businesses, with individual updates being given to the Committee, as needed, in more serious cases. The Group's new Business Integrity Policy (BIP) and recently refreshed Code of Business Conduct (CBC) strictly prohibit any involvement in theft or fraudulent activities whatsoever. The BIP sets out the expectations for risk assessing, reporting and documenting any fraud, in accordance with local requirements, and the Speak and Listen Up Policy. It also sets out how allegations and incidents are to be followed up such as through investigations conducted by Internal Audit, E&I or Legal teams. Fraud and theft reports are consolidated at Group level, and feed into the regular updates presented to the Committee.

The Corporate Responsibility Committee oversees the continued development of the Group's overall E&I programme, the training of employees on key business integrity risk areas and the way in which management obtains assurance in this area, including the annual self-certification process via E&I's pledge and declaration. More information on the CBC, and the Speak Up, We're Listening programme is set out on pages 13 and 14.

The CBC is available on the Company's website, www.compass-group.com/en/who-we-are/ethics-and-integrity

Information systems and cyber-security risk

Information systems and cyber-security risk continues to pose a threat to the Group and remains a principal risk. The Committee received reports from the Group CIO on progress made on the implementation of the IT controls framework, including enhanced security operations, threat intelligence, the Group's response to the increased threat of ransomware, and the continued drive on cyber-risk awareness and training across the Group.

In November 2022, the Committee reviewed IT systems back up and restoration, crisis management and phishing benchmark data, and the Group CIO briefed the Committee on the resilience of the Group's technology estate. The briefing provided the Committee with a more detailed overview which included business continuity, the IT control framework, cyber insurance, public cloud resilience and the arrangements to protect information assets of the greatest value to the Group. The Committee reflected on the arrangements in place and the steps taken to further enhance the Group's resilience capabilities, and its ability to respond to cyber-attacks and noted the priorities for 2023.

At its meeting in May 2023, the Committee considered examples of IT security incidents that had occurred in the Group's businesses together with the preventative measures and subsequent actions taken to limit the impact on operations. The Committee was also briefed on the outcome of a proactive ethical hacking exercise that had been conducted in conjunction with its cyber-security providers and advisers in over half of the Group's top 10 countries in order to identify potential weaknesses. The Committee was advised that the exercise had identified some operational weaknesses which had been addressed and the solutions validated by the Group's independent external adviser to ensure that the remedial actions had been appropriately implemented. The Group's proactive efforts to limit exposure to phishing attacks were also discussed, including the roll out of additional technology, implementation of regular phishing simulations to help educate colleagues, the annual Cyber Awareness Week, and ongoing weekly advocacy messages from 'cyber champions' across the Group's businesses.

At each meeting during the year, the Committee received updates from management in relation to the implementation of the ERP systems in Europe and North America.

In Europe, an ERP system is being introduced as part of a business transformation programme designed to improve consistency, efficiency and the working lives of unit managers and colleagues through the implementation of common data, processes and systems across finance, operations and procurement. The Committee reviewed with management the governance structures around the programme, the quality assurance plan focused on key risks, and the outcomes of assurance audits timed to inform key decisions. The Committee also monitored the progress of the roll out of the system and considered the output of post-implementation project validation and migration reviews.

In North America, a similar programme is being implemented to introduce an ERP system to simplify processes, create efficiencies and help improve data accuracy. The Committee reviewed and challenged the proposed governance and assurance arrangements around the programme to ensure that both the programmes were closely aligned and that lessons learned from the implementation in Europe were used to benefit the North America programme. The Committee monitored the progress focusing on timeline, costs and benefits, together with programme controls and assurance.

Internal audit

The Internal Audit team is led by the Group Director of Risk and Internal Audit who reports functionally to the Chair of the Audit Committee and operationally to the Group CFO. The purpose, scope and authority of the Internal Audit function are set out in its terms of reference which are approved by the Committee. The Audit Committee is responsible for monitoring and reviewing the effectiveness of the Group's Internal Audit function, including resources, plans and performance as well as the degree to which the function is free from management or other restrictions. To help the Committee gain assurance that the Internal Audit function is independent, the Committee meets with the Group Director of Risk and Internal Audit at least once a year without the presence of management. The Committee met with the Group Director of Risk and Internal Audit on two occasions during the year under review without the presence of management.

During the year, the Committee monitored the performance of Internal Audit. The Committee reviewed and approved the Group's annual internal audit plan. The plan is designed with reference to the Group's principal risks. Further information on the principal risks is available on pages 26 to 30. The Committee receives regular updates on progress against the plan and Internal Audit's findings, together with management actions taken to address recommendations. The Committee recognises that IT risks and technology complexity have increased significantly in recent years due to cyber-security threats, data privacy regulations, IT governance and AI, and has supported the expansion of the Internal Audit function with the addition of IT audit capability.

The Committee remains satisfied that the Internal Audit function has the necessary resources, objectivity, and competency to fulfil its mandate. It has also satisfied itself that the Internal Audit function has adequate standing and is free from management influence or other restrictions.

Audit Committee report continued

External audit

External auditor

The Audit Committee is responsible for the development, implementation and monitoring of the Company's policy on external audit and has oversight responsibility for monitoring the external auditor's independence, objectivity and compliance with ethical, professional and regulatory requirements. The Audit Committee is responsible for the re-tendering selection process and recommends the appointment, reappointment and removal of the Company's external auditor, and considers the risks associated with its withdrawal from the market in its risk evaluation and planning.

The Audit Committee also reviews and sets the terms, areas of responsibility and scope of the audit as set out in the external auditor's engagement letter including the overall work plan for the forthcoming year, together with the associated fee proposal and cost-effectiveness of the audit.

Effectiveness of the external audit process

During the year, the Committee considered the effectiveness of the external audit process, whether the agreed audit plan for the financial year ended 30 September 2022 had been fulfilled, and the reasons for any variation from the plan.

The Committee is committed to ensuring that Compass receives a high-quality and effective external audit. The Committee assessed the effectiveness of the external audit process through a number of methods, commencing with the identification of appropriate risks by the external auditor. These were reviewed by the Committee in the detailed external audit plan for the financial year ended 30 September 2023 at the start of the audit cycle. The work performed on these risks by the auditor was used to test management's assumptions and estimates. The effectiveness of the audit process in addressing these matters was assessed through the reports presented to the Committee at the half and full-year.

The Committee also considered how and to what extent the auditor had exercised professional scepticism. During the audit of the Annual Report and Accounts, the auditor challenged management as to whether the disclosures in the financial statements were consistent with the narrative disclosures in the Strategic Report in relation to the impact of certain risks and, specifically, how the potential impact of climate change on the financial statements had been assessed. The auditor also challenged management's approach to goodwill impairment testing and the appropriateness of actuarial assumptions used to estimate post-retirement benefit obligations, as well as other sources of estimation uncertainty, such as uncertain tax positions and accounting consequences of the ongoing strategic portfolio review. Management and the auditors engaged constructively in relation to the challenges raised and an unmodified opinion was issued by the auditor, which is set out on pages 132 to 143.

The review also included a formal evaluation process covering several aspects of the external audit. A wide range of internal stakeholders including Audit Committee members, regional finance directors and Group functions (including Internal Audit, Legal, Finance and Tax) and local finance directors (excluding countries not in scope for the KPMG LLP audit) completed questionnaires.

A detailed report on KPMG's audit quality and effectiveness was presented to the Committee at its meeting in May 2023. The findings were considered and opportunities for improvement were discussed with KPMG. In summary, the Committee concluded that the external audit process continued to be of a high quality and remained effective.

Independence of external auditor

Zulfikar Walji was the Senior Statutory Audit Partner for the year under review. To ensure the independence and objectivity of the Company's external auditor and the integrity of the audit process, key members of the external audit team periodically rotate off the Company's audit. Additionally, the recruitment of senior employees from the Company's auditor is not permitted for a period of at least two years after they cease to be involved in the provision of services to the Company. The audit of the 2023 Annual Report and Accounts will be Mr Walji's final audit for Compass Group PLC. Mr Walji will be succeeded by Mr Jonathan Downer as the Senior Statutory Audit Partner.

In assessing the independence and objectivity of the external auditor, the Committee takes into account the assurances and information provided by the external auditor at the planning stage of the audit, including a written disclosure of the relationships (including the provision of non-audit services) that could have an impact on the external auditor's independence and objectivity, and the safeguards put in place to address such concerns. As part of this process, the Committee receives a statement from the external auditor advising that all partners and staff annually confirm their compliance with KPMG's ethics and independence policies and procedures including, in particular, that they have no prohibited shareholdings, and their ethics and independence policies are fully consistent with the requirements of the FRC Ethical Standard. The Committee has concluded that KPMG was independent of the Group for the year under review.

Non-audit fees

The Company operates a policy on non-audit-related fees which it reviews annually and under which it discloses the ratio of audit to non-audit fees paid in each financial year. The Committee monitors the level of non-audit work which the external auditor can perform, to ensure that any provision of non-audit services falls within the scope of the agreed Non-Audit Work Policy and does not impair the external auditor's objectivity or independence. The Group's policy on non-audit services is aligned with the FRC's 2019 Ethical Standard for auditing practices for what is permissible for public interest entities, and no services outside this are approved by the Committee. Engagements for non-audit services that are not prohibited are subject to formal approval by the Audit Committee based on the level of fees involved. Non-audit services that are pre-approved are either routine in nature (e.g. the half-year limited review) with a fee which is not significant in the context of the audit or are other audit-related services. Within the constraints of applicable UK rules, the external auditor could undertake certain non-audit work. The provision of non-audit services within such constraints and the agreed policy is assessed on a case-by-case basis to ensure that the adviser best placed to undertake the work is retained. In accordance with the Group's policies, the Group CFO approves individual non-audit services with fees up to £50,000 and non-audit services with combined fees up to £100,000. Audit Committee approval is sought for non-audit services exceeding these limits.

Audit fees paid in the year

The total fees paid to KPMG in the year ended 30 September 2023 were £8.0 million, of which £0.3 million related to non-audit work (2022: £7.1 million of which £0.3 million related to non-audit work). Having considered the non-audit work undertaken by KPMG LLP during the year, it was agreed by the Committee that the tasks undertaken represent permitted non-audit services (as set out in Section 5 of the FRC's Revised Ethical Standard 2019). The principal non-audit services provided by KPMG related to the half-year review of the Group's interim financial report, and comfort letters in respect of government support schemes and comfort letters for the annual extension of the Euro Medium Term Note programme. The Committee believes that KPMG, as external auditor, was best placed to undertake these non-audit services and that the level of fees for these services did not adversely impact its integrity, objectivity or independence. Further disclosure on the non-audit fees paid during the year can be found in note 3 on page 156.

Statutory audit tender process

In accordance with its terms of reference and regulatory requirements, the Audit Committee ensures that at least once every 10 years the external audit services contract is put out to tender. The Committee is responsible for the selection and appointment of the external auditor. It initiates and conducts any competitive tender process undertaken by the Company for the provision of external audit services and considers and makes recommendations to the Board, to be put to shareholders for approval at the Company's AGM.

The Committee confirms that for the year under review the Company complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014. KPMG LLP was initially appointed as the Company's external auditor in March 2014, succeeding Deloitte LLP. KPMG's audit for the year ended 30 September 2023 is therefore its 10th year, and as a result, Compass was required to complete a formal tender process for a new auditor in advance of the audit for the financial year ending 2024.

Summary of the statutory audit tender process

Compass announced its intention to commence a formal audit tender process in its 2022 Annual Report and that the outcome would be announced in due course, with a recommendation to be made to shareholders at the 2024 AGM.

The Audit Committee has primary responsibility for the audit tender process. At its meeting in September 2022, the Committee agreed the stages of the process, timeline, and selection criteria.

The Committee's key objectives throughout the tender process, and in making its recommendation to the Board, was to ensure that Compass appointed an audit firm that would provide a high-quality, effective audit.

To ensure an effective and efficient tender process, the Audit Committee established a Sub-Committee comprising the Audit Committee Chair, and two other Audit Committee members, John Bryant and Arlene Isaacs-Lowe (the Sub-Committee), to meet with the candidate firms to consider the tender submissions and to receive presentations from them. The Sub-Committee was supported by the Group CFO, the Group General Counsel and Company Secretary, and the Group Financial Controller who was responsible for coordinating the audit tender process. The Committee was kept up to date throughout the tender process by the Chair of the Committee.

The timeline of the process, which started in October 2022 (well in advance of the last possible date to ensure a wider choice of audit firms and partners), is set out below. The process was managed in such a way as to allow adequate time to consider the merits of the proposals of the candidate firms and recommend the preferred firm to the Board for appointment in advance of the commencement of the audit for the financial year ending 30 September 2024.

Year	Month	Action
2022	October	– request for proposal issued
	November	– introductory meetings between Sub-Committee, key management and candidate audit firms
	December	– data room available to candidate audit firms
2023	February	– meetings between Sub-Committee, key management and candidate audit firms
	April	– audit proposals submitted to Compass – presentations to the Sub-Committee and key management
	May	– Audit Committee recommendation to the Board and Board approval

At the outset, before the request for proposal (RFP) was issued, the Audit Committee considered the FRC's requirement for mid-tier external audit firms to be invited to tender for FTSE 100 audits. After careful consideration, the Committee concluded that those firms did not have a genuine prospect of success in the tender because they did not have the global reach and depth of experience to achieve a high-quality audit for a group of the scale and complexity of Compass. The Committee therefore concluded that only the 'Big Four' firms had the global reach and depth of experience to provide the appropriate level of audit services to Compass.

Of the 'Big Four', two firms did not participate in the tender process. The first of these was considered to be conflicted due to the services it provides in relation to cyber security and tax advice, and the second declined to participate. Invitations to submit tender proposals were therefore extended to the two remaining 'Big Four' firms, which included the incumbent.

Written responses to the RFP were assessed by the core team against the following criteria:

- audit quality
- audit approach, scope, and methodology
- the lead engagement partner
- the engagement team: specifically, experience of working effectively together; technical accounting knowledge and, where relevant, experience of transitioning an audit
- sector and global plc experience and understanding
- approach to resolving issues or matters of judgement
- sustainability credentials
- independence
- audit innovation
- global coordination and communication
- fees

Audit Committee report continued

Outcome of statutory audit tender process

As described above, the two firms provided a written response to the tender RFP and presented their proposals to the Sub-Committee at meetings also attended by the Group CFO, Group General Counsel and Company Secretary and Group Financial Controller in April 2023. This provided an opportunity to explore the areas within the selection criteria, and to assess the quality of the key members of the candidate audit teams.

The Sub-Committee considered the tender submissions and presentations from the audit teams and the extent to which they met the selection criteria.

The Sub-Committee agreed both proposals would deliver a quality external audit. Overall, the Sub-Committee concluded the incumbent was its preferred candidate due to the strength of the wider team, and significant understanding and tailored approach to the audit of the Group.

The Sub-Committee recommended to the Audit Committee that KPMG LLP be reappointed for up to 10 years in accordance with relevant legislation and regulations. The Audit Committee supported the Sub-Committee's recommendation.

At its meeting on 4 May 2023, the Board approved the Committee's proposal to reappoint KPMG LLP as statutory auditor of the Company for the financial year ending 30 September 2024, subject to shareholder approval.

There are no contractual obligations that restrict the Committee's choice of auditor, the recommendation is free from third-party influence and no auditor liability agreement has been entered into.

KPMG has expressed its willingness to continue as auditor of the Company. Separate resolutions proposing KPMG LLP's appointment and the determination of its remuneration by the Audit Committee will be proposed at the 2024 AGM.

The Committee would like to thank both firms for their professionalism and the quality of their submissions.

Corporate governance reform

During the year, the Committee received regular updates from management and the external auditor on developments in relation to the FRC's consultation on a new UK Corporate Governance Code and other legislative changes. In particular, the Committee received briefing notes on the consultation in general, and the proposed introduction of an Audit and Assurance Policy under the draft Companies (Strategic Report and Directors' Report) (Amendment) Regulations 2023.

The Committee considered management's plans to respond to these evolving requirements, including updates to the key internal controls over financial reporting.

Subsequently, the Committee noted that the UK Department of Business and Trade (DBT) has withdrawn the draft Companies (Strategic Report and Directors' Report) (Amendment) Regulations 2023 and the FRC has withdrawn certain proposed changes to the Code, which were part of the package of measures to implement the UK Government's audit and corporate governance reforms. The Committee will continue to monitor developments in this area.

Committee evaluation

The priorities set by the Committee as a result of last year's external evaluation process were:

- continuing to focus on meeting management, including time management, and ensuring sufficient time is spent on Committee priorities
- continuing training, particularly with regard to TCFD and sustainability reporting, together with other corporate reporting changes
- further developing year-end reporting to support the Committee's review of the integrity of financial controls
- continuing positive engagement with the external auditor

These themes, together with the Committee's regular programme of work, shaped the Committee's agenda and were included in the principal activities during the year under review.

2023 evaluation

During the year, an internal evaluation of the effectiveness of the Committee was conducted as part of the wider evaluation of the Board and its committees.

Details can be found on page 96.

The evaluation concluded that the Committee continued to operate effectively.

The Committee will continue to focus on the following areas:

- audit and governance reforms including assurance over non-financial reporting; and
- ESG and climate net zero disclosures

These matters, together with the regular work of the Committee, will inform the Committee's agenda for the coming year.

Anne-Françoise Nesmes
Chair of the Audit Committee

20 November 2023

Corporate Responsibility Committee report

Nelson Silva
Chair of the Corporate Responsibility Committee

Governance

Nelson Silva was appointed Chair of the Corporate Responsibility (CR) Committee in February 2017. Membership of the Committee comprises the Chair of the Committee and all the independent non-executive directors, the Chair of the Board, the Group Chief Executive Officer (CEO) and the Group Chief Financial Officer (CFO).

Biographies of Committee members can be found on pages 58 to 61. Members of the Committee are appointed by the Board following recommendation by the Nomination Committee.

The Committee meets at least three times a year. The quorum for a meeting is two, one of which must be an independent non-executive director. The Committee held three meetings during the year. Meeting attendance can be found in the table on page 69.

The Chair of the Committee reports to the Board on Committee activities and attends the AGM to respond to any shareholder questions that might be raised on the Committee's activities.

Only members of the Committee have the right to attend Committee meetings. Other individuals, such as the Group Chief Commercial Officer (CCO), the Group Chief People Officer (CPO), Group Head of Ethics and Integrity (E&I) and external advisers, may be invited to attend all or part of any meeting, as and when appropriate. The Group General Counsel and Company Secretary, who acts as Secretary to the Committee, attends all meetings of the Committee. Other members of senior management are invited to present such reports as are required for the Committee to discharge its duties.

The Committee is authorised to seek external legal or independent professional advice as it sees fit. The terms of reference of the Committee are reviewed annually to ensure they continue to be fit for purpose. They were last reviewed in September 2023. The review concluded that the terms of reference continue to reflect best practice.

A copy of the terms of reference can be found on our website, www.compass-group.com.

Committee activities during the year

The Committee is responsible for overseeing, monitoring and making recommendations to the Board on the development, implementation and effectiveness of the Group's People, Corporate Responsibility, Health, Safety and Sustainability (including climate change), E&I, and Stakeholder Engagement strategies. Examples of the Committee's activities across these key themes during the year are set out in the pages that follow.

Health and safety

The health and safety (H&S) of the Group's employees and consumers is a top priority for Compass and the Committee receives regular H&S reports from the Group CCO to enable it to monitor performance.

The Group has two key performance indicators (KPIs) linked to the H&S of colleagues and consumers: the Lost Time Incident Frequency Rate (LTIFR) and the Food Safety Incident Rate (FSIR). The Committee sets limits for these KPIs at the beginning of the year and monitored performance over the course of the year to enable it to assess the effectiveness of the controls in place to mitigate the occurrence of LTIFR and FSIR incidents across the businesses. Performance outcomes are linked to the executive director and senior management annual bonus plan, and the results for the financial year ended 2023, which the Committee is pleased to report are within the limits set at the start of the year, can be found on page 7.

As part of the Group's drive to continuously improve its safety culture, in September, the Committee considered and approved a move from the LTIFR H&S workplace performance measure to the Total Recordable Injury Frequency Rate (TRIFR) H&S workplace performance measure for the financial year ending 2024, reflecting the continuing maturity of Compass' safety culture. TRIFR is generally considered to be a more holistic measurement as it includes all injury types, and from 2024 it will be used in place of LTIFR as a performance measure in relation to the annual bonus plan for executive directors and other senior management. Further details on the ESG measures in the annual bonus plan can be found in the Remuneration Committee report on pages 116 to 117 and 120.

Corporate Responsibility Committee report continued

At each meeting the Committee considers a safety moment relating to topical aspects of health or safety, or lessons learned from a recent incident. Each briefing aims to provide the Committee with a fuller understanding of the H&S matters faced by the businesses and how the lessons learned from such incidents are applied to mitigate the risk of a recurrence. In the financial year ended 2023, safety moments included the use of geothermal energy for cooking and the launch of a new global safety portal designed to support safety communities across Compass.

In addition to the regular safety moments, in November 2022, the Committee reviewed a deep-dive on safety performance in the Group's largest business in North America with the Vice President of Risk Management. The Committee was briefed on the outcome of the North America business LTIFR and FSIR performance for the financial year ended 2022, which was within the limits set at the beginning of the year. The Committee also reviewed how, over time and through a period of considerable growth, the North America business had developed its people and risk management systems to create a more active approach to safety which provides management with data-driven insights and real-time reporting.

The Committee also considered the safety focus areas for 2023 designed to build on the active safety culture in the business. These areas included the introduction of predictive analytics, training for colleagues to further develop competency and capability, safety innovation and the assessment and further advancement of the Group's safety culture. The Committee acknowledged the contribution of North America's management and colleagues which had resulted in an industry-leading safety performance for 2022 when benchmarked against recognised external metrics.

The regional financial performance of the North America business can be found on page 22. H&S performance results for the region for 2023, which are linked to the annual bonus for the Chief Operating Officer, North America, can be found on page 117.

Ethics and integrity

The Committee oversees the Group's E&I strategy, programme, policies and activities, and receives regular presentations and reports from the Group Head of E&I.

At its meeting in November 2022, the Committee received an update on the Group's E&I programme of activities, implementation strategy and the positive progress made during the financial year ended 2022, which was reflected in the cultural indicators and insights gathered from pulse surveys. The output from the surveys and other programme performance indicators provided the Committee with further assurance that, overall, the programme continues to strengthen, adopting a prioritised, risk-based approach.

A summary of the E&I priorities and forward plan for 2023 was reviewed by the Committee, which included activities to further embed Group policies and processes, continued implementation of key integrity controls, improvements in the management of higher-risk third parties, enhanced monitoring and oversight procedures, and continued measurement of the Group's culture of integrity, and the effectiveness of its Speak Up, We're Listening programme. The Committee was also briefed on the self-assessment risk review undertaken across all countries in the Group using a tool provided by an independent external law firm, which validated the design and priorities of the E&I programme, and identified opportunities for improvement. Additionally, Internal Audit carried out an assurance review of the Speak Up, We're Listening arrangements, and concluded that they continue to operate effectively and remain fit for purpose.

At its meeting in May 2023, the Committee approved the new Compass Code of Business Conduct (CBC) and recommended it to the Board for approval. The CBC sets out the expected behaviours for everyone working with, for, or on behalf of Compass, including temporary and contract staff, regardless of location, role or level of seniority and is underpinned by Compass' corporate values which continue to shape and further embed a strong governance and ethical culture across the Group.

During the year, the Group E&I team continued to embed its refreshed strategy and priorities, partnering with a network of regional and country E&I leaders, who promote and support awareness initiatives and training campaigns, and lead on local E&I programme activities; and in September this year, the Committee reviewed the progress made during the year to further embed the E&I programme through the use of a clear and comprehensive policy framework. The Committee also reviewed the priorities for the year ahead which included continuing to embed third-party integrity due diligence as part of local processes, improving management of high-risk third parties, enhancing monitoring and oversight procedures, and optimising existing compliance tools and technologies.

Learn more about our E&I and Speak Up, We're Listening programmes on our website, www.compass-group.com/en/who-we-are/ethics-and-integrity

Sustainability

During the year, the Committee continued its focus on sustainability and climate-related matters.

In November 2022, the Committee received a presentation from the Group CCO setting out the two-year roadmap for the development of the Company's disclosures under the TCFD requirements, taking into account the FRC's thematic review of TCFD disclosures and climate-related disclosures in financial statements. The Committee also considered other reporting frameworks, including the EU Corporate Sustainability Reporting Directive, the US SEC Climate Disclosure Rules, and the International Sustainability Standards Board sustainability disclosure standards.

During the year, the Committee reviewed with management the Group's sustainability strategy including the plans to reach climate net zero by 2050. The Committee reviewed the progress made during the year on reducing the Group's Scope 1 and 2 emissions. The Committee also considered the Group's key activities to reduce Scope 3 emissions which centred around food waste reduction, re-engineering menus and collaboration with suppliers. The Committee also received an update on progress on the UK&I business' commitment to reach climate net zero by 2030, and reviewed the roadmap in detail. More detail of Compass' progress on its sustainability strategy and net zero commitments can be found in the Purpose report on pages 38 to 44.

In September 2023, the Committee reviewed the Company's proposed TCFD disclosures to be included in the 2023 Annual Report and Accounts.

In addition, the Committee received a training session led by the Sustainability team, external advisers and the Company's external auditor on the wider ESG landscape, including forthcoming sustainability disclosure requirements. Further information can be found on page 73.

To better understand and mitigate the Group's food waste footprint, the use of food waste tracking technology has been expanded across the Group's operations to help towards Compass' commitment to halve food waste in its operations by 2030. Aligned to this commitment, the Group introduced a non-financial food waste performance measure related to the number of sites across the Group's businesses adopting the technology for the financial year ended 2023. Achievement of the food waste performance measure is linked to 5% of the annual bonus of executive directors and senior management. The Committee is pleased to report that excellent progress has been made during the year with 7,943 sites globally now employing food waste tracking technology to record food waste.

More details on the Group's sustainability initiatives, including information regarding the Group's Scope 1, 2 and 3 emissions is set out on pages 38 to 54.

People

Overseeing the development, implementation and effectiveness of the Group's people policies, strategies, processes and initiatives continues to be an important aspect of the Committee's work, and to assist the Committee, it receives regular reports and presentations from the Group CPO.

Employee engagement

In November 2022, the Committee reviewed the results of the global employee engagement surveys conducted in the financial year ended 2022, in which colleagues were asked to rate their experience of working at Compass. The surveys covered a wide range of topics including feeling valued, motivation, respect, teamwork, health and wellbeing, culture, and confidence in the Group's leaders. The Committee noted the increase in participation rates and that engagement scores had remained stable since 2019 despite the significant impact of COVID-19 on people's sense of wellbeing. The results gathered from the surveys were used to identify areas of focus for 2023 including inclusion, career management, reward and recognition, and wellbeing. The Committee was also advised of several initiatives across the Group to help support colleagues, including the provision of free or subsidised food, raising financial awareness and providing tools to help employees manage their finances, access to emergency funds, employee counselling and health and wellbeing support, flexible working options, and access to overtime working.

In the year, the Committee was also updated on the highlights of the US Your Voice employee engagement survey, noting the high participation rates. The outcome of the survey indicated to the Committee that engagement remained strong among US colleagues and that the people strategy for the region was having a positive impact. The Committee concurred with management's view that the outcome was positive overall when taken in the context of the large number of new colleagues recruited and inducted to support the re-opening of the business following the COVID-19 pandemic.

During the year, the Committee reviewed summaries of the roundtable meetings which the DNED, Ireena Vittal had held with employees from across the Group's businesses. Mrs Vittal shared observations from her meetings, noting that common themes included hiring and retention, solving issues through technology and the desire among colleagues to share best practices. The roundtable meetings revealed that, in the main, employees remain very engaged and are proud to work for Compass.

Two further employee roundtables were held in the year, hosted by non-executive director, Arlene Isaacs-Lowe, one of which was in support of the UK&I's Black Future Month, one of a series of initiatives in the Group held during the year to recognise and promote opportunities available to the diverse communities of talent across the Group.

The data and views of employees gathered from the employee engagement surveys and other engagement mechanisms, together with feedback from the roundtable meetings held by Mrs Vittal, and Ms Isaacs-Lowe, help to ensure the Board is aware of the views and concerns of the workforce so that these are taken into account in the Board's discussions and decision-making processes. More details of the meetings held by Mrs Vittal and Ms Isaacs-Lowe can be found on page 75.

Talent management strategies

In September, the Committee received a presentation on the Group's talent management strategies and how these supported the Group's growth ambitions and were key to the future success of the businesses. The Committee focused on the core pillars of the approach, namely: strengthening succession pipelines; developing diverse future leaders; and improving talent mobility.

Human rights, modern slavery and supply chain visibility and integrity

During the year, the Committee considered the work being done to further develop Compass' approach to mitigating the risks of modern slavery in the Group's businesses and supply chains. Notable matters reviewed included:

- renewing Compass' partnership with the Slave-Free Alliance to help further improve due diligence processes, address salient human rights risks and provide support and advice regarding modern slavery and human trafficking
- increasing employee awareness of human rights and modern slavery risks through the Group's E&I programme training, which is being undertaken on a 'risk to role' basis to better detect, address and prevent modern slavery in the Group's businesses and their supply chains
- continuing to expand the cross-functional Human Rights Working Group to include representatives from all regions of the Group
- hearing from the Group Director for Employment, Equity and Social Impact, responsible for collaboratively driving improvements in the Group's human rights programme design and implementation globally, and receiving a presentation on the ongoing work to further the Group's human rights agenda
- working with Earthworm Foundation, a not-for-profit organisation, to map social and environmental risks within the fresh tomatoes and canned tuna supply chains in the UK and US
- ongoing implementation of Compass' Global Supplier Code of Conduct across the Group's businesses setting out the ethical standards, principles, expectations, and behaviours expected from Compass' supply chain partners
- rolling out the Sedex (Supplier Ethical Data Exchange) across additional countries to further extend due diligence and risk mapping processes
- the formation of a new Group Supply Chain Risk Management (SCRM) Committee, whose remit is to further develop and embed a strategic framework and integrated approach to SCRM including mitigating human rights risks in the supply chain

The Committee reviews the Group's Human Rights Policy every year to ensure that it remains fit for purpose and is aligned to the Group's people, purpose and performance strategy. In 2023, the Committee considered proposed changes to the policy to improve its alignment with stakeholder feedback and expectations, as well as reinforcing the Group's commitments to respecting human rights and its broader ESG ambitions. The Committee considered and subsequently recommended the revised Human Rights Policy to the Board for approval, which the Board approved.

The Committee also considered the Company's Modern Slavery Act (MSA) statement for 2022 and concluded that the MSA statement reflected the progress made in the year and met the requirements of section 54 of the Modern Slavery Act 2015. The Committee recommended the MSA statement to the Board for approval, and the Board approved the statement.

Copies of Compass' 2022 Modern Slavery Act statement and the Company's Human Rights Policy are available on our website, www.compass-group.com.

The 2023 MSA will be published on our website in December 2023.

Stakeholder engagement

During the year, the Committee considered the Group's stakeholder engagement activities with clients, consumers, suppliers, communities and NGOs, including key areas of focus, noting that sustainability was a common theme among stakeholder groups. In addition to the areas of focus, the Committee reviewed the purpose and methods of engagement with stakeholders.

Information on the approach to stakeholder engagement, including how the Board is appraised of the views of the Company's stakeholders, and how the matters set out in section 172 of the Companies Act 2006 have been considered in Board discussions and decision making, is set out on pages 74 to 81.

Engagement with the Group's employees is described on page 75 and in more detail in the People report on pages 36 and 37.

Committee evaluation

The priorities identified by the Committee following last year's external evaluation process were:

- continuing to focus on the timing and structure of meetings to ensure appropriate focus on the wide range of issues in the Committee's remit
- continuing training and education for Committee members
- monitoring the roadmap and performance against targets designed to help the Company achieve its climate net zero commitments

These themes, together with the Committee's regular programme of work, shaped the Committee's agenda and were included in the principal activities during the year.

2023 evaluation

The outcome of this year's internal evaluation of the Corporate Responsibility Committee confirmed that the Committee continued to function effectively.

No specific areas were identified that required significant improvement. However, recognising the increasing importance of ESG to stakeholders, it was agreed that in the coming year, the Committee would continue to focus on ESG matters including, in particular:

- sustainability and climate reporting
- H&S
- DE&I
- supply chain risk

These matters, together with the regular work of the Committee will inform the Committee's agenda for the coming year.

Nelson Silva
Chair of the Corporate Responsibility Committee

20 November 2023

Nomination Committee report

Ian Meakins
Chair of the Nomination Committee

Governance

Ian Meakins was appointed Chair of the Committee in December 2020. Membership comprises the Chair of the Committee and all the non-executive directors. Biographies of Committee members can be found on pages 58 to 61. Members of the Committee are appointed by the Board. The Board considers each member of the Committee (except the Chair of the Board who was independent on appointment) to be independent in accordance with the criteria set out in the UK Corporate Governance Code 2018 (the Code).

The Committee meets at least twice a year. The quorum for a meeting is three, of which the majority must be independent non-executive directors. The Committee held four meetings during the year. Meeting attendance can be found in the table on page 69. The Chair of the Board acts as Chair of the Committee, except when the Committee is dealing with the succession of the Chair of the Board. On these occasions, the meetings will usually be chaired by the Senior Independent Director (SID). The Chair of the Committee reports to the Board on Committee activities and attends the AGM to respond to any shareholder questions that might be raised on the Committee's activities.

Only members of the Committee have the right to attend meetings. Other individuals, such as the Group Chief Executive Officer (CEO), the Group Chief People Officer (CPO) and external advisers may be invited to attend all or part of any meeting, as and when appropriate. The Group General Counsel and Company Secretary, who acts as secretary to the Committee, attends all meetings of the Committee.

The Committee is authorised to seek external legal or independent professional advice as it sees fit. The terms of reference of the Nomination Committee are reviewed annually to ensure that they continue to be fit for purpose. They were last reviewed in September 2023. The review concluded that the terms of reference continue to be fit for purpose.

A copy of the terms of reference can be found on our website, www.compass-group.com.

Committee activities during the year

The Nomination Committee is responsible for ensuring the composition and structure of the Board remains effective, balanced and aligned to the Company's strategic priorities. In practice, this involves overseeing the nomination, induction, evaluation and orderly succession of directors. The Committee also ensures the Group's governance facilitates the appointment and development of a diverse pipeline of effective talent that can deliver shareholder value over the long term. Examples of the Committee's activities during the year, are set out in the pages that follow.

Board succession planning

Succession planning is a core element of the Committee's work.

When assessing succession plans for the Board, the Committee considers and evaluates the skills, knowledge and experience of its directors to ensure that the Board and its committees are well placed to discharge their duties, considering the need for diversity to reflect a broad range of backgrounds, experience and views.

The tenure of independent non-executive directors is also reviewed regularly to facilitate future refreshing of the Board and to maintain an appropriate balance. From these reviews, the Committee determines the skills, experience, and attributes for new appointees to ensure the Board and its committees continue to operate effectively.

During the year, the Committee reviewed Board succession plans over the medium to long term. During this assessment, it considered, the structure, size and composition of the Board taking into account the requirements of the Code, and the Financial Conduct Authority's (FCA) Listing Rules. A new non-executive director, Leanne Wood, was appointed during the year, and more detail is provided on page 94.

Board appointment process

Procedures for appointing new directors are set out in the Committee's terms of reference. The appointment process is led by the Chair of the Board, except where the appointment is for their successor, when it is usually led by the SID.

When appointing a new Chair of the Board, the process includes an assessment of the time commitment expected, recognising the need for the Chair of the Board to be available in the event of a crisis.

Before an appointment of a director is made, the Nomination Committee agrees a candidate specification setting out the role and capabilities required. The Board promotes an environment which is supportive of individuals from diverse backgrounds, and in identifying suitable candidates, the Committee:

- uses open advertising or the services of external advisers to facilitate the search
- considers candidates from different genders and a wide range of backgrounds
- considers candidates on merit and against objective criteria, bearing in mind the benefits of diversity on the Board
- ensures that appointees have enough time to devote to the position, considering any other significant commitments

Depending on the strategic and succession plans of the Company, where appropriate, the Company will expand its search to consider individuals who may not have direct PLC experience, but who have experience of leading complex, global-scale organisations. The Committee believes that this broad approach ensures the best possible chance of attracting a diverse pool of candidates.

The Committee considers the selection and reappointment of directors carefully before making a recommendation to the Board. Non-executive directors and the Chair of the Board are generally appointed for an initial three-year term, which may be extended for a further two three-year terms. Reappointment is not automatic at the end of each term.

Appointment of new directors

Non-executive directors

During the year, the Committee launched a recruitment process to facilitate the appointment of two additional non-executive directors in support of the Board's succession plans and the Group's strategic aims. The Committee was also mindful of the FCA's Listing Rule LR9.8.6(9)(a)(i) which sets a target for listed companies of 40% female Board membership.

The selection process was led by the Chair of the Board who was assisted by the Group CPO and Group General Counsel and Company Secretary. The Committee also used the services of an executive search firm to identify suitable candidates, Egon Zehnder (EZ). EZ is used from time to time by the Company for the recruitment of senior executives. It is independent of and has no other links with the Company or its directors.

Position specifications were prepared by EZ in conjunction with the Committee setting out the desired attributes, experience and personal style for the successful candidates, which enabled EZ to formulate its search strategy. To ensure the best possible chance of attracting a diverse pool of candidates the search considered individuals who did not have direct PLC experience, but who possessed experience of leading complex, global-scale organisations. Potential candidates were also required to demonstrate that they had sufficient time available to devote to the role.

In executing its search strategy for the two non-executive directors, and to ensure a diverse range of candidates, EZ identified a wide pool of potential candidates. From this, a long list was compiled and following further review, a number of individuals were profiled and considered by the Company. A short list was drawn up and seven candidates were interviewed by the Chair and CPO before progressing to the second selection stage of interviews with the Group General Counsel and Company Secretary and Group CEO. Candidates, who were considered to best match the role requirements, were put forward to meet with the SID and other members of the Board. After detailed discussions and careful consideration, the Nomination Committee concluded and recommended to the Board that Leanne Wood be appointed to the Board with effect from 4 May 2023, which the Board approved. Leanne was considered to meet the brief very favourably. In addition to her people specialism, Leanne brings wider strategic and operational experience in global organisations and her people philosophy is a strong cultural fit with Compass.

The Company also offered a role to a second female candidate who did not accept the position. The Company is continuing its search in the coming year and hopes to meet all the FCA's targets by the end of 2024.

Executive directors

In September 2023, Gary Green informed the Board that he wished to retire as Group Chief Operating Officer (COO), North America and as a director of Compass Group PLC and it was agreed that he would step down from the Board on 30 November 2023.

Through the Board and Executive Committee succession planning processes, the Committee identified Palmer Brown as the preferred and natural candidate to succeed Gary Green given his extensive knowledge of the contract catering industry and his deep financial expertise which he had demonstrated over the last two years in the role of Group CFO. The Committee also recognised his prior experience with the US business which he joined in 2001 where he played a central role as a member of the executive team and had been responsible for many strategic acquisitions and disposals for the Group. The Committee recommended the appointment of Palmer Brown as the Group COO, North America and this was approved by the Board with effect from 1 December 2023.

The Committee also considered candidates to succeed Palmer Brown as Group CFO. Again, through the Board and Executive Committee succession planning processes, the Committee identified Petros Parras as the preferred candidate. The Committee considered Mr Parras' strong performance as Regional Finance Director for Europe and the Middle East where he had played a key role in the turnaround of the region, focusing on growth strategies, the operating model and core processes as well as the use of data analytics to drive better commercial outcomes. The Committee also considered his prior experience in fast-moving consumer goods businesses including Procter & Gamble, Reckitt Benckiser and Coty in Europe and North America in senior finance, operational and strategic roles. The Committee recommended the appointment of Petros Parras as the Group CFO and a director of Compass Group PLC and this was approved by the Board with effect from 1 December 2023. Petros will stand for election at the 2024 AGM.

Details of senior management succession planning are on page 95.

Induction process

On joining, new directors receive a formal, comprehensive and tailored induction programme designed to suit the individual's needs and role. The induction includes meetings with senior management, the external auditor and external advisers, together with technical briefings and site visits, which facilitate an effective introduction to the Group's businesses and culture. The induction process is structured in a way that ensures the new director has a strong foundation and the necessary information to understand the business, and to be effective in the role.

Since her appointment, Leanne Wood has completed her personalised induction and is contributing effectively to Board and committee discussions. Leanne will stand for election at the 2024 AGM.

Non-executive directors' tenures and change in roles and responsibilities

Ian Meakins was appointed to the Board in September 2020 and as its Chair in December 2020. He completed his first three-year term in office during the year. In determining whether to renew Ian's appointment for a further three-years, the Committee, chaired by the SID, considered the balance of perspectives, skills, experience and expertise needed on the Board to help the Company achieve its strategic goals. In arriving at a decision, the Committee considered Ian's performance to date, his personal leadership qualities and the skills required to be a successful board chair, combined with the necessary experience, knowledge and insight to lead the Board in the next stage of the Group's development. Ian's capacity to devote sufficient time to his role at Compass was also considered. The Committee duly recommended the reappointment of Ian Meakins as a non-executive director and Chair of the Board for a further term of three-years, which was approved by the Board.

Carol Arrowsmith was appointed to the Board and as Chair of the Remuneration Committee in June 2014. She stepped down as Chair of the Remuneration Committee at the conclusion of the 2023 AGM and was succeeded in this role by John Bryant. To facilitate an orderly transition of the Remuneration Committee Chair, the Committee recommended that Carol continue as a member of the Remuneration Committee, which was approved by the Board. Carol completed her nine-year tenure in June 2023 and will retire from the Board following the conclusion of the 2024 AGM. The Board also approved the Committee's recommendation that John Bryant, whom the Committee considered to be the most suitable candidate, be appointed to succeed Carol Arrowsmith as Chair of the Remuneration Committee at the conclusion of the 2023 AGM.

John Bryant joined the board of Flutter Entertainment plc in February 2023 and became its Chair in September 2023. Recognising the time commitment required for this new role and his existing commitments, it was agreed by mutual consent that John would stand down as SID in July 2023 but continue as Chair of the Remuneration Committee and as a member of the Audit, Corporate Responsibility and Nomination Committees.

The Board approved the Committee's recommendation that Anne-Françoise Nesmes, who joined Compass in July 2018, succeed John as SID on the basis that she possessed the required level of seniority and experience to assume this senior Board position including a strong record of working within listed company boards together with an excellent knowledge of the associated UK regulatory and governance framework.

During the year, the Corporate Responsibility Committee was updated on the work of the DNED and their role in bringing the voice of employees into the boardroom. Ireena Vittal has been DNED since 2019. During her time in this role, Ireena has met with numerous employees from across the Group, listening to their insights and views and reporting them back to the Board. Ireena's approach and personal style have ensured that employees have had the confidence to freely express any concerns and aspirations for Compass and their own development. The sessions have consistently been rated positively by participants and have provided the Board with a better understanding of the employee experience and have helped with the development of the Group's People strategy. Ireena's first term as DNED for a period of two years ended on 30 September 2021. She was subsequently reappointed as DNED for a second term which concluded on 30 September 2023. At its meeting in September, the Committee recommended to the Board that Ireena's term as DNED be extended until the end of her tenure as a director, which the Board approved. This will enable Ireena to further build on the trust and goodwill that has been established to date and to continue to bring the voice of employees into the boardroom. Details of this year's engagement sessions are on page 75.

Senior management succession planning

The Committee oversees the development of a strong and diverse pipeline of high-calibre individuals capable of discharging executive-level responsibilities. The succession planning process includes a review of talent at senior level. This enables the Committee to monitor and evaluate the strength of the talent pipeline, its composition, its diversity and the training and development needs within the Group's senior leadership.

During the year, the Committee focused on succession planning for the Group's North America business and the Group Executive Committee.

At its meeting in November 2022, the Committee reviewed the succession plans for the North America business with the Group COO, Group CPO and the CPO for North America. The Committee focused on the talent pipelines and plans in place relating to executive functional and operational roles, and senior leadership roles in each business sector, which were designed to ensure business continuity and to support sustainable growth. The Committee received an update from the CPO North America on the approach to recruiting, developing and retaining talent, together with an update on DE&I initiatives designed to ensure that there are diverse talent pipelines in place reflecting the diversity of the consumers and communities served by the North America business.

In connection with the Executive Committee succession plan, the Committee arranged for non-executive directors to have one-to-one meetings with some of the potential executive succession candidates. The meetings provided participating Committee members, particularly those who had recently joined Compass, with an opportunity to get to know succession candidates and to assess the Group's executive succession plan and its alignment to the Group's strategic and DE&I ambitions.

In September, the Committee reviewed the succession plans for the Executive Committee with the Group CEO and Group CPO. The Committee reviewed the talent pipeline and focused particularly on the individuals identified as near-term succession candidates and their development plans.

Diversity, equity and inclusion

Board diversity and inclusion

At Board level, the approach to appointing new directors reflects the Committee's objective to ensure there is always an appropriate balance of experience and backgrounds on the Board. Great emphasis is placed on ensuring that Board membership embodies diversity in its broadest sense. For this reason, members of the Board are drawn from a wide range of disciplines, industries and cultures.

The Board Diversity Policy, is available on our website, www.compass-group.com.

As reported on page 65, the FCA's Listing Rules now set board diversity targets that at least 40% of the board are women, at least one of the roles of CEO, CFO, Chair and SID is held by a woman, and at least one director is from a minority ethnic background.

The Company has met all of the above targets, except the target to have 40% of Board membership represented by women. Following the appointment of Leanne Wood in May, 38% of the Board members are women, versus 33% last year. The Committee is aware that the percentage will return to 33% when Carol Arrowsmith steps down from the Board at the conclusion of the forthcoming AGM in February 2024, and will endeavour to redress the balance to enable the Company to comply with this requirement by the end of 2024.

Group diversity, equity and inclusion

The Committee also reviews the Group's policy on workforce DE&I, and its objectives and links to strategy.

During the year, the Committee received an update on the Group's DE&I activities from the Group CPO and the Group Talent and Capability Director. The workstreams being undertaken across the Group to recruit, develop and retain a diverse talent pool were considered, including the strategy to support the ambition of creating lifetime opportunities and a workforce representative of the consumers and communities served by Compass. The Committee noted progress being made to increase gender diversity, and the structured and broad approach and actions being taken, which varied based on geography and culture.

Nomination Committee report continued

The Committee supports the initiatives taking place across the Group's businesses to improve DE&I, including work to further strengthen the pipeline of women through managed career paths, improved access to opportunities and the removal of barriers to progression.

More details on the Group's DE&I initiatives can be found on pages 32 to 37. Information on Board and Executive Committee gender and ethnicity can be found on page 65. Gender diversity of Executive Committee direct reports can be found on page 36.

Time commitment, and training and development

In line with its terms of reference, the Committee performed an annual review of the time required from the Chair of the Board, SID and non-executive directors to perform their duties. As part of this process, the Committee reflected on directors' attendance at meetings and their availability at other times during the year.

In consultation with the Chair of the Board, the Committee also considered the training that had been received by directors in the year, including the training session led by the Sustainability team, the external advisers and the Company's external auditor on the wider ESG landscape, together with regulatory and governance updates from the Group General Counsel and Company Secretary and other in-house and external subject matter experts and advisers. Future training needs are regularly considered and addressed as required.

Board and committee evaluation

Last year, an independent external evaluation was conducted. Lintstock, which is independent of and has no other links with the Company or its directors, was selected to conduct the evaluation and the following priorities were identified for the financial year ended 2023, which the Board has addressed during the year:

- continuing focus on Board and Executive Committee succession planning for key leadership roles and future non-executive director succession
- refocusing the forward agendas for the Board and committees considering the evolving environmental, societal and governance landscapes to promote and support strategic discussions
- ensuring that directors have regular opportunities to meet in person and informally, to further develop relationships

2023 evaluation

This year, an internal evaluation was conducted with support from Lintstock.

In May, based on a clear and comprehensive brief by the Chair of the Board and the Group General Counsel and Company Secretary, questionnaires were prepared and distributed by Lintstock which focused on the effectiveness of the Board and its committees. The questionnaires, which took into account and built on the key themes which had emerged from the previous external evaluation, were completed by Board members. Members of the Executive Committee completed a separate questionnaire which sought their views on Board dynamics across five themes: exposure to the Board, relationships and communications, support and challenge, supporting growth, and suggestions for improving Board and Executive Committee dynamics.

The outcome of the evaluation process (except the performance evaluation of the Chair of the Board, which was reviewed by the SID) was initially shared with the Chair of the Board and the Group General Counsel and Company Secretary followed by the other directors. All reports were subsequently presented to the Committee at its meeting in July.

The evaluation concluded that the Board and its committees continued to be effective and that each of the directors continued to contribute effectively to Board and Committee meetings.

As a result of the evaluation, a number of priorities were agreed for the Board in the year ahead:

- incorporate the sector reviews into the regional reviews and agree the key strategic themes to be considered periodically in the year outside the annual Group strategy review
- further enhance the quality of Board and committee materials by preceding all Board and Committee papers with an executive summary highlighting the action required, particular issues to be considered and any management dilemmas

These priorities, together with the regular work of the Board, will inform the Board's agenda for the coming year.

The priorities identified from this year's evaluation of the Audit, Corporate Responsibility and Remuneration Committees can be found on pages 88, 92 and 126 respectively.

Nomination Committee evaluation

The priorities identified by the Committee following last year's external evaluation process were:

- continuing to effectively support the Board in relation to Board and Executive Committee succession planning
- continuing the development of a diverse talent pipeline including gender, ethnicity and culture

These themes, together with the Committee's regular programme of work, shaped the Committee's agenda and were included in the principal activities during the year under review.

2023 evaluation

This year's internal evaluation of the Nomination Committee confirmed that the Committee continued to be effective and identified the following priorities for the year ahead:

- as part of Executive Committee succession planning, review individuals' progress against their development plans
- review the talent strategy and how this supports the Group's growth ambitions

These matters, together with the regular work of the Committee will inform the Committee's agenda for the coming year.

Ian Meakins
Chair of the Nomination Committee

20 November 2023

Remuneration Committee report

John Bryant
Chair of the Remuneration Committee

Dear Shareholder

On behalf of the Board, I am pleased to present our Directors' Remuneration Report (DRR) for the year ended 30 September 2023, my first report as Chair of the Remuneration Committee. I joined the Compass PLC Board in September 2018 and was appointed Chair of the Remuneration Committee at the conclusion of the 2023 AGM. I would like to thank my predecessor, Carol Arrowsmith, for her leadership and stewardship of the Committee over the past nine years.

Remuneration context

Compass is a business with over 550,000 employees operating in around 35 countries and around two-thirds of our revenues are generated in North America. 2023 was an exceptional year for Compass, establishing record levels of performance. The Group's recovery surpassed its pre-pandemic levels of revenue, profit and cash. Our share price reached its highest level to date reflecting the market's confidence in Compass and its leadership team. These results have been achieved against a backdrop of continued economic and political uncertainty.

Results this year have been strong in all areas, with revenues reaching £31 billion, underlying operating profit growth of 30% on a constant-currency basis, underlying operating margin of 6.8%, net new business wins of 4.6% and a strong client retention rate of 96.5%. An ongoing focus on the importance of health and safety, including ethical sourcing, allergen management and food traceability, has continued to create opportunities for us.

We remain committed to halving our food waste by 2030 and have made excellent progress this year in the rollout of the tracking technology to achieve this, with just under 8,000 sites globally now tracking food waste. Early trends in our food waste reduction are promising.

However, the external landscape in which the Group operates continues to be challenging across our markets, with inflationary pressures being experienced in all markets and sectors. We reviewed our portfolio and have exited several countries as we continue to reshape our portfolio to focus on better growth opportunities in our larger, more developed markets.

Nevertheless, the strength of our balance sheet, along with our confidence in the prospects for the business, have provided us with the platform for strong returns to shareholders. We have declared 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.

It is within this context that the implementation of the 2022 Remuneration Policy (the 2022 Policy) during the year should be considered.

Listening to our shareholders

The Remuneration Committee has engaged extensively with shareholders over recent years, and since my appointment as Chair I have continued this open and transparent dialogue. My priority has been to develop relationships with investors and to spend time listening. I have met with many of our major shareholders to understand their views on our Remuneration Policy and its implementation, and I have directly heard a variety of opinions. This dialogue has been a continuation of the extensive engagement carried out by my predecessor, Carol Arrowsmith, during 2021 and 2022, in respect of the 2022 Policy and other key remuneration decisions.

Although we were pleased that the majority of shareholders were supportive of the resolution to approve the 2022 DRR at the 2023 AGM, we are mindful that a notable minority opposed the resolution. During our engagement with shareholders in the lead-up to the 2023 AGM, it was apparent that there was some concern related to the increase in the Long-term Incentive Plan (LTIP) opportunity approved by shareholders at the 2022 AGM as part of the 2022 Policy and its subsequent implementation. However, concerns were not uniform across all major shareholders. For example, the largest single vote against the 2022 Policy at the 2022 AGM, and against the adoption of the Remuneration Report at the 2023 AGM, was influenced by a view that the incentive opportunity was not high enough. The prior votes against the remuneration resolutions should not therefore be interpreted as shareholders being universally opposed to the increased LTIP quantum, and in this context, because of this divergence of views amongst shareholders, building unanimous support across the register has been challenging.

During our extensive consultation on the 2022 Policy, we engaged with our 100 largest shareholders, representing almost 90% of the issued share capital. In the lead-up to the 2022 AGM vote, we had good insight and understanding into the views of the vast majority of our shareholders. Although views were mixed, it was clear that the majority of shareholders were supportive of the increased LTIP quantum for executive directors. The Committee was, and remains, strongly of the view that the proposals were in the long-term interests of the Company and of its shareholders. We therefore decided to proceed with implementation following shareholder approval of the 2022 Policy at the 2022 AGM. The dialogue with investors continued after the AGM during the spring of 2022, and in the lead-up to the 2023 AGM.

During engagement with investors following the 2023 AGM, many shareholders expressed the importance of the Committee's commitment to not look at executive pay in isolation and to consider broader stakeholders in its deliberations. This approach is entirely aligned with that of Compass, and I was pleased to be able to share with some shareholders Compass' broader approach to pay, which is set out on pages 105 to 106.

Remuneration Committee report continued

I was also interested to hear views on our incentive arrangements and the continued development of performance criteria for our plans. I have committed that as part of the next policy review the Committee will consider the measures linked to our incentive plans and consult further with shareholders regarding our proposals.

More recently, I also engaged with major shareholders to provide an update on the remuneration impact of the Board changes announced in September 2023. More details on our extensive engagement can be found on pages 103 to 104.

The perspectives of our major shareholders form an important part of the Committee's deliberations, and I would like to reiterate my commitment to engaging with and listening to shareholders, particularly as we consider our 2025 Remuneration Policy, a process that has already begun as a result of this engagement. The Committee appreciates the willingness of our major shareholders to take a meaningful part in our deliberations. We acknowledge that executive pay is a topic that attracts strong and often differing opinions amongst investors, and we have continued to adopt an approach which is measured, fair, and promotes the sustainable delivery of the Company's long-term strategy.

Consideration of the wider workforce and their views

Our people are at the heart of who we are and of what we do. We are focused on building an open culture in which our people can thrive, feel safe and feel valued for who they are and what they bring to Compass. In considering executive director remuneration, the Committee has regard to the wider workforce and is updated regularly on the remuneration policies and practices applicable to employees across the Group.

My fellow Remuneration Committee member, Ireena Vittal, is the Designated Non-Executive Director for Workforce Engagement. During the year, Ireena continued her programme of engagement with employees to understand their views and experiences of working at Compass and what could be improved, and to take feedback on our approach to remuneration. These sessions provided Ireena with opportunities to hear directly from employees in an open environment, enabling the Board to better understand the differing views of our people. More information on Ireena's discussions with employees can be found on page 75.

Earlier this year, as part of the UK & Ireland business' Social Promise, it published its first ethnicity pay gap report, together with its gender pay gap report. The median gender pay gap reduced from 16.6% to 12.6%, which is lower than the UK national average. Median pay for ethnic minorities was 7.9% higher than the Compass UK&I average, reflecting a higher representation of ethnic minority colleagues in higher paid roles. However, there is more work to do and action plans have been defined and communicated to address the challenges.

Our UK business is a Living Wage Recognised Service Provider, accredited by the Living Wage Foundation, meaning that its directly employed workforce are paid the Real Living Wage or above. Additionally, we continue to advocate for the Living Wage across our industry – encouraging clients and suppliers to pay the Living Wage.

Within our regions, we have continued to provide support and assistance in respect of employees' health and financial wellbeing. For example, employees in some countries across the Group benefit from access to same-day pay, salary advances and financial education and support. Access to these benefits is particularly valued by employees who would ordinarily not have access to mainstream financial products and associated financial wellbeing support. UK employees also have an opportunity to become shareholders of Compass through an employee share scheme. More details of our approach to responsible pay are set out on page 105 to 106.

Our approach to executive remuneration

As a Committee, we believe our remuneration framework continues to incentivise the successful execution of our strategy and the delivery of returns to our shareholders. Compass has performed well against the market, the FTSE 100 Index and our sector consistently over the short, medium and long-term, save for the period in which the Company's operations were impacted significantly by the COVID-19 pandemic. Throughout this period we have managed to retain a stable and high-performing management team.

We continue to take a balanced and thoughtful approach to executive remuneration which is strongly aligned with UK corporate governance guidelines. We are acutely aware of the prevailing sensitivities surrounding executive remuneration arrangements and in recent years we have been particularly mindful of both protecting our front line employees and of shareholder views with regard to the potential exercise of positive discretion in respect of our long-term incentive plans. We are mindful that the base salary and total target remuneration of the Group CEO is in the lower quartile of the FTSE 30 (excluding financial services), and the Committee will review this positioning as part of our next Remuneration Policy review. The pension cash allowances received by executive directors are in line with the maximum available to the majority of the wider UK workforce.

Whilst long-term incentive awards granted in the financial years ended 2018, 2019 and 2020 lapsed following the impact of the COVID-19 pandemic, the pay structure has incentivised a strong recovery following the pandemic and has rewarded exceptional Company performance over the past financial year.

Remuneration outcomes in 2023

Bonus outcome – 100%

The exceptional financial results and operational performance noted above are reflected in bonus outcomes for the year. When determining the outcome for the annual bonus plan, in addition to the formulaic outcomes the Committee considered the business performance and operating environment and the wider stakeholder experience.

One-third of the bonuses earned for each executive director will be deferred into shares for a period of three years. The remainder of the bonus will be paid in cash. The cash payment and deferred bonus shares will be subject to malus and clawback provisions for a period of three years after payment/grant. No discretion has been exercised in respect of bonus payments for 2023. Full details of the targets and outcomes are set out on pages 116 to 117.

LTIP outcome – 100%

The 2020-2021 LTIP award was based on a three-year performance period ended 30 September 2023. Measures under this award were 40% on Return on Capital Employed (ROCE), 40% on Adjusted Free Cash Flow (AFCF) and 20% on Relative Total Shareholder Return (TSR).

Prior to grant, the Committee scaled back the award level by 30% of salary for the Group CEO and 25% of salary for other executive directors to reflect the fall in share price experienced as a consequence of the COVID-19 restrictions. The targets for this award were set in a highly uncertain environment and prior to the development and rollout of COVID-19 vaccines. The extent to which the businesses would have the ability to reopen and to generate revenue was highly dependent upon prevailing and future government actions. In particular, cash flow forecasting in the first year of the performance period was particularly challenging. Although actual performance over the three-year period has outperformed these target ranges, our performance has far exceeded any reasonable forecast from when the targets were originally set.

The business delivered ROCE of 17.44% and AFCF of £2,890m over the three-year performance period ending 2023. Compass' TSR performance was strong during the performance period, ranking 10th place out of the 73 companies in the comparator group, reflecting upper-quartile performance.

All three of the performance conditions under the 2020-2021 award were met, and the award will vest in full. The Committee considered it important to undertake a comprehensive and holistic review of performance, both on an absolute and relative basis, to determine whether the payout level was consistent with the performance achieved and, in so doing, to apply a level of judgement to the vesting decision beyond the formulaic outcome. Given the strength of delivery, degree of outperformance versus peers, top-quartile TSR performance, and the progress made on multiple strategic priorities, the Committee is satisfied that the vesting of the award fairly reflects performance over the period. Despite the Company's strong performance during the preceding three years, this is the first LTIP award to vest over the four-year period of recovery and growth.

Executive director changes

On 22 September 2023, we announced that Gary Green will step down from the Board on 30 November 2023. With effect from 1 December 2023, Palmer Brown will assume the role of Group Chief Operating Officer (COO), North America and Petros Parras will be appointed as Group Chief Financial Officer (CFO).

In setting the remuneration packages for the new incumbents, we took a measured approach and set pay at a level which is both fair and competitive, taking into account the size and scope of the roles, the external talent market and the views of our major shareholders.

Base salaries for both Palmer Brown and Petros Parras have been set below the levels for the previous incumbent. Palmer Brown has been appointed on a base salary of $1,400,000, (c.14% below the salary level for the previous incumbent) and Petros Parras has been appointed on a base salary of £740,000 (around the lower quartile of the FTSE 30 (excluding financial services) and c.10% below the previous incumbent). All other elements of their packages, including incentive maxima (bonus – 150% of salary, LTIP – 350% of salary) are consistent with the 2022 Policy. Pension benefits for both directors have been set at 6% of salary which is consistent with the maximum rate available to the majority of the wider UK workforce.

It is recognised that the Group COO, North America role is perhaps unique amongst FTSE peers. When considering the salary for this role, the Committee was particularly cognisant of the following factors:

- the size and scale of our North American operations, which represent approximately two-thirds of the Group's operations
- the 'hot' market for talent in our sector, particularly amongst US peers against whom we compete for talent. This is a US-based role and Palmer, a US citizen, will be returning to the US to undertake the role
- the skills and experience of Palmer, who joined the business 22 years ago and who will provide continuity via his extensive experience of both functional and operational roles in the Group

The Committee has set remuneration at a level which is below pay levels seen in many US organisations. While there is a material increase in base salary compared to his previous role, this reflects the very significant expansion in the role scope. The Committee will review the structure of remuneration in this context during the next Remuneration Policy review.

The Committee has deliberately set the base salary for Petros Parras, the incoming Group CFO, at a prudent level. In line with best practice, the Committee intends to keep his salary under review as he builds experience in the role.

Gary Green will step down from the Board on 30 November 2023 and will remain an employee and available to the Group until his retirement on 31 March 2024. His departure terms are consistent with the 2022 Policy. In recognition of his exceptional performance and contribution to the organistion, Gary will be treated as a good leaver for incentive plan purposes. Outstanding incentives will remain subject to performance and will be pro-rated for time. Full details of Gary's remuneration arrangements for his departure are outlined in the annual report on remuneration on page 123.

Implementation of Remuneration Policy for the year ahead

The Committee is aware of the ongoing inflationary pressures and the impact that this continues to have on our people and their families. When deciding the salary increase for the Group CEO, the Committee considered the budget for salary increases for the wider workforce. Focus has remained on addressing the remuneration of our lowest paid employees and we are engaging with several external bodies to advocate for progress in this area, including advocacy with clients for the payment of a real living wage.

The Committee determined that the base salary level for the Group CEO effective 1 January 2024 would be £1,160,000, representing a 5.9% increase. This is below the average increase for employees across the wider UK population which is expected to be around 8% during 2024. Although the Committee does not look at benchmarking data mechanistically, we are mindful of the positioning of the current package for our Group CEO, which is around 20% below the market median of our FTSE 30 peers (excluding financial services) notwithstanding his experience and track record of success.

The Committee approved the return of a profit growth measure within the 2024 annual bonus plan for the Group CEO and Group CFO, following the Group's return to profitable growth. This will replace the existing operating margin and revenue growth measures introduced during the COVID-19 period. To reflect the progress made in rolling out our food waste tracking technology to almost 8,000 sites in 2023, the food waste measure will evolve to measuring frequency of usage in 2024. It is envisaged that this approach will result in better ingredient usage, reducing food costs and Scope 3 GHG emissions.

In order to maintain the momentum on margin progression, the operating margin measure will remain in the plan for the Group COO, North America for this year. The bonus structure for the Group COO, North America remains broadly the same as 2023, however with the 5% Group operating margin element absorbed into the regional operating margin element, increasing the weighting on regional operating margin to 45%.

The Committee intends to grant LTIP awards at 400% of salary for the Group CEO and 350% of salary for other executive directors. During our extensive engagement with major shareholders this year, this quantum was supported and considered to be appropriate, taking into account the record performance achieved this year, the relatively modest market positioning of pay in a hot global talent market, and our continued commitment to ensuring that stretching targets are set and incentive outcomes are supported by the underlying performance of the Group.

Looking ahead

I would like to take this opportunity to thank our major shareholders, key institutional investor bodies, shareholder proxy agencies and other stakeholders for the time taken to engage with us during the year.

We welcome your feedback on all aspects of our approach to executive pay and I look forward to speaking with you further in the year ahead, as we formally embark on our 2025 Remuneration Policy review.

I hope that you will join the Board in supporting the resolution to approve the 2023 Directors' Remuneration report at the upcoming AGM. I remain available for any shareholders who wish to discuss any of the content set out in this Report ahead of the AGM.

John Bryant
Chair of the Remuneration Committee
20 November 2023

Committee summary

Activity during the year

The key activities of the Committee during 2023 are set out below. The Committee also monitors performance and regularly reviews discretionary matters relating to individuals below executive director level in connection with the Company's share plans. The Committee also agrees the terms of appointment and exit for executive directors and other members of the Executive Committee. The Committee held four meetings during the year, details of which are set out below:

November 2022

- reviewed salaries for the Executive Committee and executive directors effective 1 January 2023, taking into consideration the budgets for salary reviews across the Group
- determined performance outcomes for the 2019-2020 LTIP awards and 2021-2022 annual bonus plan
- set targets for the 2022-2023 annual bonus plan
- approved the structure and proposed quantum of the 2022-2023 LTIP awards
- considered the vesting of the deferred annual bonus share award for the former Group CFO
- considered the vesting of the Senior Manager Incentive Plan Plus (SMIPP) for US participants and approved the supplemental rules of the Deferred Bonus Plan for US participants
- approved the 2022 draft Directors' Remuneration report
- assessed share ownership compliance of directors against the share ownership guidelines

May 2023

- considered feedback from shareholder engagement following the 2023 AGM
- received an update on external remuneration trends and market practice from external advisers
- received a half-year update on the 2023 annual bonus performance
- received a half-year update on in-flight LTIP performance
- considered wider workforce remuneration practices via a detailed dashboard
- approved the mid-year 2022-2023 LTIP awards for leadership team participants below executive director level

August 2023

- considered contingency and succession planning arrangements as part of the Committee's ongoing succession planning activities

September 2023

- considered feedback from engagement with shareholders
- received an update on progress against 2022-2023 annual bonus targets and in-flight LTIP awards
- determined the structure and measures for the 2023-2024 LTIP awards and 2024 annual bonus plan
- reviewed the draft DRR for 2023
- reviewed the fee for the Chair of the Board
- reviewed the base salary for the Group CEO
- undertook the annual review of the terms of reference of the Committee

Governance

John Bryant succeeded Carol Arrowsmith as Chair of the Remuneration Committee at the conclusion of the 2023 AGM. Membership of the Committee comprises the Chair of the Committee and all the independent non-executive directors. Members are appointed by the Board following recommendation by the Nomination Committee. Biographies of Committee members can be found on pages 59 to 61. The Committee meets at least twice a year. The quorum necessary for a meeting is two. The Committee held four meetings during the year. The meeting attendance table can be found on page 69. The Chair of the Committee attends the AGM to respond to any shareholder questions that might be raised on the Committee's activities.

Only members of the Committee have the right to attend its meetings. The Group General Counsel and Company Secretary acts as Secretary to the Committee and attends all its meetings. The Group Chief People Officer and the Group Reward Director are invited to attend meetings to advise on remuneration matters. The Chair of the Board, Group CEO and Group CFO may also attend by invitation. No individual attends meetings where their own remuneration is discussed or in circumstances where their attendance would not be appropriate. Details of the advisers to the Committee can be found on page 126.

The Committee seeks external legal or independent professional advice as it sees fit. The terms of reference of the Committee are reviewed annually and were last reviewed in September 2023 when minor changes were made. The terms of reference can be found on our website, www.compass-group.com.

The Committee determines the Company's Remuneration Policy and is responsible for setting remuneration terms and conditions of employment for the Chair of the Board, executive directors and the Executive Committee. The Committee ensures that members of the Executive Committee are appropriately incentivised to drive the Group's performance and are rewarded for their contribution to the long-term sustainable success of the business by designing, monitoring and assessing incentive arrangements, including setting stretching targets and assessing performance and outcomes.

The Committee reviews remuneration arrangements for other senior executives within the Group and has regard to the remuneration philosophy of the organisation when developing policy and considering executives' packages, monitoring the relationship between executive remuneration arrangements and those of the wider workforce. The Committee maintains an active dialogue with major shareholders and ensures their views and those of the proxy advisers are sought and considered when determining Remuneration Policy.

Structure and content of the report

This DRR has been prepared on behalf of the Board by the Committee in accordance with the requirements of the Companies Act, The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, The Companies (Miscellaneous Reporting) Regulations 2018 and The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019. The sections include:

- the Committee's key activities in the year, performance outcomes, and our engagement with shareholders, followed by an 'at a glance' summary of the remuneration decisions made during the year
- the 2022 Remuneration Policy effective 3 February 2022
- how the Policy was implemented during 2023 and how it will be implemented in 2024 (the Annual Remuneration report)

Auditable disclosures are the:

- executive directors' single total figure of remuneration (page 115)
- non-executive directors' remuneration (page 119)
- long-term incentive awards (page 121)
- extant equity incentive awards held by executive directors (page 122)
- directors' interests (page 123)
- director changes during the year (page 123)

Remuneration at a glance

Linking pay to performance

Bonus LTIP

Organic revenue growth
- Organic revenue growth

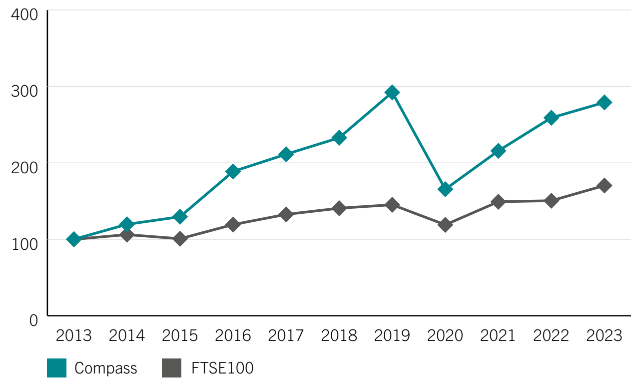
Operating efficiencies
- Operating margin
- Cash conversion
- Return on capital employed
- Adjusted free cash flow

Competitive advantage
- Workplace safety incident frequency rates
- Food safety incident rates
- Food waste

Shareholder returns
- Relative TSR

2023 performance highlights

Total shareholder return (TSR) – Compass vs FTSE 100 (£)



Total shareholder return

The performance graph shows the Company's TSR performance against the performance of the FTSE 100 over the 10-year period to 30 September 2023. The FTSE 100 Index has been chosen as a broad equity market index of which the Company has been a constituent member throughout the period.

Remuneration KPIs

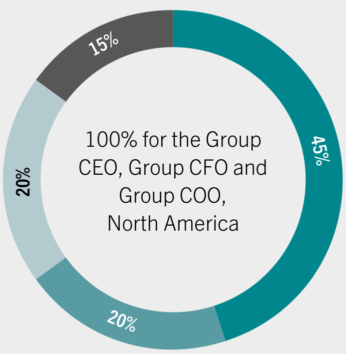
19% Organic revenue growth

6.8% Underlying operating margin

30% Growth in underlying operating profit (on a constant-currency basis)

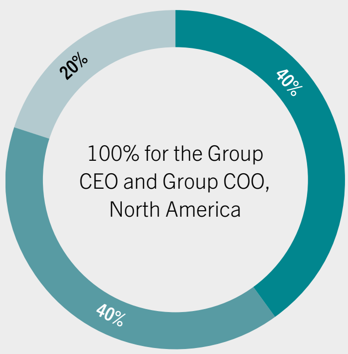
Remuneration outcomes in respect of 2023

2022-2023 annual bonus plan



Measure	Outcome
Operating margin	100%
Cash conversion	100%
Organic revenue growth	100%
ESG	100%

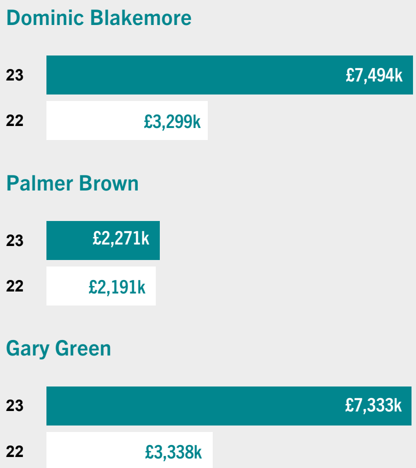
2020-2021 LTIP award



Measure	Outcome
ROCE	100%
AFCF	100%
Relative TSR	100%

The 2020-2021 LTIP award granted to Palmer Brown pre-dates his appointment as an executive director.

2022-2023 single total figure of remuneration



The increase in the single total figure of remuneration for 2023 reflects the Group's exceptional performance in 2023, where record levels of performance have been achieved in many areas, and the strong shareholder returns delivered.

Remuneration Policy summary

The below table sets out a summary of our Remuneration Policy for executive and non-executive directors, as approved by shareholders at the 2022 AGM, as well as its proposed implementation for 2024.

Summary Remuneration Policy for executive directors

Element and summary of policy	Implementation for 2024
Fixed pay	
Base salary Base salaries are reviewed annually with any increases normally taking effect on 1 January of each year.	2024 base salary levels: – Dominic Blakemore: £1,160,000 (5.9% increase effective 1 January 2024) – Petros Parras: £740,000 (effective 1 December 2023 on appointment as Group CFO) – Palmer Brown: $1,400,000 (effective 1 December 2023 on appointment as Group COO, North America) The average increase for employees across the wider UK workforce is expected to be around 8% during 2024.
Benefits and pension Benefits include, but are not limited to, healthcare for executive directors and their dependants, limited financial advice, life assurance and car benefit. Pension cash allowances are aligned to the maximum rate available to the majority of the wider UK workforce (currently 6% of base salary).	No change in benefits or pension arrangements for 2024.
Variable pay	
Annual bonus plan The maximum award for the Group CEO is 200% of base salary and for the other executive directors is 150% of base salary. One-third of the bonus for executive directors is subject to mandatory deferral into shares, for a period of three years. Awards are subject to malus and clawback.	The measures and weightings for the 2024 bonus will be as follows: **Group CEO and Group CFO** (Group measures): Profit growth 60% Cash conversion 25% ESG 15% **Group COO, North America** (Regional measures): Operating margin 45% Cash conversion 20% Organic revenue growth 20% ESG 15%
Long-term Incentive Plan Maximum opportunity of 400% of salary for the Group CEO and 350% of salary for other executive directors. Company performance measured by ROCE, AFCF and relative TSR. A two-year holding period applies following the three-year performance period. Awards are subject to malus and clawback.	Performance measures and targets for 2023-2024 LTIP award: (see table below)
Shareholding requirements 4x base salary minimum shareholding requirement for the Group CEO and 3.5x base salary for other executive directors. Executive directors are required to hold the lower of: (i) their shareholding at the date of termination of employment; or (ii) shares equivalent to their share ownership guideline at that date, for a period of two years post employment.	No change. Dominic Blakemore has met his shareholding requirement. Petros Parras and Palmer Brown continue to build their shareholding in line with our Share Ownership Guidelines Policy.

Performance measures and targets for 2023-2024 LTIP award:

Measure	Weighting	Threshold	Target	Maximum
ROCE	40%	18.47%	19.07%	19.67%
Vesting		0%	50%	100%
AFCF	40%	$4,355m	$4,633m	$4,911m
Vesting		0%	50%	100%
Relative TSR	20%	Median	–	Upper quartile
Vesting		25%		100%

Summary Remuneration Policy for non-executive directors

Chair of the Board and non-executive director fees

The fees for the non-executive directors are reviewed and determined by the Board each year to reflect appropriate market conditions and may be increased if considered appropriate.

Fees for non-executive directors for 2024:

Chair of the Board fee	£595,900 (5.9% increase)
Non-executive director base fee	£99,575 (5.9% increase)
Senior Independent Director fee	£30,000 (no increase)
Committee Chair fee	£30,000 (no increase)

Engagement with shareholders

Development of our current approach to pay

Key factors considered when developing our Remuneration Policy:

- **global competitiveness** – considering practice when compared to companies of a similar financial and operational size, global footprint and business complexity, and the 'hot' market for talent in our sector
- **shareholders' best interests** – it is important for us to retain our executives' skills, capabilities and deep sector experience at a key time in our recovery and address the significant challenge of rewarding our executives fairly for delivering a strong recovery from COVID-19
- **pay for performance** – commitment to ensuring incentive outcomes are supported by the underlying performance of the business
- **market positioning** – overall package for the Group CEO remains positioned at just below the lower quartile of the FTSE 30 (excluding financial services), notwithstanding that the current market capitalisation places the Company amongst the largest 15 companies in the FTSE 100
- **balanced approach** – increases to incentive opportunity were introduced in 2022 alongside best practice remuneration features (e.g. mandatory bonus deferral and increased shareholding guidelines)

The Policy approved by shareholders in 2022 included an increase to long-term incentive award levels. While such increases need to be approached with caution, the Committee was mindful of the commercial challenges and the need to safeguard long-term shareholder interests.

In developing the Remuneration Policy, the Committee consulted extensively with our largest shareholders prior to the 2022 AGM. The feedback received helped the Committee to shape its final proposals.

In advance of the 2022 AGM, the Committee had a clear understanding that, while the approach had the support of the majority of our investors, there was a minority who were unsupportive of the proposed changes at that time and that this would be reflected in the voting outcome at the AGM.

After careful consideration of all feedback, the Remuneration Committee concluded that the proposed approach was in the long-term interests of the Company and of its shareholders.

The Committee therefore adopted and subsequently implemented the Remuneration Policy approved by shareholders at the 2022 AGM.

Since that time, we have maintained dialogue with major shareholders on executive pay, particularly with those who did not support the Remuneration Policy, with further engagement in the spring of 2022, and in early 2023, including a comprehensive engagement exercise in advance of the 2023 AGM, when it was apparent that investor sentiment remained mixed.

The majority of shareholders, and two of the most prominent voting advisory bodies, were supportive of the 2023 DRR. A minority of shareholders were influenced by another influential voting advisory body that was opposed to the resolution, with concerns primarily relating to the Policy approved at the 2022 AGM.

Notably, not all the shareholder dissent was against the increase in LTIP quantum; indeed, the largest single vote against the Remuneration Policy in 2022, and against the Remuneration Report in 2023, was partly influenced by a view that the incentive opportunities were not high enough.

Engagement has repeatedly demonstrated that there are mixed views across our shareholder base, and the basis for voting differs across the register. In this context, building unanimous support has remained challenging.

Following the AGM in 2023, we continued our engagement throughout the year, writing to our 100 largest shareholders and requesting to meet with our largest 30 shareholders, representing almost two-thirds of the share register. Meetings took place with five shareholders representing 20% of issued share capital, and the three main proxy advisers.

During this engagement exercise, we were pleased to note that shareholders are largely supportive of our approach to executive remuneration. Shareholders have welcomed the progression of environmental, social and governance (ESG) targets (food safety, workplace safety and food waste) within our short-term incentive plan. Shareholders were also pleased with the Committee's decision not to exercise positive discretion in respect of the vesting of three consecutive LTIP awards, which all lapsed in full over 2020 to 2022 inclusive, and that they were given the opportunity to contribute to the Committee's deliberations on this matter. We have also received feedback on the performance measures within both our short and long-term incentive plans and have committed to reviewing these during 2024 as part of our 2025 Remuneration Policy review.

Discussions with shareholders have not been limited to executive pay. We have listened to shareholder requests to better understand our practices more broadly in respect of employees in the Group and have held detailed conversations on our approach. This has included the pledge of our UK & Ireland business to address and to disclose pay gaps, e.g. the UK gender pay gap is below the UK national average and the UK ethnicity pay gap is negative, i.e. reflecting a higher representation of ethnic minorities working in locations and roles which are higher paid.

We have also discussed our UK business' accreditation as a Real Living Wage Service Provider and, more generally, its advocacy to clients and prospective clients for payment of the Real Living Wage. We have also discussed how we have been proactive in providing additional support to employees, and to those in the communities in which we operate. We provide significant support to employees, promoting mental health and wellbeing, providing financial education and support as well as free food in many locations. We are pleased that our approach aligns with best practice shareholder guidelines and evolving shareholder views. We also committed to broadening our disclosure in these areas in our 2023 Remuneration Report which is set out on pages 105 to 106.

As noted in the Committee Chair's statement, we are committed to a constructive dialogue with shareholders and the input provided continues to influence the decisions taken by the Committee. We will continue to invest time in understanding the differing viewpoints before making executive pay decisions.

Shareholder engagement timeline

2021 AGM

May 2021

Engagement with shareholders in respect of the impact of COVID-19 on our incentive arrangements: Engaged with top 20 shareholders representing almost 50% of our Issued Share Capital (ISC).

July 2021

Engagement with shareholders as we developed our 2022 Remuneration Policy: Engaged with c.30 major shareholders representing over 60% of our ISC, outlining our proposed approach.

September and October 2021

Engagement with shareholders as we developed our Remuneration Policy: Second round of engagement on our proposals with our top 40 shareholders representing c.70% of our ISC. Follow-up calls with shareholders requesting a meeting.

January to February 2022

Engagement in the lead-up to 2022 AGM: Calls with over 100 shareholders representing over 90% of our ISC.

2022 AGM

March 2022

Engagement post 2022 AGM: Letter sent to 25 shareholders representing around half of our ISC offering further engagement.

November 2022 to January 2023

Engagement with shareholders on the implementation of our Remuneration Policy: Letter sent to top 100 shareholders to summarise the key decisions taken by the Committee in the year. Follow-up calls with shareholders to explain our proposed approach.

January 2023

Engagement in lead-up to 2023 AGM: Calls with top 100 shareholders representing almost 90% of our ISC.

2023 AGM

New Remuneration Committee Chair appointed

February 2023

Engagement post 2023 AGM: Letter sent to top 100 shareholders representing almost 90% of our share register to introduce the new Remuneration Committee Chair. Offer of a meeting to top 30 shareholders, representing almost two-thirds of our ISC.

March to September 2023

Engagement post 2023 AGM: Meetings held with five major shareholders representing c.20% of our ISC, plus three main proxy advisers. Shareholder feedback shared with Remuneration Committee at its September meeting.

October 2023

Engagement on Board changes: Letter sent to top 30 shareholders setting out the remuneration arrangements for Palmer Brown and Petros Parras, the retirement terms for Gary Green and a broader remuneration update.

2024 AGM

We will be engaging with our shareholders again in the lead up to the 2024 AGM and over the course of 2024 and 2025 as we begin to review our Remuneration Policy in advance of its approval at the 2025 AGM.

Remuneration in the wider context

Engaging with our employees

Our people are at the heart of our business and we want our employees to thrive in a fair and inclusive work environment. Understanding their needs and motivations helps to provide a great place to work and to drive business performance.

Engagement with our employees takes many forms, including surveys, roundtables, townhall meetings, Speak Up, We're Listening reports, and initiatives in conjunction with trade unions and other employee consultative bodies. Our Designated Non-Executive Director for Workforce Engagement, Ireena Vittal, also holds regular roundtable discussions with employees from around the Group, gathering colleagues' views and sharing feedback with the Board.

Pages 74 to 79 provide an overview of how we engaged with employees and other stakeholders in 2023.

Details of the roundtable sessions are set out on page 75.

Our employee dashboard

When considering executive remuneration and setting the Remuneration Policy, the Committee takes into consideration the wider workforce. A detailed employee landscape dashboard was presented to the Committee at its May 2023 meeting. The dashboard covered the following areas:

Employee landscape dashboard

Inflationary pressures	Throughout the year, we continued to monitor the inflationary pressures faced by many employees in the Group and made tactical changes where appropriate to help mitigate the impact. For example:
	– Our UK&I business:
	  – is a Living Wage recognised service provider
	  – brought forward the implementation of 2023 salary increases to November 2022 (from January and April 2023)
	  – provided around 200,000 free meals for colleagues each week
	  – provided enhanced access to loans for individuals who wouldn't ordinarily be eligible, and access to early pay-days
	  – provided access to a Helping Hands fund to support with emergency and unexpected payments
	  – introduced financial education seminars covering money management, Compass benefits, savings and investments and retirement planning
	– in markets with high inflation such as Türkiye, in keeping with local market practice, our local businesses operated additional salary reviews during the year to try to mitigate the impact of inflation
	– for colleagues in North America, 50% of earned wages can be accessed in advance of pay-day, helping them to manage their finances more effectively

Minimum and Living Wage	Compass Group UK&I is a Living Wage Recognised Service Provider, meaning all directly-employed staff are paid at least the Real Living Wage. They also offer a Living Wage option in every client bid that is made. The UK&I business has made real progress tackling low pay across the UK, with an extra 20,000 colleagues being paid the Real Living Wage or above since October 2021. During the year, Compass Group UK&I won the prestigious Living Wage Champion Award in the Recognised Service Provider Category at the Living Wage Foundation annual awards.
Gender and ethnicity pay gap	The Compass UK gender pay gap in 2022 reduced by a quarter from 16.6% to 12.6%, which is below the national average of 14.9%. In addition, the median bonus gap reduced from 29.4% to 7.1%. When addressing the gender pay gap, the UK&I business has two clear areas of focus: (i) to continue increasing female representation in leadership; and (ii) to increase pay for its lowest paid, including the part-time front line workforce which is predominantly made up of women. The Compass UK ethnicity pay gap was published for the first time in 2022, and our UK&I business started with a median ethnic minority pay gap of -7.9% reflecting a higher representation of ethnic minorities working in locations and roles which are higher paid. However, there is more work to do to increase representation of ethnic minorities at senior leadership and management levels, including targets to promote social and economic mobility.
CEO pay ratio	The Committee reviews the CEO pay ratio and the reasons for any movement in the ratio each year. Further detail can be found on page 124.
Pay across the organisation	This year the Committee has overseen an increase in the number of participants in our Long-term Incentive Plan and an increase in the maximum value of awards, in order to improve alignment with market practice. We have a consistent annual bonus plan across our leadership team, with outcomes in the 2023 financial year based on local, regional and Group performance. Further detail on our approach to remuneration below Board level is set out overleaf.

Remuneration in the wider context continued

Compass North America: Health Is Wealth series

Health Is Wealth is a year-long series by Compass Group North America's Diversity, Equity & Inclusion team, which promotes the health and wellbeing of associates. Every week, the team sent eblasts – emailed insights pieces – across Compass Group North America. The themes included mental health, physical health, financial health and nutritional health.

EAP: Life outside work is important, so we want to make sure it's meaningful and rewarding. In the US, the Employee Assistance Program (EAP) provides support to guide employees through personal challenges, such as life transitions and family, financial and legal problems. It also offers support and strategies to help people manage stress and anxiety, and to find suitable childcare, eldercare, special needs services, and more.

Associate testimonial: *"They really made me feel special and needed. Most people don't ask for help, but the EAP advocates followed-up with me and made me feel special. We need more support like this in this world. Thank you."*

Even Same Day Pay: Our US business aims to offer total rewards that meet real needs. In the US, one of its financial wellbeing programmes enables employees to access earned wages in advance of pay-day, which can help them manage their finances more effectively.

As of May 2023, employees have accessed more than $58 million in wages in advance of pay-day and established savings of over $3.8 million. Associates paid hourly are also taking full advantage of both the pay advance and savings features of the programme. Through signup information, we can see that the number of participants in the programme has doubled year on year. For those employees participating, turnover is running on average 10% lower compared to non-participants, indicating that it is a valued programme.

Alignment of executive and workforce remuneration

Component	Executive directors	Below Board level
Base pay	Salary increases as a percentage of salary are normally aligned with, or lower than, the average percentage increase for the wider UK population. For 2024, the Group CEO will receive a salary increase of 5.9%.	The average salary increase for employees across the wider UK population is expected to be around 8% during 2024.
Benefits	Benefits are aligned to market practice.	Core employee benefits are competitive and reflect local market practice.
Pension	Pension allowance of 6% of base salary, which is aligned with the maximum rate available to the majority of the wider UK workforce.	Pension arrangements reflect local market practices and requirements. The maximum rate available to the majority of the wider UK workforce is currently 6% of salary.
Annual bonus	Maximum annual bonus opportunity of 200% of base salary for the Group CEO and 150% of base salary for other executive directors. Annual bonus is subject to performance against financial and ESG-related performance measures. One-third of any bonus earned by executive directors is deferred into shares for three years.	Annual bonus opportunities vary by role. For the Global Leadership team, the principles of the annual bonus plans are consistent with those for executive directors. They include financial performance targets based on the agreed budget, where target bonus is normally calibrated for the delivery of budget. Alternative annual bonus structures may be used below the Global Leadership team to meet local requirements and regulations, such as profit-sharing or role-focused arrangements (e.g. sales or procurement targets).
Long-term incentives	Maximum Long-term Incentive Plan opportunity of 400% of base salary for the Group CEO and 350% of base salary for other executive directors. Long-term Incentive Plan awards are subject to performance against financial targets measured over a three-year period, followed by a two-year holding period. The executive directors are required to hold the lower of (i) their shareholding at the date of termination of employment; or (ii) shares equivalent to their share ownership guideline at that date, for a period of two years post-employment.	The Long-term Incentive Plan is in place across the Executive Committee and the Global Leadership team. Eligibility is determined by role and individual contribution. Long-term incentive awards were made to almost 400 of our senior leaders in 2023. We also operate a Restricted Share Plan below executive director level, which supports recruitment and retention. Awards are typically made four times a year in March, June, September and December.

Remuneration Policy

This section of the Report sets out the Company's Remuneration Policy with some minor amendments made to update references, where appropriate. We consulted with shareholders extensively during 2021 when the 2022 Policy was being formulated, and further engaged with shareholders following the 2022 and 2023 AGMs. The Policy applied with effect from 3 February 2022 when it was approved by shareholders at the Company's AGM and is intended to apply until 2025.

The 2022 Policy has been designed to incentivise executives to deliver the Company's strategic objectives. A significant portion of remuneration is performance-related, based on a selection of targets linked to key business drivers which can be measured and understood by both executives and shareholders.

The Committee may make minor amendments to the Policy (for example for tax, exchange control, regulatory or administrative purposes) without obtaining shareholder approval.

The Committee reserves the right to make any remuneration payments, and payments for loss of office (including using any discretion available to it in connection with such payments), notwithstanding that they are not in line with the Policy set out below where the terms of the payment were agreed: (i) before 3 February 2022 when the 2022 Policy (approved by shareholders in accordance with section 439A of the Companies Act) came into effect, provided that the terms of the payment were consistent with the Directors' Remuneration Policy (approved by shareholders in accordance with section 439A of the Companies Act) in force at the time they were agreed; or (ii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration of the individual becoming a director of the Company. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

The Committee considers the general pay and employment conditions of all employees within the Group and is sensitive to these, to prevailing market and economic conditions and to governance trends when assessing the level of salaries and remuneration packages of executive directors and other members of the Executive Committee. Executive directors have a greater proportion of their total remuneration package at risk than other employees; however, the structure and principles of incentives are broadly consistent. The wider employee population of the Group will receive remuneration that is considered to be appropriate in relation to their geographic location, level of responsibility and performance.

The Company is committed to ongoing engagement and seeks major shareholder views in advance of proposing significant changes to its remuneration policies.

Remuneration Policy and practices in the context of the UK Corporate Governance Code 2018 (the Code)

The Committee has considered the Remuneration Policy and practices in the context of the principles of the Code, as follows:

Clarity – the Committee endorses a transparent approach to pay, by engaging regularly with executives, shareholders and their representative bodies to explain the approach to executive pay and how it links to the Compass strategy. We are also committed to clear and transparent disclosure on all aspects of executive remuneration.

Simplicity – the purpose, structure and strategic alignment of each element of pay has been clearly laid out in the Remuneration Policy. The incentive arrangements are well understood by both participants and shareholders. The Committee monitors the structure of both the annual bonus and long-term incentive plans to ensure they are easy to understand and avoid unnecessary complexity. Additionally, the Committee ensures there is sufficient flexibility to exercise discretion and override formulaic outcomes where necessary.

Risk – the Committee ensures a careful balance between competitive pay and performance-driven incentives, to mitigate any risk of excessive rewards or encouraging the wrong type of behaviours. There is an appropriate blend of fixed and variable pay elements, which, alongside the Committee's ability to exercise overarching discretion on Compass' performance within the year, allow for a holistic assessment of performance in the year. Additionally, there are robust measures in place to ensure alignment with long-term shareholder interests, including the post-vesting holding period, shareholding requirement, malus and clawback provisions and mandatory deferral of a proportion of bonus into shares.

Predictability – our Directors' Remuneration Policy contains both target and maximum opportunity details for our incentives, with actual performance outcomes dependent upon performance achieved against the targets for the period. Additionally, potential remuneration opportunities under different performance scenarios are set out on page 112 of this Report.

Proportionality – executives are incentivised to achieve stretching, business-linked targets over annual and three-year performance periods, ensuring strong alignment with the business' objectives and creation of long-term sustainable value for shareholders. The Committee assesses performance holistically at the end of each period, taking into account underlying business performance as well as the internal and external market context. The Committee may exercise discretion to ensure that payouts appropriately reflect the experience of the Group during the year.

Alignment with culture – to ensure alignment across the organisation, executive director pension cash allowances are aligned to the maximum rate available to the majority of the wider UK workforce. Additionally, the health and safety of our employees, clients and consumers has always been a top priority for Compass. We have progressively increased the weighting of our ESG measures within the bonus plan, from 5% to 15%. Our measures are meaningful to our business, reflecting the importance of health and safety, and the impact of reducing food waste on the environment.

Remuneration Policy continued

Component parts of the remuneration package

The key components of executive directors' remuneration for the 2022 Policy period are summarised below:

Component and link to strategy	Operation of component	Maximum opportunity	Performance measures
Base salary Reflects the individual's role, experience and contribution. Set at levels to attract and retain individuals of the calibre required to lead the business.	Base salaries are reviewed annually with any increases normally taking effect on 1 January of each year. Salaries are appropriately benchmarked and reflect the role, job size and responsibility as well as the performance and effectiveness of the individual.	Whilst there is no prescribed formulaic maximum, any increases will take into account prevailing market and economic conditions as well as increases for the wider workforce. Increases may be above this when an executive director: progresses in the role; gains substantially in experience; experiences a significant increase in the scale of the role; or was appointed on a salary below the market median. These will be appropriately explained in the relevant year's Annual Report.	None.
Benefits and pension To provide a competitive level of benefits.	Benefits include but are not limited to: healthcare for executive directors and their dependants, limited financial advice, life assurance and car benefit. These are offered to executive directors as part of a competitive remuneration package. The Committee has the discretion to offer additional allowances or benefits to executive directors, if considered appropriate and reasonable to the circumstances. These may include but are not limited to relocation expenses, housing allowance and school fees where appropriate. Executive directors are invited to participate in the Company's defined contribution pension scheme (or local plan) or to take a cash allowance in lieu of pension entitlement.	The cost of providing these benefits can vary in accordance with market conditions, which will, therefore, determine the maximum value. For the Company's pension cash allowance (or pension contribution as appropriate), from 4 February 2021 the annual maximum was aligned to the maximum rate available to the majority of the wider UK workforce (currently 6% of base salary). In line with the Policy, pension contributions for incumbent executive directors were aligned to this rate over time, with Dominic Blakemore and Gary Green's pension allowance reducing to 6% on 31 December 2022. Palmer Brown is eligible to participate in the local US arrangements, with Company contributions capped at 6% of salary.	None.

Component and link to strategy	Operation of component	Maximum opportunity	Performance measures
Annual bonus Incentivises and rewards the achievement of stretching one-year key performance targets set by the Committee at the start of each financial year.	The annual bonus is earned by the achievement of performance over the financial year against targets set by the Committee at the start of each financial year. It is delivered in cash or a combination of cash and deferred bonus shares. The Committee retains discretion to adjust the bonus outcomes to ensure that they reflect underlying business performance. The annual bonus is subject to malus and/or clawback for a period of three years following the date of payment or grant of an award in the event of discovery of: a material misstatement in the accounts or in the assessment of a relevant performance condition; where the action or conduct of a participant amounts to fraud or serious misconduct or has a detrimental impact on the reputation of the Group; a material corporate failure; or the occurrence of any other exceptional event as determined at the discretion of the Committee. One-third of the bonus for executive directors will be subject to mandatory deferral into shares, for a period of three years. Dividend equivalents may be accrued on deferred bonus shares.	Maximum bonus opportunity expressed as a percentage of base salary: – Group CEO: 200% – other executive directors: 150% No bonus is payable for performance below threshold level.	Performance is measured over the financial year. Performance measures are determined by the Committee each year and may vary to ensure that they promote the Company's business strategy and shareholder value. The performance measures and their percentage weightings may vary, depending upon a director's area of responsibility. Performance measures may include, but are not limited to, profit, revenue, margin and cash flow. Strategic KPIs including ESG measures may also be chosen. However, the overall metrics will normally be weighted to financial measures. Annual bonus targets are set with reference to internal budgets and analyst consensus forecasts, with maximum payout requiring performance well ahead of budget. A bonus underpin may be operated so that the bonus outcome is reduced if the underpin performance is not met. Details of the specific measures and targets applying to each element of the bonus for 2023-2024 are shown in the Annual Remuneration Report on page 120.

Remuneration Policy continued

Component and link to strategy	Operation of component	Maximum opportunity	Performance measures
Long-term Incentive Plan (LTIP) Incentivises and rewards executive directors for the delivery of longer-term financial performance and shareholder value. Share-based to provide alignment with shareholder interests. **Return on capital employed (ROCE)** ROCE supports the strategic focus on growth and margin through ensuring that cash is reinvested to generate strong returns with capital discipline. **Adjusted free cash flow (AFCF)** The generation of cash is fundamental to the ongoing success of the Group and the use of AFCF as an LTIP performance measure directly aligns to this. **Relative total shareholder return (TSR)** TSR provides direct alignment between the interests of executive directors and shareholders.	An annual conditional award of ordinary shares which may be earned after a three-year performance period, based on the achievement of stretching performance conditions. Executive directors normally hold vested LTIP shares (net of any shares sold to meet tax and social security liabilities) for a period of two years post-vesting. Calculations of the achievement of the targets are independently assessed and are approved by the Committee. The Committee will consider the Group's underlying performance over the performance period and has discretion to adjust the final vesting level to take this into account. Dividend equivalents may be accrued on the shares earned from LTIP awards. Malus and clawback rules operate in respect of the LTIP. The Committee may decide at any time before an award vests, or for a period of three years after an award vests, that any participant will be subject to malus and/or clawback in the event of: discovery of a material misstatement in the accounts or in the assessment of a relevant performance condition; the action or conduct of a participant amounting to fraud or serious misconduct or having a detrimental impact on the reputation of the Group; a material corporate failure; or any other exceptional event as determined at the discretion of the Committee. Awards are delivered in shares. However, the rules contain provisions to deliver value in cash if necessary (for example, due to securities laws), subject to the discretion of the Committee, determined at any time up to the awards' release. In the event of a change of control, any unvested awards will vest immediately, subject to satisfaction of performance conditions and reduction on a time-apportioned basis.	Awards may be made at the following levels of salary: – Group CEO: 400% – other executive directors: 350% For performance measures other than TSR, 0% of the award vests for below threshold performance, increasing to 50% vesting on a straight-line basis for achievement of on-target performance, increasing to maximum vesting for achievement of maximum performance. The element of an award based on relative TSR will vest in full for top-quartile performance and 25% of that element of the award will vest if performance is at the median. Awards will vest on a straight-line basis between median and top-quartile performance achievement. No shares will be released for this element of an award if the Company's TSR performance is below the median.	Performance is measured over three financial years. Performance measures for the 2023-2024 award are ROCE, AFCF and relative TSR, applying 40%, 40% and 20% respectively. LTIP targets are set with reference to a range of relevant reference points which may include internal budgets and analysts' consensus forecasts, with maximum payment requiring performance well ahead of budget. Details of the targets for the LTIP award to be made in 2023-2024 are set out as required in the Annual Remuneration Report on page 121. The Committee has discretion to use different or additional performance measures or weightings for awards in future years to ensure that the LTIP remains appropriately aligned to the prevailing business strategy and objectives. The Committee would consult with major shareholders prior to making material changes to performance measures.

Incentive plans

The LTIP described in the table on page 110 (known as The Compass Group PLC Long-term Incentive Plan 2018) is the primary form of equity incentive for executive directors.

Dilution limits

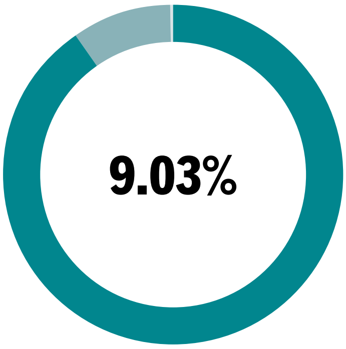
All of the Company's equity-based incentive plans incorporate the current Investment Association's Principles of Remuneration (the Principles) on headroom which provide that overall dilution under all plans should not exceed 10% over a 10-year period in relation to the Company's issued share capital (or reissue of treasury shares), with a further limitation of 5% in any 10-year period for executive plans.

The Committee monitors the position regularly and prior to making an award ensures that the Company remains within these limits. Any awards which are required to be satisfied by market-purchased shares are excluded from such calculations. On 30 September 2023, the Company held 70,170,859 treasury shares. During the 2023 financial year, 800,000 shares were purchased in the market by the trustees of The Compass Group PLC All Share Schemes Trust. 1,343,592 treasury shares and 448,686 market-purchased shares were used in the year to satisfy the Company's obligations under the Group's employee equity incentive schemes.

As at 30 September 2023, the Company's headroom position, which remains within the current Principles, was as shown in the charts below:

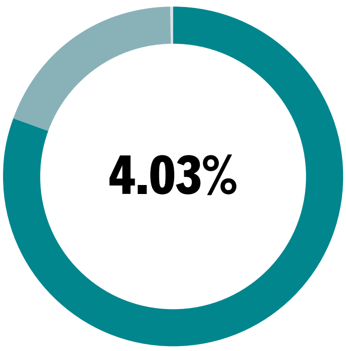
Headroom as at 30 September 2023

10% in 10 years



Headroom	9.03%
LTIP	0.96%
Discretionary options	0.01%

5% in 10 years



Headroom	4.03%
LTIP	0.96%
Discretionary options	0.01%

Share ownership guidelines

In order that their interests are linked with those of shareholders, directors are expected to build up and maintain a personal shareholding in the Company. Under the 2022 Policy the Group CEO and all other executive directors are required to build up and maintain a personal shareholding of 400% and 350% of base salary, respectively.

The shareholding guideline may be achieved by executive directors retaining shares received as a result of participating in the Company's share plans. The guidelines specifically exclude the need to make a personal investment should awards not vest. The required level of executive shareholding is expected to be achieved within a five-year period commencing from the date of appointment or date of increase in shareholding requirement, whichever is the later.

Directors' shareholdings are reviewed annually by the Committee to ensure that directors are on course to achieve their guideline shareholding within the period required. However, if it becomes apparent to the Committee that the guidelines are unlikely to be met within the timeframe, then the Committee will discuss with the director a plan to ensure that they are met over an acceptable timeframe. The Committee reserves the right to make the granting of future LTIP awards to an executive director conditional upon reaching the appropriate threshold in the required timeframe. For annual bonus awards for executive directors for periods commencing on or after 1 October 2022, a minimum of one-third of the annual bonus earned will be deferred into shares for three years.

A post-employment shareholding requirement was implemented under the Share Ownership Guideline Policy for executive directors and applies to awards acquired after the effective date of the 2021 Policy (4 February 2021). The Policy requires executive directors to hold the lower of (i) their shareholding at the date of termination of employment; or (ii) shares equivalent to their share ownership guideline at that date, for a period of two years post employment.

Non-executive directors are required to build up and retain a personal shareholding equal to the value of their base fee over four years. Non-executive directors are generally expected to purchase shares equating to a minimum value of one-third of their net-of-tax fee each year until the guideline is met.

Details of the interests of directors in shares and equity incentives are set out on page 123, together with the extent to which each of the directors has complied with the share ownership guidelines as at 30 September 2023.

Remuneration Policy continued

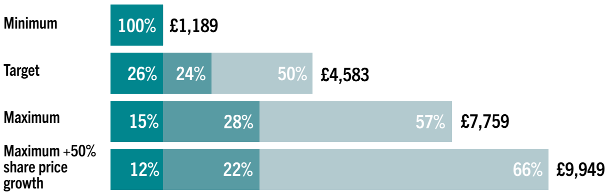
Illustrations of application of the 2022 Remuneration Policy

The graphs below show an estimate of the remuneration that could be received by executive directors in office at the date of this DRR under the 2022 Policy. The charts illustrate for each executive director remuneration payable at minimum, target and maximum outcomes, along with maximum outcome incorporating an illustrative share price appreciation of 50% on shares granted under the LTIP. Each of the bars is broken down to show how the total under each scenario is made up of fixed elements of remuneration, the annual bonus, the LTIP, and LTIP including share price appreciation.

Total remuneration

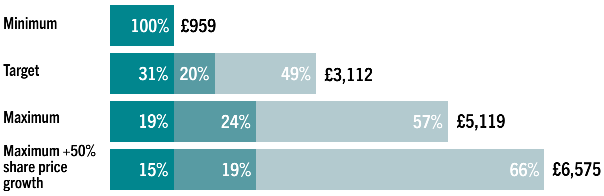
Dominic Blakemore, Group CEO

£000



Palmer Brown, Group CFO[1]

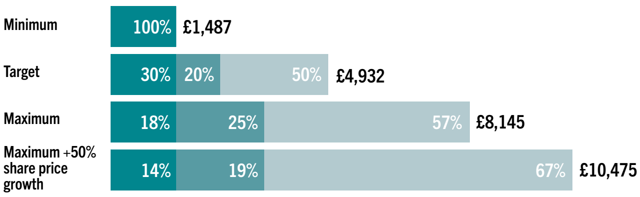
£000



1. Palmer Brown is paid in US dollars. For reporting purposes, this pay is converted into sterling at an exchange rate of $1.2217/£1.

Gary Green, Group COO, North America[2]

£000



2. Gary Green is paid in US dollars. For reporting purposes, this pay is converted into sterling at an exchange rate of $1.2217/£1.

Fixed pay   Annual bonus   LTIP

The scenarios in the graphs are as follows:

- fixed pay includes:
  - annual base salary as at 1 October 2023
  - value of benefits as noted in the single figure table on page 115 for the Group CEO and Group COO, North America. The Group CFO received assignment benefits during 2023, therefore an amount has been included in the scenario charts which reflects a more usual benefit provision
  - pension cash allowance as at 1 October 2023
- annual bonus shown as a maximum percentage of base salary, with minimum, target and maximum performance shown as 0%, 50% and 100% respectively
- LTIP shown as a maximum of base salary, with minimum, target and maximum performance shown as 0%, 52.5% and 100% respectively. Target payout of 52.5% is based on AFCF and ROCE performance measures vesting at 50% of maximum and the TSR measure vesting at 62.5% of maximum (midway between threshold and maximum payout)
- share price appreciation has been calculated as a 50% increase in the value of the LTIP between the date of grant and vesting
- no dividend accrual has been incorporated in the values relating to the LTIP

Approach to recruitment remuneration

The Committee will apply the 2022 Policy when considering the recruitment of a new executive director in respect of base salary, pension and benefits, and short and long-term incentives. Executive directors will be provided with a pension cash allowance (or contribution) in line with the maximum level of pension provided to the majority of the wider UK workforce (currently 6% of base salary). It is envisaged that the maximum level of variable remuneration which may be granted to a new executive director would be within plan rules and consistent with the 2022 Policy maximum opportunity for existing executive directors and the Group CEO.

Other arrangements may be established specifically to facilitate recruitment of a particular individual, albeit that any such arrangement would be made within the context of aiming to minimise the cost to the Company. The policy for the recruitment of executive directors includes the facility to provide a level of compensation for forfeited remuneration arrangements from an existing employer if these are required in order to achieve a successful recruitment. Any arrangement established specifically to facilitate the recruitment of a particular individual would be intended to be of comparable form, timing and commercial value to the benefits forfeited, and capped as appropriate. The quantum, form and structure of any buyout arrangement will be determined by the Committee taking into account the terms of the previous arrangement being forfeited. The buyout may be structured as an award of cash or shares. However, the Committee will normally have a preference for replacement awards to be made in the form of shares, deliverable no earlier than the original awards. Where an executive director is appointed from either within the Group or following corporate activity/reorganisation, the normal policy would be to honour any legacy incentive arrangements to run off in line with their original terms and conditions.

In cases where an executive director must be relocated from their home location as part of their appointment, additional benefits in kind and other allowances may be payable at the Committee's discretion, including but not limited to relocation, education, repatriation costs, tax equalisation or other reasonable international assignment support normally consistent with the relevant policies applicable to the wider workforce.

It is the Board's intention that the policy on the recruitment of new non-executive directors during the 2022 Policy period will apply remuneration elements consistent with those in place for the existing non-executive directors. It is not intended that cash supplements, day rates or benefits in kind be offered, although in exceptional circumstances such remuneration may be required in currently unforeseen circumstances. Non-executive directors are not eligible for pension scheme membership, bonus or incentive arrangements.

Executive directors' service agreements

It is the Company's policy that executive directors have rolling service contracts.

The current executive directors' service contracts contain the key terms shown in the table below:

Service contract key terms by provision

Provision	Detailed terms
Remuneration	– base salary, pension and benefits – car benefit – family private health insurance – life assurance – financial planning advice – minimum of 25 days' paid annual leave – participation in the annual bonus plan, subject to plan rules – participation in the LTIP, subject to plan rules
Change of control	– no special contractual provisions apply in the event of a change of control
Notice period	– 12 months' notice from the Company – 6 months' notice from the director (12 months from Dominic Blakemore)
Termination payment	Payment in lieu of notice equal to 12 months: – base salary – pension supplement – 10% of base salary in respect of benefits All of the above would be paid in monthly instalments, subject to an obligation on the part of the director to mitigate their loss such that payments will either reduce, or cease completely, in the event that the director gains new employment/ remuneration
Restrictive covenants	– during employment and for 12 months after leaving

The historic policy on the payment of bonus on termination, which was in place prior to June 2008, was the provision of a payment, at par or target, of bonus in respect of the notice period, where the Company exercised its right to make a payment in lieu of notice. Gary Green's service contract is based on this historic policy. When introducing the revised policy in June 2008 and after careful consideration, the Committee concluded that it was not in shareholders' interests to migrate such contracts onto the amended policy. Service contracts for Dominic Blakemore, Palmer Brown and Petros Parras fully comply with the policy in effect from June 2008. All executive directors' service contracts impose a clear obligation to mitigate such payment should a departing executive director take on new employment or receive alternative remuneration.

Gary Green's service contract was entered into before 27 June 2012, and it has not been renewed on or after that date. Consequently, remuneration payments or payments for loss of office that are required to be made under Gary Green's contract are not required to be consistent with the current Policy.

The Company may also pay for reasonable costs in relation to termination of employment, for example tax, legal and outplacement support, where appropriate.

Whilst unvested share awards will normally lapse, the Committee may in its absolute discretion allow for awards to continue until the normal vesting date, or for vesting to be accelerated (for example on death), subject to achievement of the attendant performance conditions. In such circumstances, awards vesting will normally be prorated on a time-apportioned basis, unless the Committee determines otherwise. Any such discretion in respect of leavers would only be applied by the Committee to 'good leavers' where it considers that continued participation is justified, for example by reference to performance prior to the date of leaving. The malus and clawback provisions would continue to apply in the event that any such discretion was exercised.

The executive directors in office at the date of this DRR have served on the Board for the periods shown below and have service agreements dated as follows:

Executive director	Date of contract	Length of Board service as at 30 Sep 2023
Dominic Blakemore	12 Dec 2011 7 Nov 2017[1]	11 years, 7 months
Palmer Brown	3 Oct 2021 21 Sep 2023[2]	2 years, 0 months
Gary Green	29 Dec 2006 27 Nov 2007[3]	16 years, 9 months

1. Appointment was formally revised from 1 October 2017.
2. Appointment was formally revised with effect from 1 December 2023.
3. Appointment was formally revised from 1 November 2007.

Remuneration Policy continued

Chair of the Board

The fee for the Chair of the Board (Chair) is reviewed annually by the Committee with any increase normally taking effect on 1 October. The Chair is not eligible for pension scheme membership, bonus or incentive arrangements. Costs in relation to business travel are reimbursed. The Chair's appointment is terminable without compensation on six months' notice from either side.

Ian Meakins has a letter of engagement dated 17 August 2020 in respect of his original appointment as a non-executive director, for a period of three years from 1 September 2020, and his subsequent appointment as Chair. Following a recommendation by the Nomination Committee, which was approved by the Board, Ian's appointment was renewed on 9 May 2023 for a further period of three years. The fee paid to Ian Meakins for 2023 is set out on page 119.

Non-executive directors' remuneration

The fees for the non-executive directors are reviewed and determined by the Board each year to reflect appropriate market conditions and may be increased if considered appropriate. All non-executive directors receive a base fee. Additional fees are payable for other Board duties and time commitments, including acting as Chair of the Audit, Remuneration or Corporate Responsibility Committee, and undertaking the role of Senior Independent Director (SID). An additional fee may be payable for the role of Designated Non-executive director for workforce engagement. Non-executive directors are not eligible for pension scheme membership, bonus, incentive arrangements or other benefits, save reimbursement of travel costs and associated tax due if applicable. Fees paid in respect of the 2023 financial year are set out on page 119.

Non-executive directors have letters of engagement setting out their duties and the time commitment expected. They are appointed for an initial period of three years, after which the appointment is renewable at three-year intervals by mutual consent. In accordance with the Code, all directors offer themselves for annual re-election by shareholders. Details of the appointments of non-executive directors (in office at the date of this DRR) which are terminable without compensation are set out in the table below, together with the dates on which their appointments have been formally revised.

Non-executive director	Original date of appointment	Letter of engagement[1]	Total length of service as at 30 Sep 2023
Carol Arrowsmith	1 Jun 2014	14 May 2014 8 Mar 2017[1] 19 Mar 2020[1] 9 May 2023[1]	9 years, 4 months
Stefan Bomhard	5 May 2016	5 May 2016 13 Mar 2019[1] 17 Mar 2022[1]	7 years, 4 months
John Bryant	1 Sep 2018	17 May 2018 12 May 2021[1]	5 years, 1 month
Arlene Isaacs-Lowe	1 Nov 2021	22 Oct 2021	1 year, 11 months
Ian Meakins	1 Sep 2020	17 Aug 2020 9 May 2023[1]	3 years, 1 month
Anne-Françoise Nesmes	1 Jul 2018	17 May 2018 12 May 2021[1]	5 years, 3 months
Sundar Raman	1 Jan 2022	22 Oct 2021	1 year, 9 months
Nelson Silva	16 Jul 2015	16 Jul 2015 8 Mar 2018[1] 19 Mar 2021[1]	8 years, 2 months
Ireena Vittal	16 Jul 2015	16 Jul 2015 8 Mar 2018[1] 19 Mar 2021[1]	8 years, 2 months
Leanne Wood	4 May 2023	4 May 2023	0 years, 5 months

1. Date of letter of engagement.

Remuneration report

Implementation of the 2022 Policy during the year ended 30 September 2023

Directors' single total figure of remuneration

The table below sets out in a single figure the total amount of remuneration, including each element, received by each of the executive directors in office for the year ended 30 September 2023.

	Dominic Blakemore		Palmer Brown[4,5]		Gary Green[5]	
	2023 £000	2022 £000	**2023 £000**	2022 £000	**2023 £000**	2022 £000
Fixed pay						
Base salary	**1,083**	1,034	**821**	752	**1,315**	1,200
Taxable benefits[1]	**28**	59	**153**	250	**75**	67
Pension	**75**	116	**49**	51	**121**	249
Total fixed pay	**1,186**	1,209	**1,023**	1,053	**1,511**	1,516
Performance-related pay						
Bonus[2]	**2,190**	2,090	**1,248**	1,138	**1,997**	1,822
LTIP[3]	**4,118**	–	**–**	–	**3,825**	–
Total variable pay	**6,308**	2,090	**1,248**	1,138	**5,822**	1,822
Single total figure of remuneration	**7,494**	3,299	**2,271**	2,191	**7,333**	3,338

1. Taxable benefits comprise healthcare insurance, limited financial advice, life assurance and car benefit. Palmer Brown relocated from the US to the UK prior to his appointment as Group CFO and during 2022 and 2023 received benefits relating to his assignment which are included in the figures above.
2. Two-thirds of the 2022-2023 bonus for executive directors will be paid in cash with the remaining one-third being deferred into shares. Details of the performance achieved for the 2022-2023 bonus is shown on pages 116 to 117.
3. The 2020-2021 LTIP award will vest in November 2023. Details of the performance measures and performance achieved are shown on pages 117 to 118. The amount presented includes the value of accrued dividend-equivalent shares. The values attributed to share price growth for Dominic Blakemore and Gary Green were £1,331k and £1,236k respectively.
4. The base salary, taxable benefits and pension figures for Palmer Brown for 2022 are pro-rated for his time in office during the year.
5. Palmer Brown and Gary Green's base salary and other emoluments for the year are shown in sterling at an exchange rate of $1.2217/£1 (2022: $1.2785/£1).

Base salary

The Committee reviewed base salaries in the context of the Group's strong performance in the year, its relative market positioning when measured against companies of comparable size, scale and complexity and also took into account the average salary increase in the wider employee population. The base salary increase percentage for each executive director was lower than the average percentage increase for the wider UK population.

The annual base salary for each executive director for the year ended 30 September 2023 is set out below:

Director	Base salary	Effective date
Dominic Blakemore	£1,095,000	1 January 2023
Palmer Brown	$1,016,500	1 January 2023
Gary Green	$1,626,870	1 January 2023

Pensions

At 30 September 2023, there were no executive directors actively participating in any Compass Group defined benefit pension arrangements and none of the executive directors were accruing additional entitlements to benefits under any arrangements that existed prior to their appointment as executive directors.

Under the 2022 Policy, the allowance receivable by the executive directors was reduced on a phased basis and by 31 December 2022 aligned with the maximum rate available to the majority of the wider UK workforce, which is currently 6%. When Palmer Brown was appointed as Group CFO, he was appointed with a pension cash allowance of 6% of base salary. The pension cash allowance for Dominic Blakemore and Gary Green reduced as set out below, with the 31 December 2022 change representing the final reduction:

Director	Pension cash allowance effective 1 Oct 2022	Pension cash allowance effective 31 Dec 2022	Average pension cash allowance received during the year
Dominic Blakemore	10%	6%	7.0%
Gary Green	18%	6%	9.2%

Remuneration report continued

Annual bonus plans

2022-2023 bonus

The bonus targets and outcomes for the year ended 30 September 2023 are set out below. The achievement of targets is calculated on a straight-line basis between Minimum and Target (par) and between Target and Maximum, and by reference to budgeted exchange rates.

As was the case in previous years, the measurement of the achievement of the financial results is based on the underlying outcome achieved in the financial year, with gains/losses attributable to currency movements, charges and the impacts of restructuring and/or acquisitions/disposals usually being excluded.

Structure

The bonus plan for 2022-2023 was designed to align the plan to the Group's strategy for growth and to establish targets that were achievable, fair and within management's control.

The bonus structure for 2022-2023 is set out below:

Category and weighting of category	Measure[1]	Description of measure	Weighting
Financial measures (85%)	Operating margin	This is an important measure of the efficiency of the Group's operations in delivering great food and support services to our clients and consumers.	45%
	Cash conversion	This demonstrates the Group's ability to convert profit into cash. Regardless of absolute profit, it aims to ensure a certain conversion rate is achieved and incorporates key levers under management control.	20%
	Organic revenue growth	This embodies the Group's success in growing and retaining the Group's customer base, as well as its ability to drive volumes in its existing business and maintain appropriate pricing levels that take into account input cost inflation.	20%
Environmental, social & governance (ESG) measures (15%)	Lost Time Incident Frequency Rate (LTIFR)	A reduction in lost time incidents is an important measure of the effectiveness of the Group's safety culture. It also lowers rates of absenteeism and costs associated with work-related injuries and illnesses.	5%
	Food Safety Incident Rate (FSIR)	Food safety is a measure of the Group's ability to provide food that is safe and of the right quality to its consumers globally.	5%
	Food waste technology deployment	Food waste is a key contributor to carbon emissions. Reducing this also has a high correlation with operating margin improvement. Raising awareness through measurement will help to drive a significant reduction in food waste.	5%
	Total		**100%**

1. All measures are assessed at a Group level except for the bonus for Gary Green, where all measures (save for 5% of Group operating margin) are measured by reference to regional North America performance.

Performance measures and targets

The outcomes against the annual bonus targets for 2023 are set out below. 0% of the bonus is paid at minimum performance, 50% at par performance, and 100% at maximum performance.

Dominic Blakemore and Palmer Brown

Measures[1]	Weighting	Minimum	Par (target)	Maximum	Achieved	% of performance target achieved
Group operating margin[2]	45%	6.10%	6.40%	6.70%	6.75%	100%
Group organic revenue growth[3]	20%	5.00%	8.20%	11.40%	19.42%	100%
Group cash conversion[4]	20%	75.00%	79.10%	81.10%	85.79%	100%

	Weighting	Limit	Achieved	% of performance target achieved
Group Lost Time Incident Frequency Rate	5%	2.60	1.98	100%
Group Food Safety Incident Rate	5%	0.20	0.15	100%

	Weighting	Minimum	Par (target)	Maximum	Achieved	% of performance target achieved
Group food waste (number of sites with technology deployed)	5%	5,600	5,800	6,000	7,943	100%
Total						**100%**

Gary Green

Measures[1]	Weighting	Minimum	Par (target)	Maximum	Achieved	% of performance target achieved
Group operating margin[2]	5%	6.10%	6.40%	6.70%	6.75%	100%
North America operating margin[2]	40%	7.20%	7.50%	7.80%	7.84%	100%
North America organic revenue growth[3]	20%	5.70%	9.70%	10.70%	17.43%	100%
North America cash conversion[4]	20%	80.50%	84.50%	86.50%	89.45%	100%

	Weighting	Limit	Achieved	% of performance target achieved
North America Lost Time Incident Frequency Rate	5%	4.17	2.78	100%
North America Food Safety Incident Rate	5%	0.08	0.05	100%

	Weighting	Minimum	Par (target)	Maximum	Achieved	% of performance target achieved
North America food waste (number of sites with technology deployed)	5%	2,850	2,950	3,050	3,280	100%
Total						**100%**

	Dominic Blakemore	Palmer Brown	Gary Green
Value of bonus[5]	**£2,190,000**	**$1,524,750**	**$2,440,305**

Notes to bonus table:

1. Financial targets for 2022-2023 bonus purposes are all set and measured at 2023 foreign exchange budget rates, not actual rates.
2. Operating margin is underlying operating profit divided by underlying revenue.
3. Organic revenue growth is underlying revenue excluding businesses acquired, sold and closed in the year.
4. Cash conversion is underlying operating cash flow divided by underlying operating profit expressed as a percentage.
5. One-third of the value of the bonus for each executive director will be deferred into shares.

Long-term Incentive Plan awards

Scheme interests vesting during the year

2020-2021 LTIP award

Awards were made to Dominic Blakemore and Gary Green in December 2020 which were subject to the achievement of three-year performance targets for the year ended 30 September 2023. Performance conditions were ROCE, AFCF and Relative TSR, weighted 40%, 40% and 20% respectively. The definitions are set out in the table below:

Measure	Definition of measure
ROCE	The definition aims to measure the underlying economic performance of the Group. ROCE is calculated at the end of the three-year performance period as net underlying operating profit after tax (NOPAT) divided by 12-month average capital employed. ROCE targets are updated at the end of the performance period to reflect actual acquisition spend, changes in accounting standards and constant currency.
AFCF	The definition aims to measure the cash generation of the Group and is calculated as the three-year cumulative underlying free cash flow adjusted for constant currency.
TSR	Performance is compared to that of constituent members of the FTSE 100 (excluding the financial services sector). TSR is the aggregate of share price growth and dividends paid (assuming reinvestment of those dividends in the Company's shares during the three-year performance period).

Shareholder experience over the three-year performance period has been extremely positive. The share price at the time of grant in December 2020 was £13.78. The average share price over the last three months of the performance period, upon which the TSR calculations are based, was £20.36. Compass ended the performance period ranked 10th of the 73 companies that remain within the comparator group. As this position is within the upper quartile of the comparator group, the proportion of shares subject to the TSR performance condition will vest in full.

AFCF for the period was £2,890m and the business delivered ROCE of 17.44%. Our adjusted free cash flow performance over the three-year period exceeded our target ranges and has far exceeded any reasonable forecast when the targets were originally set. As a result of our strong performance over the three-year performance period, the 2020-2021 LTIP award will vest in full.

Prior to grant, the Committee scaled back the award levels by 30% of salary for Dominic Blakemore and 25% of salary for Gary Green and the former Group CFO, Karen Witts, to take into account the fall in the share price as a consequence of the impact of the COVID-19 pandemic on the business.

In undertaking the review of outcomes of the incentive awards to ensure they are supported by the underlying performance of the Company, the Committee noted that both the annual incentive outcome and the vesting level of the LTIP reflected the Group's strong recovery from the COVID-19 pandemic, with revenue surpassing its pre-COVID level this year, underlying operating profit exceeding £2 billion and the share price reaching an all-time high of £22.50 during 2023. The Committee decided not to exercise any positive discretion in respect of the previous three long-term incentive outcomes, although it was arguable that during the latter two years, the success of the business recovery and the growth trajectory could have justified a modest level of vesting.

Remuneration report continued

Historically, the Committee has taken a disciplined approach and continues to take a robust view in respect of the awards vesting in 2023. In addition to the formulaic outcome, the Committee considered the level of vesting on both an absolute and relative basis, including conducting a detailed review of performance against its principal competitors at multiple points within the performance period. The Committee has reviewed the performance through a number of different lenses and on that basis, following a thorough evaluation, the Committee is satisfied that the performance levels achieved justify the vesting level.

The targets and outcomes for the 2020-2021 LTIP award are set out below:

ROCE (40% weighting)

Level of performance	Threshold	Maximum	Achieved
Vesting % of component	0%	100%	100%
As at date of award	12.56%	13.56%	
Reconciled at the end of the performance period[1]	12.67%	13.67%	17.44%

AFCF (40% weighting)

Level of performance	Threshold	Maximum	Achieved[2]
Vesting % of component	0%	100%	100%
AFCF	£1,215m	£1,485m	£2,890m

Relative TSR (20% weighting)

Level of performance	Below median	Median	Upper quartile	Achieved[3]
Vesting % of component	0%	25%	100%	100%

1. ROCE targets are updated at the end of the performance period to reflect actual acquisition spend, changes in accounting standards and constant currency.
2. The Committee applied the established framework to deal with items that were unforeseen at the time the targets were set in May 2021 and which were in the long-term interests of shareholders. AFCF was adjusted to exclude the impact of a significant contract renegotiation in the North America business. This adjustment did not have any impact on the level of vesting under the award.
3. TSR ranking was 10th out of the 73 constituents in the comparator group, resulting in upper quartile performance.

Details of awards held for each executive director are set out below:

	Performance conditions						
Director	ROCE % vested on maturity	AFCF % vested on maturity	TSR % vested on maturity	Number of shares awarded	Number of shares vested	Number of dividend equivalent shares	Value of shares on vesting £000[1]
Dominic Blakemore	100%	100%	100%	195,907	195,907	6,378	£4,118
Gary Green	100%	100%	100%	181,939	181,939	5,923	£3,825

1. The indicative value of the shares on vesting has been calculated by reference to the average market price of Compass Group PLC shares over the three months from 1 July 2023 to 30 September 2023 of £20.359 per share. Dividend equivalent shares accrued throughout the performance period and are included in the value of shares on vesting.
2. Palmer Brown received an award of 57,136 shares in respect of the 2020-2021 LTIP prior to his appointment as an executive director. The award was subject to the same performance conditions as detailed above, and the award, including 1,860 dividend equivalent shares will vest in full. The estimated value of the award is £1,201k.

Scheme interests awarded during the year

2022-2023 LTIP award

On 1 December 2022, executive directors received a conditional award of shares which may vest after a three-year performance period which will end on 30 September 2025, based on the achievement of stretching performance conditions. Performance conditions were ROCE, AFCF and Relative TSR, weighted 40%, 40% and 20% respectively. Definitions of each of these measures are set out in the table on page 117.

The maximum levels achievable under these awards are set out in the table below:

Director	Type of award	Value of award (as a % of base salary)[1]	Value of award £000	Number of shares awarded[2]
Dominic Blakemore	LTIP 2018	400%	4,180	225,966
Palmer Brown	LTIP 2018	350%	2,830[3]	152,979
Gary Green	LTIP 2018	350%	4,530[3]	244,904

1. Value of award calculated by reference to base salary at date of grant.
2. The share price used to calculate the award was the average closing market price of the three trading days prior to the grant date of 1 December 2022, being £18.4983.
3. Face value of award was converted to sterling at the time of award at an exchange rate of $1.1997/£1.

Executive directors are required to hold vested awards for a period of two years following vesting to strengthen the long-term alignment of executives' remuneration packages with shareholders' interests and, if required, to facilitate the implementation of provisions related to clawback. For awards granted after 4 February 2021 a two-year post-employment shareholding requirement also applies.

In setting the performance targets, the Committee considers internal budgets and the Group's strategic plan, market expectations and general economic conditions. The targets under the 2022-2023 award are set out in the table below:

ROCE and AFCF

Level of performance	Vesting % of each component	ROCE	AFCF
Threshold	0%	17.33%	£2,897m
Par (target)	50%	17.83%	£3,049m
Maximum	100%	18.33%	£3,201m

TSR

Level of performance	Vesting % of each component
Below median	0%
Median	25%
Upper quartile	100%

Non-executive directors' remuneration

The fee for the Chair of the Board is reviewed annually by the Committee with any increase taking effect on 1 October. For the year ended 30 September 2023 the fee paid was £562,500 per annum inclusive of any Board committee memberships.

Details of the amount received by Ian Meakins during the year ended 30 September 2023 is set out below:

Chair	Fees £000	Benefits £000	**Total 2023 £000**	Total 2022 £000
Ian Meakins	563	–	**563**	538

The fees for the non-executive directors are reviewed and determined by the Board each year to reflect appropriate market conditions. The base fee paid to non-executive directors for the year ended 30 September 2023 was £94,000 which includes membership of the Audit, Corporate Responsibility, Nomination and Remuneration Committees (as appropriate).

An additional fee of £30,000 per annum is payable where a non-executive director acts as Chair of the Audit, Remuneration or Corporate Responsibility Committee and an additional fee of £30,000 per annum is also payable to the director nominated as Senior Independent Director.

Details of the amounts received by each of the non-executive directors in office for the year ended 30 September 2023 are set out below:

Non-executive director	Fees £000	Benefits[1] £000	**Total 2023 £000**	Total 2022 £000
Carol Arrowsmith[2]	105	12	**117**	120
Stefan Bomhard	94	3	**97**	91
John Bryant[2,3]	137	19	**156**	122
Arlene Isaacs-Lowe[4]	94	25	**119**	86
Anne-Françoise Nesmes[3]	130	2	**132**	120
Sundar Raman[4]	94	4	**98**	68
Nelson Silva	124	6	**130**	122
Ireena Vittal	94	13	**107**	90
Leanne Wood[5]	39	–	**39**	–

1. Travel costs relating to attendance at Board meetings held in the UK are treated as a benefit.
2. Carol Arrowsmith stepped down as the Chair of the Remuneration Committee at the conclusion of the 2023 AGM. She was succeeded by John Bryant, and their respective fees for 2023 reflect these changes.
3. John Bryant stepped down as Senior Independent Director on 20 July 2023. He was succeeded by Anne-Françoise Nesmes, and their respective fees for 2023 reflect these changes.
4. Arlene Isaacs-Lowe and Sundar Raman were appointed to the Board on 1 November 2021 and 1 January 2022 respectively and their respective fees for 2022 reflect their time in office.
5. Leanne Wood was appointed to the Board on 4 May 2023 and her fees for 2023 reflect her time in office.

Implementation of the Remuneration Policy for the 2024 financial year

A summary of how the Directors' Remuneration Policy will be applied during the 2024 financial year is set out below.

Base salary

The Committee considered the salary review of the Group CEO holistically, taking into account the macroeconomic environment, cost of living and inflationary challenges faced by the business and our employees. The Committee also reviewed the base salary in the context of the Group's strong performance in the year, along with our relative market positioning when measured against companies of appropriate size, scale and complexity. Salary increase budgets for the wider employee population were taken into consideration and the Committee determined that the percentage increase for the Group CEO would be lower than the average percentage increase for the wider UK population which is expected to be around 8% during 2024. Further information on the Committee's considerations when setting the remuneration arrangements for base salary is set out in the Chair of the Committee's letter on page 99.

The base salaries for the executive directors as determined by the Committee are set out in the table below:

Director	**Base salary**	Effective date	Increase
Dominic Blakemore	**£1,160,000**	1 Jan 2024	5.9%
Petros Parras[2]	**£740,000**	1 Dec 2023	n/a[1]
Palmer Brown	**$1,400,000**	1 Dec 2023	n/a[1]

1. Base salary change reflects change in role.
2. Petros will be appointed to the Board effective 1 December 2023.

Pension

In line with the Remuneration Policy, the pension cash allowance for each executive director is aligned with the maximum rate available to the majority of the wider UK workforce (currently 6% of base salary).

Remuneration report continued

Annual bonus plan

For the 2024 financial year, the maximum bonus opportunity for each executive director will be in line with the 2022 Policy, as shown in the table below:

Director	% salary
Dominic Blakemore	200%
Petros Parras[1]	150%
Palmer Brown	150%

1. Petros Parras will be appointed to the Board effective 1 December 2023.

To reflect the Group's return to profitable growth, the 2024 annual bonus plan will consist of a profit growth measure for the Group CEO and Group CFO. This will replace the existing operating margin and revenue growth measures. To continue the momentum on margin progression, for the Group COO, North America, the operating margin measure will remain in the plan for 2024. The 2024 structure for the Group COO, North America remains broadly the same as 2023; however, the 5% Group operating margin element will be absorbed into the regional operating margin element, increasing the regional operating margin weighting to 45%.

In 2023, we introduced food waste as a new measure in the annual bonus plan, as part of the existing suite of ESG measures. Food is at the core of our business and one of the ways we can make a significant impact on climate change is by reducing food waste. The 2023 target was to deploy technology across a number of sites to formally measure food waste. To create an accurate baseline for measuring actual food waste and translating this into an appropriate target within the bonus plan, the measure will evolve from a technology deployment target in 2023 to measuring frequency of usage rates in 2024. It is envisaged that this approach will result in better ingredient usage, reducing food costs and Scope 3 GHG emissions. It is our intention to move towards a food waste reduction target in 2025.

We will continue to incentivise improvement in our core health and safety measures within the annual bonus plan. For 2024, it is intended that we will move from measuring lost time incidents to total recordable injuries which is considered a more holistic measure that takes into account all workplace risks. It is recognised that there may be initial instability during the introductory year and therefore the Committee will monitor performance against both measurement criteria and take a holistic view of this component of ESG performance at the end of the performance period.

The measures and weightings will be as follows:

Group CEO and Group CFO

Measure[1]	Description of measure	Weighting
Profit growth (%)	A key measure of our financial performance encompassing revenue and margin performance in one metric, by comparing the underlying operating profit delivered in the current year with that of the prior year, expressed as a percentage and adjusted for exchange rate movements.	60%
Cash conversion (%)	Demonstrates the Group's ability to convert profit into cash – by setting a target percentage of profit to be converted to cash.	25%
ESG[2]	Emphasises the Group's commitment to its health and safety culture, and the impact of reducing food waste on climate change.	15%
Total		100%

1. All measures are assessed at Group level.
2. The ESG measures are Total Recordable Injury Frequency Rate (TRIFR), Food Safety Incident Rate (FSIR) and food waste, weighted equally.

Group COO, North America

Measure[1]	Description of measure	Weighting
Operating margin (%)	Demonstrates the efficiency of the region's operations in delivering great food and support services.	45%
Cash conversion (%)	Demonstrates the region's ability to convert profit into cash – by setting a target percentage of profit to be converted to cash.	20%
Organic revenue growth (%)	Compares the revenue delivered from continuing operations in the current year with that from the prior year, adjusting for the impact of acquisitions, disposals and exchange rate movements.	20%
ESG[2]	Emphasises the Group's commitment to its health and safety culture, and the impact of reducing food waste on climate change.	15%
Total		100%

1. All measures are assessed at a regional North America level.
2. The ESG measures are Total Recordable Injury Frequency Rate (TRIFR), Food Safety Incident Rate (FSIR) and food waste, weighted equally.

The Committee has chosen not to disclose the details of the targets in this DRR, as in the opinion of the Committee they are commercially sensitive. However, the specific targets and the extent to which the targets have been met (at both Group and regional levels) will be disclosed in next year's DRR.

Long-term Incentive Plan award

The Committee intends to grant LTIP awards to the executive directors during the 2024 financial year, with award levels in line with the 2022 Policy, as shown in the following table:

Director	% salary
Dominic Blakemore	400%
Petros Parras[1]	350%
Palmer Brown	350%

1. Petros Parras will be appointed to the Board effective 1 December 2023.

The extent to which these LTIP awards will vest will be dependent on performance assessed over the three financial years 2024-2026, using the following three performance measures, and with targets as shown in the table below.

Measure	Description of measure
ROCE	The definition aims to measure the underlying economic performance of the Group. ROCE is calculated at the end of the three-year performance period as net underlying operating profit after tax (NOPAT) divided by 12-month average capital employed. ROCE targets are updated at the end of the performance period to reflect actual acquisition spend, changes in accounting standards and constant currency.
AFCF	The definition aims to measure the cash generation of the Group and is calculated as the three-year cumulative underlying free cash flow adjusted for constant currency.
TSR	Relative TSR performance is compared to that of constituent members of the FTSE 100 (excluding the financial services sector). TSR is the aggregate of share price growth and dividends paid (assuming reinvestment of those dividends in the Company's shares during the three-year performance period).

Measure	Weighting (% of award)	Threshold	Par (target)	Maximum
ROCE	40%	18.47%	19.07%	19.67%
Vesting (of this component)		0%	50%	100%
AFCF	40%	$4,355m	$4,633m	$4,911m
Vesting (of this component)		0%	50%	100%
Relative TSR	20%	Median	–	Upper quartile
Vesting (of this component)		25%	–	100%

There is no vesting for below-threshold performance, and straight-line vesting between the points shown.

In line with the 2022 Policy, executive directors are required to hold vested awards for a period of two years following vesting to strengthen the long-term alignment of executives' remuneration packages with shareholders' interests; and, if required, to facilitate the implementation of provisions related to clawback. For awards granted after 4 February 2021 a two-year post-employment shareholding requirement applies.

Non-executive director fees

The fees for non-executive directors for the coming year are set out below. Following a review of the market, the fee for the Chair was increased from £562,500 to £595,900 (5.9%) with effect from 1 October 2023. The base fee for non-executive directors was increased from £94,000 to £99,575 (5.9%) also with effect from 1 October 2023. The additional fees for acting as Chair of a committee or as the Senior Independent Director remain unchanged.

	Fees 2023 £	Fees 2022 £	Increase
Chair	**595,900**	562,500	5.9%
Base fee[1]	**99,575**	94,000	5.9%
Chair of Audit, Remuneration or Corporate Responsibility Committee	**30,000**	30,000	–
Senior Independent Director	**30,000**	30,000	–

1. The non-executive director base fee is inclusive of membership of the Audit, Corporate Responsibility, Nomination and Remuneration Committees (as appropriate).

Remuneration report continued

Extant equity incentive awards held by executive directors

Details of all existing equity incentive awards as at the date of this DRR, including the awards conditionally made under the various long-term incentive plans to the executive directors at any time during the year ended 30 September 2023, are shown in the table below:

LTIP[1]

Director	As at 30 Sep 2022: number of shares	Awarded during the year: number of shares	Released during the year: number of shares	Lapsed during the year: number of shares	**As at 30 Sep 2023: number of shares**	Market price at date of award[4]: £	Date of award	Maturity date
Dominic Blakemore	152,700	–	–	152,700[3]	–	19.16	27 Nov 2019[3]	1 Oct 2022
	195,907	–	–	–	**195,907**	13.78	1 Dec 2020	1 Oct 2023
	241,385	–	–	–	**241,385**	17.60	8 Feb 2022	1 Oct 2024
	–	225,966	–	–	**225,966**	18.67	1 Dec 2022	1 Oct 2025
Total	589,992	225,966	–	152,700	**663,258**			
Palmer Brown[2]	145,040	–	–	–	**145,040**	17.60	8 Feb 2022	1 Oct 2024
	–	152,979	–	–	**152,979**	18.67	1 Dec 2022	1 Oct 2025
Total	145,040	152,979	–	–	**298,019**			
Gary Green	146,385	–	–	146,385[3]	–	19.16	27 Nov 2019[3]	1 Oct 2022
	181,939	–	–	–	**181,939**	13.78	1 Dec 2020	1 Oct 2023
	232,195	–	–	–	**232,195**	17.60	8 Feb 2022	1 Oct 2024
	–	244,904	–	–	**244,904**	18.67	1 Dec 2022	1 Oct 2025
Total	560,519	244,904	–	146,385	**659,038**			

Deferred annual bonus

Director	As at 30 Sep 2022: number of shares	Awarded during the year: number of shares	Released during the year: number of shares	Lapsed during the year: number of shares	**As at 30 Sep 2023: number of shares**	Market price at date of award[4]: £	Date of award	Maturity date
Palmer Brown[2]	20,243	–	–	–	**20,243**	15.08	15 Dec 2021	15 Dec 2024
Total	20,243	–	–	–	**20,243**			

1. Each LTIP award is based on a three-year performance period. Awards granted from 4 February 2021 onwards are subject to a two-year post-employment holding period.
2. At the date of his appointment, Palmer Brown had an interest in 137,026 LTIP awards that were granted to him prior to him becoming a director of the Company. 36,090 and 42,540 of these shares vested in 2021 and 2022 respectively, 57,136 LTIP shares and 1,860 dividend equivalent shares will vest in November 2023 and a further 1,260 SMIPP shares and 40 dividend equivalent shares will vest in December 2023.
3. The performance period of the award granted on 27 November 2019 ended on 30 September 2022. None of the threshold performance conditions were met and the award lapsed in full.
4. The market price at the date of each award is shown to two decimal places.
5. Dividend equivalents apply to LTIP and deferred bonus share awards and are not included in the table above.
6. Former director Karen Witts holds an award of 64,186 shares and 2,089 dividend equivalent shares under the 2020-2021 LTIP. The award will vest in November 2023 with an estimated value of £1,349k. Her 2019 deferred bonus share award of 6,784 shares and 93 dividend equivalent shares vested on 12 December 2022 at a value of £132k. Karen holds a 2021 deferred bonus share award of 22,138 shares, which is due to vest in December 2024.

Share ownership guidelines and directors' interests in shares

In order that their interests are aligned with those of shareholders, directors are expected to build up and maintain a personal shareholding in the Company as set out in the share ownership guidelines described in the 2022 Policy on page 111.

Executive directors are required to achieve their shareholding guideline within a five-year period commencing on the date of appointment or date of increase in shareholding requirement, whichever is the later. The guideline for executive directors increased on 3 February 2022. Compliance with the guideline is assessed annually, on a pro-rata basis.

Non-executive directors are required to achieve their shareholding guideline within a four-year period from the date of appointment.

The Committee reviewed and noted that the guidelines were satisfied by all directors in office during the year. The interests of the directors in office during 2023 in shares (including the interests of persons closely associated) and share incentives are shown in the table below:

		Beneficial		Conditional			
		Shares held as at 30 Sep 2023	Shares held as at 30 Sep 2022	**LTIP holdings as at 30 Sep 2023**	LTIP holdings as at 30 Sep 2022	Share ownership guideline[1]	Compliance with share ownership guidelines
Executive directors	Dominic Blakemore	**276,789**	276,789	**663,258**	589,992	400%	✓
	Palmer Brown[2]	**43,265**	19,906	**298,019**	266,219	350%	✓
	Gary Green[3]	**275,560**	275,560	**659,038**	560,519	350%	✓
Non-executive directors	Carol Arrowsmith	**12,000**	13,083	–	–	100%	✓
	Stefan Bomhard	**10,743**	10,743	–	–	100%	✓
	John Bryant	**15,781**	15,781	–	–	100%	✓
	Arlene Isaacs-Lowe	**2,500**	2,500	–	–	100%	✓
	Ian Meakins	**58,362**	58,362	–	–	100%	✓
	Anne-Françoise Nesmes	**11,907**	11,907	–	–	100%	✓
	Sundar Raman	**5,030**	5,030	–	–	100%	✓
	Nelson Silva	**10,323**	10,323	–	–	100%	✓
	Ireena Vittal	**5,461**	5,461	–	–	100%	✓
	Leanne Wood	**1,477**	–	–	–	100%	✓

1. The share ownership guideline is a percentage of base salary or fee.
2. Palmer Brown's conditional LTIP holding includes 20,243 deferred bonus shares, 57,136 LTIP shares and 1,260 SMIPP shares granted prior to his appointment as a director. 57,136 LTIP shares and 1,860 dividend equivalent shares will vest in November 2023 and 1,260 SMIPP shares and 40 dividend equivalent shares will vest in December 2023. Palmer will retain the net number of vested shares following the sale of sufficient shares to cover the income tax and social security obligations due on vesting. In line with the 2022 Policy, one-third of Palmer's 2023 bonus will be deferred into shares. His current shareholding exceeds his shareholding requirement as measured on a pro-rata basis.
3. In line with the 2022 Policy, Gary Green is required to comply with the Group's post-employment shareholding requirement for a period of two years post employment.

There were no changes in directors' interests between 30 September 2023 and 20 November 2023.

Director and role changes during the year

On the recommendation of the Nomination Committee the following changes were made to directors' roles and responsibilities during the year:

- Carol Arrowsmith stepped down as Chair of the Remuneration Committee at the conclusion of the 2023 AGM and was succeeded by John Bryant
- Leanne Wood was appointed to the Board on 4 May 2023 and became a member of the Audit, Corporate Responsibility, Nomination and Remuneration Committees on the same day
- John Bryant stepped down as Senior Independent Director on 20 July 2023 and was succeeded by Anne-Françoise Nesmes. John remains the Chair of the Remuneration Committee and a member of the Audit, Corporate Responsibility and Nomination Committees

Retirement of Gary Green, Group COO, North America

Gary Green will retire as a director of Compass Group PLC on 30 November 2023 but remains an employee on his existing terms of employment until 31 March 2024 (the Retirement Date) in order to facilitate an orderly handover. Gary is not entitled to any severance payment, notice pay or payment for loss of office.

Gary is entitled to an annual bonus for the 2023 financial year. Details of this bonus payment are set out on page 117, with one-third delivered as a deferred bonus share award. Gary will participate in the 2023-2024 annual bonus plan for the period from 1 October 2023 to the Retirement Date, with his bonus being determined at the normal time and in the normal way, but with the entitlement pro-rated to that date. Details of the performance targets and bonus outcome will be set out in the 2024 DRR. In order to comply with certain US tax rules, any bonus payment made to Gary following the Retirement Date will be paid entirely in cash without deferral into shares. For the same reason, in accordance with the rules of the plan, Gary's existing deferred share awards will also vest and be settled at the Retirement Date. Gary will continue to be subject to the clawback provisions that apply in respect of deferred bonus.

Gary's unvested share awards under the LTIP will be preserved in accordance with the good leaver provisions in the plan rules, and will vest at the normal time subject to satisfaction of the performance conditions and a time pro-rating adjustment to reflect the proportion of the applicable performance period that has passed at the time of the Retirement Date. Information relating to the vesting of shares under the LTIP will be included in the relevant DRR. The holding periods that apply to Gary's vested share awards under the LTIP will continue to apply. Gary is subject to a post-employment shareholding requirement which requires him to retain shares that vest under his 2021-2022 and 2022-2023 LTIP awards for two years from his Retirement Date and to certain post termination restrictive covenants for a period of 18 months from the Retirement Date.

Payments for loss of office

There were no payments for loss of office during the year.

Payments to past directors

There were no payments to former directors during the year.

Remuneration report continued

External non-executive director appointments

Executive directors may accept one non-executive directorship in a FTSE 100 company or other significant appointment outside the Company, subject to the Board's approval and provided that such an appointment is not likely to lead to a conflict of interest. It is recognised that non-executive duties can broaden experience and knowledge which can benefit the Company. Dominic Blakemore received fees of £128,750 in respect of his directorship at London Stock Exchange Group plc for the 2023 financial year. At the date of this DRR, Palmer Brown and Gary Green do not hold any paid external appointments.

Remuneration in detail for the year ended 30 September 2023

Pay for performance

The Committee believes that the Policy provides a clear alignment with the strategic objectives and performance of the Group. To maintain this relationship, the Committee regularly reviews the business priorities of the Group and the environment in which it operates. The table below shows the Group CEO's total remuneration and achievement against the annual bonus plan and long-term incentive plans over the last 10 years, as a percentage of the plan maximum.

	2014	2015	2016	2017	2018[1]	2019	2020	2021	2022	**2023**
Single total figure of remuneration (£000)	6,298	5,325	5,822	5,617	4,568	4,659	1,162	3,211	3,299	**7,494**
Annual bonus plan outcome (% of maximum opportunity)	87.3	88.7	85.8	68.9	95.9	78.3	0	99.9	100	**100**
LTIP outcome (% of maximum opportunity)	100	79.0	84.5	74.5	95.0	100	0	0	0	**100**

1. Dominic Blakemore was Group CEO from 1 January 2018.

Group CEO pay ratio

The ratio between the Group CEO's remuneration and the lower quartile, median and upper quartile of UK employees is disclosed in the table below. Figures include the Group CEO's total remuneration as set out in the single figure table on page 115, and the remuneration paid to employees at the 25th, 50th and 75th percentiles, over the past four financial years. Methodology A has been chosen to calculate the ratio, as it is considered the most accurate approach. This method includes total full-time equivalent remuneration for UK employees received by an individual in respect of the relevant financial year and is calculated in line with the methodology for the single figure of remuneration for the Group CEO.

The best equivalents for the three UK employees whose hourly rates of pay were at the 25th, median and 75th percentiles were selected, with a small number of employees around each quartile reviewed, to ensure that the employees chosen at the three percentile points were, within reason, representative of the pay of the UK workforce at each quartile. The Committee has considered the pay data of the three employees identified and believes that it fairly reflects pay at the relevant quartiles amongst the UK workforce. The three individuals identified did not receive any remuneration which would otherwise inflate their pay figures.

Executive remuneration, in line with market practice, includes a significant proportion subject to performance and therefore 'at risk'. As a result, remuneration of the Group CEO is weighted more heavily towards variable pay than that of the wider workforce. The ratio will therefore fluctuate each year depending on the performance of the Company. During the financial years 2020, 2021 and 2022, remuneration was significantly impacted by the COVID-19 pandemic which had a significant impact on variable pay elements.

The financial year 2023 included the first LTIP vesting for executive directors in three years, following the Committee electing not to exercise positive discretion despite its strong recovery over the three years. The increase in the Group CEO's remuneration and associated pay ratio reflects the Group's exceptional performance in 2023, where record levels of performance have been achieved in many areas. The ratio has therefore increased, which reflects the correlation between pay and performance. We believe that the median pay ratio is consistent with the pay, reward and progression policies for the Company's UK employees taken as a whole.

Year and component	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2023 total remuneration	**A**	**323:1**	**303:1**	**236:1**
2022 total remuneration	A	159:1	129:1	115:1
2021 total remuneration	A	172:1	138:1	125:1
2020 total remuneration	A	63:1	54:1	42:1

The salary and total remuneration levels used in the pay ratio calculations are set out in the table below:

Financial year	Component	Group CEO £000	25th percentile £000	Median £000	75th percentile £000
2023	**Salary**	**£1,083**	**£21**	**£24**	**£24**
	Total remuneration	**£7,494**	**£23**	**£25**	**£32**
2022	Salary	£1,034	£18	£22	£26
	Total remuneration	£3,299	£21	£26	£29
2021	Salary	£1,000	£16	£19	£24
	Total remuneration	£3,211	£19	£23	£26
2020	Salary	£894	£17	£21	£26
	Total remuneration	£1,162	£18	£21	£28

Annual percentage change in remuneration of directors and employees

The following table shows the annual change in each individual director's base salary/fees, benefits and bonuses, compared to the annual change in average UK employee pay for the year ended 30 September 2023. Figures have been annualised to show a like-for-like comparison.

	Change in pay between 2022 and 2023			Change in pay between 2021 and 2022			Change in pay between 2020 and 2021			Change in pay between 2019 and 2020		
	Base salary/fees % change[1]	**Bonus % change[2]**	**Benefit % change[3]**	Base salary/fees % change[1]	Bonus % change[2]	Benefit % change[3]	Base salary/fees % change[1]	Bonus % change[2]	Benefit % change[3]	Base salary/fees % change[1]	Bonus % change[2]	Benefit % change[3]
Executive directors												
Dominic Blakemore	**4.7%**	**4.8%**	**(52.0)%**	3.4%	4.6%	18.1%	11.9%	N/A[6]	(27.4)%	(6.5)%	(100)%	105.0%
Palmer Brown	**4.4%**	**4.8%**	**(30.3)%**	N/A[4]	N/A[4]	N/A[4]	N/A[4]	N/A[4]	N/A[4]	N/A[4]	N/A[4]	N/A[4]
Gary Green	**4.7%**	**4.8%**	**6.6%**	3.6%	5.3%	(32.4)%	10.5%	N/A[5]	(15.5)%	(6.3)%	(100)%	49.7%
Non-executive directors												
Carol Arrowsmith[5]	**(12.6)%**	**–**	**5,808.8%**	1.7%	–	N/A[4]	10.3%	–	(100)%	(7.8)%	–	79.1%
Stefan Bomhard	**4.4%**	**–**	**203.9%**	2.3%	–	N/A[4]	10.3%	–	(100)%	(7.3)%	–	1,012.9%
John Bryant[5]	**14.5%**	**–**	**804.3%**	11.5%	–	N/A[4]	35.0%	–	(100)%	(7.3)%	–	162.6%
Arlene Isaacs-Lowe	**4.4%**	**–**	**651.0%**	N/A[4]	–	N/A[4]	N/A[4]	–	N/A[4]	N/A[4]	–	N/A[4]
Ian Meakins[5]	**4.7%**	**–**	**N/A[4]**	18.9%	–	N/A[4]	467.0%	–	(100)%	–	–	–
Anne-Françoise Nesmes[5]	**8.3%**	**–**	**N/A[4]**	11.5%	–	N/A[4]	35.0%	–	(100)%	(7.3)%	–	N/A[4]
Sundar Raman	**4.4%**	**–**	**N/A[4]**	N/A[4]	–	N/A[4]	N/A[4]	–	N/A[4]	N/A[4]	–	N/A[4]
Nelson Silva	**3.3%**	**–**	**278.0%**	1.7%	–	N/A[4]	10.3%	–	(100)%	(7.8)%	–	23.8%
Ireena Vittal	**4.4%**	**–**	**N/A[4]**	2.3%	–	N/A[4]	10.3%	–	(100)%	(7.3)%	–	27.7%
Leanne Wood[6]	**N/A[4]**	**–**	**N/A[4]**	N/A[4]	–	N/A[4]	N/A[4]	–	N/A[4]	N/A[4]	–	N/A[4]
Average pay of UK employees[7]	**11.5%**	**(23.4)%**	**(24.8)%**	3.8%	191.8%	2.5%	5.2%	113.1%	7.5%	3.4%	(12.3)%	(13.4)%

1. The annual percentage change in salary is calculated by reference to actual salary paid and for directors is calculated on a full-time equivalent basis.
2. The annual percentage change in bonus is calculated by reference to the bonus payable in respect of performance applicable to the financial year for executive directors, and by reference to all bonus payments received during the financial year for UK employees.
3. The annual percentage change in benefits is calculated by reference to the value of benefits received in respect of the financial year. Non-executive directors' travel expenses to/from meetings in the UK are considered a benefit and are disclosed in the DRR. The decrease in benefits value between 2022 and 2023 for the Group CEO and UK employees is due to the take-up of electric company vehicles, which have a lower taxable value than a cash for car allowance or a non-electric Company vehicle. The increase in benefits value between 2022 and 2023 for the non-executive directors is due to limited travel expenses incurred in the 2021-2022 UK tax year due to the COVID-19 pandemic, the year on which the 2022 figures are based.
4. N/A refers to a nil value in the previous year, meaning that a year-on-year change cannot be calculated.
5. The annual percentage increase/decrease in fees reflects a change in role during the year, as more fully detailed on page 123.
6. Appointed to the Board on 4 May 2023. Fees for 2023 have been prorated to reflect time in office.
7. Average employee pay is calculated by reference to the mean average pay of employees within the UK.

Relative importance of spend on pay

The following table sets out the amounts paid in share buybacks, dividends and total employee costs for the 2022 and 2023 financial years.

Disbursements	**2023 £m**	2022 £m	Change %[1]
Share buybacks[2]	**929**	438	112.1%
Dividends paid[3]	**648**	418	55.0%
Total employee costs[4]	**14,426**	12,163	18.6%

1. The year-on-year percentage change in disbursements reflects the Company's continued recovery from the impact of COVID-19.
2. At the AGM on 9 February 2023, shareholders approved Resolution 22 to give the directors authority to make limited on-market purchases of up to 10% of the Company's ordinary shares. 46,311,952 shares were repurchased during the financial year ended 30 September 2023 at a cost of £929 million excluding transaction costs. The directors consider it desirable for such general authority to be available to maintain an efficient capital structure whilst at the same time retaining the flexibility to fund any bolt-on acquisitions.
3. The share capital in issue on 30 September 2023 and on the same date in 2022 was 1,785 million ordinary shares of $11\frac{1}{20}$ pence each.
4. Total employee costs include wages and salaries, social security costs, share-based payments and pension costs for all employees, including directors. The average number of employees, including directors and part-time employees in operations, during 2023 was 562,460 (2022: 513,707).

Remuneration report continued

Remuneration of other senior executives and management

A number of senior executives and the executive directors comprise the Executive Committee. These key management roles influence the ability of the Group to meet its strategic targets. The Remuneration Committee sets the remuneration for these individuals and considers the remuneration levels and structure of the wider business. Total remuneration including base salary and other short-term benefits, bonus and the expected value of long-term incentives for this group is summarised in note 4 to the consolidated financial statements on page 157.

Remuneration advice

The Group Chief People Officer and the Group Reward Director are normally invited to attend each Committee meeting to advise on remuneration matters. The Chair of the Board, Group CEO and Group CFO may also attend from time to time by invitation. They are not paid a fee for attending the Committee in addition to their normal remuneration from the Company under their service contracts. None of the foregoing attend when their own remuneration is discussed. Details of the members of the Committee who served during the 2023 financial year are set out on pages 59 to 61.

The Committee appointed Deloitte LLP (Deloitte) as its independent remuneration adviser in September 2021. Deloitte's fees during 2023 were £104,400 (2022: £40,750). Fees are charged on a time and materials basis and covered advice on executive remuneration, attendance at Committee meetings, general advice and updates on remuneration developments. Deloitte provided advice to the Group in relation to tax and accounting, technology and other consulting services during the year. Deloitte is a member of the Remuneration Consultants Group and complies with its Code of Conduct.

Alithos Limited (Alithos) was appointed by the Company in 2002. During the year, Alithos provided information for the testing of the TSR performance conditions for the Company's LTIP awards, for which it received fixed fees of £24,000 (2022: £24,000). Alithos also provided other share price and TSR data to the Committee during the year for which it received fees of £500 (2022: £500). Alithos provided additional TSR analysis to the Company during the year for which it received a fee of £7,000 (2022: £2,000).

The Committee is satisfied that the advice it received during the year was objective and independent, based on the experience of its members.

Committee evaluation

The priorities set by the Committee in response to last year's external evaluation process were:

- determining appropriate performance measures and targets, including ESG metrics
- considering the economic/geopolitical environment when assessing performance

These themes, together with the Committee's regular programme of work, shaped the Committee's agenda and were included in the principal activities during the year.

2023 evaluation

During the year, an internal evaluation of the effectiveness of the Committee was conducted as part of the wider evaluation of the Board and its committees. Details can be found on page 96.

The evaluation concluded that the Committee continued to operate effectively and identified a number of priorities for 2024 which included focusing on target setting and stretch, ESG measures in incentives, and investor engagement.

These matters, together with the regular work of the Committee, will inform the Committee's agenda for the coming year.

Shareholder vote at the 2022 and 2023 Annual General Meetings

The table below sets out the voting outcome at the AGM held on 9 February 2023 in respect of the 2022 Annual Remuneration Report resolution:

	Number of votes 'For' and 'Discretionary'	% of votes cast 'For'	Number of votes 'Against'	% of votes cast 'Against'	Total number of votes cast	Number of votes 'Withheld'[1]
Annual Remuneration Report[2]	997,278,858	70.32	420,854,399	29.68	1,418,133,257	1,698,457

The table below sets out the voting outcome at the AGM held on 3 February 2022 for the Remuneration Policy which applies until February 2025:

	Number of votes 'For' and 'Discretionary'	% of votes cast 'For'	Number of votes 'Against'	% of votes cast 'Against'	Total number of votes cast	Number of votes 'Withheld'[1]
Remuneration Policy[3]	973,341,831	67.50	468,571,337	32.50	1,441,913,168	34,029,557

1. A vote withheld is not a vote in law.
2. Advisory vote.
3. Binding vote.

The Committee welcomed the endorsement of the 2022 DRR and 2022 Policy by the majority of shareholders and took steps to understand the concerns of shareholders who withheld their support for the Policy, as described in detail on pages 103 to 104. At the 2024 AGM, shareholders will be invited to vote on the 2023 Annual Remuneration Report (advisory vote).

On behalf of the Board

John Bryant
Chair of the Remuneration Committee

20 November 2023

Other statutory disclosures

The directors present their Annual Report and the audited consolidated financial statements of the Company and its subsidiaries for the financial year ended 30 September 2023.

This Directors' report forms part of the management report as required under the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rules (DTR) 4. The Company has chosen, in accordance with Section 414C (11) of the Companies Act 2006 (CA 2006), to include certain matters in its Strategic report that would otherwise be required to be disclosed in this Directors' report. The Strategic report can be found on pages 1 to 55 and includes an indication of future likely developments in the Company, details of important events and the Company's business model and strategy. The Corporate Governance report on pages 56 to 126, the Other statutory disclosures on pages 127 to 130 and the Directors' responsibilities statement on page 131 are incorporated into the Directors' report by reference.

Specifically, the following disclosures have been included elsewhere within the Annual Report and are incorporated into this Directors' report by reference:

Disclosure	Page
Financial risk management	18
Future developments in the business	11
Statement of directors' responsibilities including disclosure of information to the auditor	131
Disclosure of greenhouse gas (GHG) emissions	42
TCFD disclosure	45
Shareholder information	229
Viability statement	31
Going concern statement	21

Results and dividends

In the year ended 30 September 2023, the Group delivered an underlying profit before tax of £1,986 million (2022: £1,490 million), an increase of 33%; and a statutory profit before tax of £1,747 million (2022: £1,469 million), an increase of 19%.

It is proposed that a final dividend of 28.1 pence per share be paid in respect of the financial year ended 30 September 2023 on 29 February 2024 to shareholders on the register on 19 January 2024. The final dividend of 28.1 pence per share 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.

Year	Dividend	Pence per share
2023	Final	28.1
2023	Interim	15.0
2022	Final	22.1
2022	Interim	9.4

Generally, the trustee of the employee benefit trust, the Compass Group PLC All Share Schemes Trust (ASST), which operates in connection with the Company's share plans, waives its right to receive dividends on any shares held by it. Details of the ASST can be found on page 128 of this Report. The value of the dividends payable during the year ended 30 September 2023 that were waived by the ASST was £88,042 (2022: £75,024).

At the date of this Report, there were 76,528,069 11 1⁄20 pence ordinary shares held in treasury for the purpose of satisfying the Company's obligations under its employee equity incentive schemes. Shares held in treasury are not entitled to receive dividends.

Share capital

The Company has a single share class which is divided into ordinary shares of 11 1⁄20 pence each. At the date of this Report, 1,785,403,977 ordinary shares of 11 1⁄20 pence each (of which 76,528,069 are held in treasury) have been issued, are fully paid up and are quoted on the London Stock Exchange. Each share (excluding treasury shares) has one vote. The total voting rights attaching to the issued ordinary share capital (excluding treasury shares) at the date of this Report is 1,708,875,908. In addition, the Company sponsors a Level I American Depositary Receipt programme with BNY Mellon, through which the Company's shares are traded on the over-the-counter market in the form of American Depositary Shares.

During the year ended 30 September 2023, 192,660 options were exercised (equating to the release of 108,081 net settled shares) and 1,684,197 awards were released pursuant to the Company's share option schemes, long-term incentive plans and other discretionary share schemes. All options exercised and awards released were satisfied, as appropriate, by the reissue of 1,343,592 treasury shares and the release of 448,686 shares from the ASST. No treasury shares have been reissued and no shares have been released by the ASST since the end of the financial year to the date of this Report to satisfy awards under these schemes.

There are no restrictions on the transfer of ordinary shares in the capital of the Company other than those restrictions which may from time to time be imposed by law. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.

The Company is not aware of any significant agreements to which it is party, that take effect, alter or terminate upon a change of control of the Company following a takeover.

More detailed information relating to the rights and obligations attaching to the Company's ordinary shares, and those conferred by law, are set out in the Company's articles of association.

Articles of association

The Company's articles of association were adopted by shareholders at the 2021 AGM, and may only be amended by special resolution at a general meeting of shareholders and are available on the Company's website, www.compass-group.com.

Purchase of own shares

As permitted by the articles, the Company obtained shareholder authority at the 2023 AGM to purchase its own shares up to a maximum of 175,720,000 ordinary shares.

From 1 October 2022 until 11 November 2022, the Company bought back 3,447,549 ordinary shares related to a £500 million share buyback announced on 26 May 2022.

On 21 November 2022, the Company announced consistent with its capital allocation framework a share buyback of up to £250 million to be completed in the first half of 2023. This successfully completed on 31 March 2023 when the Company had bought back 13,127,521 ordinary shares of 11 1⁄20 pence.

On 10 May 2023, a further share buyback of up to £750 million to be completed by the end of the 2023 calendar year was announced. Subsequently on 12 May 2023, a share buyback of £250 million commenced and was successfully completed on 3 July 2023 when the Company had bought back 11,396,015 ordinary shares of 11 1⁄20 pence.

Other statutory disclosures continued

On 24 July 2023, it was announced that a further share buyback of up to £500 million would be carried out between 24 July and 14 November 2023. This completed on 14 November 2023 when the Company had bought back 24,698,077 ordinary shares of 11 1⁄20 pence.

During the financial year ended 30 September 2023, the Company purchased in aggregate 46,311,952 ordinary shares of 11 1⁄20 pence and subsequently transferred these to treasury. The cost of the shares purchased during the financial year ended 30 September 2023 was £931 million excluding transaction costs. A further 6,357,210 shares have been repurchased between 1 October 2023 and the date of this Report at a cost of £130 million excluding transaction costs. As at the date of this Report there are 76,528,069 ordinary shares held in treasury (representing 4.5% of the issued ordinary shares) for the purpose of satisfying the Company's obligations under employee equity incentive schemes. Shares held in treasury are not eligible to participate in dividends and do not carry any voting rights. Further details of treasury shares and the share buyback programme are set out on page 195.

At the 2024 AGM, a special resolution will be proposed to renew the directors' limited authority (last granted at the 2023 AGM) to purchase the Company's ordinary shares in the market.

Issue of shares

At the 2024 AGM, the directors will ask shareholders to renew the authority last granted to them at the 2023 AGM to allot equity shares representing approximately one-third of the issued ordinary shares calculated at the latest practicable date prior to the publication of the Notice of AGM (the section 551 authority) and, in accordance with the Investment Association Share Capital Management Guidelines, the directors propose to extend this by a further one-third of the Company's issued ordinary share capital, provided that such amount shall only be used in connection with a rights issue. If approved, the authority will expire no later than 15 months from the date the resolution is passed, or at the conclusion of the Company's 2025 AGM, whichever is the sooner.

Changes in the Company's share capital during 2023, including details of purchases and releases by the ASST, and the reissue of treasury shares during the year, together with details of options granted over unissued capital, are set out in notes 25 and 26 to the consolidated financial statements.

Substantial shareholdings

As at 30 September 2023, and up to the date of this Report, the following information has been received in accordance with DTR 5, from holders of notifiable interests in the Company's issued share capital:

	% of Compass Group PLC's voting rights
Blackrock, Inc.	9.99
Artisan Partners Limited Partnership	4.96
Invesco Limited	4.95
Massachusetts Financial Services Company	4.60

The information provided above was correct at the date of notification but may have changed since. However, the holder is not required to make another notification to the Company until the next notifiable threshold (as defined in DTR 5) is crossed.

Employee share trusts

The Compass Group Employee Share Trust (ESOP) was established on 13 January 1992 in connection with the Company's share option plans. The Compass Group Long Term Incentive Plan Trust was established on 5 April 2001 in connection with the Company's long-term incentive plans. In 2019, it was adapted to allow it to source shares for all the Company's share schemes and renamed the Compass Group PLC All Share Schemes Trust.

Details of employee equity incentive schemes are set out in the Directors' Remuneration report on pages 97 to 126. As at 30 September 2023, the trustees of the ESOP and ASST held nil (2022: nil) and 573,223 (2022: 221,909) ordinary shares of the Company respectively.

Awards under employee share schemes

Details of awards made during the year and held by executive directors as at 30 September 2023 are disclosed in the Directors' Remuneration report on pages 97 to 126.

Details of employee equity incentive schemes and grants made during the year ended 30 September 2023, and extant awards held by employees are disclosed in the consolidated financial statements on pages 197 and 198.

Employee engagement

Compass places particular importance on engaging with employees, recognising that its people are vital in delivering the Group's commitments and strategy and to living its values. Employee engagement is based on commitments to respect, teamwork and growth within the workforce. Senior leaders across the Group meet with their teams through roundtables, townhalls and site visits. Mobile apps are used to communicate directly with front line staff, and webcasts, blogs, newsletters, in-house publications and other communication channels are also deployed to share relevant information and invite comments and questions. These channels provide mechanisms to keep employees regularly informed on matters of concern to them as employees, and to promote a common awareness of the financial, economic and environmental factors affecting the performance of the Company. In the European Economic Area (EEA), Group businesses are represented on Compass Group's European Works Council (EWC). Employees from across the Group's EEA business have been elected to employee representative roles on the EWC which provides a forum for exchanging information and engaging in consultation on the Group's performance and plans, and relevant transnational issues affecting those countries in the EEA. In the Group's North America business, employees participate in Compass Community Councils and zone meetings which provide forums for employees across multiple sectors in the same geographic location to exchange best practices. Employees regularly share feedback about how it feels to work at Compass through engagement surveys. These provide management with useful information that helps the businesses to form a good understanding of how employees feel about their workplace and to understand what more can be done to make Compass a great place to work.

Certain employees globally are eligible to participate in the Company's share schemes, details of which are published on pages 197 and 198, and UK-based employees are eligible to participate in the Company's Share Incentive Plan.

The directors maintain oversight of employee matters through the Board and committee meeting processes and information flows, including regular updates on employee matters and feedback received through employee engagement surveys. The DNED for workforce engagement maintains close links with colleagues tasked with employee engagement across the Group, holds roundtable meetings, is available for direct engagement with employee groups, and feeds back relevant information and issues to the Board. How the directors have engaged with employees and have considered their interests when taking key decisions is further detailed on pages 71,75 and 81.

The Group continues to operate on a decentralised basis. This provides a foundation for an entrepreneurial approach balanced by a rigorous control framework exercised by a small head office team.

Local management teams are responsible for maintaining high standards of health and safety and for ensuring that there is appropriate employee involvement in decision-making.

Employee benefits and policies

Eligible employees in the UK are invited to join the Company's defined contribution pension arrangement, Compass Retirement Income Savings Plan (CRISP). CRISP has a corporate trustee, CRISP Trustees Limited. The Chair, Nigel Palmer, and the other six trustee directors are current or former employees of Compass Group Holdings PLC or Compass Group, UK and Ireland Limited. Three of the employee directors were nominated as directors of the corporate trustee by CRISP members.

Those UK employees who transferred from the public sector under TUPE were, typically up until 31 March 2015, eligible to join the Compass Group Pension Plan (the Plan), a defined benefit pension arrangement which has otherwise been closed to new entrants since 2003. However, in accordance with the Government's revised guidance for 'Fair Deal for staff pensions', the approach has been to continue participation in the relevant public sector pension scheme and so the Plan is closed to future entrants. The Plan also has a corporate trustee, Compass Group Pension Trustee Company Limited. The board of the corporate trustee comprises Philip Whittome, independent Chair, one other independent trustee director, and five directors that are UK-based employees or former employees of Compass Group Holdings PLC or Compass Group, UK and Ireland Limited. Three of the employee directors were nominated as directors of the corporate trustee by Plan members.

The Group has proposed a transfer of CRISP into the Plan and for CRISP to operate as a separate defined contribution section of the Plan. The combined board of the Plan following the transfer will include trustee directors from both arrangements.

The Company is subject to the Pension Automatic Enrolment Regulations for its workforce in the UK. All new UK employees who meet the statutory eligibility criteria, and who do not join CRISP, are automatically enrolled into the National Employment Savings Trust (NEST). Responsibility for the Group's ongoing compliance with the Pension Automatic Enrolment Regulations and for ensuring that the administration and investment of funds relating to automatic enrolment remain appropriate lies with the Group's Pension Automatic Enrolment Governance Committee.

Permanent employees outside the UK are usually offered membership of local pension arrangements, if and where they exist, and where it is appropriate to have Company-sponsored arrangements.

Employees are offered a range of benefits, such as private medical cover, depending on the local environment. Priority is given to the training of employees and the development of their skills. Employment of people with disabilities is considered on merit with regard only to the ability of any applicant to carry out the role. Arrangements to enable people with disabilities to carry out the duties required will be made if it is reasonable to do so. An employee who becomes disabled would, where appropriate, be offered retraining.

Employee diversity and human rights

Our Code of Business Conduct (CBC) was refreshed and re-launched in June 2023. It provides principles-based guidance to help our businesses do what's right and sets out clearly the standards of behaviours that we expect. Our values, CBC and Group policies serve as a foundation for how we conduct business and compete fairly, globally. Together, they underpin our environmental, social and governance activities including incorporating the Ten Principles of the UN Global Compact, of which Compass has been a participant since 2004, into strategies, policies, and procedures. This demonstrates Compass' commitment to continue fostering a culture of integrity and inclusion, whilst playing our part in shaping a sustainable future for our people, the communities in which we operate and the planet.

Our people are instrumental to the success of the Group. The individuality and diversity that every employee brings to the Group are respected and valued, and relationships with employees are based on respect for the dignity of the individual and fair treatment for all. The Company publishes an annual statement in accordance with the requirements of the Modern Slavery Act 2015 and a copy of the statement is available on the Company's website, www.compass-group.com.

As at 30 September 2023, there were 562,460 (2022: 513,707) people employed by the Group (average number of employees including directors and part-time employees) of whom 316,474 were female (2022: 290,778) and 245,986 were male (2022: 222,929). 496 were senior managers, of whom 170 were female and 326 were male (2022: 165 female and 349 male), which includes members of our global leadership team and statutory directors of corporate entities whose financial information is consolidated in the Group's financial statements in this Annual Report.

As at 30 September 2023, there were 13 directors, eight of whom were male and five were female. Prior to any appointment to the Board, the Nomination Committee gives due regard to diversity and gender with a view to recommending the appointment of the most suitable candidate for the role.

Compass seeks to create a positive and open working environment. Employee policies are set locally to comply with local law within an overall Group framework, and employee satisfaction and engagement are monitored through a number of key performance indicators.

Consideration is given to the concerns of the wider communities in which the Group's businesses operate, including national and local interests, and utilising relevant expertise to help contribute to the wellbeing of communities in ways which are appropriate to the Group's business objectives. Furthermore, the Group supports the rights of all people as set out in the UN Universal Declaration of Human Rights (UN Declaration) and considers carefully before doing any business in countries that do not adhere to the UN Declaration.

Business relationships

The directors regard positive business relationships with suppliers, clients, consumers and others as critical to the Company's long-term success. The Group's culture, values and behaviours support open and honest engagement with its stakeholders. High standards of ethical behaviour and probity are maintained in all Compass' business dealings. For further information on how the Company fosters business relationships and how the directors have had regard to stakeholders' interests in their principal decision-making processes see pages 74 to 81.

Other statutory disclosures continued

Non-financial reporting directive

The Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016 (the Regulations) require companies to disclose non-financial information necessary to provide investors and other stakeholders with a better understanding of a company's development, performance, position and impact of its activity. The Audit Committee, which advises the Board on such matters, has concluded that the Company is compliant with the Regulations.

Throughout this Annual Report the directors have disclosed a mix of financial and non-financial KPIs that they believe best reflect the Group's strategic priorities and will help convey an understanding of the Group's culture and the drivers contributing to the ongoing success of the Company. The non-financial and sustainability information statement on page 55 identifies where information relating to non-financial matters can be found.

Post balance sheet events

With effect from 1 October 2023, the reporting currency of the Group was changed from sterling to US dollars.

On 2 October 2023, the Group sold its business in Argentina.

In the period from 1 October to 20 November 2023, 6,357,210 shares were repurchased for a total price of £130 million excluding transaction costs under the £750 million share buyback announced in May 2023.

On 2 November 2023, the Group entered into an agreement to acquire Hofmann Menü-Manufaktur GmbH, a leading German manufacturer and supplier of 'cook and freeze' meals, for €270m (£234m), subject to regulatory approval which we expect to receive during the first half of the 2024 financial year.

On 20 November 2023, a final dividend in respect of the financial year ended 30 September 2023 of 28.1 pence per share, £482 million (based on issued share capital excluding treasury shares as at 30 September 2023) in aggregate, was proposed.

Greenhouse gas emissions reporting

The Company is required to state the annual quantity of emissions in tonnes of carbon dioxide equivalent from activities for which the Group is responsible, including the combustion of fuel and the operation of directly controlled facilities. Details of our emissions during the year ended 30 September 2023 are set out within the Purpose section of the Strategic Report on page 42 and form part of the Directors' Report disclosures and are incorporated by reference. Further details of the Group's actions to reduce emissions can also be found in the Purpose and TCFD sections of this Annual Report on pages 38 to 54. This Annual Report is certified as a CarbonNeutral® publication, supporting an emissions reduction project to offset the emissions arising from the production, printing and delivery of this Report. This year, the Company has supported a community-based project in Bangladesh, which trains and works with micro-entrepreneurs to help them produce and distribute clean cooking stoves designed to deliver significant emissions reductions, address the health risks of indoor pollution and reduce wood fuel consumption, relieving pressure on local forests and biodiversity.

Task Force on Climate-related Financial Disclosures (TCFD)

In accordance with the requirements of the UK Listing Rules, the Company is required to state whether it has made disclosures consistent with the TCFD's recommendations, or if not, to provide an explanation of why it has not complied and a description of the steps that are being taken or will be taken to enable the Company to make consistent disclosures in the future and the timeframe for compliance. Details of Compass' TCFD progress and compliance are set out in the Strategic Report on pages 45 to 54 and form part of the Directors' report disclosures and are incorporated by reference.

Donations and political expenditure

Charitable objectives support the Company's corporate responsibility strategy and have primarily focused on the environment, education, health and wellbeing, community engagement and responsible business practice. Donations have included employee involvement through fundraising and financial support.

Group charitable donations	£m
2023	**7.1**
2022	7.0

Since 2004, shareholders have passed an annual resolution, on a precautionary basis, to approve donations to EU political organisations and to incur political expenditure (as such terms were defined under the then relevant legislation) not exceeding a monetary limit approved by shareholders. The Board has consistently confirmed that it operates a policy of not giving any cash contribution to any political party in the ordinary meaning of those words and that it has no intention of changing that policy.

No material amount of corporate funds or paid employee time has been utilised during the year for political activities and, in accordance with the Company's CBC, employees must not engage in any form of lobbying or have contact with political representatives, government employees or public interest groups unless they are doing so legitimately and adhering to internal control processes. Further information regarding the CBC can be found on pages 13 and 84 of this Annual Report and on the Company's website, www.compass-group.com.

The directors propose to renew the authority last granted at the 2023 AGM for the Group to make political donations and incur political expenditure (as such terms are defined in sections 362 to 365 of the CA 2006) until the Company's next AGM, which they might otherwise be prohibited from making or incurring under the terms of the CA 2006 and which would not amount to 'donations' in the ordinary sense of the word. It is proposed to maintain the limit of such authority at £100,000.

CREST

The Company's ordinary shares and sterling Eurobonds are in CREST, the settlement system for stocks and shares.

Disclosures required under LR 9.8.4

There are no disclosures required to be made under the FCA's Listing Rules LR 9.8.4 which have not already been disclosed elsewhere in this Report. Details of long-term incentive plans can be found in the Directors' remuneration report on pages 97 to 126 and details of dividends waived by shareholders can be found on page 127.

AGM

The Notice of Meeting setting out the resolutions to be proposed at the 2024 AGM, together with explanatory notes, will be sent to shareholders as a separate document and made available on the Company's website, www.compass-group.com.

The directors consider that each of the resolutions is in the best interests of the Company and the shareholders as a whole and recommend that shareholders vote in favour of all the resolutions.

On behalf of the Board

Alison Yapp
Group General Counsel and Company Secretary

20 November 2023

Compass Group PLC
Registered in England and Wales, No. 4083914

Directors' responsibilities statement

The Annual Report and Accounts complies with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and the UK Corporate Governance Code 2018 in respect of the requirements to produce an annual financial report.

The Annual Report and Accounts is the responsibility of, and has been approved by, the directors.

We confirm that to the best of our knowledge:

- the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy
- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- the Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Company, and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

The directors have permitted the auditor to undertake whatever inspections it considers to be appropriate for the purpose of enabling the auditor to give its audit opinion.

On behalf of the Board

Alison Yapp
Group General Counsel and Company Secretary

20 November 2023

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the Group's profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable, relevant, reliable and prudent
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards
- for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic report, Directors' report, Directors' Remuneration report and Corporate Governance Statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. In accordance with Disclosure Guidance and Transparency Rule (DTR) 4.1.16R, the financial statements will form part of the annual financial report prepared under DTR 4.1.17R and 4.1.18R. The auditor's report on these financial statements provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

Disclosure of relevant audit information

The directors confirm that, so far as they are each aware, there is no relevant audit information of which its auditor, KPMG, is unaware and each director has taken all the steps that ought to have been taken as a director to be aware of any relevant audit information and to establish that KPMG is aware of that information.

KPMG LLP's Independent Auditor's Report to the members of Compass Group PLC

1. Our opinion is unmodified

In our opinion:

- the financial statements of Compass Group PLC give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2023, and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the Group and Parent Company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What our opinion covers

We have audited the Group and Parent Company financial statements of Compass Group PLC ("the Company") for the year ended 30 September 2023 included in the Annual Report, which comprise:

Group
- Consolidated Income Statement
- Consolidated Statement of Comprehensive Income
- Consolidated Statement of Changes in Equity
- Consolidated Balance Sheet
- Consolidated Cash Flow Statement
- Notes 1 to 36 to the Group financial statements, including the accounting policies included within the respective notes

Parent Company (Compass Group PLC)
- Parent Company Balance Sheet
- Parent Company Statement of Changes in Equity
- Notes 1 to 8 to the Parent Company financial statements, including the accounting policies

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion and matters included in this report are consistent with those discussed and included in our reporting to the Audit Committee ("AC").

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

2. Overview of Our Audit

Factors driving our view of risks

Following our 2022 audit and considering the developments affecting the Group since then, our assessment of audit risks remains similar to 2022 for key audit matters previously identified.

The UK business has continued to recover its trading performance with both revenue and operating profit improving from prior year. Estimation uncertainty in relation to the assumptions used in the impairment review remains elevated as a result of persistence of input cost inflation and an increase in interest rates leading to a higher discount rate. We therefore consider that the risk associated with goodwill impairment in respect of the UK cash-generating unit as a whole, continues to be heightened, consistent with 2022.

Tax authorities around the world continue to provide a high level of scrutiny of transfer pricing arrangements. We therefore consider that the risk associated with uncertain direct tax positions as a whole, continues to be heightened, consistent with 2022.

Our assessment is that the risk of recoverability of the Parent Company's investments in subsidiaries and amounts owed by Group undertakings remains consistent with 2022.

Key audit matters	Vs 2022	Item
Goodwill impairment in respect of the UK cash-generating unit	◀▶	4.1
Uncertain direct tax provisions	◀▶	4.2
Recoverability of the Parent Company's investment in subsidiaries and amounts owed by Group undertakings	◀▶	4.3

Audit Committee interaction

During the year, the AC met three times. KPMG are invited to attend all AC meetings and are provided with an opportunity to meet with the AC in private sessions without the executive directors being present. For each key audit matter, we have set out communications with the AC in section 4, including matters that required particular judgement for each.

The matters included in the Audit Committee Report on page 83 are materially consistent with our observations of those meetings.

Our Independence

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

Apart from the matters noted below, we have not performed any non-audit services during the financial year ended 30 September 2023 or subsequently which are prohibited by the FRC Ethical Standard.

During 2023 we identified that certain KPMG member firms had provided preparation of local GAAP financial statement services over the periods ending September 2017 to 2023 to some group entities which are and have been residual components and therefore not in scope for the Group audit. The services, which have been terminated, were administrative in nature and did not involve any management decision-making or bookkeeping. The work in each case had no direct or indirect effect on Compass Group PLC's consolidated financial statements.

In our professional judgement, we confirm that based on our assessment of the breach, our integrity and objectivity as auditor has not been compromised and we believe that an objective, reasonable and informed third party would conclude that the provision of these services would not impair our integrity or objectivity for any of the impacted financial years. The Audit Committee concurred with this view.

We were first appointed as auditor by the shareholders for the year ended 30 September 2014. The period of total uninterrupted engagement is for the 10 financial years ended 30 September 2023.

The Group engagement partner is required to rotate every five years. As these are the fifth set of the Group's financial statements signed by Zulfikar Kamran Walji, he will be required to rotate off after the 2023 audit.

The average tenure of partners responsible for component audits as set out in section 7 below is three years, with the shortest being one and the longest being five.

Total audit fee	£7.7m
Audit-related fees (including interim review)	£0.3m
Other services	nil
Non-audit fee as a % of total audit and audit-related fee %	nil
Date first appointed	14 March 2014
Uninterrupted audit tenure	10 years
Next financial period which requires a tender	30 September 2034
Tenure of Group engagement partner	5 years
Average tenure of component signing partners	3 years

Materiality

(ITEM 6 below)

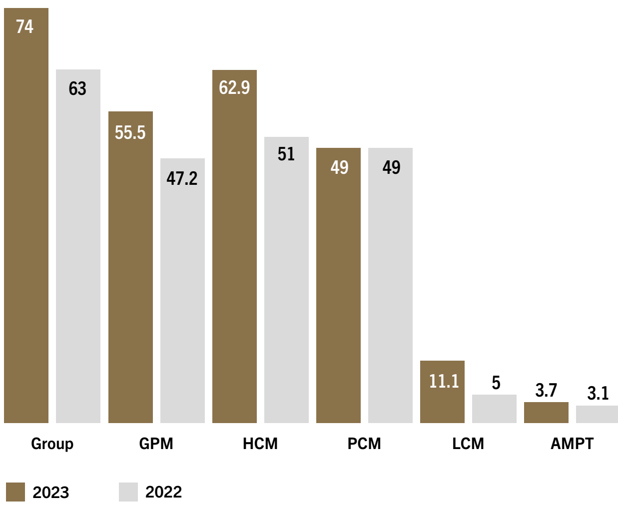
The scope of our work is influenced by our view of materiality and our assessed risk of material misstatement.

We have determined overall materiality for the Group financial statements as a whole at £74m (2022: £63m) and for the Parent Company financial statements as a whole at £49m (2022: £49m).

Consistent with 2022, we determined that Group profit before tax remains the benchmark for the Group as it is most reflective of the business, being a profit-seeking company. As such, we based our Group materiality on Group profit before tax, of which it represents 4.2% (2022: 4.3%).

Materiality for the Parent Company financial statements was determined with reference to a benchmark of Parent Company total assets, of which it represents 0.3% (2022: 0.4%).

Materiality levels used in our audit



Group	Group Materiality
GPM	Group Performance Materiality
HCM	Highest Component Materiality
PCM	Parent Company Materiality
LCM	Lowest Component Materiality
AMPT	Audit Misstatement Posting Threshold

Independent Auditor's Report To the members of Compass Group PLC continued

Group scope

(ITEM 7 below)

We have performed risk assessment and planning procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements, the type of procedures to be performed at these components and the extent of involvement required from our component auditors around the world.

Of the Group's 49 (2022: 51) reporting components, we subjected 15 (2022:15) to full scope audits for Group purposes.

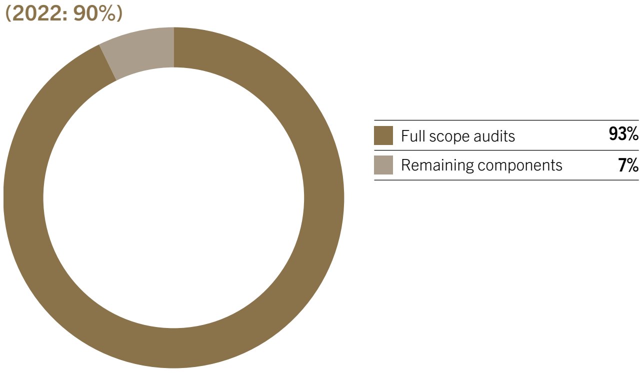
The components within the scope of our work accounted for the percentages illustrated below.

In addition, we have performed Group-level analysis on the remaining components to determine whether further risks of material misstatement exist in those components.

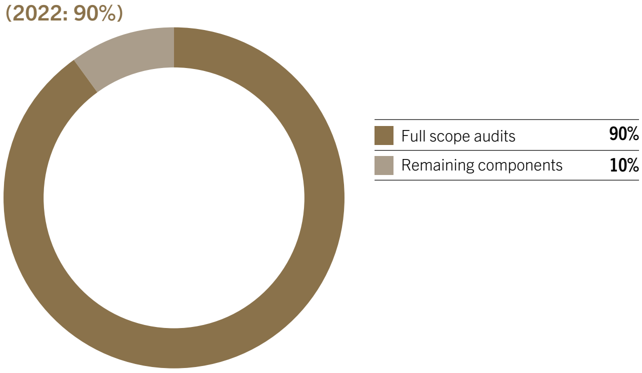
We consider the scope of our audit, as communicated to the Audit Committee, to be an appropriate basis for our audit opinion.

Coverage of Group financial statements

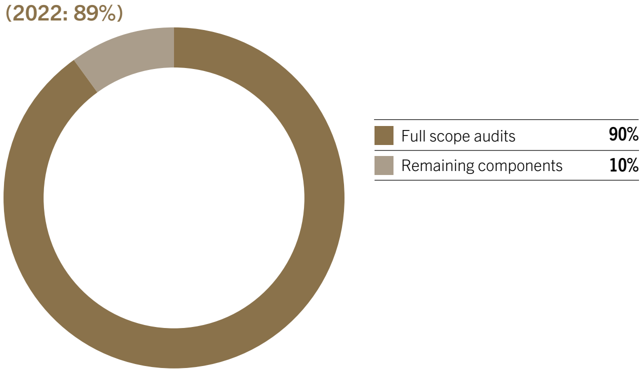
Group profit before tax 93% (2022: 90%)



Group assets 90% (2022: 90%)



Group revenue 90% (2022: 89%)



The impact of climate change on our audit

In planning our audit, we considered the potential impacts of climate change on the Group's business and its financial statements.

The Group has set out in the Strategic Report its commitment to reach net zero greenhouse gas (GHG) emissions across the global value chain by 2050, to reach climate neutrality in the Group's direct operations by 2030, and its commitment to several other shorter-term targets.

As part of our audit, we have performed a risk assessment, including enquiries of management, to understand how the impact of commitments made by the Group in respect of climate change, as well as the physical or transition risks of climate change, may affect the financial statements and our audit. There was no material impact from this work on our key audit matters.

Whilst the Group is still undertaking work to quantify and assess the potential impact of climate change on the business, based on the risk assessment procedures we performed, including reading the Group's roadmap for transitioning to net zero GHGs, we did not identify any significant risk in this period of climate change having a material impact on the Group's critical accounting estimates. This is due to the shorter-term nature of certain estimates (tax provisioning), the nature of the estimate itself (pension liabilities) and the level of headroom (impairment of goodwill and intangible assets). In addition, we did not identify any significant risks in this period to the carrying value and useful economic lives of property, plant and equipment caused by the projected physical risks of climate change or the transition to a net zero operating model.

We have read the disclosures of climate-related information in the Annual Report and considered their consistency with the financial statements and our audit knowledge. We have not been engaged to provide assurance over the accuracy of the climate risk disclosures in the Annual Report.

3. Going concern, viability and principal risks and uncertainties

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Parent Company or to cease their operations, and as they have concluded that the Group's and the Parent Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern over the period to 31 March 2025 ("the going concern period").

Going concern

We used our knowledge of the Group, its industry and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Parent Company's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group's available financial resources and/or metrics relevant to debt covenants over this period was the impact of elevated input cost inflation on the Group's performance and the ability of the Group to mitigate and recover the medium-term impact of persistent inflation.

We also considered less predictable but realistic second-order impacts, such as a significant decline in volumes as a consequence of a global economic downturn.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by comparing severe but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Group's financial forecasts.

We considered whether the going concern disclosure on page 151 of the Group financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks and related sensitivities.

Accordingly, based on those procedures, we found the directors' use of the going concern basis of accounting without any material uncertainty for the Group and Parent Company to be acceptable. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Parent Company will continue in operation.

Our conclusions

- We consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Parent Company's ability to continue as a going concern for the going concern period;
- We have nothing material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Parent Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable; and
- The related statement under the Listing Rules set out on page 21 is materially consistent with the financial statements and our audit knowledge.

Disclosures of emerging and principal risks and longer-term viability

Our responsibility

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement on page 31 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement set out on page 31 under the Listing Rules.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Parent Company's longer-term viability.

Our reporting

We have nothing material to add or draw attention to in relation to these disclosures.

We have concluded that these disclosures are materially consistent with the financial statements and our audit knowledge.

Independent Auditor's Report To the members of Compass Group PLC continued

4. Key audit matters

What we mean

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on:

- the overall audit strategy;
- the allocation of resources in the audit; and
- directing the efforts of the engagement team.

We include below the key audit matters in decreasing order of audit significance together with our key audit procedures to address those matters and our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, for the purpose of our audit of the financial statements as a whole. We do not provide a separate opinion on these matters.

4.1 Goodwill impairment in respect of the UK cash-generating unit (Group)

Financial statement elements

	2023	2022
Goodwill (UK CGU)	**£1,538m**	£1,481m

Our assessment of risk vs 2022

Consistent with 2022, estimation uncertainty in relation to the UK business remains elevated as a result of persistent input cost inflation and an increase in interest rates leading to a higher discount rate.

Our results

2023: Acceptable
2022: Acceptable

Description of the key audit matter

Forecast-based assessment:
The Group has a significant carrying amount of goodwill which is spread across a range of cash-generating units (CGUs) in different countries.

The value-in-use calculation for the CGUs, which represents the estimated recoverable amount, is subjective due to the inherent uncertainty involved in forecasting and discounting estimated future cash flows (specifically the key assumptions such as revenue, operating margin, long-term growth rate and discount rate).

Estimation uncertainty in relation to the UK business remains high as a result of persistence of input cost inflation and an increase in interest rates leading to a higher discount rate.

The effect of these matters is that, as part of our risk assessment, we determined that the carrying amount of the UK CGU has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.

The financial statements (note 9) disclose the sensitivity estimated by the Group. These disclosures give relevant information about the estimation uncertainty including the risk of a reduction in the headroom or need for an impairment as a result of a reasonably possible change in one or more of the key assumptions.

Our response to the risk

We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Our procedures to address the risk included:

- **Historical comparisons:** We assessed the Group's ability to forecast accurately by comparing assumptions made in historic forecasts to actual results achieved;
- **Our sector experience:** We critically assessed the Group's assumptions on revenue and operating profit margin taking account of strategic plans approved by the Board, our wider knowledge of the industry and the performance of other comparable CGUs;

  We used our valuations experts to challenge the appropriateness of discount rate by deriving our own independent range;
- **Benchmarking assumptions:** We challenged the Group's long-term growth rate assumption by corroborating this to external data sources;
- **Sensitivity analysis:** We performed sensitivity analysis on the key assumptions noted above to identify the extent to which changes in those assumptions could give risk to an impairment;
- **Assessing transparency:** We assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to a reasonably possible change in key assumptions reflects the risks inherent in the estimation of the recoverable amount of goodwill.

Communications with Compass Group PLC's Audit Committee
Our discussions with and reporting to the Audit Committee included:

- Our audit approach as set out above, including not seeking to rely on any of the Group's controls, and the involvement of our valuation specialists;
- Our conclusions from the procedures performed; and
- Our views on the disclosures included in the financial statements with respect to the UK CGU and the sensitivity of the impairment conclusions to reasonably possible changes in assumptions.

Area of particular auditor judgement
We identified the following as the areas of particular auditor judgement:

- The estimate is particularly sensitive to key assumptions in the impairment model including revenue growth rates, operating profit margins, long-term growth rates and discount rates and auditor judgement is required to assess whether the directors' overall estimate falls within an acceptable range.

Our results
We found the Group's conclusion that there is no impairment of the UK CGU's goodwill to be acceptable (2022: acceptable) and we found the sensitivity disclosures made to be acceptable (2022: acceptable).

Location of further information in the Annual Report and Accounts: see the Audit Committee Report on page 83 for details on how the Audit Committee considered goodwill impairment in respect of the UK CGU as an area of significant attention, page 162 for the accounting policy on goodwill and note 9 for the financial disclosures.

4.2 Uncertain direct tax provisions (Group)

Financial statement elements	Our assessment of risk vs 2022	Our results
Direct tax provisions included within current tax liabilities of **£214m** (2022: £245m) Disclosure of other sources of estimation uncertainty – note 6 to the group financial statements	◀▶ Our assessment is that the risk is similar to 2022	**2023: Acceptable** 2022: Acceptable

Description of the key audit matter	Our response to the risk
Subjective estimate: The Group operates across a large number of jurisdictions and is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business, including transfer pricing. As a result of the complexities of tax rules on transfer pricing and other tax legislation, the provisioning for uncertain direct tax positions is judgemental and requires the directors to make estimates in relation to these uncertainties. The directors' estimation includes assessing the likelihood of potentially material exposures as a result of changes in local tax regulations and evaluating ongoing inspections by local tax authorities and international bodies, which could materially impact the amounts recorded in the Group financial statements.	We performed the tests below rather than seeking to rely on any of the Group's controls because the small number of transactions meant that detailed testing is inherently the most effective means of obtaining audit evidence. Our procedures to address the risk included: – **Our taxation expertise:** With the assistance of our tax specialists, we analysed and challenged the assumptions used to determine the provisions recognised using our knowledge and experience of the application of international and local legislation by the relevant authorities and courts and assessing whether the approach applied by the Group is supported by custom and practice. – With the help of our tax specialists we considered whether the judgements applied to each significant provision, including the maximum potential exposure and the likelihood of a payment being required, were appropriate. – **Tests of detail:** We examined the calculations prepared by the directors and agreed key assumptions used to underlying data. – We inspected correspondence with relevant tax authorities and assessed third-party tax advice received by the directors to evaluate the conclusions drawn in the advice where relevant to the significant exposures faced by the Group, and how these have been used by the directors in their assessment of the likelihood of any outflow and estimate of the provision. – **Assessing transparency:** We assessed the adequacy of the Group's disclosures in respect of tax and uncertain direct tax positions.
Communications with Compass Group PLC's Audit Committee Our discussions with and reporting to the Audit Committee included: – Our audit approach as set out above, including not seeking to rely on any of the Group's controls and the involvement of our taxation specialists; – Our conclusions from the procedures performed; and – Our views on the disclosures of the direct tax provisions disclosed.	*Area of particular auditor judgement* We identified the following as the areas of particular auditor judgement: The assessment of the outcome of investigations by the authorities, if a liability exists and in making an estimate of any economic outflows. *Our results* We found the level of tax provisioning to be acceptable (2022: acceptable).

Location of further information in the Annual Report and Accounts: see the Audit Committee Report on page 83 for details on how the Audit Committee considered direct tax provisions as an area of significant attention, page 158 for the accounting policy on tax and note 6 for the financial disclosures.

Independent Auditor's Report To the members of Compass Group PLC continued

4.3 Recoverability of Parent Company's investment in subsidiaries and amounts owed by Group undertakings (Parent)

Financial statement elements	2023	2022	Our assessment of risk vs 2022	Our results
Investment in subsidiaries and amounts owed by Group undertakings	**£6,714m investments, £7,964m amounts owed by subsidiary undertakings**	£1,105m investments, £10,699m amounts owed by subsidiary undertakings	Our assessment is that the risk is similar to 2022	**2023: Acceptable** 2022: Acceptable

Description of the key audit matter

Low risk, high value:
The carrying amount of the Parent Company's investments in subsidiaries and intercompany receivables represents 97% (2022: 88%) of the Company's total assets.

We do not consider the recoverability of these investments and intercompany receivables to be at a high risk of significant misstatement, or to be subject to a significant level of judgement. However, due to their materiality in the context of the Parent Company financial statements as a whole, this is considered to be the area which had the greatest effect on our overall Parent Company audit.

Our response to the risk

We performed the tests below rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Our procedures to address the risk included:

- Test of detail: We compared a sample of the investment and intercompany receivables' carrying amounts to the net assets of the relevant subsidiary included within the Group consolidation, to identify whether the net asset value, being an approximation of the minimum recoverable amount, was in excess of their carrying amount, and whether, therefore, there was coverage of the debt owed.

  When the net assets of the relevant subsidiary were insufficient to support the carrying value, we considered the performance of the underlying investments held by the relevant subsidiary in order to assess whether there was an indication of impairment.

- Assessing subsidiary net assets: For the relevant subsidiaries (investment holding companies), we compared the net assets of the relevant subsidiary to the final net assets in the prior year audited financial statements. Based on the knowledge acquired during the audit of the consolidated Group, including reporting received from component auditors for the underlying trading operations, we considered whether there were any events indicating that the net assets would be materially different from the prior year position.

Communications with Compass Group PLC's Audit Committee
Our discussions with and reporting to the Audit Committee included:

- Our audit approach as set out above; and
- Our conclusions from the procedures performed.

Area of particular auditor judgement
- We did not identify any areas of particular auditor judgement.

Our results
We found the Parent Company's conclusion that there is no impairment of its investment in subsidiaries and amount owned by Group undertaking to be acceptable (2022: acceptable).

Location of further information in the Annual Report and Accounts: refer to page 224 for the accounting policy on investments in subsidiary undertakings and notes 2 and 3 for the financial disclosures.

5. Our ability to detect irregularities, and our response

Fraud — Identifying and responding to risks of material misstatement due to fraud

Fraud risk assessment	To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included: – Enquiring of directors, the Audit Committee and Internal Audit, and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the Internal Audit function and the Group's channel for 'whistleblowing', as well as whether they have knowledge of any actual, suspected, or alleged fraud. – Reading Board, Audit and Corporate Responsibility Committee meeting minutes. – Considering remuneration incentive schemes (primarily the annual bonus plan) and performance targets for management and directors including revenue, operating profit margin and cash flow targets for management remuneration. – Using analytical procedures to identify any unusual or unexpected relationships. – Using our own forensic specialists to assist us in identifying fraud risks based on discussions of the circumstances of the Group.
Risk communications	We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to component audit teams of relevant fraud risks identified at the Group level and request to component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.
Fraud risks	As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries. We did not identify any additional fraud risks.
Procedures to address fraud risks	In determining the audit procedures, we took into account the results of our evaluation of some of the Group-wide fraud risk management controls. We performed procedures including: – Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior management and those posted to unexpected account pairings. – Assessing significant accounting estimates for bias.

Laws and regulations — Identifying and responding to risks of material misstatement relating to compliance with laws and regulations

Laws and regulations risk assessment	We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence; and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.
Risk communications	We communicated identified laws and regulations throughout our team and remained alert to any indications of non- compliance throughout the audit. This included communication from the Group audit team to component audit teams of relevant laws and regulations identified at the Group level, and a request for component auditors to report to the Group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at Group.
Direct laws context and link to audit	Firstly, the Group is subject to laws and regulations that directly affect the financial statements, including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.
Most significant indirect law/regulation areas	Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety (food and employees), anti-bribery, data privacy, competition and employment law. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Independent Auditor’s Report To the members of Compass Group PLC continued

Context

Context of the ability of the audit to detect fraud or breaches of law or regulation	Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. Our determination of materiality

The scope of our audit was influenced by our application of materiality. We set quantitative thresholds and overlay qualitative considerations to help us determine the scope of our audit and the nature, timing and extent of our procedures, and in evaluating the effect of misstatements, both individually and in the aggregate, on the financial statements as a whole.

£74m (2022: £63m) Materiality for the Group financial statements as a whole	**What we mean** A quantitative reference for the purpose of planning and performing our audit. **Basis for determining materiality and judgements applied** Materiality for the Group financial statements as a whole was set at £74m (2022: £63m). This was determined with reference to a benchmark of Group profit before tax from continuing operations (PBTCO). Consistent with 2022, we determined that PBTCO remains the main benchmark for the Group considering the sector in which it operates, its ownership and financing structure, and the focus of users of the financial statements. As such, we based our Group materiality on PBTCO of £1,747m (2022: £1,469m). Our Group materiality of £74m was determined by applying a percentage to the PBTCO. When using a benchmark of PBTCO to determine overall materiality, KPMG’s approach for listed entities considers a guideline range of 3% to 5% of the measure. In setting overall Group materiality, we applied a percentage of 4.2% (2022: 4.3%) to the benchmark. Materiality for the Parent Company financial statements as a whole was set at £49m (2022: £49m), determined with reference to a benchmark of Parent Company total assets, of which it represents 0.3% (2022: 0.4%).
£55.5m (2022: £47.2m) Performance materiality	**What we mean** Our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. **Basis for determining performance materiality and judgements applied** We have considered performance materiality at a level of 75% (2022: 75%) of materiality for Compass Group PLC Group financial statements as a whole to be appropriate. The Parent Company performance materiality was set at £36.7m (2022: £36.7m), which equates to 75% (2022: 75%) of materiality for the Parent Company financial statements as a whole. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.
£3.7m (2022: £3.1m) Audit misstatement posting threshold	**What we mean** This is the amount below which identified misstatements are considered to be clearly trivial from a quantitative point of view. We may become aware of misstatements below this threshold which could alter the nature, timing and scope of our audit procedures, for example if we identify smaller misstatements which are indicators of fraud. This is also the amount above which all misstatements identified are communicated to Compass Group PLC’s Audit Committee. **Basis for determining the audit misstatement posting threshold and judgements applied** We set our audit misstatement posting threshold at 5% (2022: 5%) of our materiality for the Group financial statements. We also report to the Audit Committee any other identified misstatements that warrant reporting on qualitative grounds.

The overall materiality for the Group financial statements of £74m (2022: £63m) compares as follows to the main financial statement caption amounts:

	Group revenue		Group profit before tax		Total Group assets	
	2023	2022	**2023**	2022	**2023**	2022
Financial statement caption	**£31,028m**	£25,512m	**£1,747m**	£1,469m	**£17,600m**	£18,748m
Group materiality as % of caption	**0.24%**	0.25%	**4.2%**	4.3%	**0.42%**	0.34%

7. The scope of our audit

Group scope

What we mean

How the Group audit team determined the procedures to be performed across the Group.

The Group has 49 (2021: 51) reporting components. In order to determine the work performed at the reporting component level, we identified those components which we considered to be of individual financial significance, those which were significant due to risk and those remaining components on which we required procedures to be performed to provide us with the evidence we required in order to conclude on the Group financial statements as a whole.

We determined individually financially significant components as those contributing at least 10% (2022: 10%) of Group revenue or Group total assets. We selected Group revenue and Group total assets because these are the most representative of the relative size of the components. We identified 1 (2022: 1) component as an individually financially significant component and performed a full scope audit on this component.

In addition to the individually financially significant component, we identified 1 (2022: 1) component as significant, owing to significant risk of material misstatement affecting the Group financial statements. We performed a full scope audit on this component.

In addition, to enable us to obtain sufficient appropriate audit evidence for the Group financial statements as a whole, we selected 13 (2022: 13) components on which to perform full scope audit procedures.

The components within the scope of our work accounted for the following percentages of the Group's results, with the prior year comparatives indicated in brackets:

Scope	Number of components	Range of materiality applied	Group revenue	Group profit before tax	Group total assets
Full scope audit	15 (15)	£11.1m - £62.9m (£5m - £51m)	90% (89%)	93% (90%)	90% (90%)

The remaining 10% (2022: 11%) of Group revenue, 7% (2022: 10%) of Group profit before tax and 10% (2022: 10%) of total Group assets is represented by 34 (2022: 36) reporting components, none of which individually represented more than 2% (2022: 3%) of any of Group revenue, Group profit before tax or total Group assets. For these components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The work on 12 of the 15 components (2022: 12 of the 15 components) was performed by component auditors and the rest, including the audit of the Parent Company, was performed by the Group team.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materiality levels, as detailed in the table above, having regard to the mix of size and risk profile of the Group across the components.

In addition, we have performed Group-level analysis on the remaining components to determine whether further risks of material misstatement exist in those components.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

Group audit team oversight

What we mean

The extent of the Group audit team's involvement in component audits.

In working with component auditors, we:

- Held planning calls with all component audit teams to discuss the significant areas of the audit relevant to the components.
- Issued Group audit instructions to component auditors on the scope of their work, including specifying the minimum procedures to perform in their audit of significant risk areas, including management override of controls and revenue recognition.
- Held risk assessment update discussions with all component audit teams before the commencement of the final phases of the audit led by the Group engagement partner and engagement quality control partner.
- Visited 4 (2022: 5) components in person as the audit progressed to understand and challenge the audit approach and organised regular video conferences with the Group and component audit teams. At these meetings and video conferences, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component audit teams.
- Inspected the component audit teams' key work papers (using remote technology capabilities) to evaluate the quality of execution of the audits of the components, with a particular focus on work related to significant risks.

Independent Auditor's Report To the members of Compass Group PLC continued

8. Other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

All other information

Our responsibility	Our reporting
Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.	Based solely on that work we have not identified material misstatements or inconsistencies in the other information.

Strategic Report and Directors' Report

Our responsibility and reporting

Based solely on our work on the other information described above we report to you as follows:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration report

Our responsibility	Our reporting
We are required to form an opinion as to whether the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.	In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance disclosures

Our responsibility	Our reporting
We are required to perform procedures to identify whether there is a material inconsistency between the financial statements and our audit knowledge, and: – the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; – the section of the Annual Report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and – the section of the Annual Report that describes the review of the effectiveness of the Group's risk management and internal control systems.	Based on those procedures, we have concluded that each of these disclosures is materially consistent with the financial statements and our audit knowledge.
We are also required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.	We have nothing to report in this respect.

Other matters on which we are required to report by exception

Our responsibility	Our reporting
Under the Companies Act 2006, we are required to report to you if, in our opinion: – adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or – the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or – certain disclosures of directors' remuneration specified by law are not made; or – we have not received all the information and explanations we require for our audit.	We have nothing to report in these respects.

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 131, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so. In addition, the directors are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

10. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Zulfikar Walji (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square, London E14 5GL

20 November 2023

Consolidated income statement for the year ended 30 September 2023

	Notes	2023 £m	2023 £m	2022 £m	2022 £m
Revenue	2		**31,028**		25,512
Operating costs	3		**(29,193)**		(24,057)
Operating profit before joint ventures and associates			**1,835**		1,455
Share of results of joint ventures and associates	2, 14		**56**		45
Underlying operating profit[1]	2, 34	**2,122**		1,590	
Acquisition-related charges	3, 34	**(125)**		(92)	
Charges related to the strategic portfolio review	3, 34	**(99)**		–	
Other[2]	34	**(7)**		2	
Operating profit	2		**1,891**		1,500
Net gain/(loss) on sale and closure of businesses	27, 34		**20**		(7)
Finance income	5	**48**		11	
Finance expense	5	**(184)**		(111)	
Other financing items	5, 34	**(28)**		76	
Finance costs			**(164)**		(24)
Profit before tax			**1,747**		1,469
Income tax expense	6		**(429)**		(352)
Profit for the year			**1,318**		1,117
Attributable to					
Equity shareholders			**1,314**		1,113
Non-controlling interests			**4**		4
Profit for the year			**1,318**		1,117
Basic earnings per share	7		**75.4p**		62.6p
Diluted earnings per share	7		**75.3p**		62.6p

1. Operating profit excluding specific adjusting items (see note 34).
2. Other specific adjusting items include COVID-19 resizing credit, one-off pension charge and tax on share of profit of joint ventures (see note 34).

The accompanying notes form part of these consolidated financial statements.

Consolidated statement of comprehensive income for the year ended 30 September 2023

	Notes	2023 £m	2022 £m
Profit for the year		**1,318**	1,117
Other comprehensive income			
Items that will not be reclassified to the income statement			
Remeasurement of post-employment benefit obligations	24	**27**	1,038
Return on plan assets, excluding interest income	24	**(271)**	(668)
Change in asset ceiling, excluding interest income	24	**5**	3
Change in fair value of financial assets at fair value through other comprehensive income	15	**94**	(133)
Tax credit/(charge) on items relating to the components of other comprehensive income		**30**	(65)
		(115)	175
Items that may be reclassified to the income statement			
Currency translation differences[1]		**(335)**	591
Reclassification of cumulative currency translation differences on sale of businesses	27	**(1)**	7
Tax credit on items relating to the components of other comprehensive income		**3**	–
		(333)	598
Total other comprehensive (loss)/income for the year		**(448)**	773
Total comprehensive income for the year		**870**	1,890
Attributable to			
Equity shareholders		**866**	1,886
Non-controlling interests		**4**	4
Total comprehensive income for the year		**870**	1,890

1. Includes a gain of £166m in relation to the effective portion of net investment hedges (2022: £190m loss).

The accompanying notes form part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 30 September 2023

	Notes	Attributable to equity shareholders Share capital £m	Share premium £m	Other reserves[1] £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
At 1 October 2022		198	189	4,068	1,419	31	5,905
Profit for the year		–	–	–	1,314	4	1,318
Other comprehensive income							
Remeasurement of post-employment benefit obligations	24	–	–	–	27	–	27
Return on plan assets, excluding interest income	24	–	–	–	(271)	–	(271)
Change in asset ceiling, excluding interest income	24	–	–	–	5	–	5
Change in fair value of financial assets at fair value through other comprehensive income	15	–	–	–	94	–	94
Currency translation differences		–	–	(335)	–	–	(335)
Reclassification of cumulative currency translation differences on sale of businesses	27	–	–	(1)	–	–	(1)
Tax credit on items relating to the components of other comprehensive income	6	–	–	3	30	–	33
Total other comprehensive loss for the year		–	–	(333)	(115)	–	(448)
Total comprehensive (loss)/income for the year		–	–	(333)	1,199	4	870
Fair value of share-based payments	26	–	–	–	44	–	44
Change in fair value of non-controlling interest put options		–	–	13	–	–	13
Changes to non-controlling interests due to acquisitions and disposals		–	–	(2)	–	2	–
Reclassification of non-controlling interest put options reserve on exercise of put options		–	–	6	–	(6)	–
Cost of shares transferred to employees		–	–	26	(26)	–	–
Purchase of own shares – share buyback[2]		–	–	(1,004)	–	–	(1,004)
Purchase of own shares – employee share-based payments		–	–	(16)	–	–	(16)
Tax credit on items taken directly to equity	6	–	–	–	3	–	3
		198	189	2,758	2,639	31	5,815
Dividends paid to equity shareholders	8	–	–	–	(648)	–	(648)
Dividends paid to non-controlling interests		–	–	–	–	(6)	(6)
At 30 September 2023		198	189	2,758	1,991	25	5,161

1. Other reserves are analysed in note 25.
2. Including stamp duty and brokers' commission.

The accompanying notes form part of these consolidated financial statements.

	Notes	Attributable to equity shareholders Share capital £m	Share premium £m	Other reserves[1] £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
At 1 October 2021		198	189	4,262	242	28	4,919
Profit for the year		–	–	–	1,113	4	1,117
Other comprehensive income							
Remeasurement of post-employment benefit obligations	24	–	–	–	1,038	–	1,038
Return on plan assets, excluding interest income	24	–	–	–	(668)	–	(668)
Change in asset ceiling, excluding interest income	24	–	–	–	3	–	3
Change in fair value of financial assets at fair value through other comprehensive income	15	–	–	–	(133)	–	(133)
Currency translation differences		–	–	591	–	–	591
Reclassification of cumulative currency translation differences on sale of businesses	27	–	–	7	–	–	7
Tax charge on items relating to the components of other comprehensive income	6	–	–	–	(65)	–	(65)
Total other comprehensive income for the year		–	–	598	175	–	773
Total comprehensive income for the year		–	–	598	1,288	4	1,890
Fair value of share-based payments	26	–	–	34	–	–	34
Change in fair value of non-controlling interest put options		–	–	(2)	–	–	(2)
Changes to non-controlling interests due to acquisitions and disposals		–	–	(7)	–	8	1
Purchase of non-controlling interests		–	–	–	(7)	(1)	(8)
Reclassification of non-controlling interest put options reserve on exercise of put options		–	–	5	–	(5)	–
Release of share awards settled in existing shares purchased in the market		–	–	(4)	–	–	(4)
Purchase of own shares – share buyback[2]		–	–	(502)	–	–	(502)
Purchase of own shares – employee share-based payments		–	–	(6)	–	–	(6)
Transfer		–	–	(314)	314	–	–
		198	189	4,064	1,837	34	6,322
Dividends paid to equity shareholders	8	–	–	–	(418)	–	(418)
Dividends paid to non-controlling interests		–	–	–	–	(3)	(3)
Cost of shares transferred to employees		–	–	4	–	–	4
At 30 September 2022		198	189	4,068	1,419	31	5,905

1. Other reserves include the capital redemption and own shares reserves which were shown separately in 2022 (see note 25).
2. Including stamp duty and brokers' commission.

The accompanying notes form part of these consolidated financial statements.

Consolidated balance sheet at 30 September 2023

	Notes	30 September 2023 £m	2022 £m
Non-current assets			
Goodwill	9	**5,002**	5,119
Other intangible assets	10	**2,032**	1,960
Costs to obtain and fulfil contracts	11	**1,078**	1,106
Right-of-use assets	12	**813**	821
Property, plant and equipment	13	**955**	948
Interests in joint ventures and associates	14	**244**	270
Other investments	15	**860**	790
Post-employment benefit assets	24	**430**	581
Trade and other receivables	16	**253**	162
Deferred tax assets	6	**193**	230
Derivative financial instruments	20	**45**	76
Non-current assets		**11,905**	12,063
Current assets			
Inventories	17	**567**	511
Trade and other receivables	16	**4,174**	3,988
Tax recoverable		**89**	106
Cash and cash equivalents	18	**843**	1,983
Derivative financial instruments	20	**18**	71
		5,691	6,659
Assets held for sale	27	**4**	26
Current assets		**5,695**	6,685
Total assets		**17,600**	18,748
Current liabilities			
Borrowings	19	**(1,087)**	(693)
Lease liabilities	12	**(194)**	(194)
Derivative financial instruments	20	**(37)**	(6)
Provisions	23	**(233)**	(269)
Current tax liabilities		**(214)**	(245)
Trade and other payables	22	**(5,870)**	(5,626)
Current liabilities		**(7,635)**	(7,033)
Non-current liabilities			
Borrowings	19	**(2,283)**	(3,271)
Lease liabilities	12	**(751)**	(719)
Derivative financial instruments	20	**(207)**	(237)
Post-employment benefit obligations	24	**(806)**	(759)
Provisions	23	**(286)**	(310)
Deferred tax liabilities	6	**(108)**	(160)
Trade and other payables	22	**(363)**	(354)
Non-current liabilities		**(4,804)**	(5,810)
Total liabilities		**(12,439)**	(12,843)
Net assets		**5,161**	5,905
Equity			
Share capital	25	**198**	198
Share premium		**189**	189
Other reserves[1]	25	**2,758**	4,068
Retained earnings		**1,991**	1,419
Total equity shareholders' funds		**5,136**	5,874
Non-controlling interests		**25**	31
Total equity		**5,161**	5,905

1. Other reserves include the capital redemption and own shares reserves which were shown separately in 2022 (see note 25).

The accompanying notes form part of these consolidated financial statements.

Approved by the Board of Directors on 20 November 2023 and signed on its behalf by:

Dominic Blakemore, Director
Palmer Brown, Director

Consolidated cash flow statement for the year ended 30 September 2023

	Notes	2023 £m	2022 £m
Cash flow from operating activities			
Cash generated from operations	28	**2,687**	2,024
Interest paid		**(170)**	(96)
Tax received		**25**	31
Tax paid		**(466)**	(363)
Net cash flow from operating activities		**2,076**	1,596
Cash flow from investing activities			
Purchase of subsidiary companies	27	**(319)**	(263)
Purchase of interests in joint ventures and associates	14	**(7)**	(28)
Net proceeds from sale of subsidiary companies, joint ventures and associates net of exit costs[1]	27	**47**	35
Purchase of intangible assets		**(215)**	(177)
Purchase of contract fulfilment assets	11	**(311)**	(218)
Purchase of property, plant and equipment		**(365)**	(282)
Proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets		**64**	37
Purchase of other investments	15	**(3)**	(42)
Proceeds from sale of other investments		**3**	3
Dividends received from joint ventures and associates	14	**49**	51
Interest received		**50**	10
Net cash flow from investing activities		**(1,007)**	(874)
Cash flow from financing activities			
Purchase of own shares – share buyback		**(929)**	(425)
Purchase of own shares – employee share-based payments		**(16)**	(6)
Increase in borrowings		**1**	677
Repayment of borrowings		**(438)**	(297)
Net cash flow from derivative financial instruments		**127**	(67)
Repayment of principal under lease liabilities		**(176)**	(152)
Purchase of non-controlling interests		**(8)**	(2)
Dividends paid to equity shareholders	8	**(648)**	(418)
Dividends paid to non-controlling interests		**(6)**	(3)
Net cash flow from financing activities	29	**(2,093)**	(693)
Cash and cash equivalents			
Net (decrease)/increase in cash and cash equivalents		**(1,024)**	29
Cash and cash equivalents at 1 October		**1,732**	1,656
Currency translation (losses)/gains on cash and cash equivalents		**(28)**	47
Cash and cash equivalents at 30 September		**680**	1,732
Cash and cash equivalents[2]	18	**843**	1,983
Bank overdrafts[2]	19	**(163)**	(251)
Cash and cash equivalents at 30 September		**680**	1,732

1. 2022 includes £15m of tax receipts in respect of prior year business disposals.
2. As per the consolidated balance sheet.

The accompanying notes form part of these consolidated financial statements.

Notes to the consolidated financial statements for the year ended 30 September 2023

1 Basis of preparation

Introduction

The consolidated financial statements of Compass Group PLC (the Company) have been prepared on a going concern basis, as discussed on page 151, in accordance with UK-adopted International Accounting Standards. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments.

Consolidation

The consolidated financial statements are prepared in sterling, which is the functional and reporting currency of the Company.

The consolidated financial statements consolidate the results of the Company and entities controlled by the Company (its subsidiaries), and include the Group's share of the results of its interests in joint ventures and associates using the equity method.

Subsidiaries are entities over which the Company has control. Control exists when the Company has power over an entity, exposure to variable returns from its involvement with an entity and the ability to use its power over the entity to affect its returns. The existence and effect of potential voting rights that are currently exercisable or convertible are also considered when assessing control.

Where necessary, adjustments are made to the financial statements of subsidiaries, joint ventures and associates to bring the accounting policies used in line with those used by the Group.

The results of subsidiaries, joint ventures and associates acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Where a subsidiary transacts with a joint operation of the Group, profits or losses are eliminated to the extent of the Group's interest in the relevant joint operation.

In preparing the financial statements of individual companies within the Group, transactions in currencies other than the companies' functional currency are recorded at the rates of exchange on the dates of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates on the balance sheet date. Gains and losses arising on retranslation are included in the consolidated income statement for the year, except for where they arise on items taken directly to other comprehensive income, in which case they are also recognised in the consolidated statement of comprehensive income.

On consolidation, the assets and liabilities of the Group's overseas operations (expressed in their functional currencies, being the currency of the primary economic environment in which each entity operates) are translated at the exchange rates on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or expense in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rate.

Significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out in the relevant notes. These policies have been applied consistently to all the years presented, unless otherwise stated.

Significant accounting policies are indicated by the following icon:

Significant accounting policy

Changes in accounting policies

There were no new accounting standards or amendments to existing standards effective in the current year that had a significant impact on the Group's consolidated financial statements. There are a number of changes to accounting standards, effective in future years, which are not expected to significantly impact the Group's consolidated financial statements.

Judgements

The preparation of the consolidated financial statements requires management to make judgements in respect of the application of its accounting policies which impact the reported amounts of assets, liabilities, income and expenses.

Whilst there are no judgements that management considers to be critical in the preparation of these financial statements, there is a significant judgement in respect of the classification of cash payments relating to contract fulfilment assets in the cash flow statement (see note 11).

Estimates

The preparation of the consolidated financial statements requires management to make estimates which impact the reported amounts of assets, liabilities, income and expenses. These estimates are based on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Sources of estimation uncertainty are indicated by the following icon:

Source of estimation uncertainty

Major sources of estimation uncertainty

The Group's major sources of estimation uncertainty are in relation to goodwill in the UK cash-generating unit and post-employment benefit obligations on the basis that a reasonably possible change in key assumptions could have a material effect on the carrying amounts of assets and liabilities in the next 12 months (see notes 9 and 24, respectively).

Other sources of estimation uncertainty

In addition to the major sources of estimation uncertainty, tax has been identified as another source of estimation uncertainty. Whilst this is not considered to be a major source of uncertainty as defined by IAS 1 Presentation of Financial Statements, the recognition and measurement of certain material assets and liabilities are based on assumptions and/or are subject to longer-term uncertainties (see note 6).

1 Basis of preparation continued

Climate change

Climate change is identified as a principal risk as its impact on the environment may lead to issues around food sourcing and supply chain continuity in some of the Group's markets (see page 26). The potential impact of climate change has been assessed with scenario analysis conducted in line with the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations (see pages 51 and 52). In October 2021, the Group announced a commitment to reach climate net zero greenhouse gas (GHG) emissions across its global operations and value chain by 2050 (see page 52).

Climate change considerations are indicated by the following icon:

Climate change

The potential impact of climate change and the Group's net zero commitments on the following areas has been considered:

- going concern (see below) and viability (see page 31) assessments
- tax (see note 6)
- goodwill (see note 9)
- other intangible assets (see note 10)
- post-employment benefits (see note 24)

There was no impact on the reported amounts in the financial statements as a result of this review.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on pages 2 to 55. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are discussed in the Financial review on pages 16 to 21.

The directors consider it appropriate to prepare the financial statements on a going concern basis for the reasons stated below.

At 30 September 2023, the Group's financing arrangements included sterling and Euro bonds (£2,353m) and US dollar US Private Placement (USPP) notes (£851m). In addition, the Group had Revolving Credit Facilities of £2,000m, committed to August 2026, which were fully undrawn, and £680m of cash, net of overdrafts. At the date of approving these consolidated financial statements, the liquidity position of the Group has remained substantially unchanged.

For the purposes of the going concern assessment, the directors have prepared monthly cash flow projections for the period to 31 March 2025 (the assessment period) from the most recent three-year strategic plan approved by the Board in November 2023. We consider 18 months to be a reasonable period for the going concern assessment as it enables us to consider the potential impact of macroeconomic and geopolitical factors over an extended period.

Debt maturities in the going concern period include a $352m (£288m) USPP note in October 2023, a €750m (£651m) Eurobond in July 2024 and a $100m (£82m) USPP note in December 2024.

The USPP notes are subject to leverage and interest cover covenants which are tested on 31 March and 30 September each year. The Group met both covenants at 30 September 2023. The Group's other financing arrangements do not contain any financial covenants.

The cash flow projections show that the Group has significant headroom against its committed facilities and meets its financial covenant obligations under the USPP notes without any refinancing.

The Group has performed a stress test against the base case to determine the performance level that would result in a reduction in headroom against its committed facilities to nil or a breach of its covenants. The Group's committed facilities would be reached in the event that underlying operating profit reduced by more than 60% of the strategic plan level. The directors do not consider this scenario to be likely. The stress test assumes no share buybacks or new business acquisitions as mitigating actions, with the exception of the acquisition of Hofmann Menü-Manufaktur GmbH which was agreed on 2 November 2023 subject to regulatory approval (see note 33).

Consequently, the directors are confident that the Group and Parent Company will have sufficient funds to continue to meet their liabilities as they fall due for at least the period to 31 March 2025 and, therefore, have prepared the financial statements on a going concern basis.

Climate change

Climate change and the Group's net zero commitments are not expected to have a material impact during the going concern period.

Notes to the consolidated financial statements for the year ended 30 September 2023 continued

2 Segmental analysis

Significant accounting policy

Segmental information

The segmental information presented is consistent with management reporting provided to the Executive Committee (the chief operating decision maker). The Executive Committee monitors the underlying revenue and operating profit of its three geographical segments, North America, Europe and Rest of World, to assess performance and allocate resources. The Group also has a separate segment for central activities which includes costs in respect of central functions, including finance, legal, commercial, IT and human resources. Underlying revenue and operating profit are reconciled to GAAP measures below. Finance costs and income tax expense are managed on a Group basis.

Revenue

Revenue represents income derived from contracts for the provision of food and support services by the Group to customers in exchange for consideration in the normal course of business. The Group's revenue is comprised of revenues under its contracts with clients. Clients engage the Group to provide food and support services at their locations. Depending on the type of client and service, we are paid either by our client and/or directly by the consumers to whom we have been provided access by our client, such as the client's employees, visitors, pupils, patients and spectators. Payment terms are set at contract level and vary according to country, sector and individual client.

Performance obligations

At contract inception, the contract is assessed to identify each promise to transfer either a distinct good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Goods and services are distinct and accounted for as separate performance obligations in the contract if the customer can benefit from them either on their own or together with other resources that are readily available to the customer and they are separately identifiable in the contract.

Transaction price

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to the customer, excluding value added tax and similar sales taxes. For example, the transaction price may be based on a price per meal, which may vary with volume, or could be based on costs incurred plus an agreed management fee.

The Group makes a variety of ongoing payments to clients, mainly commissions, concession rentals and reimbursement of utility costs. These are assessed for treatment as consideration paid to customers, and where they are not in exchange for a distinct good or service, they are recognised as a reduction of the transaction price. In addition, the Group may make a payment to a client typically at the start of a contract which is not an investment in service assets and does not generate or enhance the Group's resources. Such payments are reported as prepayments and, as they are not considered to be in exchange for a distinct good or service, they are charged to the income statement as a deduction to revenue recognised over the contract term rather than as an operating cost.

Revenue recognition

The Group recognises revenue when its performance obligations are satisfied as control of the goods and services is transferred to the client and/or consumers. In certain cases, clients engage the Group to provide food and support services in a single multi-service contract. Revenue is recognised for each separate performance obligation in respect of food and support services as these are provided. There is little judgement involved in determining if a performance obligation has been satisfied.

For each performance obligation in a contract, the Group determines whether it is satisfied over time or at a point in time.

The Group has determined that most of its performance obligations are satisfied over time as the client simultaneously receives and consumes the benefits provided as the food and/or support services are rendered at the client site. Generally, where the Group has the obligation to its clients to make available the provision of food service for a predetermined period, its performance obligation represents a series of services delivered over time. Revenue is recognised at the amount which the Group has the right to invoice, where that amount corresponds directly with the value to the customer of the Group's performance completed to date. Where the Group is contracted to sell directly to consumers, for example, in a retail café concession, the performance obligation is satisfied at a point in time, namely when the products are sold to the consumer.

The nature, amount, timing and uncertainty of revenue and cash flows for performance obligations within a contract that are satisfied over time and at a point in time are considered to be similar and they are affected by the same economic factors.

Operating profit

Operating profit is stated after the share of profit after tax of joint ventures and associates, and before finance costs.

Specific adjusting items

Specific adjusting items are disclosed and described separately in the consolidated financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. Specific adjusting items are material items of income or expense that have been shown separately due to the significance of their nature or amount. Further details are provided in note 34.

2 Segmental analysis continued

Revenue by sector and geographical segment[1,2]	Geographical segments North America £m	Europe £m	Rest of World £m	Total £m
Year ended 30 September 2023				
Business & Industry	**6,612**	**3,262**	**1,113**	**10,987**
Education	**4,486**	**1,014**	**210**	**5,710**
Healthcare & Senior Living	**6,077**	**1,107**	**424**	**7,608**
Sports & Leisure	**3,609**	**919**	**133**	**4,661**
Defence, Offshore & Remote	**308**	**736**	**1,271**	**2,315**
Underlying revenue[3,4]	**21,092**	**7,038**	**3,151**	**31,281**
Less: Share of revenue of joint ventures	**(19)**	**(234)**	**–**	**(253)**
Revenue	**21,073**	**6,804**	**3,151**	**31,028**
Year ended 30 September 2022				
Business & Industry	4,805	2,660	936	8,401
Education	3,782	874	173	4,829
Healthcare & Senior Living	5,437	1,001	404	6,842
Sports & Leisure	2,854	738	89	3,681
Defence, Offshore & Remote	261	662	1,095	2,018
Underlying revenue[3,4]	17,139	5,935	2,697	25,771
Less: Share of revenue of joint ventures	(18)	(241)	–	(259)
Revenue	17,121	5,694	2,697	25,512

1. There is no inter-segment trading.
2. An analysis of revenue recognised over time and at a point in time is not provided on the basis that the nature, amount, timing and uncertainty of revenue and cash flows are considered to be similar.
3. Revenue plus share of revenue of joint ventures.
4. Underlying revenue arising in the UK, the Group's country of domicile, was £2,386m (2022: £1,975m). Underlying revenue arising in the US region was £20,018m (2022: £16,274m). Underlying revenue arising in all countries outside the UK from which the Group derives revenue was £28,895m (2022: £23,796m).

Profit by geographical segment	Geographical segments North America £m	Europe £m	Rest of World £m	Central activities £m	Total £m
Year ended 30 September 2023					
Underlying operating profit/(loss) before results of joint ventures and associates	**1,638**	**351**	**175**	**(98)**	**2,066**
Add: Share of profit before tax of joint ventures	**1**	**29**	**–**	**–**	**30**
Add: Share of results of associates	**14**	**12**	**–**	**–**	**26**
Underlying operating profit/(loss)[1]	**1,653**	**392**	**175**	**(98)**	**2,122**
Less: Acquisition-related charges[2]	**(72)**	**(46)**	**(7)**	**–**	**(125)**
Less: Charges related to the strategic portfolio review[2]	**–**	**(99)**	**–**	**–**	**(99)**
Less: One-off pension charge[2]	**–**	**(7)**	**–**	**–**	**(7)**
Operating profit/(loss)	**1,581**	**240**	**168**	**(98)**	**1,891**
Net gain on sale and closure of businesses[2]					**20**
Finance costs					**(164)**
Profit before tax					**1,747**
Income tax expense					**(429)**
Profit for the year					**1,318**

1. Operating profit excluding specific adjusting items (see note 34).
2. Specific adjusting item (see note 34).

Notes to the consolidated financial statements for the year ended 30 September 2023 continued

2 Segmental analysis continued

Profit by geographical segment	Geographical segments: North America £m	Europe £m	Rest of World £m	Central activities £m	Total £m
Year ended 30 September 2022					
Underlying operating profit/(loss) before results of joint ventures and associates	1,226	262	141	(86)	1,543
Add: Share of profit before tax of joint ventures	1	28	–	–	29
Add: Share of results of associates	9	9	–	–	18
Underlying operating profit/(loss)[1]	1,236	299	141	(86)	1,590
Less: Acquisition-related charges[2]	(57)	(30)	(4)	(1)	(92)
Add/(less): Other[3]	4	(2)	–	–	2
Operating profit/(loss)	1,183	267	137	(87)	1,500
Net loss on sale and closure of businesses[2]					(7)
Finance costs					(24)
Profit before tax					1,469
Income tax expense					(352)
Profit for the year					1,117

1. Operating profit excluding specific adjusting items (see note 34).
2. Specific adjusting item (see note 34).
3. Other specific adjusting items include COVID-19 resizing credit and tax on share of profit of joint ventures (see note 34).

Assets and liabilities by geographical segment	Geographical segments			Unallocated			
	North America £m	Europe £m	Rest of World £m	Central activities £m	Current and deferred tax £m	Net debt £m	Total £m
At 30 September 2023							
Total assets	**9,935**	**4,688**	**1,151**	**638**	**282**	**906**	**17,600**
Total liabilities	**(4,808)**	**(1,611)**	**(784)**	**(355)**	**(322)**	**(4,559)**	**(12,439)**
Net assets/(liabilities)	**5,127**	**3,077**	**367**	**283**	**(40)**	**(3,653)**	**5,161**
Total assets include:							
Interests in joint ventures and associates	**61**	**183**	**–**	**–**	**–**	**–**	**244**
Non-current assets[1]	**7,167**	**3,398**	**484**	**618**	**193**	**45**	**11,905**
At 30 September 2022							
Total assets	9,872	4,500	1,196	714	336	2,130	18,748
Total liabilities	(4,768)	(1,512)	(770)	(268)	(405)	(5,120)	(12,843)
Net assets/(liabilities)	5,104	2,988	426	446	(69)	(2,990)	5,905
Total assets include:							
Interests in joint ventures and associates	84	182	4	–	–	–	270
Non-current assets[1]	7,187	3,340	527	703	230	76	12,063

1. Non-current assets located in the UK, the Group's country of domicile, were £1,978m (2022: £1,927m). Non-current assets located in the US region were £6,703m (2022: £6,749m). Non-current assets located in all countries outside the UK in which the Group holds assets were £9,927m (2022: £10,136m).

2 Segmental analysis continued

Other segmental disclosures	Notes	Geographical segments North America £m	Europe £m	Rest of World £m	Central activities £m	Total £m
Year ended 30 September 2023						
Additions to other intangible assets	10	**151**	**35**	**7**	**22**	**215**
Additions to contract fulfilment assets	11	**298**	**8**	**5**	–	**311**
Additions to right-of-use assets	12	**140**	**77**	**12**	–	**229**
Additions to property, plant and equipment	13	**214**	**111**	**40**	–	**365**
Amortisation of other intangible assets[1]	10	**141**	**55**	**10**	**4**	**210**
Amortisation of contract fulfilment assets	11	**225**	**3**	**3**	–	**231**
Depreciation of right-of-use assets	12	**78**	**73**	**11**	**1**	**163**
Depreciation of property, plant and equipment	13	**165**	**73**	**37**	**1**	**276**
Impairment losses – strategic portfolio review	3	–	**50**	–	–	**50**
Impairment losses – goodwill	9	–	–	**5**	–	**5**
Impairment losses – other non-current assets	3	**10**	–	–	–	**10**
Impairment reversals – non-current assets	3	–	**(2)**	–	–	**(2)**
Other non-cash items[2]	26	**19**	**9**	**4**	**12**	**44**
Assets held for sale	27	–	–	**4**	–	**4**
Year ended 30 September 2022						
Additions to other intangible assets	10	117	26	7	27	177
Additions to contract fulfilment assets	11	211	3	4	–	218
Additions to right-of-use assets	12	63	43	15	1	122
Additions to property, plant and equipment	13	166	84	34	–	284
Amortisation of other intangible assets[1]	10	124	51	11	5	191
Amortisation of contract fulfilment assets	11	208	3	3	–	214
Depreciation of right-of-use assets	12	70	74	11	1	156
Depreciation of property, plant and equipment	13	148	74	37	1	260
Impairment losses	3	5	10	–	–	15
Impairment reversals	3	–	(2)	–	(2)	(4)
Other non-cash items[2]	26	14	7	4	9	34
Assets held for sale	27	–	–	26	–	26

1. Including the amortisation of acquisition intangibles.
2. Other non-cash items represent share-based payment charges.

Notes to the consolidated financial statements for the year ended 30 September 2023 continued

3 Operating costs

Operating costs	Notes	2023 £m	2022 £m
Food and materials			
Cost of inventories consumed		**8,651**	6,931
Labour			
Employee remuneration	4	**14,426**	12,163
Overheads			
Commissions and fees paid to clients		**1,379**	1,054
Expense relating to short-term leases, low-value assets and variable lease payments	12	**148**	122
Amortisation – other intangible assets	10	**110**	100
Amortisation – contract fulfilment assets	11	**231**	214
Depreciation – right-of-use assets	12	**163**	156
Depreciation – property, plant and equipment	13	**276**	260
Impairment losses – non-current assets		**10**	15
Impairment reversals – non-current assets		**(2)**	(4)
Net impairment losses – trade and other receivables	16	**35**	29
Acquisition-related charges (see below)[1]	34	**125**	92
Charges related to the strategic portfolio review (see below)[1]	34	**99**	–
COVID-19 resizing credit[1]	34	**–**	(4)
Audit and non-audit services (see below)		**8**	7
Other		**3,534**	2,922
Total		**29,193**	24,057

1. Specific adjusting item (see note 34).

Acquisition-related charges

Represent amortisation and impairment charges in respect of intangible assets acquired through business combinations, direct costs incurred through business combinations or other strategic asset acquisitions, business integration costs and changes in consideration in relation to past acquisition activity.

Acquisition-related charges	Notes	2023 £m	2022 £m
Amortisation – acquisition intangibles	10	**100**	91
Impairment losses – goodwill	9	**5**	–
Acquisition transaction costs	27	**17**	10
Adjustment to contingent consideration payable on business acquisitions		**3**	(9)
Total		**125**	92

Charges related to the strategic portfolio review

Represent charges in respect of an ongoing strategic review of the Group's portfolio of non-core activities which, during 2023, relate to site closures and contract renegotiations and terminations in the UK.

Charges related to the strategic portfolio review	Notes	2023 £m	2022 £m
Impairment – right-of-use assets	12	**44**	–
Write-off – other receivables		**21**	–
Onerous contracts and other costs – provisions	23	**20**	–
Other costs – other payables		**8**	–
Impairment – property, plant and equipment	13	**6**	–
Total		**99**	–

Audit and non-audit services

Audit and non-audit services	2023 £m	2022 £m
Fees payable for the audit of the Company and consolidated financial statements	**1.9**	1.8
Fees payable for the audit of the Company's subsidiaries and joint ventures	**5.8**	5.0
Audit services	**7.7**	6.8
Audit-related assurance	**0.3**	0.3
Non-audit services	**0.3**	0.3
Total	**8.0**	7.1

4 Employees

Average number of employees, including directors and part-time employees	2023	2022
North America	**276,378**	248,937
Europe	**172,198**	158,503
Rest of World	**113,884**	106,267
Total	**562,460**	513,707

Aggregate remuneration of all employees, including directors	Notes	2023 £m	2022 £m
Wages and salaries		**12,276**	10,285
Social security costs		**1,868**	1,645
Share-based payments	26	**44**	34
Pension costs – defined contribution plans	24	**208**	175
Pension costs – defined benefit plans	24	**30**	24
Total		**14,426**	12,163

In addition to the pension costs shown in operating costs above, there is an interest charge on net post-employment benefit obligations of £9m (2022: £12m).

The remuneration of directors and key management personnel[1] is set out below. Additional information on directors' and key management remuneration, long-term incentive plans, pension contributions and entitlements can be found in the audited section of the Directors' remuneration report on pages 97 to 126 and forms part of these accounts.

Remuneration of key management personnel[1]	2023 £m	2022 £m
Salaries	**8.3**	7.7
Other short-term employee remuneration	**11.2**	10.2
Share-based payments	**9.8**	6.1
Pension salary supplement	**0.4**	0.6
Total	**29.7**	24.6

1. Key management personnel is defined as the Board and the individuals who made up the Executive Committee from time to time during the year, more details of which can be found on pages 58 to 64.

5 Finance costs

Significant accounting policy

Finance income and expenses are recognised in the income statement in the period in which they are incurred.

Finance costs	Notes	2023 £m	2022 £m
Interest on cash and cash equivalents		**43**	9
Other		**5**	2
Finance income		**48**	11
Interest on bank loans and overdrafts		**(2)**	(3)
Interest on other borrowings[1]		**(129)**	(68)
Interest on lease liabilities	12	**(41)**	(35)
Net present value adjustments	21, 23	**(12)**	(5)
Finance expense		**(184)**	(111)
Net gains on derivative financial instruments in a fair value hedge		**1**	3
Net (losses)/gains on derivative financial instruments at fair value through profit or loss		**(33)**	70
Change in fair value of investments at fair value through profit or loss	15	**(7)**	(5)
Dividends received from Rabbi Trust investments	15	**19**	20
Interest on net post-employment benefit obligations	24	**(9)**	(12)
Other		**1**	–
Other financing items[2]		**(28)**	76
Total		**(164)**	(24)

1. Includes interest expense on derivative financial instruments in a fair value hedge of £68m (2022: £19m income) and interest income on derivative financial instruments at fair value through profit or loss of £47m (2022: £2m).
2. Specific adjusting item (see note 34).

Notes to the consolidated financial statements for the year ended 30 September 2023 continued

6 Tax

Significant accounting policy

Income tax expense comprises current and deferred tax. Tax is recognised in the consolidated income statement except where it relates to items taken directly to the consolidated statement of comprehensive income or equity, in which case it is recognised in the consolidated statement of comprehensive income or equity as appropriate.

Current tax

Current tax is the expected tax payable on the taxable income for the period, using tax rates that have been enacted or substantively enacted in respect of that period at the balance sheet date. Tax benefits are recognised if it is probable that these will be accepted by the relevant tax authorities. Subsequently, they are reviewed each year to assess whether provisions against full recognition of the benefits are necessary.

Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the enacted or substantively enacted tax rates that are expected to apply in the period when the liability is settled or the asset realised.

Deferred tax assets and liabilities are offset against each other when they relate to income taxes levied by the same tax jurisdiction and the Group intends to settle its current tax assets and liabilities on a net basis.

Other source of estimation uncertainty

The Group has operations in approximately 35 countries. The tax position in each country is often not agreed with the tax authorities until some time after the relevant period end and, if subject to a tax audit, may be open for an extended period. In these circumstances, the recognition of tax liabilities and assets requires management estimation to reflect a variety of factors, including historical experience, interpretations of tax law and the likelihood of settlement.

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. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the results in the year in which such determination is made. In addition, the calculation and recognition of temporary differences giving rise to deferred tax assets requires estimates to be made of the extent to which future taxable profits are available against which these temporary differences can be utilised.

Uncertain tax positions

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. The Group has recognised provisions in respect of uncertain tax positions, none of which is individually material. In determining such liabilities, the Group assesses the range of potential outcomes and estimates whether additional tax may be due.

The Group is currently subject to audits and reviews in a number of countries that primarily relate to complex corporate tax issues.

In March 2022, the UK tax authority indicated that it may seek to challenge aspects of an intra-group refinancing undertaken in 2013. The challenge relates to the deductibility of interest for UK corporation tax purposes for the period from June 2013 to December 2016 on certain loans which formed part of that refinancing. We have continued discussions with the tax authority and the provision, based on a range of possible outcomes, remains unchanged. Our maximum potential liability is £62m of tax and £17m of interest.

The Canadian Revenue Agency's enquiry into an intra-group financing arrangement has been resolved during the year consistent with the provision previously held.

The Group does not currently anticipate any material changes to the amounts recorded at 30 September 2023.

6 Tax continued

Other source of estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets of £193m (2022: £230m) include £84m (2022: £95m) relating to the carry forward of unused tax losses. It is considered probable that sufficient taxable profits over a period of between one and five years will be available against which the unused tax losses can be utilised. In evaluating whether sufficient taxable profits will be available in the future, forecasts have been derived from the most recent three-year strategic plan approved by management adjusted for the effect of applicable tax laws and regulations relevant to those future taxable profits. No reasonably possible change in any of the key assumptions would result in a significant reduction in projected taxable profits such that the recognised deferred tax assets would not be realised.

Climate change

Climate change and the Group's net zero commitments are not expected to have a material impact on taxable profits over the period during which deferred tax assets are expected to be utilised.

Income tax expense

Income tax expense	2023 £m	2022 £m
Current tax		
Current year	**485**	322
Adjustment in respect of prior years	**(39)**	28
Current tax expense	**446**	350
Deferred tax		
Current year	**(10)**	39
Impact of changes in statutory tax rates	**(1)**	2
Adjustment in respect of prior years	**(6)**	(39)
Deferred tax (credit)/charge	**(17)**	2
Total	**429**	352

The income tax expense for the year is based on the effective UK statutory rate of corporation tax for the period of 22% (2022: 19%). Overseas tax is calculated at the rates prevailing in the respective jurisdictions.

The income tax effects of the adjustments between statutory and underlying results are shown in note 34 to the consolidated financial statements.

Reconciliation of effective tax rate	2023 £m	2022 £m
Profit before tax	**1,747**	1,469
Notional income tax expense at the effective UK statutory rate of 22% (2022: 19%) on profit before tax	**384**	279
Effect of different tax rates of subsidiaries operating in other jurisdictions	**59**	69
Impact of changes in statutory tax rates	**(1)**	2
Permanent differences	**30**	11
Tax on profit of joint ventures and associates	**–**	(1)
Losses and other temporary differences not previously recognised	**(1)**	–
Unrelieved current year tax losses	**3**	3
Prior year items	**(45)**	(11)
Income tax expense	**429**	352

Permanent differences include the current year movement in our estimated liability for uncertain tax positions, the benefit of tax credits and the tax effect of non-deductible expenditure. Prior year items relate to the reassessment of prior year tax estimates and the resolution of open items.

The global nature of the Group's operations gives rise to various factors which could affect the future tax rate. These include the mix of profits, changes to overseas statutory tax rates or tax legislation and the foreign exchange rates applicable when those profits are translated into sterling. The UK government enacted an increase in the UK corporation tax rate from 19% to 25% with effect from 1 April 2023. In addition, the future tax charge may be affected by the impact of acquisitions, disposals or other restructuring activities and the resolution of open issues with tax authorities.

Notes to the consolidated financial statements for the year ended 30 September 2023 continued

6 Tax continued

Tax (credited)/charged to other comprehensive income

Tax (credited)/charged to other comprehensive income	2023 £m	2022 £m
Current and deferred tax (credit)/charge on actuarial and other movements on post-employment benefits	**(43)**	65
Deferred tax charge on change in fair value of financial assets at fair value through other comprehensive income	**13**	–
Current tax credit on foreign exchange movements	**(3)**	–
Total	**(33)**	65

Tax credited to equity

Tax credited to equity	2023 £m	2022 £m
Current and deferred tax credit on share-based payments	**(3)**	–
Total	**(3)**	–

Deferred tax

Movement in net deferred tax asset/(liability)	Tax depreciation £m	Intangibles and contract fulfilment assets £m	Net pensions and post-employment benefits £m	Tax losses £m	Net self-funded insurance provisions £m	Net short-term temporary differences £m	Total £m
At 1 October 2021	(21)	(382)	96	90	72	273	128
(Charge)/credit to income	(15)	4	6	2	6	(5)	(2)
Charge to other comprehensive income	–	–	(63)	–	–	–	(63)
Business acquisitions	–	(6)	–	–	–	–	(6)
Sale and closure of businesses	–	–	–	–	–	(1)	(1)
Reclassification	–	(2)	–	–	–	2	–
Exchange adjustment	(20)	(59)	31	3	16	43	14
At 30 September 2022	(56)	(445)	70	95	94	312	70
Credit/(charge) to income	**10**	**6**	**8**	**(9)**	**4**	**(2)**	**17**
Credit/(charge) to other comprehensive income/equity	–	–	**43**	–	–	**(12)**	**31**
Business acquisitions	–	**(18)**	–	–	–	**(1)**	**(19)**
Sale and closure of businesses	–	–	–	–	–	**(1)**	**(1)**
Reclassification	**4**	**(2)**	–	**1**	–	**(3)**	–
Exchange adjustment	**9**	**33**	**(19)**	**(3)**	**(8)**	**(25)**	**(13)**
At 30 September 2023	**(33)**	**(426)**	**102**	**84**	**90**	**268**	**85**

Net short-term temporary differences relate principally to provisions and other liabilities of overseas subsidiaries. After netting off balances within countries, the following are the deferred tax assets and liabilities recognised in the consolidated balance sheet:

Net deferred tax balance	2023 £m	2022 £m
Deferred tax assets	**193**	230
Deferred tax liabilities	**(108)**	(160)
Net deferred tax asset	**85**	70

Deferred tax assets have not been recognised in respect of tax losses of £106m (2022: £323m) and other temporary differences of £21m (2022: £21m). Of the unrecognised tax losses, £50m (2022: £269m) will expire at various dates between 2024 and 2032. These deferred tax assets have not been recognised as the timing of recovery is uncertain.

The Group does not recognise any deferred tax liability on temporary differences relating to potentially taxable unremitted earnings of overseas subsidiaries totalling £598m (2022: £636m) because it is able to control the timing of reversal of these differences. It is probable that no reversal will take place in the foreseeable future.

Regulatory developments

In December 2021, the OECD released a framework for Pillar Two Model Rules which will introduce a global minimum corporate tax rate of 15% applicable to multinational enterprise groups with global revenue over €750m. The legislation implementing the rules in the UK will apply from the financial year ending 30 September 2025. The Group is reviewing this legislation and also monitoring the status of implementation of the model rules worldwide. The impact is not expected to be material. The Group has applied the temporary exception under IAS 12 Income Taxes in relation to the accounting for deferred taxes arising from the implementation of the Pillar Two Model Rules.

7 Earnings per share

Significant accounting policy

Basic earnings per share is calculated based on profit for the year attributable to equity shareholders and the weighted average number of ordinary shares in issue during the year, which excludes shares held in treasury.

Diluted earnings per share is calculated based on the weighted average number of ordinary shares in issue during the year adjusted to assume conversion of all the dilutive potential ordinary shares into ordinary shares.

Profit for the year attributable to equity shareholders	2023 £m	2022 £m
Profit for the year attributable to equity shareholders	**1,314**	1,113

Weighted average number of ordinary shares	2023 Ordinary shares of 11 1/20p each millions	2022 Ordinary shares of 11 1/20p each millions
Weighted average number of ordinary shares for basic earnings per share	**1,743**	1,779
Dilutive effect of share-based payment plans	**2**	–
Weighted average number of ordinary shares for diluted earnings per share	**1,745**	1,779

Earnings per share	2023 pence	2022 pence
Basic	**75.4p**	62.6p
Diluted	**75.3p**	62.6p

Underlying earnings per share for the year ended 30 September 2023 was 86.1p (2022: 63.0p). Underlying earnings per share is calculated based on earnings excluding the effect of acquisition-related charges, charges related to the strategic portfolio review, COVID-19 resizing credit, one-off pension charge, gains and losses on sale and closure of businesses and other financing items, together with the tax attributable to these amounts (see note 34).

8 Dividends

Significant accounting policy

Interim dividends are recognised in the financial statements when they are paid. Final dividends, which are subject to approval by the shareholders in a general meeting after the balance sheet date, are not included as a liability in the financial statements. Instead, they are disclosed as a post-balance sheet event and recognised in the financial statements when they are approved (see note 33).

A final dividend in respect of 2023 of 28.1p per share, £482m in aggregate[1], has been proposed, giving a total dividend in respect of 2023 of 43.1p per share (2022: 31.5p per share). The proposed final dividend is subject to approval by shareholders at the Annual General Meeting to be held on 8 February 2024.

Dividends on ordinary shares	2023 Dividends per share pence	2023 £m	2022 Dividends per share pence	2022 £m
Amounts recognised as distributions to equity shareholders during the year				
Final 2021	–	–	14.0	250
Interim 2022	–	–	9.4	168
Final 2022	**22.1**	**387**	–	–
Interim 2023	**15.0**	**261**	–	–
Total	**37.1**	**648**	23.4	418

1. Based on the number of ordinary shares in issue at 30 September 2023 excluding shares held in treasury and the Compass Group PLC All Share Schemes Trust (1,715m shares).

Notes to the consolidated financial statements for the year ended 30 September 2023 continued

9 Goodwill

Significant accounting policy

Goodwill arising on consolidation represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable assets and liabilities of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and is carried at cost less any accumulated impairment losses.

Goodwill is allocated to the cash-generating units (CGUs) or groups of CGUs that are expected to benefit from the acquisition which is usually the geographical location of the operations of the Group. Goodwill is subsequently monitored and tested for impairment at the level at which it is allocated. Gains and losses on the disposal of businesses take account of the carrying amount of goodwill relating to the business sold, allocated where necessary on the basis of relative fair value, unless another method is determined to be more appropriate.

The recoverable amount of a CGU is determined based on value-in-use calculations. If the recoverable amount of a CGU is less than its carrying amount, an impairment loss is recognised in the consolidated income statement which is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro rata on the basis of the carrying amount of each asset in the CGU. An impairment loss recognised in respect of goodwill is not subsequently reversed.

Major source of estimation uncertainty

The value in use of the UK CGU is estimated for the purposes of impairment testing based on assumptions, including the most recent three-year strategic plan approved by management, long-term growth rates and discount rates. A reasonably possible change in the assumptions used to derive this estimate could have a material effect on the carrying amount of goodwill in the UK CGU in the next 12 months. The key assumptions used in the value-in-use calculations, together with sensitivity analysis, are set out below.

Climate change

The potential impact of climate change and the Group's net zero commitments on forecast cash flows beyond the Group's three-year planning period has been considered during impairment testing by including in the sensitivity analysis assumptions consistent with the quantitative scenario analysis performed for the Task Force on Climate-Related Financial Disclosures (see pages 51 and 52).

Goodwill	2023 £m	2022 £m
Cost		
At 1 October	**5,664**	5,058
Business acquisitions	**184**	122
Sale and closure of businesses	**(27)**	(5)
Currency adjustment	**(292)**	489
At 30 September	**5,529**	5,664
Impairment		
At 1 October	**545**	508
Impairment	**5**	–
Currency adjustment	**(23)**	37
At 30 September	**527**	545
Net carrying amount		
At 30 September	**5,002**	5,119

Goodwill by business segment	2023 £m	2022 £m
US	**2,367**	2,498
Canada	**217**	219
North America	**2,584**	2,717
UK[1]	**1,538**	1,481
Finland	**124**	125
Other	**493**	506
Europe	**2,155**	2,112
Japan	**95**	107
Other	**168**	183
Rest of World	**263**	290
Total	**5,002**	5,119

1. Includes £1.3bn which arose in 2000 on the Granada transaction.

9 Goodwill continued

Impairment testing

The key assumptions used in the value-in-use calculations are operating cash flow forecasts from the most recent three-year strategic plan approved by management adjusted to remove the expected benefits of future restructuring activities and improvements to assets, externally-derived long-term growth rates and pre-tax discount rates.

The strategic plan is based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth, from both new business and like-for-like growth, and taking into consideration macroeconomic and geopolitical factors, including the impact of inflation.

Cash flows beyond the three-year period covered by the plan are extrapolated using estimated growth rates based on local expected economic conditions and do not exceed the long-term average growth rate for the country. Cash flow forecasts for a period of up to five years are used by exception to reflect the medium-term prospects of the business if the initial level of headroom in the impairment test for a country is low, with cash flows beyond five years extrapolated using estimated growth rates that do not exceed the long-term average growth rate for that country.

The pre-tax discount rates are based on the Group's Weighted Average Cost of Capital (WACC) adjusted for specific risks relating to the country in which the CGU operates. The beta and gearing ratio assumptions used in the calculation of the Group's WACC represent market participant measures based on the averages of a number of companies with similar assets.

Growth and discount rates	2023 Long-term growth rates	2023 Pre-tax discount rates	2022 Long-term growth rates	2022 Pre-tax discount rates
US	**2.1%**	**11.3%**	2.2%	9.2%
Canada	**2.1%**	**11.8%**	2.0%	9.6%
UK	**2.1%**	**11.7%**	2.3%	9.5%
Finland	**2.0%**	**9.4%**	1.4%	8.3%
Rest of Europe[1]	**1.2% – 16.4%**	**10.7% – 31.3%**	0.8% – 14.4%	8.2% – 27.5%
Japan	**1.0%**	**10.6%**	0.9%	8.2%
Rest of World	**1.8% – 4.3%**	**10.6% – 20.2%**	1.3% – 4.4%	7.9% – 16.1%

1. Rest of Europe includes Türkiye which has residual growth rate and pre-tax discount rate assumptions of 16.4% (2022: 14.4%) and 31.3% (2022: 27.5%), respectively. Excluding Türkiye, the residual growth rate and pre-tax discount rate assumptions for Rest of Europe range from 1.2% to 2.5% (2022: 0.8% to 2.7%) and 10.7% to 14.6% (2022: 8.2% to 11.7%), respectively.

During the first half of the year, a charge of £5m was recognised to fully impair the goodwill held in respect of the Group's business in China.

Consistent with prior years, the goodwill impairment testing was performed as at 31 July. Whilst the forecast performance of the Group's CGUs has improved, the level of headroom in each CGU has been impacted by an increase in discount rates which reflect the higher market interest rates this year. Subsequent to 31 July, management has considered whether there have been any indicators that the goodwill may be impaired. There was no impact on the reported amounts of goodwill as a result of this review.

Sensitivity analysis

The Group has performed a sensitivity analysis based on changes in key assumptions considered to be reasonably possible by management. There was no impact on the reported amounts of goodwill as a result of this review.

The UK CGU is sensitive to reasonably possible changes in key assumptions. Most of the UK goodwill arose in 2000 on the Granada transaction. The estimated recoverable amount of the Group's operations in the UK exceeds its carrying value by £186m (2022: £535m). The associated impact of changes in key assumptions on the impairment assessment is presented in the table below. The sensitivity analysis presented is prepared on the basis that a change in each key assumption would not have a consequential impact on other assumptions used in the impairment review.

Decrease in recoverable amount	UK CGU 2023 £m	UK CGU 2022 £m
Increase in pre-tax discount rate by 1%	**(199)**	(286)
Decrease in projected operating profit by 3%	**(63)**	(70)
Decrease in the long-term growth rate by 0.1%	**(19)**	(29)

In order for the recoverable amount to be equal to the carrying value, the pre-tax discount rate would have to be increased by 0.9% (2022: 2.1%), projected operating profit decreased by 9% (2022: 23%) or the long-term growth rate decreased to 1.0% (2022: decline of 0.1%). The directors consider that changes in key assumptions of this magnitude are reasonably possible in the current environment.

Other than as disclosed above, the directors do not consider that any reasonably possible changes in the key assumptions would cause the value in use of the net operating assets of the individually significant CGUs disclosed above to fall below their carrying values.

10 Other intangible assets

Significant accounting policy

Acquisition intangibles
Intangible assets acquired as part of a business combination are capitalised at fair value at the date of acquisition and mainly relate to client contracts and brands.

Client contract intangibles
Client contract intangibles are capitalised at cost and relate to payments made to clients, typically at the start of a contract, to obtain the right to generate significant consumer revenue through the provision of food services at the client site.

Computer software
Software licences acquired for use by the Group are capitalised at cost, including the cost of purchasing the licence and the directly attributable cost of bringing the software application to use.

Software-as-a-Service (SaaS) arrangements are service contracts providing the Group with the right to access the cloud provider's software over the contract period. As such, the Group does not receive a software intangible asset at the contract commencement date. Implementation services are assessed to determine whether they are distinct from the underlying use of the software. Where implementation services are not distinct, the cost is expensed as incurred. Where implementation services are distinct, an intangible asset is recognised if it satisfies the conditions for recognition as an intangible asset in accordance with IAS 38 Intangible Assets, otherwise the cost is expensed as incurred.

Trademarks and licences
Trademarks and licences are capitalised at cost.

Amortisation and impairment
The method of amortisation reflects the pattern in which the economic benefits of the asset are expected to be consumed. The following methods are applied:

- acquisition intangibles: straight line over the life of the contract, including the renewal period where appropriate. The typical useful lives range from 2 to 20 years.
- client contract intangibles: straight line over the life of the contract. The typical useful lives range from 3 to 5 years.
- computer software: straight line or a method which better reflects the pattern in which the economic benefits of the asset are expected to be consumed. The typical useful lives range from 3 to 10 years.
- trademarks and licences: straight line over the term of the trademark or licence.

Other intangible assets are tested for impairment if there are any indicators of impairment.

Climate change

In the event that there are indicators of impairment in respect of long-life acquisition intangibles, the potential impact of climate change and the Group's net zero commitments on forecast cash flows beyond the Group's three-year planning period is considered during impairment testing by including in the sensitivity analysis assumptions consistent with the quantitative scenario analysis performed for the Task Force on Climate-Related Financial Disclosures (see pages 51 and 52).

10 Other intangible assets continued

Other intangible assets	Acquisition intangibles[1] £m	Client contract intangibles £m	Computer software £m	Trademarks and licences £m	Total £m
Cost					
At 1 October 2021	1,447	661	487	5	2,600
Additions	–	36	140	1	177
Disposals	(6)	(10)	(15)	(1)	(32)
Business acquisitions	140	–	–	–	140
Sale and closure of businesses	(1)	–	–	–	(1)
Reclassification	–	–	6	–	6
Currency adjustment	205	114	52	1	372
At 30 September 2022	1,785	801	670	6	3,262
Additions	–	**84**	**130**	**1**	**215**
Disposals	**(3)**	**(19)**	**(10)**	–	**(32)**
Business acquisitions	**221**	–	–	–	**221**
Sale and closure of businesses	**(18)**	**(2)**	**(6)**	–	**(26)**
Reclassification	–	**1**	**1**	**1**	**3**
Currency adjustment	**(121)**	**(70)**	**(29)**	–	**(220)**
At 30 September 2023	**1,864**	**795**	**756**	**8**	**3,423**
Amortisation					
At 1 October 2021	404	288	287	4	983
Charge for the year	91	59	41	–	191
Impairment	–	–	2	1	3
Disposals	(6)	(8)	(12)	(1)	(27)
Reclassification	–	–	5	2	7
Currency adjustment	62	53	30	–	145
At 30 September 2022	551	392	353	6	1,302
Charge for the year	**100**	**61**	**48**	**1**	**210**
Impairment	–	**8**	–	–	**8**
Disposals	**(2)**	**(18)**	**(7)**	–	**(27)**
Sale and closure of businesses	**(5)**	**(2)**	**(2)**	–	**(9)**
Reclassification	–	**1**	**(1)**	–	–
Currency adjustment	**(41)**	**(35)**	**(17)**	–	**(93)**
At 30 September 2023	**603**	**407**	**374**	**7**	**1,391**
Net book value					
At 30 September 2022	1,234	409	317	–	1,960
At 30 September 2023	**1,261**	**388**	**382**	**1**	**2,032**

1. The net book value of acquisition intangibles includes £192m (2022: £213m) in respect of the acquisition of Fazer Food Services in January 2020 relating to client contracts with remaining useful lives of between 7 and 15 years. There are no other individually significant items in other intangible assets.

11 Contract balances

Significant accounting policy

Contract fulfilment assets
Costs incurred in the fulfilment of the Group's obligations to the client under the contract include contributions towards service assets, such as kitchen and restaurant fit-out costs and equipment, which are capitalised as contract fulfilment assets. Contract fulfilment assets originate when payments are made, normally up front at the start of the client contract, that provide enhanced resources to the Group over the contract term. Contract fulfilment costs covered within the scope of another accounting standard, such as property, plant and equipment and intangible assets, are not capitalised as contract fulfilment assets, but are treated according to other standards.

Costs to obtain contracts
Costs incurred during the bidding period, prior to a contract being awarded, are expensed to the income statement. Costs incurred in securing the contract after preferred bidder status has been obtained are generally expensed as incurred, unless they fulfil the conditions for capitalisation as an asset.

The incremental costs to obtain a contract with a customer, such as commissions to the salesforce, are capitalised if it is expected that those costs will be recoverable. Only commissions directly attributable to an individual contract award are capitalised, while commissions payable due to multiple contract wins or due to a portfolio of client contracts are expensed as incurred as they cannot be directly attributable to an identified contract. Costs to obtain contracts that would have been incurred regardless of whether the contract was obtained are recognised as an expense in the period.

Amortisation and impairment
Contract fulfilment assets are amortised on a straight-line basis over the shorter of the life of the client contract and the useful economic life of the assets. The amortisation charge is included in operating costs.

Capitalised costs to obtain contracts are unwound over the life of the client contract as an expense.

Contract fulfilment assets and capitalised costs to obtain contracts are reviewed annually to identify indicators of impairment. Whenever impairment indicators exist, the Group determines the recoverability of the contract fulfilment assets and capitalised costs to obtain contracts by comparing their carrying amount to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract.

The following table provides information about contract costs, assets and liabilities from contracts with customers and other contract-related balances.

Contract balances	Notes	2023 £m	2022 £m
Contract costs			
Contract fulfilment assets		**991**	1,024
Costs to obtain contracts		**87**	82
Costs to obtain and fulfil contracts		**1,078**	1,106
Contract assets			
Accrued income	16	**408**	362
Contract liabilities			
Deferred income	22	**(452)**	(475)
Other contract balances			
Contract prepayments	16	**145**	141
Trade receivables	16	**3,059**	2,939
Net contract balances		**4,238**	4,073

The Group's accrued and deferred income balances solely relate to revenue from contracts with customers. The timing of revenue recognition may differ from the timing of invoicing to customers. Accrued income typically arises where the timing of the related billing cycle occurs in a period after the performance obligation is satisfied and is recognised as a contract asset. Deferred income generally arises as a result of upfront payments under client contracts, including prepaid customer cards, and is recognised as contract liabilities, which are released over the term of the contract as revenue is recognised. Generally, such contract liabilities are recognised as revenue within 12 months. Movements during the year were driven by transactions entered into by the Group within the normal course of business.

11 Contract balances continued

Contract fulfilment assets

Contract fulfilment assets relate to contributions towards assets that the Group uses in the performance of its obligations in its contracts with clients.

Contract fulfilment assets	2023 £m	2022 £m
At 1 October	**1,024**	866
Additions	**311**	218
Derecognition	**(24)**	(13)
Amortisation charge for the year	**(231)**	(214)
Impairment	**–**	(3)
Reclassification	**(2)**	(1)
Currency adjustment	**(87)**	171
At 30 September	**991**	1,024

No impairment losses were recognised on contract fulfilment assets during the year (2022: £3m).

With the exception of contract fulfilment assets, cash payments in respect of contract balances are classified as cash flows from operating activities. There is a significant judgement in respect of the classification of cash payments relating to contract fulfilment assets in the cash flow statement. The Group classifies additions to contract fulfilment assets as cash flows from investing activities as they arise from cash payments in relation to assets that will generate long-term economic benefits. During the year, the purchase of contract fulfilment assets in cash flows from investing activities was £311m (2022: £218m).

12 Leases

Significant accounting policy

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the Group has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use. The Group allocates the consideration in the contract to each lease and non-lease component. The non-lease component, where it is separately identifiable, is not included in the right-of-use asset.

When a contract is or contains a lease, the Group recognises a right-of-use asset and a corresponding lease liability at the lease commencement date with respect to all lease arrangements in which it is the lessee, except for leases of low-value assets with an initial fair value less than approximately £5,000 and short-term leases of 12 months or less. For these leases, the lease payments are charged to the income statement as an operating expense on a straight-line basis over the period of the lease.

The lease term is the non-cancellable period beginning at the contract commencement date plus periods covered by an option to extend the lease, if it is reasonably certain that the Group will exercise the option, and periods covered by an option to terminate the lease, if it is reasonably certain that the Group will not exercise this option.

Right-of-use assets

The right-of-use asset is initially measured at cost, comprising the initial lease liability adjusted for any lease payments already made, plus any initial direct costs incurred and an estimate of restoration costs, less any lease incentives received.

Depreciation and impairment

The right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. The right-of-use asset is tested for impairment if there are any indicators of impairment.

Lease liabilities

The lease liability is measured at the present value of the lease payments that are reasonably certain and not paid at the commencement date, discounted at the incremental borrowing rate specific to the term, country and start date of the lease. The lease liability is subsequently measured at amortised cost using the effective interest method. The lease liability is remeasured, with a corresponding adjustment to the right-of-use asset, by discounting the revised lease payments as follows:

- using the initial discount rate at the commencement of the lease when lease payments change as a result of changes to residual value guarantees and changes in an index other than a floating interest rate
- using a revised discount rate when lease payments change as a result of the Group's reassessment of whether it is reasonably certain to exercise a purchase, extension or termination option, changes in the lease term or as a result of a change in floating interest rates

Variable lease payments that are not included in the measurement of the lease liability are recognised in the consolidated income statement in the period in which the event or condition that triggers payment occurs.

Information regarding leases for which the Group is a lessee is provided below. The Group does not have any material arrangements where it acts as a lessor.

The Group's lease portfolio consists of office premises, concession rentals and other assets, such as catering equipment, vending machines and motor vehicles. Lease terms are negotiated on an individual basis and contain a broad range of terms and conditions.

Some lease agreements contain variable payments that are not linked to an index or rate, but are based on the performance of the underlying asset. The variable payments depend on sales and, consequently, on overall economic developments over the next few years. Variable payment terms are used to link rental payments to cash flows and reduce fixed costs.

The Group does not expect any significant changes in the overall ratio of the variable payments to the Group's entire lease portfolio.

Extension and termination options are included in a number of lease agreements and provide the Group with operational flexibility. These options are assessed at contract commencement as to whether they are reasonably certain to be exercised and are reassessed if a significant event or change in circumstances occurs which is in the control of the Group.

12 Leases continued

Right-of-use assets

Right-of-use assets	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
At 1 October 2021	547	210	2	759
Additions	64	57	1	122
Amendments[1]	20	(1)	–	19
Depreciation charge for the year	(100)	(54)	(2)	(156)
Impairment	(4)	–	–	(4)
Impairment reversal	3	–	–	3
Business acquisitions	7	–	–	7
Reclassification	(1)	(5)	–	(6)
Currency adjustment	42	35	–	77
At 30 September 2022	578	242	1	821
Additions	**127**	**101**	**1**	**229**
Amendments[1]	**35**	**1**	**–**	**36**
Depreciation charge for the year	**(103)**	**(59)**	**(1)**	**(163)**
Impairment – strategic portfolio review (see note 3)	**(44)**	**–**	**–**	**(44)**
Impairment – other	**(1)**	**–**	**–**	**(1)**
Sale and closure of businesses	**(3)**	**(5)**	**–**	**(8)**
Reclassification	**(3)**	**(11)**	**–**	**(14)**
Currency adjustment	**(25)**	**(18)**	**–**	**(43)**
At 30 September 2023	**561**	**251**	**1**	**813**

1. Amendments include lease terminations, modifications, reassessments and extensions to existing lease agreements.

Lease liabilities

Lease liabilities	2023 £m	2022 £m
Current	**194**	194
Non-current	**751**	719
Total	**945**	913

A maturity analysis of contractual undiscounted cash flows relating to lease liabilities is presented in note 20.

Income statement

Amounts recognised in the income statement	2023 £m	2022 £m
Leases of low-value assets, excluding short-term leases of low-value assets	**44**	37
Short-term leases	**88**	69
COVID-19 rent concessions	**–**	(2)
Variable lease payments	**16**	18
Expense relating to short-term leases, low-value assets and variable lease payments	**148**	122
Depreciation expense of right-of-use assets	**163**	156
Impairment – strategic portfolio review (see note 3)	**44**	–
Impairment – other	**1**	4
Impairment reversal	**–**	(3)
Interest on lease liabilities	**41**	35
Total	**397**	314

Cash flow statement

The Group had total cash outflows for leases of £217m (2022: £187m), comprising £41m (2022: £35m) of interest in cash flow from operating activities and £176m (2022: £152m) of principal in cash flow from financing activities. The Group has various non-cancellable lease contracts that had not yet commenced at 30 September 2023. The future lease payments for these non-cancellable lease contracts are £2m within one year (2022: £3m), £13m between one and five years (2022: £15m) and £21m thereafter (2022: £18m).

Notes to the consolidated financial statements for the year ended 30 September 2023 continued

13 Property, plant and equipment

Significant accounting policy

Freehold land is carried at cost and is not depreciated. All other property, plant and equipment assets are carried at cost less accumulated depreciation and any recognised impairment in value. When assets are sold, the difference between the sales proceeds and the carrying amount of the assets is recognised in the consolidated income statement.

Depreciation and impairment
Depreciation is provided on a straight-line basis over the anticipated useful lives of the assets. The following rates are applied for the Group: freehold buildings: 2% per annum; plant and machinery: 8% to 33% per annum; and fixtures and fittings: 8% to 33% per annum.

Property, plant and equipment is tested for impairment if there are any indicators of impairment.

Property, plant and equipment	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost				
At 1 October 2021	361	1,609	746	2,716
Additions	15	198	71	284
Disposals	(21)	(141)	(45)	(207)
Business acquisitions	1	5	1	7
Sale and closure of businesses	–	(1)	(1)	(2)
Reclassification	3	11	2	16
Currency adjustment	40	205	50	295
At 30 September 2022	399	1,886	824	3,109
Additions	**27**	**248**	**90**	**365**
Disposals	**(25)**	**(142)**	**(52)**	**(219)**
Business acquisitions	**5**	**17**	**1**	**23**
Sale and closure of businesses	**(3)**	**(56)**	**(14)**	**(73)**
Reclassification	**2**	**13**	**2**	**17**
Currency adjustment	**(29)**	**(124)**	**(34)**	**(187)**
At 30 September 2023	**376**	**1,842**	**817**	**3,035**
Depreciation				
At 1 October 2021	216	1,103	562	1,881
Charge for the year	23	167	70	260
Impairment	–	1	4	5
Impairment reversal	–	(1)	–	(1)
Disposals	(18)	(127)	(43)	(188)
Sale and closure of businesses	–	–	(1)	(1)
Reclassification	3	4	2	9
Currency adjustment	24	130	42	196
At 30 September 2022	248	1,277	636	2,161
Charge for the year	**22**	**186**	**68**	**276**
Impairment – strategic portfolio review (see note 3)	–	**2**	**4**	**6**
Impairment – other	–	**1**	–	**1**
Impairment reversal	–	**(2)**	–	**(2)**
Disposals	**(16)**	**(115)**	**(59)**	**(190)**
Sale and closure of businesses	**(3)**	**(41)**	**(11)**	**(55)**
Reclassification	**(1)**	**5**	–	**4**
Currency adjustment	**(17)**	**(78)**	**(26)**	**(121)**
At 30 September 2023	**233**	**1,235**	**612**	**2,080**
Net book value				
At 30 September 2022	151	609	188	948
At 30 September 2023	**143**	**607**	**205**	**955**

14 Interests in joint ventures and associates

Significant accounting policy

Joint arrangements are entities in which the Group holds an interest on a long-term basis and which are jointly controlled by the Group and other entities under a contractual agreement. The Group accounts for its own share of assets, liabilities, revenues and expenses measured according to the terms of the agreements covering joint operations. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

An associate is an undertaking that is not a subsidiary or joint arrangement over which the Group has significant influence and can participate in financial and operating policy decisions.

Joint ventures and associates are accounted for using the equity method. The consolidated income statement includes the Group's share of the results of joint ventures and associates and the consolidated balance sheet includes the Group's share of their net assets.

Investments in associates include goodwill identified on acquisition and are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in value.

Interests in joint ventures and associates	2023 £m	2022 £m
Net book value		
At 1 October	**270**	256
Additions	**7**	28
Step acquisitions	**(24)**	–
Share of results of joint ventures	**30**	27
Share of results of associates	**26**	18
Transfer to held for sale[1]	**(5)**	(27)
Dividends received	**(49)**	(51)
Currency adjustment	**(11)**	19
At 30 September	**244**	270
Comprised of		
Interests in joint ventures	**85**	85
Interests in associates	**159**	185
Total	**244**	270

1. At 30 September 2023, £4m is held for sale after £1m of adverse exchange translation (see note 27).

Significant interests in joint ventures and associates measured using the equity method are as follows:

Significant joint ventures and associates	Interest	Holding %	Principal place of business	Carrying amount 2023 £m	Carrying amount 2022 £m
Twickenham Experience Limited[1]	Associate	40%	UK	**79**	79
Abu Dhabi National Hotels Compass Middle East LLC	Joint venture	50%	UAE	**65**	73

1. The holding of 40% is based on the Group's share of voting rights. Based on the nominal value of share capital, the Group's holding is 16% (see note 36).

The Group's joint ventures and associates provide food and/or support services. None of these investments is considered to be individually material to the results or financial position of the Group.

Notes to the consolidated financial statements for the year ended 30 September 2023 continued

15 Other investments

Significant accounting policy

Other investments comprising debt and equity instruments are recognised at fair value plus direct transaction costs.

Debt instruments are classified at fair value through other comprehensive income. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income, except for impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in the income statement. When the debt instrument is derecognised, cumulative amounts in other comprehensive income are reclassified to the income statement.

Equity investments have been irrevocably designated at fair value through other comprehensive income. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income, and are not subsequently reclassified to the Group income statement, including on derecognition. Impairment losses are not recognised separately from other changes in fair value. Dividends are recognised in the consolidated income statement when the Group's right to receive payment is established.

Other investments that are not equity investments, whose cash flows are not solely principal and interest or are not held in order to collect contractual cash flows, are classified and measured at fair value through profit and loss. Investments are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Other investments	Notes	2023 £m	2022 £m
Net book value			
At 1 October		**790**	166
Additions		**3**	42
Transfer from post-employment benefit obligations	24	–	546
Disposals		**(3)**	(3)
Change in fair value of investments at fair value through other comprehensive income		**94**	(133)
Change in fair value of investments at fair value through profit or loss	5	**(7)**	(5)
Rabbi Trust contributions[1]		**74**	61
Rabbi Trust benefits paid[1]		**(44)**	(44)
Dividends received from Rabbi Trust investments[1]	5	**19**	20
Currency adjustment		**(66)**	140
At 30 September		**860**	790
Comprised of			
Rabbi Trust investments[1]		**623**	566
Mutual fund investments[2]		**48**	52
Life insurance policies[2]		**29**	33
Trade investments[3]		**148**	127
Other investments		**12**	12
Total		**860**	790

1. The Rabbi Trust is a deferred compensation plan for US employees (see note 24).
2. Held by overseas companies to meet the cost of unfunded post-employment benefit obligations (see page 193).
3. Primarily represents a 19% effective interest in ASM Global Parent, Inc.

The gain from the change in fair value of investments at fair value through other comprehensive income of £94m (2022: £133m loss) mainly reflects an increase in the market value of investments held by the Rabbi Trust and the fair value of trade investments.

16 Trade and other receivables

Significant accounting policy

The carrying value of all trade receivables is recorded at amortised cost and reduced by provisions for impairment, which are measured at an amount equal to lifetime expected credit losses. In determining credit risk, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and forward-looking information.

Trade and other receivables	2023 Current £m	2023 Non-current £m	2023 Total £m	2022 Current £m	2022 Non-current £m	2022 Total £m
Trade receivables	**3,059**	**–**	**3,059**	2,939	–	2,939
Accrued income	**408**	**–**	**408**	362	–	362
Prepayments – contract	**26**	**119**	**145**	35	106	141
Prepayments – other	**134**	**3**	**137**	153	3	156
Deferred consideration receivable on business disposals[1]	**5**	**59**	**64**	–	10	10
Other[2]	**542**	**72**	**614**	499	43	542
Total	**4,174**	**253**	**4,427**	3,988	162	4,150

1. Includes £55m (2022: £nil) in respect of the sale of four businesses in Central and Eastern Europe receivable over four years from the date of disposal in October 2022.
2. Other receivables are net of a provision for impairment of £45m (2022: £53m).

The ageing of gross trade receivables and of the provision for impairment is as follows:

Trade receivables	2023 Not yet due £m	0-3 months overdue £m	3-6 months overdue £m	6-12 months overdue £m	Over 12 months overdue £m	Total £m
Expected loss rate	**1%**	**3%**	**33%**	**89%**	**74%**	**3%**
Gross	**2,590**	**441**	**64**	**18**	**39**	**3,152**
Provision	**(14)**	**(13)**	**(21)**	**(16)**	**(29)**	**(93)**
Total	**2,576**	**428**	**43**	**2**	**10**	**3,059**

Trade receivables	2022 Not yet due £m	0-3 months overdue £m	3-6 months overdue £m	6-12 months overdue £m	Over 12 months overdue £m	Total £m
Expected loss rate	–	4%	28%	100%	85%	3%
Gross	2,434	489	54	17	41	3,035
Provision	(11)	(18)	(15)	(17)	(35)	(96)
Total	2,423	471	39	–	6	2,939

Movements in the provision for impairment of trade and other receivables are as follows:

Provision for impairment of trade and other receivables	2023 Trade £m	2023 Other £m	2023 Total £m	2022 Trade £m	2022 Other £m	2022 Total £m
At 1 October	**96**	**53**	**149**	77	43	120
Charged to income statement	**36**	**14**	**50**	28	9	37
Credited to income statement	**(8)**	**(7)**	**(15)**	(5)	(3)	(8)
Utilised	**(25)**	**(13)**	**(38)**	(21)	(1)	(22)
Sale and closure of business	**(1)**	**–**	**(1)**	–	–	–
Reclassification	**2**	**(1)**	**1**	9	–	9
Currency adjustment	**(7)**	**(1)**	**(8)**	8	5	13
At 30 September	**93**	**45**	**138**	96	53	149

Trade receivable days at 30 September 2023 were 41 days (2022: 38 days on a constant-currency basis).

Notes to the consolidated financial statements for the year ended 30 September 2023 continued

17 Inventories

Significant accounting policy

Inventories are valued at the lower of cost and net realisable value. Cost is calculated using either the weighted average price or the first in, first out method as appropriate to the circumstances. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Agreed discounts relating to inventories are credited to the income statement in cost of sales as the goods are consumed.

Rebates relating to items purchased, but still held at the balance sheet date, are deducted from the carrying value of these items so that the cost of inventories is recorded net of applicable rebates.

Inventories	2023 £m	2022 £m
Net book value		
At 1 October	**511**	327
Business acquisitions	**11**	6
Sale and closure of businesses	**(9)**	–
Net movement	**97**	122
Currency adjustment	**(43)**	56
At 30 September	**567**	511

18 Cash and cash equivalents

Significant accounting policy

Cash and cash equivalents comprise cash at bank and in hand, money market funds and short-term deposits with an original maturity of three months or less. Cash and overdrafts are presented on a net basis in cash and cash equivalents when the Group has a legally enforceable right to set off the balances and it regularly settles the balances on a net basis.

Bank overdrafts classified as borrowings (see note 19) are an integral part of the Group's cash management and are included in cash and cash equivalents in the consolidated cash flow statement.

Cash and cash equivalents by type	2023 £m	2022 £m
Cash at bank and in hand	**313**	429
Short-term bank deposits	**112**	1,080
Money market funds	**418**	474
Total	**843**	1,983

Cash and cash equivalents by currency	2023 £m	2022 £m
Sterling	**574**	1,473
US dollar	**38**	193
Euro	**37**	50
Japanese yen	**6**	7
Other	**188**	260
Total	**843**	1,983

The Group's policy to manage the credit risk associated with cash and cash equivalents is set out in note 20. The book value of cash and cash equivalents represents the maximum credit exposure.

Master netting or similar agreements

The Group has an agreement with a bank counterparty such that, following each quarter end, all balances are net settled simultaneously to a single sterling value which is transferred to the sterling bank account of Compass Group PLC and included in cash and cash equivalents at the balance sheet date. The cash and overdraft figures before netting are shown in the table below:

	2023			2022		
	Gross £m	Offset £m	Net £m	Gross £m	Offset £m	Net £m
Cash and cash equivalents	**1,399**	**(556)**	**843**	2,378	(395)	1,983
Bank overdrafts	**(719)**	**556**	**(163)**	(646)	395	(251)

19 Borrowings

Significant accounting policy

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost unless they are part of a fair value hedge accounting relationship. Borrowings that are part of a fair value hedge accounting relationship are measured at amortised cost adjusted for the fair value attributable to the risk being hedged.

Borrowings by type	Nominal value	Redeemable	Interest	2023 £m	2022 £m
Eurobond	€500m	Jan 2023	1.88%	–	439
US Private Placement	$352m	Oct 2023	4.12%	288	310
Eurobond	€750m	Jul 2024	0.63%	633	632
US Private Placement	$100m	Dec 2024	3.54%	82	89
Eurobond	£250m	Sep 2025	2.00%	231	220
US Private Placement	$300m	Sep 2025	3.81%	235	259
Eurobond	£250m	Jun 2026	3.85%	249	249
US Private Placement	$300m	Dec 2026	3.64%	246	269
Eurobond	€500m	Sep 2028	1.50%	375	380
Eurobond	£300m	Jul 2029	2.00%	245	233
Eurobond	€500m	Mar 2030	3.00%	398	412
Eurobond	£250m	Sep 2032	4.38%	222	218
Issued debt				**3,204**	3,710
Bank loans				3	3
Bank overdrafts				163	251
Total				**3,370**	3,964
Comprised of					
Current				1,087	693
Non-current				2,283	3,271
Total				**3,370**	3,964

The US Private Placements and Eurobonds are shown net of unamortised issue costs. The Group adjusts the carrying values of the US Private Placements and Eurobonds that are designated in effective fair value hedge relationships for fair value gains and losses (based on observable market inputs) attributable to the risk being hedged.

Interest on bank overdrafts is at the relevant money market rates.

Notes to the consolidated financial statements for the year ended 30 September 2023 continued

19 Borrowings continued

Borrowings by maturity	2023 £m	2022 £m
Within 1 year, or on demand	**1,087**	693
Between 1 and 2 years	**548**	942
Between 2 and 3 years	**249**	568
Between 3 and 4 years	**246**	249
Between 4 and 5 years	**375**	269
In more than 5 years	**865**	1,243
Total	**3,370**	3,964

Borrowings by currency	2023 £m	2022 £m
Sterling	**948**	920
US dollar	**1,008**	1,175
Euro	**1,406**	1,863
Other	**8**	6
Total	**3,370**	3,964

Financial covenants

The US Private Placement (USPP) notes contain financial covenants which consist of a leverage covenant test and an interest cover covenant test which are tested semi-annually at 31 March and 30 September.

The leverage covenant test stipulates that net debt after adjustments (including removal of leases, derivatives and fair value adjustments) must be less than or equal to 3.5 times underlying EBITDA after adjustments (including non-underlying items, depreciation on right-of-use assets and lease interest) and can be increased to 4 times without breach for a limited period of time following a material acquisition and subject to a coupon step up being paid.

The interest cover covenant test stipulates that underlying EBITDA after adjustments (including non-underlying items, depreciation on right-of-use assets and lease interest) must be more than or equal to 3 times net finance costs after adjustments (including removal of lease interest and other financing items) and can be reduced to 2.5 times without breach for a limited period of time following a material acquisition and subject to a coupon step up being paid.

	Covenant requirement[1]	Ratio[2] 2023	Ratio[2] 2022	Covenant ratio[3] 2023	Covenant ratio[3] 2022
Leverage covenant	<=3.5	**1.2**	1.3	**1.0**	1.0
Interest cover covenant	>=3	**21.8**	23.7	**27.6**	33.4

1. Can be exceeded by 0.5 for three consecutive reporting periods following a material acquisition and subject to a coupon step up being paid.
2. Calculated using Alternative Performance Measures (see note 34). The leverage ratio reflects net debt divided by underlying EBITDA. The interest cover ratio reflects underlying EBITDA divided by underlying net finance costs.
3. Calculated using Alternative Performance Measures (see note 34) and adjusted as per the USPP agreements.

20 Financial risk management

Significant accounting policy

Derivative financial instruments and hedge accounting
The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge the risks associated with changes in foreign exchange rates and interest rates. Such derivative financial instruments are initially measured at fair value on the contract date and are remeasured to fair value at subsequent reporting dates.

The use of financial derivatives is governed by the Group's policies approved by the Board that provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swaps is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or net investment hedges where they hedge the exposure to foreign currency arising from a net investment in foreign operations.

On adoption of IFRS 9 Financial Instruments, the Group elected to continue to apply hedge accounting guidance in IAS 39 Financial Instruments: Recognition and Measurement.

Fair value hedges
In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the consolidated income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the consolidated income statement. Where the adjustment is to an unrecognised firm commitment, an asset or liability is recognised on the balance sheet. When the hedged transaction occurs, that asset or liability is recognised in the initial measurement of the acquisition cost and carrying amount of the asset or liability. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortised to the net profit and loss such that it is fully amortised by maturity.

When fair value hedge accounting is discontinued, any adjustment to the carrying amount of the hedged item for the designated risk for interest-bearing financial instruments is amortised to profit or loss, with amortisation commencing no later than when the hedged item ceases to be adjusted.

Net investment hedges
The Group uses foreign currency-denominated debt, forward currency contracts and cross currency swaps to partially hedge against the change in the sterling value of its foreign currency denominated net assets due to movements in foreign exchange rates. The Group designates these as a hedge of its net investments in foreign operations and recognises the gains or losses on the retranslation of the borrowings in other comprehensive income. If the Group uses derivatives as the hedging instrument, the effective portion of the hedge is recognised in other comprehensive income, with any ineffective portion being recognised immediately in the income statement. Exchange differences arising from a monetary item receivable from or payable to a Group foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the translation reserve.

Gains and losses accumulated in other comprehensive income are recycled through the consolidated income statement on disposal of the foreign operation.

For derivative financial instruments that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the consolidated income statement in the period.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

Notes to the consolidated financial statements for the year ended 30 September 2023 continued

20 Financial risk management continued

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.

Liquidity risk

Liquidity risk is the risk that the Group may not be able to meet its financial obligations as they fall due.

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. 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).

Liquidity risk faced by the Group is mitigated by having diverse sources of finance available to it and by maintaining substantial unutilised committed banking facilities to maintain a level of headroom in line with Board approval.

The Group has a £2,000m Revolving Credit Facility (RCF) committed to August 2026. At 30 September 2023, no amounts were drawn under the RCF (2022: £nil).

The Group has a $4bn commercial paper programme. Commercial paper is issued to meet short-term liquidity requirements and is supported by the RCF. At 30 September 2023, no commercial paper was outstanding under the programme (2022: £nil).

Foreign currency risk

The Group's policy is to balance its principal projected cash flows by currency to 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 executed which, when applied to the actual currency liabilities, 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 less than, or equate to, the net investment in overseas operations, these exchange rate variances may be 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 from the impact of such differences through the matching of cash flows to currency borrowings.

The Group has minimal exposure to the foreign currency risk of trade receivables and payables as operations within individual countries have little cross-border activity which might give rise to translation risks on trade-related balances.

The main currencies to which the Group's reported sterling financial position is exposed are the US dollar and Euro. As set out above, the Group seeks to hedge its exposure to currencies by matching debt in currency against the cash flows generated by the Group's foreign operations in such currencies.

The effect on profit for the year (after tax) and total equity of a 10% strengthening of sterling against these currencies on the Group's financial instruments is shown below. A 10% weakening would result in an equal and opposite impact on the profit or loss and equity of the Group. This table shows the impact on the financial instruments in place at 30 September and has been prepared on the basis that the 10% change in exchange rates occurred on the first day of the financial year and applied consistently throughout the year.

Financial instruments: impact of sterling strengthening by 10%	2023 US dollar £m	2023 Euro £m	2022 US dollar £m	2022 Euro £m
Increase/(decrease) in profit for the year (after tax)	**14**	**(19)**	1	(26)
Increase in total equity	**136**	**95**	145	48

Interest rate risk

As set out above, the Group has effective borrowings in a number of currencies. The Group raises fixed-rate capital market debt and may swap this to floating rate using interest rate swaps on a case-by-case basis. The Group's 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 years, interest rates are fixed within ranges of 30%-70% and 0%-40%, respectively.

In September 2022, the Group issued fixed-rate sustainable bonds of €500m (£434m) and £250m maturing in 2030 and 2032, respectively. The Group entered into interest rate and cross currency swaps to effectively convert these to sterling, paying a floating interest rate. The bonds and swaps are accounted for as fair value hedges. 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.

20 Financial risk management continued

The sensitivity analysis given below has been determined based on the derivative and non-derivative financial instruments the Group had in place at the year-end date.

The effect of a 1% increase in interest rates prevailing at the balance sheet date on the Group's cash and cash equivalents and debt subject to variable rates of interest at the balance sheet date would be to increase profit for the year (after tax) by £1m (2022: £7m) over the course of a year. A similar 1% decrease in interest rates would result in an equal and opposite effect over the course of a year.

Interest rate sensitivity analysis	2023 Sterling £m	US dollar £m	Euro £m	Other £m	Total £m
Increase in interest rate	**+1%**	**+1%**	**+1%**	**+1%**	
Floating rate exposure – cash/(debt)	**225**	**(170)**	**(24)**	**76**	**107**
Increase/(decrease) in profit for the year (after tax)	**2**	**(1)**	**–**	**–**	**1**

Interest rate sensitivity analysis	2022 Sterling £m	US dollar £m	Euro £m	Other £m	Total £m
Increase in interest rate	+1%	+1%	+1%	+1%	
Floating rate exposure – cash/(debt)	476	(36)	112	289	841
Increase in profit for the year (after tax)	4	–	1	2	7

These changes are the result of the exposure to interest rates from the Group's floating-rate cash and cash equivalents and debt. The sensitivity gains and losses given above may vary because cash flows vary throughout the year and interest rate and currency hedging may be implemented after the year-end date in order to comply with the treasury policies outlined above.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group's policy is to minimise its exposure to credit risk from the failure of any single financial counterparty by spreading its risk across a portfolio of financial counterparties and managing the aggregate exposure to each against certain pre-agreed limits. Exposure to counterparty credit risk arising from deposits and derivatives (including forward currency contracts and cross currency swaps) is concentrated at the Group centre where possible. Financial counterparty limits are derived from the long-term and short-term credit ratings, and the balance sheet strength of the financial counterparty. All financial counterparties are required to have a minimum long-term credit rating from Moody's of Baa2 and a short-term credit rating from Moody's of P-2 or equivalent from another recognised agency. To reduce credit exposures, the Group has International Swaps and Derivatives Association (ISDA) Master Agreements with all of its counterparties for financial derivatives, which permit net settlement of assets and liabilities in certain circumstances. The maximum exposure to credit risk resulting from financial activities, without considering netting arrangements, is equal to the carrying value of the Group's financial assets.

At 30 September 2023, 41% of cash and cash equivalents were held with investment-grade bank counterparties, 50% with AAA money market funds and 9% with non-investment-grade bank counterparties. In addition, 100% of derivative instruments were held with investment-grade bank counterparties.

Credit sales are only made after credit approval procedures have been completed satisfactorily. The policy for making provisions for bad and doubtful debts varies from country to country as different countries and markets have different payment practices. Various factors are considered, including how overdue the debt is, the type of receivable and its past history, and current market and trading conditions. Full provision is made for debts that are not considered to be recoverable.

There is limited concentration of credit risk with respect to trade and other receivables due to the diverse and unrelated nature of the Group's client and supplier base. Expected credit losses are measured using historical cash collection data grouped according to payment terms. The historical default rates are adjusted where macroeconomic factors are expected to have a significant impact when determining future expected credit loss rates. The expected credit loss provision is calculated using a provision matrix, in which the provision increases as balances age.

Trade and other receivables are written off when there is no reasonable expectation of recovery and enforcement activity has ceased. An impairment analysis is performed at each reporting date to measure expected credit losses. Accordingly, the directors believe that there is no further credit provision required in excess of the provision for the impairment of receivables. The book value of trade and other receivables represents the Group's maximum exposure to credit risk.

At 30 September 2023, trade receivables of £483m (2022: £516m) were past due but not impaired (see note 16). The Group has made a provision based on a number of factors, including past history of the debtor and expected credit losses, and all amounts not provided for are considered to be recoverable.

Management has considered the impact of reasonable changes in the expected credit loss rates used in the estimates made and does not consider that a reasonable change would lead to a material adjustment to the estimate in the next 12 months.

Notes to the consolidated financial statements for the year ended 30 September 2023 continued

20 Financial risk management continued

Hedging activities

An analysis of the Group's derivative financial instruments is shown below:

Derivative financial instruments	2023 Current assets £m	2023 Non-current assets £m	2023 Current liabilities £m	2023 Non-current liabilities £m	2022 Current assets £m	2022 Non-current assets £m	2022 Current liabilities £m	2022 Non-current liabilities £m
Fair value hedges								
Interest rate swaps	–	–	(26)	(116)	–	–	–	(154)
Cross currency swaps	–	–	–	(88)	43	–	–	(82)
Net investment hedges								
Cross currency swaps	–	–	–	(1)	–	–	–	–
Forward currency contracts	2	–	(9)	–	18	–	–	–
Not in a hedging relationship								
Interest rate swaps	9	45	–	(2)	5	76	(3)	(1)
Forward currency contracts	7	–	(2)	–	5	–	(3)	–
Total	18	45	(37)	(207)	71	76	(6)	(237)

On adoption of IFRS 9 Financial Instruments, the Group elected to continue to apply the hedge accounting guidance in IAS 39 Financial Instruments: Recognition and Measurement.

Fair value hedges

The Group uses interest rate and cross currency swaps to hedge the fair value of some of its fixed-rate borrowings. These instruments swap the fixed interest payable on the borrowings into floating interest rates and hedge the fair value of the borrowings against changes in interest rates and foreign exchange rates. These swaps all qualify for fair value hedge accounting as defined by IAS 39.

Net investment hedges

The Group uses foreign currency denominated debt, cross currency swaps and forward currency contracts to partially hedge against the change in the sterling value of its foreign currency denominated net assets due to movements in foreign exchange rates.

The carrying value of debt and derivatives in a net investment hedge was £697m (2022: £909m). A foreign exchange gain of £166m (2022: £190m loss) relating to the net investment hedges has been netted off during the year within currency translation differences as presented in the consolidated statement of comprehensive income. During the year, cumulative foreign exchange losses on net investment hedges attributable to business disposals of £3m (2022: £nil) were recycled to the consolidated income statement. The balance remaining in the foreign currency translation reserve from net investment hedging relationships for which hedge accounting continues to apply is a loss of £605m (2022: £774m) and for which hedge accounting is no longer applied is £nil (2022: £nil).

Derivatives not in a hedging relationship

The Group has a number of derivative financial instruments that do not meet the criteria for hedge accounting. These include some interest rate swaps and some forward currency contracts used for interest and cash management.

Impact of hedging activities

The impact of the hedged items on the Group's financial statements is as follows:

Hedged items	2023 Carrying amount of the hedged items £m	2023 Accumulated amount of fair value hedge adjustments on the hedged items included in the carrying amount of the hedged items £m	2023 Change in fair value of hedged items used to determine hedge effectiveness £m	2022 Carrying amount of the hedged items £m	2022 Accumulated amount of fair value hedge adjustments on the hedged items included in the carrying amount of the hedged items £m	2022 Change in fair value of hedged items used to determine hedge effectiveness £m
Fair value hedges						
Interest rate risk						
Short-term borrowings	(921)	17	(11)	(439)	–	10
Long-term borrowings	(1,706)	195	(15)	(2,664)	238	310
Total	(2,627)	212	(26)	(3,103)	238	320

20 Financial risk management continued

The impact of the hedging instruments on the Group's financial statements is as follows:

Hedging instruments	2023 Nominal amount of the hedging instruments £m	2023 Carrying amount of the hedging instruments £m	2023 Change in fair value of hedging instruments used to determine hedge effectiveness £m	2022 Nominal amount of the hedging instruments £m	2022 Carrying amount of the hedging instruments £m	2022 Change in fair value of hedging instruments used to determine hedge effectiveness £m
Fair value hedges						
Interest rate risk						
Derivative financial instruments – current assets	–	–	–	439	43	–
Derivative financial instruments – non-current assets	–	–	–	–	–	(65)
Derivative financial instruments – current liabilities	**939**	**(26)**	**(17)**	–	–	–
Derivative financial instruments – non-current liabilities	**1,914**	**(204)**	**44**	2,920	(236)	(252)
Total	**2,853**	**(230)**	**27**	3,359	(193)	(317)
Net investment hedges						
Foreign currency risk						
Derivative financial instruments – current assets	**(874)**	**2**	**65**	(804)	18	5
Derivative financial instruments – non-current assets	**(252)**	–	–	–	–	–
Derivative financial instruments – current liabilities	**(383)**	**(9)**	–	(74)	–	(38)
Derivative financial instruments – non-current liabilities	**(176)**	**(1)**	–	–	–	–
Short-term borrowings	**(288)**	**(288)**	**27**	–	–	(2)
Long-term borrowings	**(404)**	**(401)**	**74**	(942)	(927)	(155)
Total	**(2,377)**	**(697)**	**166**	(1,820)	(909)	(190)

The notional amount of interest rate and cross currency swaps by currency is as follows:

Notional amount of interest rate and cross currency swaps by currency	2023 Fair value hedges £m	2023 Net investment hedges £m	2023 Not in a hedging relationship £m	2022 Fair value hedges £m	2022 Net investment hedges £m	2022 Not in a hedging relationship £m
Sterling	**800**	–	**250**	800	–	550
US dollar	**534**	–	**1,167**	584	–	1,230
Euro	**1,519**	**428**	**397**	1,975	–	347
Japanese yen	–	–	**75**	–	–	36
Other	–	–	**485**	–	–	252
Total	**2,853**	**428**	**2,374**	3,359	–	2,415

The effective currency denomination of borrowings and leases after the effect of derivatives is as follows:

Effective currency denomination of borrowings and leases after the effect of derivatives	2023 Gross borrowings £m	2023 Lease liabilities £m	2023 Forward currency contracts[1] £m	2023 Effective currency of borrowings £m	2022 Gross borrowings £m	2022 Lease liabilities £m	2022 Forward currency contracts[1] £m	2022 Effective currency of borrowings £m
Sterling	**948**	**214**	**(702)**	**460**	920	216	748	1,884
US dollar	**1,008**	**451**	**684**	**2,143**	1,175	445	627	2,247
Euro	**1,406**	**151**	**(633)**	**924**	1,863	147	(1,690)	320
Japanese yen	–	–	**85**	**85**	–	–	30	30
Other	**8**	**129**	**585**	**722**	6	105	230	341
Total	**3,370**	**945**	**19**	**4,334**	3,964	913	(55)	4,822

1. Includes cross currency contracts.

Notes to the consolidated financial statements for the year ended 30 September 2023 continued

20 Financial risk management continued

Interest rate benchmark reform

The Group and all its derivative counterparties are party to the International Swaps and Derivatives Association (ISDA) fallback protocols which automatically convert derivatives from IBOR to the relevant alternative reference rate when an IBOR rate ceases. As USD LIBOR ceased on 30 June 2023, there is no longer any uncertainty around derivatives which reference USD LIBOR and, therefore, the Group has adopted the IBOR Reform Phase 2 amendments in respect of these derivatives and redocumented its hedges to incorporate the change from USD LIBOR to USD SOFR. The Group's interest rate benchmark reform process is now complete.

Maturity analysis of the contractual cash flows of financial liabilities

The following table provides an analysis of the expected contractual cash flows, including interest payable, of certain financial liabilities and derivative financial instruments on an undiscounted basis. Where interest payments are calculated at a floating rate, rates of each cash flow until maturity of the instruments are calculated based on the forward yield curve prevailing at the respective year-ends. The gross cash flows of derivatives are presented net for the purposes of this table.

Maturity analysis of the contractual cash flows of financial liabilities	2023 Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 3 years £m	Between 3 and 4 years £m	Between 4 and 5 years £m	Over 5 years £m	Total £m	Carrying amount £m
Borrowings	1,105	578	250	246	434	984	3,597	3,370
Interest on borrowings	83	72	56	44	37	87	379	37
Lease liabilities	200	175	155	127	102	424	1,183	945
Interest rate swaps	18	24	15	13	12	19	101	90
Cross currency swaps	25	29	25	27	45	2	153	89
Forward currency contracts	2	–	–	–	–	–	2	2

Maturity analysis of the contractual cash flows of financial liabilities	2022 Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 3 years £m	Between 3 and 4 years £m	Between 4 and 5 years £m	Over 5 years £m	Total £m	Carrying amount £m
Borrowings	693	973	608	250	269	1,428	4,221	3,964
Interest on borrowings	100	85	73	56	46	113	473	30
Lease liabilities	198	162	137	121	97	404	1,119	913
Interest rate swaps	2	26	8	16	14	26	92	77
Cross currency swaps	4	35	36	32	29	34	170	39
Forward currency contracts	(20)	–	–	–	–	–	(20)	(20)

21 Financial instruments

Significant accounting policy

Financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument and derecognised when it ceases to be party to such provisions. Financial assets are classified as current if they are expected to be received within 12 months of the balance sheet date. Financial liabilities are classified as current if they are legally due to be paid within 12 months of the balance sheet date.

Financial assets and liabilities, including derivative financial instruments, denominated in foreign currencies are translated into sterling at period-end exchange rates. Financial assets are classified as either fair value through profit and loss, fair value through other comprehensive income or amortised cost. Classification and subsequent remeasurement depends on the Group's business model for managing the financial asset and its cash flow characteristics. Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost.

Financial instruments measured at amortised cost

The carrying amounts of the following financial instruments measured at amortised cost approximate to their fair values: trade and other receivables; cash and cash equivalents (excluding money market funds); lease liabilities; provisions; and trade and other payables. Borrowings are measured at amortised cost unless they are part of a fair value hedge, in which case amortised cost is adjusted for the fair value attributable to the risk being hedged. The carrying amount of borrowings at 30 September 2023 is £3,370m (2022: £3,964m). The fair value of borrowings at 30 September 2023, calculated by discounting future cash flows to net present values at current market rates for similar financial instruments (Level 2 inputs), is £3,384m (2022: £3,920m).

Financial instruments measured at fair value

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the balance sheet date.

The fair value measurement hierarchy is as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs)

There were no transfers of financial instruments between levels of the fair value hierarchy in either the year ended 30 September 2023 or 2022. The carrying amounts of financial instruments measured at fair value are shown in the table below:

Financial instruments measured at fair value	Notes	Level	2023 £m	2022 £m
Non-current				
Rabbi Trust investments[1]	15	1	**623**	566
Mutual fund investments[1]	15	1	**48**	52
Other investments[1]	15	1	**12**	12
Life insurance policies[1]	15	2	**29**	33
Derivative financial instruments – assets	20	2	**45**	76
Derivative financial instruments – liabilities	20	2	**(207)**	(237)
Trade investments[1]	15	3	**148**	127
Contingent consideration payable on business acquisitions[2]	22	3	**(80)**	(39)
Non-controlling interest put options[2]	22	3	**(18)**	(45)
Current				
Money market funds[3]	18	1	**418**	474
Derivative financial instruments – assets	20	2	**18**	71
Derivative financial instruments – liabilities	20	2	**(37)**	(6)
Contingent consideration payable on business acquisitions[2]	22	3	**(50)**	(30)

1. Classified as other investments in the consolidated balance sheet.
2. Classified as trade and other payables in the consolidated balance sheet.
3. Classified as cash and cash equivalents in the consolidated balance sheet on the basis that they have a maturity of three months or less from the date of acquisition.

Notes to the consolidated financial statements for the year ended 30 September 2023 continued

21 Financial instruments continued

Due to the variability of the valuation factors, the fair values presented at 30 September 2023 may not be indicative of the amounts the Group would expect to realise in the current market environment. The fair values of financial instruments at levels 2 and 3 of the fair value hierarchy have been determined based on the valuation methodologies listed below:

Level 2

Life insurance policies Cash surrender values provided by third-party insurance providers.

Derivative financial instruments Present values determined from future cash flows discounted at rates derived from market-sourced data. The fair values of derivative financial instruments represent the maximum credit exposure.

Level 3

Trade investments Estimated values using income and market value approaches.

Contingent consideration payable on business acquisitions Estimated amounts payable based on the likelihood of specified conditions, such as earnings targets, being met.

Non-controlling interest put options Estimated amounts payable based on the likelihood of options being exercised by minority shareholders.

A reconciliation from opening to closing balances for Level 3 financial instruments is as follows:

	2023			2022		
Level 3 financial instruments	Trade investments £m	Contingent consideration payable on business acquisitions £m	Non-controlling interest put options £m	Trade investments £m	Contingent consideration payable on business acquisitions £m	Non-controlling interest put options £m
At 1 October	127	(69)	(45)	76	(70)	(38)
Change in fair value recognised in the income statement	–	(3)	–	–	9	–
Change in fair value recognised in the statement of comprehensive income	32	–	–	4	–	–
Change in fair value recognised in the statement of changes in equity	–	–	13	–	–	(9)
Additions	–	(100)	(2)	27	(66)	–
Purchase of non-controlling interests	–	–	8	–	–	–
Payments relating to businesses acquired in previous years	–	38	3	–	60	10
Net present value adjustments	–	(5)	–	–	–	–
Currency translation	(11)	9	5	20	(2)	(8)
At 30 September	**148**	**(130)**	**(18)**	**127**	**(69)**	**(45)**

The directors do not consider that any reasonably possible changes in the key assumptions would cause the fair value of the Level 3 financial instruments to be significantly higher or lower.

22 Trade and other payables

Significant accounting policy

Trade and other payables are initially recognised at fair value, including transaction costs, and subsequently carried at amortised cost.

Trade payables are not interest-bearing and are stated at their nominal value.

The Group evaluates supplier arrangements against a number of indicators to assess if the liability has the characteristics of a trade payable or should be classified as borrowings. This assessment considers the commercial purpose of the arrangement, whether the payment terms are similar to customary payment terms, whether the Group is legally discharged from its obligation towards the supplier before the end of the original payment term and the Group's involvement in agreeing terms between the bank and the supplier.

Contingent consideration recognised in a business combination is subsequently measured at fair value through the income statement.

Trade and other payables	2023 Current £m	2023 Non-current £m	2023 Total £m	2022 Current £m	2022 Non-current £m	2022 Total £m
Trade payables	**2,409**	**–**	**2,409**	2,292	–	2,292
Accruals[1]	**2,019**	**23**	**2,042**	1,999	28	2,027
Deferred income	**284**	**168**	**452**	305	170	475
Social security and other taxes	**507**	**28**	**535**	472	23	495
Contingent consideration payable on business acquisitions	**50**	**80**	**130**	30	39	69
Non-controlling interest put options	**–**	**18**	**18**	–	45	45
Other payables[2]	**601**	**46**	**647**	528	49	577
Total	**5,870**	**363**	**6,233**	5,626	354	5,980

1. Of this balance, £1,323m (2022: £1,139m) is categorised as financial liabilities.
2. Of this balance, £357m (2022: £300m) is categorised as financial liabilities, including a £152m (2022: £77m) commitment in respect of the share buyback.

The current trade and other payables are payable on demand.

Trade payable days at 30 September 2023 were 64 days (2022: 64 days on a constant-currency basis).

The ageing of non-current financial liabilities in trade and other payables is as follows:

Trade and other payables	2023 Between 1 and 2 years £m	Between 2 and 3 years £m	Between 3 and 4 years £m	Between 4 and 5 years £m	Over 5 years £m	Total £m
Financial liabilities	**132**	**25**	**4**	**–**	**13**	**174**

Trade and other payables	2022 Between 1 and 2 years £m	Between 2 and 3 years £m	Between 3 and 4 years £m	Between 4 and 5 years £m	Over 5 years £m	Total £m
Financial liabilities	59	60	19	–	24	162

Supply chain financing

The Group has Supply Chain Financing (SCF) arrangements in place. The principal purpose of these arrangements is to enable the supplier, if it so wishes, to sell its receivables due from the Group to a third-party bank prior to their due date, thus providing earlier access to liquidity. From the Group's perspective, the invoice payment due date remains unaltered and the payment terms of suppliers participating in the SCF programmes are similar to those suppliers that are not participating, and to the wider industry more generally.

If a receivable is purchased by a third-party bank, that third-party bank does not benefit from additional security when compared to the security originally enjoyed by the supplier.

At 30 September 2023, the value of invoices sold under the SCF programmes was £789m, with £735m related to the Group's programme in the US (2022: £772m and £706m, respectively). These amounts are included in trade payables and all cash flows associated with the programmes are included in net cash flow from operating activities as they continue to be part of the normal operating cycle of the Group.

Notes to the consolidated financial statements for the year ended 30 September 2023 continued

23 Provisions

Significant accounting policy

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors' best estimate of the cost of settling these liabilities and are discounted to present value where the effect is material using the discount rate applicable to the liability.

Provisions	Workers' compensation and similar obligations £m	Severance £m	Onerous contracts £m	Legal and other claims £m	Provisions in respect of discontinued and disposed businesses £m	Other £m	Total £m
At 1 October 2021	324	108	36	49	13	51	581
Charged to income statement	117	7	12	2	–	6	144
Credited to income statement	(19)	(6)	(11)	(5)	–	(6)	(47)
Expenditure in the year	(79)	(62)	(18)	(10)	(4)	(5)	(178)
Business acquisitions	–	–	1	1	–	–	2
Net present value adjustments	5	–	–	–	–	–	5
Reclassification	–	(8)	11	(13)	4	1	(5)
Currency adjustment	66	5	2	2	(1)	3	77
At 30 September 2022	414	44	33	26	12	50	579
Charged to income statement – strategic portfolio review	–	**2**	**15**	–	–	**3**	**20**
Charged to income statement – other	**137**	–	**13**	**6**	–	**7**	**163**
Credited to income statement	**(33)**	**(1)**	**(11)**	**(4)**	–	**(3)**	**(52)**
Expenditure in the year	**(99)**	**(29)**	**(16)**	**(3)**	–	**(5)**	**(152)**
Sale and closure of businesses	–	–	–	–	**(1)**	**(1)**	**(2)**
Net present value adjustments	**7**	–	–	–	–	–	**7**
Reclassification	–	**(11)**	**1**	–	–	**4**	**(6)**
Currency adjustment	**(33)**	–	**(2)**	**(2)**	**(1)**	–	**(38)**
At 30 September 2023	**393**	**5**	**33**	**23**	**10**	**55**	**519**

Comprised of	**2023 £m**	2022 £m
Current	**233**	269
Non-current	**286**	310
Total	**519**	579

In estimating the provisions above, management has made estimates and used assumptions in determining the nature, amount and timing of potential outflows. Management does not consider that a reasonable change in key assumptions in any of the provision estimates made at the date of the balance sheet could lead to a material adjustment in the next 12 months to the carrying amount of the liability recorded.

Workers' compensation and similar obligations The provision for workers' compensation and similar obligations relates mainly to the potential settlement of claims by employees in the US for medical benefits and lost wages associated with injuries incurred in the course of their employment, and is essentially long term in nature.

Severance Provisions for severance primarily represent redundancy costs. The Group expects these provisions to be substantially utilised within the next year.

Onerous contracts A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. Provisions for onerous contracts represent the liabilities in respect of unavoidable contract losses which will be utilised over the remaining life of each individual contract. The typical length of a client contract is three to five years. A full analysis is performed at least annually of the future profitability of all loss-making contracts and contracts with low profitability, and of the balance sheet items directly linked to these contracts.

Legal and other claims Provisions for legal and other claims relate principally to provisions for the estimated cost of litigation and other sundry claims. The timing of the settlement of these claims is uncertain.

Provisions in respect of discontinued and disposed businesses Provisions in respect of discontinued and disposed businesses relate to estimated amounts payable in connection with onerous contracts and claims arising from disposals. The final amount payable remains uncertain as, at the date of approval of these financial statements, negotiations in relation to potential claims are ongoing and there remains a further period during which claims may be received. The timing of any settlement will depend upon the nature and extent of claims received.

Other Other provisions include environmental provisions in respect of potential liabilities relating to the Group's responsibility for maintaining its operating sites in accordance with statutory requirements. The Group's aim is to have a low impact on the environment. These provisions are expected to be utilised as operating sites are closed or as environmental matters are resolved.

24 Post-employment benefits

Significant accounting policy

Pension obligations

The Group operates two types of pension plans:

– defined contribution plans where the Group makes contributions to a member's pension plan, but has no further payment obligations once the contributions have been paid
– defined benefit plans which provide pension payments upon retirement to members as defined by the plan rules

For defined contribution plans, the Group pays contributions to separately administered pension plans. The contributions payable by the Group are charged to the consolidated income statement when they are due. Payments made to state-managed schemes are treated as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution pension plan.

For defined benefit plans, the calculation of the defined benefit obligation is performed half-yearly by a qualified actuary using the projected unit credit method. A current service cost is recognised which represents the expected present value of the defined benefit pension entitlement earned by members in the period. The consolidated balance sheet reflects a net asset or net liability for each defined benefit pension plan. The net asset or liability recognised is the present value of the defined benefit obligation discounted using the yields on high-quality corporate bonds, less the fair value of plan assets (at bid price), if any. If the fair value of the plan assets exceeds the defined benefit obligation, a pension surplus is only recognised if the Group considers that it has an unconditional right to a refund.

For the UK defined benefit plan, the Group considers that it has an unconditional right to a refund of a surplus, assuming the gradual settlement of the plan liabilities over time until all members have left the plan. The trustees cannot unconditionally wind up the plan or use the surplus to enhance member benefits without employer consent. The Group's judgement is that these trustee rights do not prevent the Group from recognising an unconditional right to a refund and therefore a surplus.

Net interest income (if a plan is in surplus) or net interest expense (if a plan is in deficit) is calculated using yields on high-quality corporate bonds and recognised in the consolidated income statement.

Remeasurements, which include gains and losses as a result of changes in actuarial assumptions, the effect of the limit on the plan surplus (if any) and returns on plan assets (other than amounts included in net interest) are recognised in the consolidated statement of comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Other post-employment obligations

Some Group companies provide other post-employment benefits. The expected costs of these benefits are accrued over the period of employment using a similar basis to that used for defined benefit pension schemes. Actuarial gains and losses are recognised immediately in the consolidated statement of comprehensive income.

The non-qualified deferred compensation plan in the US (Rabbi Trust) does not meet the definition of a defined contribution plan under IAS 19 and is, therefore, accounted for as a defined benefit plan.

Major source of estimation uncertainty

The present value of defined benefit liabilities is estimated based on actuarial assumptions determined with independent actuarial advice, including discount rates, inflation, pension and salary increases, and mortality and other demographic assumptions. A reasonably possible change in the assumptions used to derive these estimates could have a material effect on the present value of defined benefit liabilities in the next 12 months. The key assumptions used to value the liabilities, together with sensitivity analysis, are set out below.

Climate change

Plan assets

The trustees of the Compass Group Pension Plan (UK Plan), the Group's largest defined benefit plan, have integrated climate change considerations into their long-term decision-making and reporting processes across all classes of assets, actively engaging with all fund and portfolio managers.

Defined benefit obligations

The actuarial assumptions used to calculate the present value of defined benefit obligations comprise financial and demographic assumptions. The key financial assumptions are discount rates and inflation and, as these reflect long-term market expectations, they implicitly reflect the market's expectations of the potential impact of climate change. The directors have considered the potential impact of climate change on demographic assumptions, in particular on the long-term mortality assumptions and, at the present time, do not believe that there is sufficient evidence to require a change in the assumptions used in the calculation of the defined benefit liabilities. The directors will continue to monitor any potential future impact on the assumptions used.

24 Post-employment benefits continued

Pension schemes

The Group operates a number of pension arrangements throughout the world which have been developed in accordance with statutory requirements and local customs and practices. The majority of schemes are self-administered and the schemes' assets are held independently of the Group's assets. Pension costs are assessed in accordance with the advice of independent, professionally qualified actuaries.

UK schemes

Current UK employees in a pension arrangement are in the Compass Retirement Income Savings Plan (CRISP), a GAD section of the UK Plan or the National Employment Savings Trust (NEST).

CRISP was launched on 1 February 2003 and has been the main vehicle for pension provision for eligible new joiners in the UK since that date. CRISP is a defined contribution (money purchase) arrangement whereby the Group will match employee contributions up to 6% of pay (minimum 5%). Within CRISP, a new defined contribution section was established from April 2006 known as the Compass Higher Income Plan (CHIP). Senior employees who contribute to CRISP are offered an additional employer-only contribution into CHIP. The amount of contribution and eligibility for CHIP are decided annually at the Group's discretion. A CHIP payment may be taken in part, or in whole, as a cash allowance instead of a pension contribution.

CRISP has a corporate trustee, CRISP Trustees Limited. The Chairman is a former employee of the Group and the other six trustee directors are UK-based employees of the Group, three of whom are nominated by CRISP members.

The UK Plan is a defined benefit arrangement, which provides predominantly final salary benefits. Those UK employees who transferred from the public sector under the Transfer of Undertakings (Protection of Employment) Regulations 2006, typically up until 31 March 2015, have been eligible to join the UK Plan, which has otherwise been closed to new entrants since 2003. Such transferees entered into the GAD sections of the UK Plan and are known as 'GAD members'. However, under the UK government's revised guidance for 'Fair Deal for staff pensions', the expectation is, and the approach has been, that the Group participates in the relevant public sector pension scheme and closes the UK Plan to future entrants. The UK Plan closed to future accrual for all existing members, other than GAD members, on 5 April 2010. The affected members were offered membership of CRISP from 6 April 2010.

The UK Plan operates on a funded basis. The funding policy is to contribute such variable amounts, on the advice of the actuary, as achieves a 100% funding level on a projected salary basis. The actuarial assessments covering expense and contributions are carried out by independent qualified actuaries. A formal actuarial valuation of the UK Plan is carried out every three years. The most recent valuation of the UK Plan took place as at 5 April 2022. At the valuation date, the total market value of the assets of the UK Plan was £2,617m which represented 113% of the benefits that had accrued to members after allowing for expected future increases in earnings. A revised schedule of contributions was agreed by the UK Plan's trustee and the Company and, with effect from 1 October 2022, the Company pays contributions to the UK Plan at a rate of 47.1% of pensionable pay (previously 57.2%).

The UK Plan is reappraised half-yearly for accounting purposes by independent actuaries in accordance with IAS 19 Employee Benefits requirements.

The UK Plan has a corporate trustee. There is an independent chairman and one other independent trustee director. There are a further five trustee directors who are either UK-based employees or former employees of the Group (three of whom have been nominated by UK Plan members). The UK Plan operates under the Fifth Definitive Trust Deed dated 25 March 2013 and subsequent amendments and relevant legislation (principally the Pensions Acts 1993, 1995, 2004 and 2021), with regulatory oversight from the Pensions Regulator. The Group has proposed a bulk transfer of CRISP into the UK Plan and for CRISP to operate as a separate defined contribution section of the UK Plan from 1 January 2024. Following the transfer, the combined board of the UK Plan will include trustee directors from both arrangements. Agreement with the trustees is expected before the end of the calendar year following a period of consultation with CRISP members and potential CRISP members which ended on 8 November 2023.

The Group is subject to the Pension Automatic Enrolment Regulations for its workforce in the UK. All new UK employees who meet the statutory eligibility criteria, and who do not join CRISP or the UK Plan, are automatically enrolled into the NEST. Responsibility for the Group's ongoing compliance with the Pension Automatic Enrolment Regulations and for ensuring that the administration and investment of funds relating to automatic enrolment remain appropriate lies with the Group's Pension Automatic Enrolment Governance Committee.

US schemes

In the US, the main vehicles for retirement provision are defined contribution plans. The defined benefit plans are closed to new participants. Compass USA has taken out life insurance policies and invested in mutual funds to meet these unfunded defined benefit pension obligations, working towards a 100% funding level on a projected salary basis.

The Group also has a non-qualified deferred compensation plan (Rabbi Trust), which is a salary sacrifice scheme providing a tax-efficient savings plan for senior management. Employee and employer contributions to the plan are invested on behalf of the employees in investment funds and they are entitled to the assets and their returns on or after leaving the Group. Plan benefits are paid in cash. Participants can elect to receive payment either as a lump sum or in annual instalments over 5 to 15 years.

Compass USA engages with a number of unions and is required to abide by the individual collective bargaining agreements (CBAs) negotiated with each union. Under the terms of these CBAs, Compass USA is required to pay the union members' salary and contribute to various multi-employer benefit plans which include: post-employment benefits, including pensions and post-employment healthcare; defined contribution plans, such as 401(k) and annuity and savings plans; and other plans which include legal funds, training funds and education funds.

24 Post-employment benefits continued

Participation in multi-employer pension plans bears risks that differ from single-employer plans. These risks include:

- assets contributed to the plans by Compass USA may be used to provide benefits to employees of other participating employers
- if a participating employer stops contributing to the plan for any reason, the unfunded obligation remaining may transition to the remaining employers participating in the plan
- if Compass USA stops participating in the plan for any reason, it may be required to pay a proportionate amount to the plan for its share of the unfunded liability, known as a withdrawal liability

Compass USA is involved with 38 multi-employer benefit plans (2022: 39). The Group is not aware of, and has no reasonable expectation that, any plan in which it currently participates is in imminent danger of becoming insolvent or is likely to experience a mass withdrawal.

These plans are accounted for as defined contribution plans as the information provided by the plan administrators is insufficient for them to be accounted for as defined benefit plans. The Group made total contributions of £44m in the year (2022: £30m) to these arrangements.

Other schemes

In Canada, Germany, Norway, Spain and Switzerland, the Group also participates in funded defined benefit arrangements.

In other countries, Group employees participate primarily in state arrangements to which the Group makes the appropriate contributions.

Other than where required by local regulation or statute, the defined benefit schemes are closed to new entrants. For these schemes, the current service cost will increase under the projected unit credit method as the members of the schemes approach retirement.

Defined benefit schemes

The Group's obligations in respect of defined benefit pension schemes are calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years. That benefit is discounted to determine its present value and the fair value of scheme assets is then deducted. The discount rate used is the yield at the valuation date on high-quality corporate bonds, with terms consistent with the timing of the expected benefit payments over future years.

The Group takes advice from independent actuaries relating to the appropriateness of the assumptions which include inflation, expected salary and pension increases, and life expectancy of members. It is important to note that comparatively small changes in the assumptions used may have a significant effect on the consolidated income statement and balance sheet.

The split of defined benefit liabilities on an IAS 19 basis between active, deferred and pensioner members is shown below:

Split of defined benefit liabilities	2023			2022		
	Active	**Deferred**	**Pensioner**	Active	Deferred	Pensioner
UK Plan	**1%**	**43%**	**56%**	1%	46%	53%
UK unfunded arrangements	**–**	**4%**	**96%**	–	4%	96%
US[1]	**40%**	**1%**	**59%**	41%	2%	57%
Other	**65%**	**3%**	**32%**	68%	3%	29%

1. Excluding the Rabbi Trust.

Disclosures showing the assets and liabilities of the schemes are set out below. The liabilities have been calculated using the following assumptions, which are presented as weighted averages where appropriate:

Assumptions	UK schemes		US schemes[1]		Other schemes	
	2023	2022	**2023**	2022	**2023**	2022
Discount rate	**5.7%**	5.4%	**5.6%**	5.1%	**6.1%**	4.3%
Inflation	**3.6%**	3.9%	**2.3%**	2.4%	**1.5%**	1.4%
CPI inflation	**3.2%**	3.4%	**n/a**	n/a	**n/a**	n/a
Rate of increase in salaries	**3.6%**	3.9%	**3.2%**	3.3%	**4.7%**	2.6%
Rate of increase for pensions in payment	**3.3%**	3.5%	**2.3%**	2.4%	**0.2%**	0.2%
Rate of increase for deferred pensions	**3.3%**	3.6%	**n/a**	n/a	**n/a**	n/a

1. Excluding the Rabbi Trust.

The mortality assumptions used to value the UK pension schemes are derived from the S3PA generational mortality tables (2022: S3PA generational mortality tables) with improvements in line with the projection model prepared by the 2022 Continuous Mortality Investigation of the UK actuarial profession (2022: 2021 model), with an S-kappa of 7.0 (2022: 7.5), with 115% (2022: 119%) weighting for male non-pensioners and 109% (2022: 113%) for male pensioners and 103% (2022: 106%) weighting for female non-pensioners and 99% (2022: 102%) weighting for female pensioners, with a long-term underpin of 1.5% per annum (2022: 1.5% per annum). These mortality assumptions take account of experience to date and assumptions for further improvements in the life expectancy of scheme members. The Group estimates the average duration of the liabilities of the UK and US plans to be 12 years (2022: 13 years) and 8 years (2022: 7 years), respectively. Examples of the resulting life expectancies for the UK Plan are as follows:

Notes to the consolidated financial statements for the year ended 30 September 2023 continued

24 Post-employment benefits continued

Life expectancy at age 65	2023 Male	2023 Female	2022 Male	2022 Female
Member aged 65 in 2023 (2022)	**20.9**	**23.6**	21.4	24.0
Member aged 65 in 2048 (2047)	**22.6**	**25.5**	23.1	25.9

The other demographic assumptions have been set having regard to the latest trends in scheme experience and other relevant data. The assumptions are reviewed and updated as necessary as part of the periodic actuarial valuation of pension schemes.

For the overseas schemes, regionally appropriate assumptions have been used where recommended by local actuaries. The mortality assumptions used to value the US schemes are derived from the mortality table Pri-2012 (2022: Pri-2012) and MP2021 generational scale (2022: MP2021). Examples of the resulting life expectancies for the US schemes are as follows:

Life expectancy at age 65	2023 Male	2023 Female	2022 Male	2022 Female
Member aged 65 in 2023 (2022)	**22.0**	**23.4**	21.9	23.3
Member aged 65 in 2048 (2047)	**23.7**	**25.1**	23.6	25.0

Risks

The Group bears a number of risks in relation to its defined benefit pension schemes. These risks and how they are mitigated for the Group's largest defined benefit plan are described below:

Risk	Description of risk	Mitigation
Interest rate	A decrease in corporate bond yields will increase the schemes' benefit obligations under IAS 19. The schemes are therefore exposed to the risk that falls in interest rates will decrease the schemes' surplus.	As part of the investment strategy, the UK Plan aims to mitigate this risk through investment in a liability-driven investment (LDI) portfolio. LDI is a form of investing designed to match to a large extent the movement in pension plan assets with the movement in projected benefit obligations over time.
Inflation	The schemes' benefit obligations are linked to inflation. A higher rate of expected long-term inflation will therefore lead to higher liabilities, both for the IAS 19 and funding liability.	The UK Plan contains caps on increases in scheme benefits to mitigate the risk of increases in inflation. Additionally, the UK Plan invests in LDI products which increase (decrease) in value when expectations of future inflation rates increase (fall), thus providing protection against inflation risk.
Investment	Asset returns can be volatile and there is a risk that the value of pension schemes' assets may not move in line with changes in pension scheme liabilities.	To mitigate against investment risk, the UK Plan invests in a way which aims to hedge a large proportion of the movements in the corresponding liabilities and investments are diversified across and within asset classes to avoid overexposure to any one asset class or market. The trustees and the Group regularly monitor the funding position and operate a diversified investment strategy.
Life expectancy	The schemes' obligations are to provide benefits for the life of the member and therefore increases in life expectancy will lead to higher liabilities.	The UK Plan's trustees and the Group regularly monitor the impact of changes in longevity on scheme obligations.

Sensitivity analysis

Measurement of the Group's defined benefit obligations is particularly sensitive to changes in key assumptions, including the discount rate, inflation and life expectancy. The sensitivities of the principal assumptions used to measure the defined benefit obligations of the schemes are set out below:

	Impact on defined benefit obligations			
	2023		2022	
Financial assumptions	+0.5% £m	-0.5% £m	+0.5% £m	-0.5% £m
Discount rate				
UK	**-77**	**+85**	-90	+95
US and other	**-8**	**+9**	-9	+10
Inflation				
UK	**+42**	**-42**	+56	-54
US and other	**+3**	**-3**	+3	-3
CPI inflation				
UK	**+9**	**-9**	+12	-12

24 Post-employment benefits continued

Demographic assumptions	Impact on defined benefit obligations 2023 +1 year £m	2022 +1 year £m
Life expectancy from age 65		
UK	**+50**	+55
US and other	**+4**	+4

Management has also considered the impact of a 1% change in the discount rate and inflation assumptions used to measure the defined benefit obligations of the UK schemes. A 1% increase or decrease in the discount rate would decrease or increase the liabilities by £148m and £180m, respectively. A 1% increase or decrease in inflation would increase or decrease the liabilities by £85m and £81m, respectively.

The sensitivities above consider the impact of the single change shown, with the other assumptions assumed to be unchanged. The sensitivity analyses have been determined based on a method that extrapolates the impact on the defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period. In practice, changes in one assumption may be accompanied by offsetting changes in another assumption (although this is not always the case). The impact of a change in the UK inflation rate shown above includes the impact of a change in both the RPI and CPI inflation rates.

The Group's net pension surplus or deficit is the difference between the schemes' assets and liabilities. Changes in the assumptions may occur at the same time as changes in the market value of scheme assets. These may or may not offset the changes in assumptions. For example, a fall in interest rates will increase the schemes' liabilities, but may also trigger an offsetting increase in the market value of certain assets so there may be little effect on the Group's net asset or liability.

Plan assets

At 30 September 2023, the assets of the various schemes were invested in a diversified portfolio that consisted primarily of debt securities and property funds. The UK Plan's corporate bonds are held in a unit-linked insurance policy managed by M&G. The UK Plan's unquoted property fund assets comprise a UK property fund of £155m (2022: £187m) and a global property fund of £131m (2022: £154m). The UK property fund's value is based on the net asset value at 30 September 2023. The global property fund's value is based on a US dollar net asset value at 30 June 2023 converted at the exchange rate at 30 September 2023. There has been no material change in the fair value of the global property fund between 30 June and 30 September 2023. The majority of the remainder of the UK Plan's assets are held in a bespoke liability-driven investment portfolio in a unit-linked insurance policy managed by Legal & General.

The fair value of the Group's plan assets is shown by major category below:

Fair value of plan assets by major category	2023 UK Plan £m	2023 Other £m	2023 Total £m	2022 UK Plan £m	2022 Other £m	2022 Total £m
Equities						
Quoted global equities	–	**30**	**30**	87	28	115
Government bonds						
Quoted UK fixed interest	**520**	–	**520**	504	–	504
Quoted UK index linked	**642**	–	**642**	816	–	816
Corporate bonds						
Quoted corporate bonds	**257**	**19**	**276**	250	21	271
Quoted diversified securities	–	**14**	**14**	–	16	16
Other						
Quoted property funds	–	**20**	**20**	–	21	21
Unquoted property funds	**286**	–	**286**	341	–	341
Unquoted insurance policies	–	**5**	**5**	–	6	6
Derivatives	**(14)**	–	**(14)**	–	–	–
Cash and cash equivalents	**81**	**2**	**83**	21	3	24
Other	**1**	**13**	**14**	–	13	13
At 30 September	**1,773**	**103**	**1,876**	2,019	108	2,127

Notes to the consolidated financial statements for the year ended 30 September 2023 continued

24 Post-employment benefits continued

The UK Plan holds corporate bonds and other fixed-interest securities. The risk of default on these is assessed by various rating agencies. Some of these bond investments are issued by the UK government. The risk of default on these is lower compared to the risk on corporate bond investments, although some risk may remain. The expected yield on bond investments with fixed interest rates can be derived exactly from their market value.

Net post-employment benefit assets and obligations recognised in the balance sheet

Post-employment benefit assets/(obligations) recognised in the balance sheet	2023 Fair value of plan assets £m	Present value of defined benefit obligations £m	Effect of asset ceiling £m	Total £m
UK Plan	1,773	(1,343)	–	430
Post-employment benefit assets	**1,773**	**(1,343)**	**–**	**430**
UK unfunded arrangements	–	(28)	–	(28)
US	–	(705)	–	(705)
Other	103	(176)	–	(73)
Post-employment benefit obligations	**103**	**(909)**	**–**	**(806)**
Net post-employment benefit obligations	**1,876**	**(2,252)**	**–**	**(376)**

Post-employment benefit assets/(obligations) recognised in the balance sheet	2022 Fair value of plan assets £m	Present value of defined benefit obligations £m	Effect of asset ceiling £m	Total £m
UK Plan	2,019	(1,438)	–	581
Post-employment benefit assets	2,019	(1,438)	–	581
UK unfunded arrangements	–	(30)	–	(30)
US	–	(660)	–	(660)
Other	108	(172)	(5)	(69)
Post-employment benefit obligations	108	(862)	(5)	(759)
Net post-employment benefit obligations	2,127	(2,300)	(5)	(178)

24 Post-employment benefits continued

Movements in net defined benefit asset/(obligation)	2023 Fair value of plan assets £m	2023 Present value of defined benefit obligations £m	2023 Effect of asset ceiling £m	2023 Total £m	2022 Fair value of plan assets £m	2022 Present value of defined benefit obligations £m	2022 Effect of asset ceiling £m	2022 Total £m
At 1 October	**2,127**	**(2,300)**	**(5)**	**(178)**	3,353	(3,217)	(7)	129
Transfer to other investments	–	–	–	–	(546)	–	–	(546)
Current service cost	–	**(22)**	–	**(22)**	–	(21)	–	(21)
Past service (cost)/credit[1]	–	**(3)**	–	**(3)**	–	1	–	1
Administration expenses[2]	**(5)**	–	–	**(5)**	(4)	–	–	(4)
Interest income/(expense)	**108**	**(117)**	–	**(9)**	54	(66)	–	(12)
Remeasurements – financial assumptions	–	**38**	–	**38**	–	1,063	–	1,063
Remeasurements – demographic assumptions	–	**38**	–	**38**	–	28	–	28
Remeasurements – experience adjustments	–	**(49)**	–	**(49)**	–	(53)	–	(53)
Return on plan assets, excluding interest income	**(271)**	–	–	**(271)**	(668)	–	–	(668)
Change in asset ceiling, excluding interest income	–	–	**5**	**5**	–	–	3	3
Employer contributions	**29**	–	–	**29**	18	–	–	18
Employee contributions	**3**	**(63)**	–	**(60)**	2	(50)	–	(48)
Benefits paid	**(111)**	**155**	–	**44**	(96)	140	–	44
Disposals	–	–	–	–	–	2	–	2
Currency adjustment	**(4)**	**71**	–	**67**	14	(127)	(1)	(114)
At 30 September	**1,876**	**(2,252)**	–	**(376)**	2,127	(2,300)	(5)	(178)

1. 2023 includes a £5m charge following a change in legislation in Türkiye eliminating the minimum retirement age requirement for certain employees effective from March 2023.
2. The expenses of running the UK Plan are met directly by the UK Plan rather than by the principal employer.

The £38m reduction in the present value of defined benefit obligations due to changes in financial assumptions in 2023 includes the impact on the liabilities of the UK Plan of a 0.6 percentage point increase in the discount rate, net of inflation.

The negative return on plan assets of £271m mainly reflects the performance of the UK Plan as gilt yields have increased, reducing the value of government bonds, and property values have decreased.

The present value of defined benefit obligations includes £623m (2022: £566m) in respect of the Rabbi Trust, which is exactly matched by its investments (see note 15).

Certain Group companies have taken out life insurance policies and invested in mutual funds to meet unfunded pension obligations. The current value of these policies and other assets of £77m (2022: £85m) may not be offset against post-employment benefit obligations under IAS 19 (see note 15).

Net post-employment benefit assets, including the Rabbi Trust investments, life insurance policies and mutual fund investments, is shown below:

	Notes	2023 £m	2022 £m
Net post-employment benefit obligations		**(376)**	(178)
Rabbi Trust investments	15	**623**	566
Mutual fund investments	15	**48**	52
Life insurance policies	15	**29**	33
Net post-employment benefit assets		**324**	473

Notes to the consolidated financial statements for the year ended 30 September 2023 continued

24 Post-employment benefits continued

Amounts recognised in the income statement

Amounts recognised in the income statement	2023 UK £m	2023 US £m	2023 Other £m	2023 Total £m	2022 UK £m	2022 US £m	2022 Other £m	2022 Total £m
Current service cost	–	14	8	22	1	13	7	21
Past service cost/(credit)	–	–	3	3	–	–	(1)	(1)
Administration expenses	5	–	–	5	4	–	–	4
Charged to operating expenses	5	14	11	30	5	13	6	24
Interest on net post-employment benefit assets/obligations	(28)	34	3	9	(6)	15	3	12
(Credited)/charged to finance costs	(28)	34	3	9	(6)	15	3	12
Total	(23)	48	14	39	(1)	28	9	36

The Group recognised a charge of £208m (2022: £175m) in respect of contributions to defined contribution schemes during the year.

Amounts recognised in other comprehensive income

Amounts recognised in other comprehensive income	2023 £m	2022 £m
Effect of changes in financial assumptions	38	1,063
Effect of changes in demographic assumptions	38	28
Effect of experience adjustments	(49)	(53)
Remeasurement of post-employment benefit obligations	27	1,038
Return on plan assets, excluding interest income	(271)	(668)
Change in asset ceiling, excluding interest income	5	3
Total	(239)	373

Contributions

The Group made total contributions to defined benefit schemes of £43m (including the Rabbi Trust) in the year (2022: £31m). Contributions in 2023 include £8m following a change in legislation in Türkiye effective from March 2023. The Group expects to make a similar level of contributions to these schemes in 2024 including the impact of the legislation change in Türkiye.

The UK Plan is the largest scheme in the Group and was in surplus on a funding basis at the date of the most recent actuarial valuation as at 5 April 2022 and no deficit contributions are currently required. The remaining Group-funded schemes do not have significant minimum funding requirements whilst contributions to unfunded pension schemes are quite stable. As a result, we do not expect the required future contributions to change substantially beyond next year.

25 Share capital and other reserves

Significant accounting policy

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Capital

The capital structure of the Group consists of net debt (see note 34) and total equity. 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. At 30 September 2023, the ratio of net debt to underlying EBITDA was 1.2x (2022: 1.3x) (see note 34).

Share capital

Share capital	2023 Number	2023 £m	2022 Number	2022 £m
Allotted, called up and fully paid				
Ordinary shares of 11 1/20p each[1]	1,785,403,977	198	1,785,403,977	198
At 30 September	1,785,403,977	198	1,785,403,977	198

1. During the year, 46,311,952 shares in Compass Group PLC were purchased under the share buybacks announced in May 2022, November 2022 and May 2023 (2022: 24,151,566 shares under the share buyback announced in May 2022), which are held in treasury, and 1,343,592 (2022: 320,851) shares were released to satisfy awards under the Company's long-term incentive plans, leaving a balance held in treasury at 30 September 2023 of 70,170,859 (2022: 25,202,499). The shares purchased had an average price of £20.19 per share (2022: £18.20 per share) and represent 2.6% (2022: 1.4%) of the Company's share capital. Shares held in treasury are not entitled to receive dividends.

25 Share capital and other reserves continued

Other reserves

Capital redemption reserve

The nominal value of shares in the Company purchased and subsequently cancelled is shown as a reduction in share capital and an equal and opposite transfer to the capital redemption reserve.

Own shares reserve

The own shares reserve represents shares in Compass Group PLC held either in treasury, including transaction costs, or by employee share trusts to satisfy liabilities to employees for long-term incentive plans. Own shares are treated as a deduction to equity until the shares are cancelled, reissued or sold, at which point they are transferred to retained earnings.

The own shares reserve comprises £1,501m (2022: £515m) in respect of 70,170,859 (2022: 25,202,499) shares in Compass Group PLC held in treasury and £12m (2022: £4m) in respect of 573,223 (2022: 221,909) shares in Compass Group PLC held by the Compass Group PLC All Share Schemes Trust (ASST).

The share buyback announced in November 2022 was completed in March 2023, with 13,127,521 shares repurchased during the year for a total price, including transaction costs, of £251m. Transaction costs of £1m were incurred in respect of the 3,447,549 shares repurchased during the year in respect of the completion of the share buyback announced in May 2022.

In May 2023, the Company announced that it was commencing a further share buyback to repurchase up to £750m of its own shares. During the year, 29,736,882 shares were repurchased for a total price, including transaction costs, of £621m, of which £600m was paid in cash during the year. The mandate issued to the broker to purchase the shares was irrevocable at 30 September 2023 and, therefore, a creditor of £131m in respect of the value of the shares not yet purchased has been recognised. The share buyback was completed in November and, in total, 36,094,092 shares were repurchased under the programme for a total price, including transaction costs, of £752m.

The ASST is a discretionary trust for the benefit of employees and the shares held are used to satisfy some of the Group's liabilities to employees for long-term incentive plans. During the year, 800,000 (2022: 317,052) shares in Compass Group PLC were purchased by the ASST and 448,686 (2022: 280,371) shares were released from the ASST to satisfy awards under the Company's long-term incentive plans. At 30 September 2023, the nominal value of the shares in the ASST was £63,341 (2022: £24,521), with a market value of £11m (2022: £4m).

No shares have been released from treasury or by the ASST since the end of the financial year to the date of this Report to satisfy awards under the Company's long-term incentive plans.

Merger reserve

The merger reserve arose in 2000 as a result of the merger between Compass and Granada.

Revaluation reserve

The revaluation reserve arose on the acquisition of the remaining 50% interest in GR SA during 2008. The portion of the fair value adjustment pertaining to the Group's existing 50% shareholding in GR SA was credited to the revaluation reserve in accordance with IFRS 3 Business Combinations.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Non-controlling interest put options reserve

Where put options are held in respect of a non-controlling interest in a subsidiary and the minority shareholders hold present access to the returns of the entity, the Group recognises a non-controlling interest, together with a put option liability measured at fair value and a corresponding non-controlling interest put options reserve. Subsequent remeasurements of put option liabilities under the present access and anticipated acquisition methods are recognised in the non-controlling interest put options reserve.

Notes to the consolidated financial statements for the year ended 30 September 2023 continued

25 Share capital and other reserves continued

Other reserves	Capital redemption reserve £m	Own shares reserve £m	Merger reserve £m	Revaluation reserve £m	Translation reserve[1] £m	Non-controlling interest put options reserve £m	Total £m
At 1 October 2022	295	(519)	4,170	7	206	(91)	4,068
Other comprehensive income							
Currency translation differences	–	–	–	–	(335)	–	(335)
Reclassification of cumulative currency translation differences on sale of businesses	–	–	–	–	(1)	–	(1)
Tax credit on items relating to the components of other comprehensive income	–	–	–	–	3	–	3
Total other comprehensive loss for the year	–	–	–	–	(333)	–	(333)
Change in fair value of non-controlling interest put options	–	–	–	–	–	13	13
Changes to non-controlling interests due to acquisitions and disposals	–	–	–	–	–	(2)	(2)
Reclassification of non-controlling interest put options reserve on exercise of put options	–	–	–	–	–	6	6
Cost of shares transferred to employees	–	26	–	–	–	–	26
Purchase of own shares – share buyback[2]	–	(1,004)	–	–	–	–	(1,004)
Purchase of own shares – employee share-based payments	–	(16)	–	–	–	–	(16)
At 30 September 2023	295	(1,513)	4,170	7	(127)	(74)	2,758

1. Includes a loss of £605m in relation to the balance remaining in the foreign currency translation reserve from net investment hedging relationships for which hedge accounting continues to apply.
2. Including stamp duty and brokers' commission. The difference between the £1,004m charged to the own shares reserve during the year and the £929m cash outflow in respect of share buybacks (see page 149) reflects a £152m creditor at 30 September 2023 in respect of the £750m share buyback announced in May 2023, less a £77m creditor at 30 September 2022 in respect of the £500m share buyback announced in May 2022 (see note 22).

Other reserves	Share-based payment reserve £m	Capital redemption reserve £m	Own shares reserve £m	Merger reserve £m	Revaluation reserve £m	Translation reserve[1] £m	Non-controlling interest put options reserve £m	Total £m
At 1 October 2021	271	295	(2)	4,170	7	(392)	(87)	4,262
Other comprehensive income								
Currency translation differences	–	–	–	–	–	591	–	591
Reclassification of cumulative currency translation differences on sale of businesses	–	–	–	–	–	7	–	7
Total other comprehensive income for the year	–	–	–	–	–	598	–	598
Fair value of share-based payments	34	–	–	–	–	–	–	34
Change in fair value of non-controlling interest put options	–	–	–	–	–	–	(2)	(2)
Changes to non-controlling interests due to acquisitions and disposals	–	–	–	–	–	–	(7)	(7)
Reclassification of non-controlling interest put options reserve on exercise of put options	–	–	–	–	–	–	5	5
Release of share awards settled in existing shares purchased in the market	(4)	–	–	–	–	–	–	(4)
Purchase of own shares – share buyback[2]	–	–	(502)	–	–	–	–	(502)
Purchase of own shares – employee share-based payments	–	–	(6)	–	–	–	–	(6)
Transfer[3]	(301)	–	(13)	–	–	–	–	(314)
Cost of shares transferred to employees	–	–	4	–	–	–	–	4
At 30 September 2022	–	295	(519)	4,170	7	206	(91)	4,068

1. Includes a loss of £774m in relation to the balance remaining in the foreign currency translation reserve from net investment hedging relationships for which hedge accounting continues to apply.
2. Including stamp duty and brokers' commission.
3. In 2022, the share-based payments reserve was transferred to retained earnings on the basis that it is more appropriately presented as a component of retained earnings and the value of shares in Compass Group PLC purchased in previous years and held in treasury at 30 September 2022 was transferred from retained earnings to the own shares reserve.

26 Share-based payments

Significant accounting policy

The Group issues equity-settled share-based payments to certain employees which are measured at fair value at the date of grant using option pricing models. The fair value is expensed on a straight-line basis over the vesting period based on the Group's estimate of the number of shares expected to vest.

Income statement expense

The Group recognised a charge of £44m (2022: £34m) in respect of share-based payment transactions. All share-based payment plans are equity-settled. The charge is broken down by share-based payment plan as follows:

Share-based payment charge	2023 £m	2022 £m
Long-term incentive plans	**38**	27
Restricted shares	**6**	7
Total	**44**	34

Long-term incentive plans (LTIP)

Full details of The Compass Group PLC Long Term Incentive Plan 2018 (2018 LTIP) can be found in the Directors' remuneration report on pages 97 to 126.

The following table shows the movements in shares during the year:

Long-term incentive plans	2023 Number of shares	2022 Number of shares
Outstanding at 1 October	**7,547,857**	6,353,294
Awarded	**3,153,815**	3,328,253
Notional Dividend Shares awarded[1]	**160,952**	80,631
Vested	**(1,113,799)**	(29,082)
Lapsed	**(870,723)**	(2,185,239)
Outstanding at 30 September	**8,878,102**	7,547,857

1. Eligible awards granted under the 2018 LTIP accrue dividends in the form of Notional Dividend Shares.

The following Executive Committee and Leadership LTIP awards were made under the terms of the 2018 LTIP during the year:

LTIP awards	2023 Award date	2023 Fair value
Executive Committee	**1 Dec 2022**	**1,363.71p**
Leadership	**1 Dec 2022**	**1,507.63p**
Leadership	**17 May 2023**	**2,134.32p**

LTIP awards	2022 Award date	2022 Fair value
Executive Committee	1 Dec 2021	1,140.86p
Executive Committee	4 Feb 2022	1,281.42p
Executive Committee	8 Feb 2022	1,149.04p
Leadership	1 Dec 2021	1,204.37p
Leadership	15 Dec 2021	1,438.55p
Leadership	18 May 2022	1,761.58p

The vesting conditions of the LTIP awards are included in the Directors' remuneration report. The fair value of awards subject to Adjusted Free Cash Flow (AFCF) and Return On Capital Employed (ROCE) performance targets is calculated using the Black-Scholes option pricing model. The vesting probability of these non-market conditions has been assessed based on a simulation model of the AFCF and ROCE forecasts. The fair value of awards subject to Total Shareholder Return (TSR) performance targets is calculated using the Monte Carlo model.

The following assumptions were used in calculating the fair value of LTIP awards made during the year:

Weighted average assumptions – long-term incentive plans	2023	2022
Expected volatility[1]	**39.6%**	39.3%
Risk-free interest rate	**3.1%**	1.0%
Expected life	**3.0 years**	2.9 years
Share price at date of grant	**1,856.77p**	1,534.85p

1. Expected volatility is calculated based on the Group's weekly share price during the three years prior to the date of each award.

26 Share-based payments continued

Eligible awards granted under the 2018 LTIP accrue dividends in the form of Notional Dividend Shares. Accordingly, the dividend yield in the fair value calculation is nil.

The weighted average share price at the date of vesting for the 1,113,799 shares (2022: 29,082) that vested during the year was 1,824.00p (2022: 1,455.00p).

The LTIP awards outstanding at the end of the year have a weighted average remaining contractual life of 1.2 years (2022: 1.4 years).

Restricted shares

These are awards to certain employees in order to incentivise the achievement of particular business objectives under specific circumstances or where similar such shares have been forfeited by a new employee on joining the Group. The plan can take different forms such as an award of shares dependent on service or achievement of specific performance conditions other than service.

The following table shows the movements in shares during the year:

Restricted shares	2023 Number of shares	2022 Number of shares
Outstanding at 1 October	**1,083,225**	939,488
Awarded	**365,818**	581,246
Notional Dividend Shares awarded[1]	**16,228**	11,234
Vested	**(570,398)**	(397,632)
Lapsed	**(69,593)**	(51,111)
Outstanding at 30 September	**825,280**	1,083,225

1. Eligible awards granted under the Restricted Share Award Plan accrue dividends in the form of Notional Dividend Shares.

The following assumptions were used in calculating the fair value of restricted share awards made during the year:

Weighted average assumptions – restricted shares	2023	2022
Expected volatility[1]	**37.0%**	39.4%
Risk-free interest rate	**3.4%**	1.1%
Expected life	**2.2 years**	2.1 years
Share price at date of grant	**1,920.21p**	1,554.40p

1. Expected volatility is calculated based on the Group's weekly share price during the three years prior to the date of each award.

Eligible awards granted under the Restricted Share Award Plan accrue dividends in the form of Notional Dividend Shares. Accordingly, the dividend yield in the fair value calculation is nil.

The weighted average share price at the date of vesting for the 570,398 shares (2022: 397,632) that vested during the year was 1,989.24p (2022: 1,573.85p).

Other share-based payment plans

Other share-based payment plans comprise The Compass Group Share Option Plan 2010 (CSOP) and Deferred Annual Bonus Plan (DAB). The last CSOP award was made in November 2013 and will expire in November 2023. The last DAB award was made in November 2018.

The following table shows the movements in shares during the year:

Other share-based payment plans	2023 Number of shares	2022 Number of shares
Outstanding at 1 October	**202,422**	518,151
Vested and exercised	**(108,081)**	(174,508)
Lapsed (following net settlement)	**(84,579)**	(104,740)
Lapsed	**(2,340)**	(36,481)
Outstanding at 30 September	**7,422**	202,422

The expense relating to these plans is not significant.

27 Acquisition, sale and closure of businesses

Significant accounting policy

Business acquisitions
The acquisition of subsidiaries is accounted for using the purchase method. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued.

Identifiable assets acquired and liabilities and contingent liabilities assumed are recognised at the fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale which are recognised and measured at fair value less costs to sell.

The cost of the acquisition in excess of the Group's interest in the net fair value of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Where not all the equity of a subsidiary is acquired, the non-controlling interest is recognised at the non-controlling interest's proportionate share of the net assets of the subsidiary. Put options over non-controlling interests are recognised as a financial liability measured at fair value which is re-evaluated at each year-end with a corresponding entry in the non-controlling interest put options reserve.

Business disposals
The Group ceases to consolidate a subsidiary when it has lost control. Upon losing control of a subsidiary, a gain or loss is recognised in the consolidated income statement which includes any cumulative currency translation differences previously recognised in other comprehensive income. Any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss.

Assets held for sale
Non-current assets and disposal groups are classified as held for sale if the carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, management is committed to a sale plan, the asset is available for immediate sale in its present condition and the sale is expected to be completed within one year from the date of classification.

Assets held for sale are measured at the lower of carrying value and fair value less costs to sell. Goodwill is allocated to the held for sale business on a relative fair value basis where this business forms part of a larger CGU. Investments in joint ventures and associates that have been classified as held for sale are no longer accounted for using the equity method.

If the non-current asset or disposal group that ceases to be classified as held for sale is a subsidiary, joint venture or associate, prior year comparatives are restated for the periods since classification as held for sale and accounted for retrospectively.

Acquisition of businesses

The total cash spent on the acquisition of subsidiaries during the year, net of cash acquired, was £336m (2022: £273m), including £41m of deferred and contingent consideration and other payments relating to businesses acquired in previous years and £17m of acquisition transaction costs included in net cash flow from operating activities.

On 20 March 2023, the Group acquired the trade and assets of Parks Coffee, a provider of workplace refreshments in the US, for an initial consideration of $108m (£90m). Total consideration includes $6m (£5m) payable in 2024 and an estimated $23m (£20m) payable in 2025 contingent on the operation of an earn-out. The goodwill in relation to the assets acquired is £43m. This goodwill represents the premium the Group paid to acquire the business that complements its existing businesses and creates significant opportunities and other synergies.

Notes to the consolidated financial statements for the year ended 30 September 2023 continued

27 Acquisition, sale and closure of businesses continued

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition of Parks Coffee:

	2023	
	Book value £m	Fair value £m
Net assets acquired		
Other intangible assets	1	64
Property, plant and equipment	5	5
Inventories	4	4
Trade and other payables	(1)	(1)
Fair value of net assets acquired		72
Goodwill		43
Total consideration		115
Satisfied by		
Cash consideration paid		90
Deferred and contingent consideration payable		25
Total consideration		115

In addition to the acquisition set out above, the Group also completed a number of other acquisitions during the year. A summary of all acquisitions completed during the year is presented in aggregate below:

	2023		2022	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Net assets acquired				
Other intangible assets	5	221	17	140
Right-of-use assets	–	–	7	7
Property, plant and equipment	23	23	7	7
Trade and other receivables	15	15	36	36
Inventories	11	11	6	6
Cash and cash equivalents	11	11	–	–
Lease liabilities	–	–	(7)	(7)
Provisions	–	–	(2)	(2)
Current tax liabilities	(2)	(2)	–	–
Deferred tax liabilities	(1)	(19)	(6)	(6)
Trade and other payables	(16)	(16)	(36)	(36)
Fair value of net assets acquired		244		145
Less: Step acquisitions		(24)		–
Less: Non-controlling interests		(2)		(8)
Goodwill		184		122
Total consideration		402		259
Satisfied by				
Cash consideration paid		289		193
Contingent consideration payable		100		66
Deferred consideration payable		13		–
Total consideration		402		259
Cash flow				
Cash consideration paid		289		193
Less: Cash and cash equivalents acquired		(11)		–
Acquisition transaction costs[1]		17		10
Net cash outflow arising on acquisition		295		203
Deferred and contingent consideration and other payments relating to businesses acquired in previous years[2]		41		70
Total cash outflow from purchase of subsidiary companies		336		273
Consolidated cash flow statement				
Net cash flow from operating activities[1]		17		10
Net cash flow from investing activities		319		263
Total cash outflow from purchase of subsidiary companies		336		273

1. Acquisition transaction costs are included in net cash flow from operating activities.
2. 2022 includes contingent consideration paid in respect of the acquisition of Fazer Food Services in January 2020.

27 Acquisition, sale and closure of businesses continued

Contingent consideration is an estimate at the date of acquisition of the amount of additional consideration that will be payable in the future. The actual amount paid can vary from the estimate depending on the terms of the transaction and, for example, the actual performance of the acquired business.

The fair value adjustments made in respect of acquisitions in the year to 30 September 2023 are provisional and will be finalised within 12 months of the acquisition date, principally in relation to the valuation of contracts acquired.

The goodwill arising on the acquisition of the businesses represents the premium the Group has paid to acquire companies which complement its existing businesses and create significant opportunities for cross-selling and other synergies. The goodwill arising is not expected to be deductible for tax purposes.

The acquisitions did not have a material impact on the Group's revenue or profit for the year.

Sale and closure of businesses

The Group has recognised a net gain of £20m on the sale and closure of businesses (2022: net loss of £7m), including exit costs of £11m (2022: £7m). Activity in the year includes the exit from seven tail countries, together with the sale of businesses in the US and UK, and a further 28% shareholding in Highways Royal Co., Limited (Japanese Highways).

A summary of business disposals completed during the year is presented in aggregate below:

	2023 £m	2022 £m
Net assets disposed		
Goodwill	**27**	5
Other intangible assets	**17**	1
Right-of-use assets	**8**	–
Property, plant and equipment	**18**	1
Deferred tax assets	**1**	1
Trade and other receivables	**27**	2
Inventories	**9**	–
Cash and cash equivalents	**29**	1
Assets held for sale	**26**	16
Lease liabilities	**(9)**	(1)
Provisions	**(2)**	(2)
Trade and other payables	**(41)**	(5)
Post-employment benefit liabilities	**–**	(2)
Net assets disposed	**110**	17
Consolidated income statement		
Cash consideration	**83**	24
Deferred consideration[1]	**57**	–
Less: Net assets disposed	**(110)**	(17)
Less: Exit costs	**(11)**	(7)
Add/(less): Reclassification of cumulative currency translation differences on sale of businesses[2]	**1**	(7)
Net gain/(loss) on sale and closure of businesses	**20**	(7)
Consolidated cash flow statement		
Cash consideration	**83**	24
Exit costs	**(7)**	(3)
Cash and cash equivalents disposed	**(29)**	(1)
Tax receipts in respect of prior year business disposals	**–**	15
Net proceeds from sale of subsidiary companies, joint ventures and associates net of exit costs	**47**	35

1. Includes £56m translated at the exchange rate on the date of disposal in respect of the sale of four businesses in Central and Eastern Europe receivable over four years from the date of disposal in October 2022.
2. 2023 comprises the reclassification of cumulative currency translation gains of £4m, partly offset by cumulative currency translation losses on net investment hedges of £3m.

Assets held for sale

The Group's balance sheet includes interests in joint ventures and associates held for sale of £4m (2022: £26m) which represent the final 5% shareholding in Japanese Highways which it has agreed to sell. The non-recurring fair value measurement of the business held for sale is categorised as a Level 3 fair value and is based on the agreed sale price.

Notes to the consolidated financial statements for the year ended 30 September 2023 continued

28 Reconciliation of operating profit to cash generated from operations

Reconciliation of operating profit to cash generated from operations	2023 £m	2022 £m
Operating profit before joint ventures and associates	**1,835**	1,455
Adjustments for:		
Acquisition-related charges[1]	**108**	82
Charges related to the strategic portfolio review	**99**	–
COVID-19 resizing credit	–	(4)
One-off pension charge	**7**	–
Amortisation – other intangible assets[2]	**110**	100
Amortisation – contract fulfilment assets	**231**	214
Amortisation – contract prepayments	**54**	40
Depreciation – right-of-use assets	**163**	156
Depreciation – property, plant and equipment	**276**	260
Unwind of costs to obtain contracts	**22**	18
Impairment losses – non-current assets[3]	**10**	15
Impairment reversals – non-current assets	**(2)**	(4)
Gain on disposal of property, plant and equipment/intangible assets/contract fulfilment assets	**(3)**	–
Other non-cash changes	**(1)**	(4)
Decrease in provisions	**(41)**	(77)
Investment in contract prepayments	**(72)**	(64)
Increase in costs to obtain contracts[4]	**(37)**	(31)
Post-employment benefit obligations net of service costs	**(18)**	(7)
Share-based payments – charged to profit	**44**	34
Operating cash flow before movements in working capital	**2,785**	2,183
Increase in inventories	**(97)**	(122)
Increase in receivables	**(557)**	(876)
Increase in payables	**556**	839
Cash generated from operations	**2,687**	2,024

1. Includes amortisation and impairment of acquisition intangibles. Excludes acquisition transaction costs of £17m (2022: £10m) as acquisition transaction costs are included in net cash flow from operating activities.
2. Excludes amortisation of acquisition intangibles.
3. In 2023, excludes impairment losses of £50m included in charges related to the strategic portfolio review.
4. Cash payments in respect of contract balances are classified as cash flows from operating activities, with the exception of contract fulfilment assets which are classified as cash flows from investing activities as they arise out of cash payments in relation to assets that will generate long-term economic benefits. During the year, the purchase of contract fulfilment assets in cash flows from investing activities was £311m (2022: £218m).

29 Movements in assets and liabilities arising from financing activities

Movements for the year ended 30 September 2023	1 October 2022 £m	Cash outflow/ (inflow) £m	Other non-cash movements £m	New lease liabilities and amendments £m	Currency translation gains £m	30 September 2023 £m
Borrowings (excluding bank overdrafts)	(3,713)	437	(30)	–	99	(3,207)
Lease liabilities	(913)	176	9	(264)	47	(945)
Derivative financial instruments	(96)	(127)	(8)	–	50	(181)
Net movement in assets and liabilities arising from financing activities		**486**				
Purchase of own shares – share buyback		929				
Purchase of own shares – employee share-based payments		16				
Purchase of non-controlling interests		8				
Dividends paid to equity shareholders		648				
Dividends paid to non-controlling interests		6				
Net cash flow from financing activities		**2,093**				

Movements for the year ended 30 September 2022	1 October 2021 £m	Cash outflow/ (inflow) £m	Other non-cash movements £m	New lease liabilities and amendments £m	Currency translation losses £m	30 September 2022 £m
Borrowings (excluding bank overdrafts)	(3,451)	(380)	318	–	(200)	(3,713)
Lease liabilities	(845)	152	3	(139)	(84)	(913)
Derivative financial instruments	102	67	(251)	–	(14)	(96)
Net movement in assets and liabilities arising from financing activities		(161)				
Purchase of own shares – share buyback		425				
Purchase of own shares – employee share-based payments		6				
Purchase of non-controlling interests		2				
Dividends paid to equity shareholders		418				
Dividends paid to non-controlling interests		3				
Net cash flow from financing activities		693				

Other non-cash movements are as follows:

Other non-cash movements	2023 £m	2022 £m
Amortisation of fees and discounts on issue of debt	(4)	(3)
Fees and discounts accrued on issue of debt	–	1
Changes in fair value of borrowings in a fair value hedge	(26)	320
Borrowings	**(30)**	318
Lease liabilities acquired through business acquisitions	–	(7)
Lease liabilities derecognised on sale and closure of businesses	9	1
COVID-19 rent concessions	–	2
Reclassification	–	7
Lease liabilities	**9**	3
Changes in fair value of derivative financial instruments	**(8)**	(251)
Total	**(29)**	70

Notes to the consolidated financial statements for the year ended 30 September 2023 continued

30 Contingent liabilities

Significant accounting policy

Provisions for legal and other claims are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Where it is possible that a settlement will be reached or it is not possible to make a reliable estimate of the amount of the obligation, no provision is recognised, but appropriate disclosure as a contingent liability is made.

Performance bonds, guarantees and indemnities

Performance bonds, guarantees and indemnities	2023 £m	2022 £m
Performance bonds, guarantees and indemnities (including those of associated undertakings)[1]	**410**	402

1. Excludes post-employment obligations, borrowings and lease liabilities.

The Company and certain subsidiary undertakings have, in the normal course of business, given guarantees and entered into counter indemnities in respect of such guarantees relating to the Group's own contracts and/or the Group's share of certain contractual obligations of joint arrangements and associates. Where the Group enters into such arrangements, it does so in order to provide assurance to the beneficiary, typically the client, that it will fulfil its contractual obligations, rather than to provide an insurance contract to compensate the client in the event that it does not fulfil those contractual obligations. The issue of such guarantees and indemnities does not increase the Group's overall exposure and the disclosure of such performance bonds, guarantees and indemnities is given for information purposes only.

Litigation and claims

The Group is involved in various legal proceedings incidental to the nature of its business and maintains insurance cover to reduce financial risk associated with claims related to these proceedings. Where appropriate, provisions are made to cover any potential uninsured losses.

Although it is not possible to predict the outcome or quantify the financial effect of these proceedings, or any claim against the Group related thereto, in the opinion of the directors, any uninsured losses resulting from the ultimate resolution of these matters will not have a material effect on the financial position of the Group. The timing of the settlement of these proceedings or claims is uncertain.

The Group is currently subject to audits and reviews in a number of countries that primarily relate to complex corporate tax issues. None of these audits is currently expected to have a material impact on the Group's financial position.

We continue to engage with tax authorities and other regulatory bodies on payroll and sales tax reviews, and compliance with labour laws and regulations.

The federal tax authorities in Brazil have issued notices of deficiency in respect of 2014 and 2017 relating primarily to the PIS/COFINS treatment of certain food costs which we have formally objected to and which are now proceeding through the appeals process. At 30 September 2023, the total amount assessed in respect of these matters is £72m, including interest and penalties. The possibility of further notices of deficiency for subsequent years cannot be ruled out and the judicial process is likely to take a number of years to conclude. Based on the opinion of our local legal advisers, we do not currently consider it likely that we will have to settle a liability with respect to these matters and, on this basis, no provision has been recorded.

In addition, there are a number of other ongoing tax cases in Brazil. None of these cases is individually significant and, therefore, we do not currently expect any of these issues to have a material impact on the Group's financial position.

Food safety

In the ordinary course of business, food safety incidents are identified from time to time and our businesses' operations receive external reviews of their food hygiene and safety practices, both on a periodic basis and in connection with identified incidents. At any point, a number of reviews will be ongoing. Although it is not possible to predict the outcome or quantify the financial effect of the outcome of these reviews, or any claim against Group companies related thereto, in the opinion of the directors, any uninsured losses resulting from the ultimate resolution of these ongoing reviews are not expected to have a material effect on the financial position of the Group. The timing of the outcome of these reviews is generally uncertain.

31 Commitments

Contracted for but not provided for	2023 £m	2022 £m
Client contract intangibles	**72**	72
Contract balances	**570**	539
Property, plant and equipment	**37**	28
Total	**679**	639

32 Related party transactions

The following transactions were carried out with related parties of Compass Group PLC:

Subsidiaries

Transactions between the ultimate parent company and its subsidiaries, and between subsidiaries, have been eliminated on consolidation.

Joint ventures

There were no significant transactions between joint ventures or joint venture partners and the rest of the Group during the year.

Associates

There were no significant transactions with associated undertakings during the year.

Key management personnel

The remuneration of directors and key management personnel is set out in note 4. During the year, there were no other material transactions or balances between the Group and its key management personnel or members of their close families.

Post-employment benefit schemes

Details of the Group's post-employment benefit schemes are set out in note 24.

33 Post-balance sheet events

With effect from 1 October 2023, the reporting currency of the Group was changed from sterling to US dollars.

On 2 October 2023, the Group sold its business in Argentina. The net assets of the business at 30 September 2023 were not material. The disposal will be recognised in 2024 and include a £44m charge in respect of cumulative currency translation differences.

On 2 November 2023, the Group entered into an agreement to acquire Hofmann Menü-Manufaktur GmbH, a German producer of high-quality cook and freeze meals, for €270m (£234m) subject to regulatory approval which we expect to receive during the first half of the 2024 financial year.

In the period from 1 October to 14 November 2023, 6,357,210 shares were repurchased for a total price, including transaction costs, of £131m under the share buyback announced in May 2023. In November 2023, we announced a further share buyback of up to $500m (£410m), to complete in 2024 subject to M&A activity.

On 20 November 2023, a final dividend in respect of 2023 of 28.1p per share, £482m in aggregate, was proposed.

34 Non-GAAP measures

Introduction

The Executive Committee manages and assesses 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.

In determining the adjustments to arrive at underlying results, we use a set of established principles relating to the nature and materiality of individual items or groups of items, including, for example, events which: (i) are outside the normal course of business; (ii) are incurred in a pattern that is unrelated to the trends in the underlying financial performance of our ongoing business; or (iii) are related to business acquisitions or disposals as they are not part of the Group's ongoing trading business and the associated cost impact arises from the transaction rather than from the continuing business.

Definitions

Measure	Definition	Purpose
Income statement		
Underlying revenue	Revenue plus share of revenue of joint ventures.	Allows management to monitor the sales performance of the Group's subsidiaries and joint ventures.
Underlying operating profit	Operating profit excluding specific adjusting items[2].	Provides a measure of operating profitability that is comparable over time.
Underlying operating margin[1]	Underlying operating profit divided by underlying revenue.	An important measure of the efficiency of our operations in delivering great food and support services to our clients and consumers.
Organic revenue[1]	Current year: Underlying revenue excluding businesses acquired, sold and closed in the year. Prior year: Underlying revenue including a proforma 12 months in respect of businesses acquired in the year and excluding businesses sold and closed in the year translated at current year exchange rates. Where applicable, a 53rd week is excluded from the current or prior year.	Embodies our success in growing and retaining our customer base, as well as our ability to drive volumes in our existing businesses and maintain appropriate pricing levels in light of input cost inflation.
Organic operating profit	Current year: Underlying operating profit excluding businesses acquired, sold and closed in the year. Prior year: Underlying operating profit including a proforma 12 months in respect of businesses acquired in the year and excluding businesses sold and closed in the year translated at current year exchange rates. Where applicable, a 53rd week is excluded from the current or prior year.	Provides a measure of operating profitability that is comparable over time.

1. Key Performance Indicator.
2. See page 210 for definitions of the specific adjusting items and a reconciliation from the statutory to the underlying income statement.

34 Non-GAAP measures continued

Definitions continued

Measure	Definition	Purpose
Income statement (continued)		
Underlying finance costs	Finance costs excluding specific adjusting items[2].	Provides a measure of the Group's cost of financing excluding items outside of the control of management.
Underlying profit before tax	Profit before tax excluding specific adjusting items[2].	Provides a measure of Group profitability that is comparable over time.
Underlying income tax expense	Income tax expense excluding tax attributable to specific adjusting items[2].	Provides a measure of income tax expense that is comparable over time.
Underlying effective tax rate	Underlying income tax expense divided by underlying profit before tax.	Provides a measure of the effective tax rate that is comparable over time.
Underlying profit for the year	Profit for the year excluding specific adjusting items[2] and tax attributable to those items.	Provides a measure of Group profitability that is comparable over time.
Underlying profit attributable to equity shareholders (underlying earnings)	Profit for the year attributable to equity shareholders excluding specific adjusting items[2] and tax attributable to those items.	Provides a measure of Group profitability that is comparable over time.
Underlying earnings per share[1]	Earnings per share excluding specific adjusting items[2] and tax attributable to those items.	Measures the performance of the Group in delivering value to shareholders.
Net operating profit after tax (NOPAT)	Underlying operating profit excluding the operating profit of non-controlling interests, net of tax at the underlying effective tax rate.	Provides a measure of Group operating profitability that is comparable over time.
Underlying EBITDA	Underlying operating profit excluding underlying impairment, depreciation and amortisation of intangible assets, tangible assets and contract-related assets.	Provides a measure of Group operating profitability that is comparable over time.
Balance sheet		
Net debt	Bank overdrafts, bank and other borrowings, lease liabilities and derivative financial instruments, less cash and cash equivalents.	Allows management to monitor the indebtedness of the Group.
Net debt to EBITDA	Net debt divided by underlying EBITDA.	Provides a measure of the Group's ability to finance and repay its debt from its operations.
Capital employed	Total equity shareholders' funds, excluding: net debt; post-employment benefit assets and obligations; and investments held to meet the cost of unfunded post-employment benefit obligations.	Provides a measure of the Group's efficiency in allocating its capital to profitable investments.
Return on Capital Employed (ROCE)[1]	NOPAT divided by 12-month average capital employed.	ROCE demonstrates how we have delivered against the various investments we make in the business, be it operational expenditure, capital expenditure or bolt-on acquisitions.

1. Key Performance Indicator.
2. See page 210 for definitions of the specific adjusting items and a reconciliation from the statutory to the underlying income statement.

Notes to the consolidated financial statements for the year ended 30 September 2023 continued

34 Non-GAAP measures continued

Definitions continued

Measure	Definition	Purpose
Cash flow		
Capital expenditure	Purchase of intangible assets, purchase of contract fulfilment assets, purchase of property, plant and equipment and investment in contract prepayments, less proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets.	Provides a measure of expenditure on long-term intangible, tangible and contract-related assets, net of the proceeds from disposal of intangible, tangible and contract-related assets.
Underlying operating cash flow	Net cash flow from operating activities, including purchase of intangible assets, purchase of contract fulfilment assets, purchase of property, plant and equipment, proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets, repayment of principal under lease liabilities and share of results of joint ventures and associates, and excluding interest and net tax paid, post-employment benefit obligations net of service costs, cash payments related to the cost action programme and COVID-19 resizing costs, strategic portfolio review and one-off pension charge, and acquisition transaction costs.	Provides a measure of the success of the Group in turning profit into cash that is comparable over time.
Underlying operating cash flow conversion	Underlying operating cash flow divided by underlying operating profit.	Provides a measure of the success of the Group in turning profit into cash that is comparable over time.
Free cash flow	Net cash flow from operating activities, including purchase of intangible assets, purchase of contract fulfilment assets, purchase of property, plant and equipment, proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets, purchase of other investments, proceeds from sale of other investments, dividends received from joint ventures and associates, interest received, repayment of principal under lease liabilities and dividends paid to non-controlling interests.	Provides a measure of the success of the Group in turning profit into cash that is comparable over time.
Underlying free cash flow[1]	Free cash flow excluding cash payments related to the cost action programme and COVID-19 resizing costs, strategic portfolio review and one-off pension charge, and acquisition transaction costs.	Provides a measure of the success of the Group in turning profit into cash that is comparable over time.
Underlying free cash flow conversion	Underlying free cash flow divided by underlying operating profit.	Provides a measure of the success of the Group in turning profit into cash that is comparable over time.
Underlying cash tax rate	Net tax paid included in net cash flow from operating activities divided by underlying profit before tax.	Provides a measure of the cash tax rate that is comparable over time.
Business growth		
New business	Current year underlying revenue for the period in which no revenue had been recognised in the prior year.	The measure of incremental revenue in the current year from new business.
Lost business	Prior year underlying revenue for the period in which no revenue has been recognised in the current year.	The measure of lost revenue in the current year from ceased business.
Net new business	New business minus lost business as a percentage of prior year organic revenue.	The measure of net incremental revenue in the current year from business wins and losses.
Retention	100% minus lost business as a percentage of prior year organic revenue.	The measure of our success in retaining business.

1. Key Performance Indicator.

34 Non-GAAP measures continued

Reconciliations

Income statement

Underlying revenue and operating profit are reconciled to GAAP measures in note 2 (segmental analysis).

Organic revenue	Geographical segments North America £m	Europe £m	Rest of World £m	Central activities £m	Total £m
Year ended 30 September 2023					
Underlying revenue	**21,092**	**7,038**	**3,151**	**–**	**31,281**
Organic adjustments	**(127)**	**(134)**	**(37)**	**–**	**(298)**
Organic revenue	**20,965**	**6,904**	**3,114**	**–**	**30,983**
Year ended 30 September 2022					
Underlying revenue	17,139	5,935	2,697	–	25,771
Currency adjustments	753	(23)	(95)	–	635
Underlying revenue – constant currency	17,892	5,912	2,602	–	26,406
Organic adjustments	(41)	(233)	(45)	–	(319)
Organic revenue	17,851	5,679	2,557	–	26,087
Increase in underlying revenue at reported rates – %	**23.1%**	**18.6%**	**16.8%**		**21.4%**
Increase in underlying revenue at constant currency – %	**17.9%**	**19.0%**	**21.1%**		**18.5%**
Increase in organic revenue – %	**17.4%**	**21.6%**	**21.8%**		**18.8%**

Organic operating profit	Geographical segments North America £m	Europe £m	Rest of World £m	Central activities £m	Total £m
Year ended 30 September 2023					
Underlying operating profit/(loss)	**1,653**	**392**	**175**	**(98)**	**2,122**
Underlying operating margin – %	**7.8%**	**5.6%**	**5.6%**		**6.8%**
Organic adjustments	**(10)**	**(9)**	**(6)**	**–**	**(25)**
Organic operating profit/(loss)	**1,643**	**383**	**169**	**(98)**	**2,097**
Year ended 30 September 2022					
Underlying operating profit/(loss)	1,236	299	141	(86)	1,590
Underlying operating margin – %	7.2%	5.0%	5.2%		6.2%
Currency adjustments	55	(1)	(7)	–	47
Underlying operating profit/(loss) – constant currency	1,291	298	134	(86)	1,637
Organic adjustments	(7)	(7)	(8)	–	(22)
Organic operating profit/(loss)	1,284	291	126	(86)	1,615
Increase in underlying operating profit at reported rates – %	**33.7%**	**31.1%**	**24.1%**		**33.5%**
Increase in underlying operating profit at constant currency – %	**28.0%**	**31.5%**	**30.6%**		**29.6%**
Increase in organic operating profit – %	**28.0%**	**31.6%**	**34.1%**		**29.8%**

Notes to the consolidated financial statements for the year ended 30 September 2023 continued

34 Non-GAAP measures continued

Reconciliations continued

Underlying income statement	Notes	2023 Statutory £m	Specific adjusting items 1	2	3	4	5	6	2023 Underlying £m
Operating profit	2	1,891	125	–	7	–	99	–	2,122
Net gain on sale and closure of businesses		20	–	–	–	–	(20)	–	–
Finance costs	5	(164)	–	–	–	–	–	28	(136)
Profit before tax		1,747	125	–	7	–	79	28	1,986
Income tax expense	6	(429)	(26)	–	(1)	–	(18)	(7)	(481)
Profit for the year		1,318	99	–	6	–	61	21	1,505
Less: Non-controlling interests		(4)	–	–	–	–	–	–	(4)
Profit attributable to equity shareholders		1,314	99	–	6	–	61	21	1,501
Earnings per share (p)		75.4p	5.7p	–	0.3p	–	3.5p	1.2p	86.1p
Effective tax rate (%)		24.6%							24.2%

Underlying income statement	Notes	2022 Statutory £m	Specific adjusting items 1	2	3	4	5	6	2022 Underlying £m
Operating profit	2	1,500	92	(4)	–	2	–	–	1,590
Net loss on sale and closure of businesses		(7)	–	–	–	–	7	–	–
Finance costs	5	(24)	–	–	–	–	–	(76)	(100)
Profit before tax		1,469	92	(4)	–	2	7	(76)	1,490
Income tax expense	6	(352)	(25)	(1)	–	(2)	(3)	18	(365)
Profit for the year		1,117	67	(5)	–	–	4	(58)	1,125
Less: Non-controlling interests		(4)	–	–	–	–	–	–	(4)
Profit attributable to equity shareholders		1,113	67	(5)	–	–	4	(58)	1,121
Currency adjustments									35
Profit attributable to equity shareholders – constant currency									1,156
Earnings per share (p)		62.6p	3.8p	(0.3)p	–	–	0.2p	(3.3)p	63.0p
Earnings per share – constant currency (p)									65.0p
Effective tax rate (%)		24.0%							24.5%

Specific adjusting items are as follows:

1. Acquisition-related charges
Represent amortisation and impairment charges in respect of intangible assets acquired through business combinations, direct costs incurred through business combinations or other strategic asset acquisitions, business integration costs and changes in consideration in relation to past acquisition activity (see note 3).

2. COVID-19 resizing credit
Reversal of surplus provisions recognised in previous years related to cost actions taken to adjust our business to the trading environment in light of the COVID-19 pandemic.

3. One-off pension charge
Mainly represents a past service cost following a change in legislation in Türkiye eliminating the minimum retirement age requirement for certain employees effective from March 2023 (see note 24).

4. Tax on share of profit of joint ventures
Reclassification of tax on share of profit of joint ventures to income tax expense.

5. Gains and losses on sale and closure of businesses and charges related to the strategic portfolio review
Profits and losses on the sale of subsidiaries, joint ventures and associates, exit costs on closure of businesses (see note 27) and charges in respect of an ongoing strategic review of the Group's portfolio of non-core activities which, during 2023, relate to site closures and contract renegotiations and terminations in the UK.

6. Other financing items
Financing items, including hedge accounting ineffectiveness, change in the fair value of derivatives held for economic hedging purposes, change in the fair value of investments and financing items relating to post-employment benefits (see note 5).

34 Non-GAAP measures continued

Reconciliations continued

Net operating profit after tax (NOPAT)	2023 £m	2022 £m
Underlying operating profit	**2,122**	1,590
Deduct:		
Tax on underlying operating profit at effective tax rate	**(513)**	(390)
Operating profit of non-controlling interests net of tax	**(4)**	(4)
NOPAT	**1,605**	1,196

Underlying EBITDA	2023 £m	2022 £m
Underlying operating profit	**2,122**	1,590
Add back/(deduct):		
Depreciation of property, plant and equipment and right-of-use assets	**439**	416
Amortisation of other intangible assets, contract fulfilment assets and contract prepayments[1]	**395**	354
Impairment losses – non-current assets[2]	**10**	15
Impairment reversals – non-current assets	**(2)**	(4)
Underlying EBITDA	**2,964**	2,371

1. Excludes amortisation of acquisition intangibles.
2. In 2023, excludes impairment losses of £50m included in charges related to the strategic portfolio review.

Balance sheet

Components of net debt	2023 £m	2022 £m
Borrowings	**(3,370)**	(3,964)
Lease liabilities	**(945)**	(913)
Derivative financial instruments	**(181)**	(96)
Gross debt	**(4,496)**	(4,973)
Cash and cash equivalents	**843**	1,983
Net debt	**(3,653)**	(2,990)

Net debt reconciliation	2023 £m	2022 £m
Net (decrease)/increase in cash and cash equivalents	**(1,024)**	29
(Deduct)/add back:		
Increase in borrowings	**(1)**	(677)
Repayment of borrowings	**438**	297
Net cash flow from derivative financial instruments	**(127)**	67
Repayment of principal under lease liabilities	**176**	152
Increase in net debt from cash flows	**(538)**	(132)
New lease liabilities and amendments	**(264)**	(139)
Amortisation of fees and discounts on issue of debt	**(4)**	(3)
Fees and discounts accrued on issue of debt	**–**	1
Changes in fair value of borrowings in a fair value hedge	**(26)**	320
Lease liabilities acquired through business acquisitions	**–**	(7)
Lease liabilities derecognised on sale and closure of businesses	**9**	1
COVID-19 rent concessions	**–**	2
Reclassification	**–**	7
Changes in fair value of derivative financial instruments	**(8)**	(251)
Currency translation gains/(losses)	**168**	(251)
Increase in net debt	**(663)**	(452)
Net debt at 1 October	**(2,990)**	(2,538)
Net debt at 30 September	**(3,653)**	(2,990)

Notes to the consolidated financial statements for the year ended 30 September 2023 continued

34 Non-GAAP measures continued

Reconciliations continued

Net debt to EBITDA	2023 £m	2022 £m
Net debt	3,653	2,990
Underlying EBITDA	2,964	2,371
Net debt to EBITDA (times)	**1.2**	**1.3**

Return on capital employed (ROCE)	2023 £m	2022 £m
NOPAT	1,605	1,196
Average capital employed	8,215	7,567
ROCE (%)	**19.5%**	**15.8%**

Cash flow

Capital expenditure	2023 £m	2022 £m
Purchase of intangible assets	215	177
Purchase of contract fulfilment assets	311	218
Purchase of property, plant and equipment	365	282
Investment in contract prepayments	72	64
Proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets	(64)	(37)
Capital expenditure	**899**	**704**

Underlying operating cash flow	2023 £m	2022 £m
Net cash flow from operating activities	**2,076**	**1,596**
Purchase of intangible assets	(215)	(177)
Purchase of contract fulfilment assets	(311)	(218)
Purchase of property, plant and equipment	(365)	(282)
Proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets	64	37
Repayment of principal under lease liabilities	(176)	(152)
Share of results of joint ventures and associates	56	45
Add back:		
Interest paid	170	96
Net tax paid	441	332
Post-employment benefit obligations net of service costs[1]	10	7
Cash payments related to the cost action programme and COVID-19 resizing costs	29	57
Cash payments related to the strategic portfolio review	20	–
Cash payments related to the one-off pension charge	9	–
Acquisition transaction costs	17	10
Underlying operating cash flow	**1,825**	**1,351**

1. 2023 excludes £8m of cash payments related to the one-off pension charge.

Underlying operating cash flow conversion	2023 £m	2022 £m
Underlying operating cash flow	1,825	1,351
Underlying operating profit	2,122	1,590
Underlying operating cash flow conversion (%)	**86.0%**	**85.0%**

34 Non-GAAP measures continued

Reconciliations continued

Free cash flow	2023 £m	2022 £m
Net cash flow from operating activities	**2,076**	1,596
Purchase of intangible assets	**(215)**	(177)
Purchase of contract fulfilment assets	**(311)**	(218)
Purchase of property, plant and equipment	**(365)**	(282)
Proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets	**64**	37
Purchase of other investments	**(3)**	(42)
Proceeds from sale of other investments	**3**	3
Dividends received from joint ventures and associates	**49**	51
Interest received	**50**	10
Repayment of principal under lease liabilities	**(176)**	(152)
Dividends paid to non-controlling interests	**(6)**	(3)
Free cash flow	**1,166**	823

Underlying free cash flow	2023 £m	2022 £m
Free cash flow	**1,166**	823
Add back:		
Cash payments related to the cost action programme and COVID-19 resizing costs	**29**	57
Cash payments related to the strategic portfolio review	**20**	–
Cash payments related to the one-off pension charge	**9**	–
Acquisition transaction costs	**17**	10
Underlying free cash flow	**1,241**	890

Underlying free cash flow conversion	2023 £m	2022 £m
Underlying free cash flow	**1,241**	890
Underlying operating profit	**2,122**	1,590
Underlying free cash flow conversion (%)	**58.5%**	56.0%

Underlying cash tax rate	2023 £m	2022 £m
Tax received	**25**	31
Tax paid	**(466)**	(363)
Net tax paid	**(441)**	(332)
Underlying profit before tax	**1,986**	1,490
Underlying cash tax rate (%)	**22.2%**	22.3%

Business growth

Net new business	2023 £m	2022 £m
New business less lost business	**1,205**	1,398
Prior year organic revenue	**26,087**	18,617
Net new business (%)	**4.6%**	7.5%

35 Exchange rates

Average rates are used to translate the income statement and cash flow statement. Closing rates are used to translate the balance sheet. Only the most significant currencies are shown.

	2023	2022
Average exchange rate for the year		
Australian dollar	**1.84**	1.80
Brazilian real	**6.22**	6.72
Canadian dollar	**1.65**	1.64
Euro	**1.15**	1.18
Japanese yen	**171.13**	158.27
Turkish lira	**26.28**	18.45
UAE dirham	**4.49**	4.70
US dollar	**1.22**	1.28
Closing exchange rate at 30 September		
Australian dollar	**1.89**	1.74
Brazilian real	**6.11**	6.04
Canadian dollar	**1.65**	1.53
Euro	**1.15**	1.14
Japanese yen	**182.14**	161.58
Turkish lira	**33.46**	20.69
UAE dirham	**4.48**	4.10
US dollar	**1.22**	1.12

36 Details of related undertakings of Compass Group PLC

Principal subsidiaries	Principal activities
Country of Incorporation: Australia	
Ground Floor 35 – 51 Mitchell Street, McMahons Point, NSW 2060, Australia	
Compass Group (Australia) Pty Limited	Food and support services
Country of Incorporation: Belgium	
1831 Diegem, Hermeslaan 1H, Belgium	
Compass Group Belgium NV	Food services
Country of Incorporation: Brazil	
Rua Werner Von Siemens 111, Building 11 (Tower A), Floor 15, Suite 151, Lapa de Baixo, 05.069-900, Brazil	
GR Serviços e Alimentação Ltda.	Food and support services
Country of Incorporation: Canada	
1 Prologis Boulevard, Suite 400, Mississauga, Ontario L5W 0G2, Canada	
Compass Group Canada Ltd. Groupe Compass Canada Ltée (iii)(iv)(v)(vi)(viii)	Food and support services
Country of Incorporation: Chile	
Av. Las Condes 11.774, 7th floor, Vitacura, Santiago, Chile	
Compass Catering Y Servicios Chile Limitada	Food and support services
Country of Incorporation: Denmark	
Rued Langgards Vej 8, 1. sal, 2300 København S, DK, Denmark	
Compass Group Danmark A/S	Food services
Country of Incorporation: Finland	
P.O. Box 210, FI-00281 Helsinki, Finland	
Compass Group Finland Oy	Food services
Country of Incorporation: France	
123 Avenue de la République – Hall A, 92320 Châtillon, France	
Compass Group France Holdings SAS	Holding company
Compass Group France SAS	Food and support services
Country of Incorporation: Germany	
Helfmann-Park 2, 65760, Eschborn, Germany	
Compass Group Deutschland GmbH	Holding company
Eurest Deutschland GmbH	Food service to business and industry
Eurest Services GmbH	Support services to business and industry
Country of Incorporation: Italy	
Via Angelo Scarsellini, 14, 20161, Milano, Italy	
Compass Group Italia S.p.A.	Food and support services
Country of Incorporation: Japan	
Hamarikyu Kensetsu Plaza, 5-5-12, Tsukiji, Chuo-ku, Tokyo 104-0045, Japan	
Compass Group Japan Inc.	Food and support services
Country of Incorporation: Netherlands	
Haaksbergweg 70, 1101 DZ, Amsterdam, Netherlands	
Compass Group International B.V.	Holding company
Compass Group Nederland B.V.	Food and support services
Compass Group Nederland Holding B.V.	Holding company
Country of Incorporation: Norway	
Drengsrudbekken 12, 1383, PO Box 74, NO-1371, Asker, Norway	
Compass Holding Norge AS	Holding company
Country of Incorporation: Spain	
Calle Pinar de San José 98 planta 1ª 28054 Madrid, Spain	
Eurest Colectividades S.L.U.	Food and support services
Country of Incorporation: Sweden	
Box 1183, 171 23 Solna, Stockholm, Sweden	
Compass Group Sweden AB	Holding company
Country of Incorporation: Switzerland	
Oberfeldstrasse 14, 8302, Kloten, Switzerland	
Compass Group (Schweiz) AG	Food and support services
Restorama AG	Food service
Country of Incorporation: Türkiye	
Ünalan Mah. Libadiye Cad. Emaar Square Sit. F Blok No:82F/77 Üsküdar Istanbul, Türkiye	
Sofra Yemek Üretim Ve Hizmet A.Ş. (iii)	Food and support services
Country of Incorporation: UK	
Parklands Court, 24 Parklands, Birmingham Great Park, Rubery, Birmingham, B45 9PZ, UK	
Compass Contract Services (U.K.) Limited	Food and support services
Compass Group, UK and Ireland Limited	Holding company
Foodbuy Europe Limited (iii)(iv)	Client procurement services management in the UK
Compass House, Guildford Street, Chertsey, Surrey, KT16 9BQ, UK	
Compass Group Holdings PLC (i)(iii)	Holding company and corporate activities
Hospitality Holdings Limited (i)	Intermediate holding company
Country of Incorporation: US	
2710 Gateway Oaks Drive, Suite 150N, Sacramento, CA 95833-3505, US	
Bon Appétit Management Co. (viii)	Food service
251 Little Falls Drive, Wilmington, DE 19808, US	
Compass Group USA Investments Inc.	Holding company
Compass Group USA, Inc. (viii)	Food and support services
Crothall Services Group	Support services to the healthcare market
Foodbuy, LLC	Purchasing services in North America
Restaurant Associates Corp.	Fine dining facilities
80 State Street, Albany, NY 12207-2543, US	
Flik International Corp.	Fine dining facilities
801 Adlai Stevenson Drive, Springfield, IL 62703, US	
Levy Restaurants Limited Partnership	Fine dining and food service at sports and entertainment facilities
2 Sun Court, Suite 400, Peachtree Corners, GA 30092, US	
Morrison Management Specialists, Inc. (viii)	Food service to the healthcare and senior living market

Notes to the consolidated financial statements for the year ended 30 September 2023 continued

36 Details of related undertakings of Compass Group PLC continued

Other wholly owned subsidiaries

Country of Incorporation: Algeria

Eurojapan Résidence No.23, RN n°3 BP 398, Hassi Messaoud, Algeria

Eurest Algerie SPA

Country of Incorporation: Angola

Condominio Dolce Vita, Via S8, Edifício 1D, Fração A & B, 2º andar, Talatona, Município de Belas, Luanda, República de Angola

Express Support Services, Limitada

Country of Incorporation: Argentina

Esteban Echeverría 1050, 6th floor, Vicente Lopez (1602), Buenos Aires, Argentina

Servicios Compass de Argentina S.A.

Country of Incorporation: Australia

Ground Floor 35 – 51 Mitchell Street, McMahons Point, NSW 2060, Australia

28 Villages Pty Ltd

Compass (Australia) Catering & Services PTY Ltd (iii)(iv)

Compass Group B&I Hospitality Services PTY Ltd

Compass Group Defence Hospitality Services PTY Ltd

Compass Group Education Hospitality Services PTY Ltd

Compass Group Healthcare Hospitality Services PTY Ltd

Compass Group Health Services Pty Ltd

Compass Group Management Services PTY Ltd

Compass Group Relief Hospitality Services PTY Ltd

Compass Group Remote Hospitality Services PTY Ltd

Delta Facilities Management PTY Ltd

Delta FM Australia PTY Ltd

Eurest (Australia) Food Services PTY Ltd

Eurest (Australia) PTY Ltd

Foodbuy Pty Ltd

HEC Hospitality Services Pty Ltd

Omega Security Services PTY Ltd

Village Hospitality Holdings Pty Ltd

Village Hospitality Services Pty Ltd

Country of Incorporation: Austria

IZD Tower, Wagramer Strasse 19/4. Stock, 1220 Wien, Austria

Compass Group Austria Holdings One GmbH

Compass Group Austria Holdings Two GmbH

Eurest Restaurationsbetriebsgesellschaft m.b.H

Kunz Gebäudereinigung GmbH

Country of Incorporation: Belgium

1831 Diegem, Hermeslaan 1H, Belgium

Compass Group Service Solutions NV

F.L.R. Holding NV (ii)

Xandrion Belgie BV

Boomseseenweg 28, 2627 Schelle, Belgium

J&M Catering Services NV

Flinckheuvel BV

Silverspoon BV

Gemeentepark 5, 2930 Brasschaat, Belgium

Kasteel Van Brasschaat NV

Country of Incorporation: Brazil

Rua Werner Von Siemens 111, Building 11 (Tower A), Floor 15, Suite 152, Lapa de Baixo, 05.069-900, Brazil

Clean Mall Serviços Ltda.

Foodbuy Alimentos Sociedade Unipessoal Ltda.

Rua Werner Von Siemens, 111, Building 11 (Tower A), mezzanine, Lapa de Baixo, 05.069-900, Brazil

GR Manutenção e Facilites Sociedade Unipessoal Ltda.

Rua Werner Von Siemens 111, Building 11 (Tower A), Floor 15, Suite 151 - parte, Lapa de Baixo, 05.069-900, Brazil

GRSA Serviços LTDA.

Other wholly owned subsidiaries

Country of Incorporation: British Virgin Islands

Craigmuir Chambers, PO Box 71, Roadtown, Tortola, VG1110, British Virgin Islands

Compass Group Holdings (BVI) Limited

Country of Incorporation: Cambodia

c/o Action Group Ltd., No.12, Street 614, Sangkat Boeung Kok II, Khan Tuol Kork, Phnom Penh City, Cambodia

Compass Group (Cambodia) Co. Ltd. (ii)

Country of Incorporation: Cameroon

100, Rue n° 1044 Hydrocarbures, Bonapriso, BP 5767, Douala, Cameroon

Eurest Cameroun SARL (ii)

Eurest Camp Logistics Cameroun SARL (ii)

Country of Incorporation: Canada

12 Kodiak Crescent, Toronto, Ontario, M3J 3G5, Canada

Imperial Coffee and Services Inc. (iii)(iv)(v)

1 Prologis Boulevard, Suite 400, Mississauga, Ontario L5W 0G2, Canada

Canteen of Canada Limited (iii)

Compass Canada Support Services Ltd (iii)(iv)(v)(vi)(viii)

Compass Group Canada Operations Ltd (iii)

Umbrel Hospitality Group Inc. (iii)

1600-421 7 AVE SW, Calgary, Alberta T2P 4K9, Canada

McMurray Coin Machines (1983) Ltd.

1969 Upper Water Street, Purdy's Wharf Tower II, Suite 1300, Halifax, Nova Scotia B3J 3R7, Canada

Crothall Services Canada Inc. (iii)(iv)

5B rue De Montgolfier, Boucherville, Québec, J4B 8C4, Canada

Caf-Caf Inc. (iii)(iv)(v)(vi)

1959 Upper Water Street, Suite 1100, Halifax, Nova Scotia, B3J 3E5, Canada

East Coast Catering (NS) Limited (iii)

30 Queen's Road, St. John's, Newfoundland and Labrador, A1C 2A5, Canada

East Coast Catering Limited (iii)(iv)(viii)(v)

Long Harbour Catering Limited Partnership (x)

Long Harbour Catering Limited (iii)(viii)

421 7th Avenue SW, Suite 1600, Calgary, Alberta, T2P 4K9, Canada

Great West Catering Ltd. (iii)

Tamarack Catering Ltd. (iii)

2580 Rue Dollard, Lasalle, Quebec, H8N 1T2, Canada

Groupe Compass (Québec) Ltée (iii)(iv)(v)(vi)(viii)

550 Burrard Street, Suite 2300, Bentall 5, P.O. Box 30, Vancouver, British Columbia, V6C 2B5, Canada

Town Square Food Services Ltd. (iii)

Country of Incorporation: Chile

Av. Las Condes 11.774, 7th floor, Vitacura, Santiago, Chile

Cadelsur S.A.

Compass Catering S.A.

Compass Servicios S.A.

Scolarest S.A.

Country of Incorporation: China

Room 501 (namely Room 601), Building 2, No. 317, Longwen Road, Xuhui District, Shanghai 200232, China

Compass (China) Management Services Company Limited

Room 503 (namely Room 603), Building 2, No. 317, Longwen Road, Xuhui District, Shanghai 200232, China

Shanghai Eurest Food Technologies Service Co., Ltd.

Country of Incorporation: Colombia

Calle 98#11B – 29 Bogotá - Colombia

Compass Group Services Colombia S.A.

Other wholly owned subsidiaries

Country of Incorporation: Congo

Enceinte de Brometo Centre Ville, BP 5208, Pointe-Noire, The Democratic Republic of the Congo

Eurest Services Congo SARL (ii)

Country of Incorporation: Cyprus

195, Arch. Makariou III Avenue, Neocleous House, 3030 Limassol, Cyprus

ESS Design & Build Ltd (ii)

Eurest Support Services (Cyprus) International Ltd

Country of Incorporation: France

123 Avenue de la République – Hall A, 92320 Châtillon, France

Academie Formation Groupe Compass SAS

Caterine Restauration SAS

Delisaveurs SAS

Eurest Sports & Loisirs SAS

La Puyfolaise de Restauration SAS

Levy Restaurants France SAS

Mediance SAS

Memonett SAS

Servirest SAS

SHRM Angola SAS (ii)

Société Nouvelle Lecocq SAS

Sud Est Traiteur SAS

Rue des Artisans, ZA de Bel Air, 12000 Rodez, France

Central Restauration Martel (CRM)

Zone Artisanale, 40500 Bas Mauco, France

Culinaire Des Pays de L'Adour SAS

40, Bd de Dunkerque, 13002 Marseille, France

Société International D'Assistance SA (ii)

Lieu Dit la Prade, 81580 Soual, France

Occitanie Restauration SAS

3 rue Camille Claudel Atlanparc Bat.M, Zone Kerluherne, CS 20043, 56890 Plescop, France

Oceane de Restauration SAS

Rue Eugène Sué, Zone Industrielle de Blanzat, 03100 Montluçon, France

Sogirest SAS

Country of Incorporation: Gabon

ZONE OPRAG, (Face á Bernabé Nouveau Port), BP 1292, Port Gentil, Gabon

Eurest Support Services Gabon SA (ii)

Country of Incorporation: Germany

Adolphsplatz 1, 20457 Hamburg, Germany

Maison van den Boer Deutschland GmbH

Helfmann-Park 2, 65760, Eschborn, Germany

Compass Group GmbH

Eurest Süd GmbH

Food affairs GmbH

Foodbuy CE GmbH

Kanne Café GmbH

Medirest GmbH

MU Catering Bremen GmbH

Royal Business Restaurants GmbH

S.B. Verwaltungs GmbH

Kallstadter Str. 1, 68309 Mannheim, Germany

Eurest Mannheim GmbH

Konrad-Zuse-Platz 2, 81829 München, Germany

Leonardi HPM GmbH

Leonardi GmbH & Co. KG

Leonardi Kaffee neu entdecken GmbH & Co. KG

Leonardi SVM GmbH

Levy Restaurants GmbH

Sankt-Florian-Weg 1, 30880, Laatzen, Germany

orgaMed Betriebsgesellschaft für Zentralsterilisationen GmbH

PLURAL Gebäudemanagement GmbH

PLURAL Personalservice GmbH

PLURAL Servicepool GmbH

Pfaffenwiese, 65929 Frankfurt/M., Germany

LPS Event Gastronomie GmbH

36 Details of related undertakings of Compass Group PLC continued

Other wholly owned subsidiaries

Country of Incorporation: Guernsey

PO Box 119, Martello Court, Admiral Park, St Peter Port, GY1 3HB, Guernsey

Compass Group Finance Ltd

Country of Incorporation: Hong Kong

Room 805, 8/F, New Kowloon Plaza, 38 Tai Kok Tsui Road, Kowloon, Hong Kong

Compass Group Hong Kong Ltd

Encore Catering Ltd

Shing Hin Catering Group Ltd

Country of Incorporation: India

7th Floor, Tower B, Spaze I - Tech Park, Sector 49, Sohna Road, Gurgaon – 122018, India

Compass Group (India) Private Limited

Compass India Food Services Private Limited

Country of Incorporation: Ireland

3rd Floor, 43a, Yeats Way, Parkwest Business Park, Dublin 12, Ireland

Amstel Limited [ii]

Catering Management Ireland Limited [ii]

Cheyenne Limited [ii]

Compass Catering Services, Ireland Limited

COH Ireland Investments Unlimited Company [viii][ix]

Drumburgh Limited [ii]

Fitzers Catering Events, Venue & Location Catering Limited

Fitzers Catering Limited

Management Catering Services Limited

National Catering Limited [ii]

Rushmore Investment Company Limited [ii][viii]

Sutcliffe Ireland Limited

Zadca Limited [ii]

Unit 3, Northwest Business Park, Blanchardstown, Dublin 15, Ireland

Glanmore Foods Limited

Country of Incorporation: Isle of Man

Tower House, Loch Promenade, Douglas, IM1 2LZ, Isle of Man

Queen's Wharf Insurance Services Limited [viii]

Country of Incorporation: Japan

Hamarikyu Kensetsu Plaza, 5-5-12, Tsukiji, Chuo-ku, Tokyo 104-0045, Japan

Fuyo, Inc.

Country of Incorporation: Jersey

44 Esplanade, St Helier, JE4 9WG, Jersey

Malakand Unlimited [i]

Country of Incorporation: Kazakhstan

060011, Atyrauskaya Oblast, Atyrau City, Beibarys Sultan Avenue 506, Kazakhstan

Compass Kazakhstan LLP

Eurest Support Services Kazakhstan LLP [ii]

ESS Support Services LLP

Country of Incorporation: Kenya

209/8919 Sigma Road Off Enterprises Road, PO BOX 14 662, Nairobi, Kenya

Kenya Oilfield Services Ltd [ii]

Country of Incorporation: Luxembourg

1-5 rue de l'Innovation, L-1896 Kockelscheuer, Luxembourg

Eurest Luxembourg S.A.

IMMO Capellen S.A.

Innoclean S.A.

Novelia Senior Services S.A.

Other wholly owned subsidiaries

Country of Incorporation: Malaysia

Level 21, Suite 21.01, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia

Compass Group Malaysia Sdn Bhd

50-8-1, TKT.8, Wsima UOA Damansara, 50 Jalan. Dungun, Damansara Heights, Kuala Lumpur, 50490, Malaysia

S.H.R.M. Sdn. Bhd. [ii]

Country of Incorporation: Mexico

Calle Jaime Balmes 11, Oficina 101 letra D, Colonia Los Morales Polanco, Alcaldía Miguel Hidalgo, 11510 Ciudad de México, Mexico

Compass México Servicios de Soporte, S.A. De C.V. [iii][iv]

Eurest Proper Meals de Mexico S.A. de C.V. [iii][iv]

Servicios Corporativos Eurest-Proper Meals de Mexico S.A. De C.V. [iii][iv]

251 Little Falls Drive, Wilmington, DE 19808, USA

Food Works of Mexico, S. de R.L. de C.V. [ii][iii][iv]

Food Works Services of Mexico, S. de R.L. De C.V. [ii][iii][iv]

Country of Incorporation: Netherlands

Haaksbergweg 70, 1101 BZ, Amsterdam, Netherlands

CGI Holdings (2) B.V.

Compass Group Finance Netherlands B.V.

Compass Group Holding B.V.

Compass Group International 2 B.V.

Compass Group International 3 B.V.

Compass Group International 4 B.V.

Compass Group International 5 B.V.

Compass Group International 9 B.V.

Compass Group International Finance 1 B.V.

Compass Group International Finance 2 B.V.

Compass Group Vending Holding B.V.

Compass Hotels Chertsey B.V.

Eurest Services B.V.

Middenweg 168e, 1782BL Den Helder, Netherlands

Eurest Support Services (ESS) B.V.

De Amert 207, 5462GH, Veghel, Netherlands

Maison van den Boer B.V.

Luzernestraat 57, 2153 GM, Nieuw-Vennep, Netherlands

Famous Flavours B.V. [viii]

Stationsweg 95, 6711 PM Ede, Netherlands

Xandrion B.V.

Country of Incorporation: New Caledonia

85 Avenue du Général de Gaulle, Immeuble Carcopino 3000, BP 2353, 98846 Nouméa Cedex, New Caledonia

Eurest Caledonie SARL [ii]

Country of Incorporation: New Zealand

Level 3, 7-11 Kenwyn Street, Parnell, Auckland, 1052, New Zealand

Compass Group New Zealand Limited

Crothall Services Group Limited [ii]

Eurest NZ Limited [ii]

Other wholly owned subsidiaries

Country of Incorporation: Norway

Drengsrudbekken 12, 1383, PO Box 74, NO-1371, Asker, Norway

Compass Group Norge AS [iii]

Forusparken 2, 4031 Stavanger, Postboks 8083 Stavanger Postterminal, 4068, Stavanger, Norway

ESS Mobile Offshore Units AS

ESS Support Services AS

Country of Incorporation: Papua New Guinea

c/o Warner Shand Lawyers Waigani, Level 1 RH Hypermarket, Allotment 1 Section 479 (off Kennedy Road), Gordons NCD, Papua New Guinea

Eurest (PNG) Catering & Services Ltd [ii]

Country of Incorporation: Philippines

Unit 2410 24th flr, City & Land Mega Plaza, ADB Ave., Ortigas Ctr., San Antonio, Pasig City 1605, Philippines

Compass Group Philippines Inc [ii]

Country of Incorporation: Poland

Ul. Olbrachta 94, 01-102 Warszawa, Poland

Compass Group Poland Sp. Z o.o.

Country of Incorporation: Portugal

Edíficio Prime, Avenida da, Quinta Grande, 53-60, Alfragide 2614-521 Amadora, Portugal

Eurest (Portugal) – Sociedade Europeia de Restaurantes, Lda.

Eurest Catering & Services Group Portugal, Lda.

Country of Incorporation: Singapore

82 Ubi Avenue 4, #07-03 Edward Boustead Centre, 408832, Singapore

Compass Group (Singapore) PTE Ltd [iii][iv]

8 Marina Boulevard, # 05-02, Marina Bay Financial Centre, 018981, Singapore

Compass Group Asia Pacific PTE. Ltd [ii]

Country of Incorporation: Spain

Calle Frederic Mompou 5, planta 5a, Edificio Euro 3, 08960, San Just Desvern, Barcelona, Spain

Asistentes Escolares, S.L.

Eurest Catalunya, S.L.U.

Medirest Social Residencias, S.L.U.

Calle Castilla 8-10 – C.P. 50.009, Zaragoza, Spain

Servicios Renovados de Alimentacion, S.A.U.

Calle Pinar de San José 98, Planta 1a, 28054, Madrid, Spain

Eurest Parques, S.L.U.

Eurest Servicios Feriales, S.L.U.

Poligono Ugaldeguren 1, Parcela 7, 48160 Derio (Vizcaya), Spain

Eurest Euskadi S.L.U.

Calle R, s/n, Mercapalma, 07007 Palma de Mallorca, Baleares, Spain

Compass Group Holdings Spain, S.L.U.

Levy Compass Group Holdings, S.L. [ii]

Country of Incorporation: Sweden

Box 1183, 171 23 Solna, Stockholm, Sweden

Compass Group AB

c/o Deloitte AB, 113 79, Stockholm, Sweden

Compass Group FS Sweden AB [ii]

Notes to the consolidated financial statements for the year ended 30 September 2023 continued

36 Details of related undertakings of Compass Group PLC continued

Other wholly owned subsidiaries

Country of Incorporation: Switzerland

c/o BDO AG, Industriestrasse 53 6312 Steinhausen, Switzerland

Creative New Food Dream Steam GmbH

Gwattstrasse 8, 3185 Schmitten FR, Switzerland

Sevita Group GmbH

Country of Incorporation: Türkiye

Ünalan Mah. Libadiye Cad. Emaar Square Sit. F Blok No:82F/73 Üsküdar Istanbul, Türkiye

Euroserve Gűvenlik A.Ş.

Ünalan Mah. Libadiye Cad. Emaar Square Sit. F Blok No:82F/78 Üsküdar Istanbul, Türkiye

Euroserve Hizmet ve işletmecilik A.Ş.

Ünalan Mah. Libadiye Cad. Emaar Square Sit. F Blok No:82F/74 Üsküdar Istanbul, Türkiye

Turkaş Gıda Hizmet ve İşletmecilik A.Ş.

Country of Incorporation: UAE

Dubai Airport Free Zone, Dubai, United Arab Emirates

Compass Camea FZE

Country of Incorporation: UK

Parklands Court, 24 Parklands, Birmingham Great Park, Rubery, Birmingham, B45 9PZ, UK

14Forty Limited (ii)
3 Gates Services Limited (ii)
A.C.M.S. Limited (ii)
Air Publishing Limited
Bateman Catering Limited (ii)(vii)
Bateman Healthcare Services Limited (ii)
Baxter and Platts Limited (iii)(iv)(v)
Bromwich Catering Limited (ii)
Business Clean Limited (ii)
Capitol Catering Management Services Limited
Carlton Catering Partnership Limited (ii)(iii)
Castle Independent Limited (ii)
Cataforce Limited (ii)
Caterexchange Limited (ii)
Caterskill Group Limited (ii)
Caterskill Management Limited (ii)
Chalk Catering Ltd (ii)
Chartwells Hounslow (Feeding Futures) Limited (iii)(iv)
Chartwells Limited (ii)
Circadia Limited (ii)
Cleaning Support Services Limited (ii)
Compass Accounting Services Limited (ii)
Compass Catering Services Limited (ii)
Compass Cleaning Services Limited (ii)
Compass Contract Services Limited (ii)
Compass Contracts UK Limited (ii)(viii)
Compass Experience Limited (ii)(vii)
Compass Food Services Limited
Compass Group Medical Benefits Limited (ii)
Compass Mobile Catering Limited (ii)
Compass Office Cleaning Services Limited (ii)
Compass Payroll Services Limited (ii)
Compass Planning and Design Limited (ii)
Compass Purchasing Limited
Compass Road Services Limited (ii)
Compass Security Limited (ii)(vii)
Compass Security Oldco Group Limited (ii)
Compass Security Oldco Holdings Limited (ii)
Compass Security Oldco Investments Limited (ii)
Compass Services (Midlands) Limited (ii)
Compass Services for Hospitals Limited (ii)(viii)
Compass Services Group Limited (ii)
Compass Services Limited (ii)
Compass Services Trading Limited (ii)
Compass Services, UK and Ireland Limited
Compass Services (U.K.) Limited
Compass Staff Services Limited (ii)
Cookie Jar Limited (ii)
CRBS Resourcing Limited (ii)
CRN 1990 (Four) Limited (ii)
Customised Contract Catering Limited (ii)
Cygnet Food Holdings Limited (ii)
Cygnet Foods Limited
Dine Contract Catering Limited
DRE Developments Limited (ii)
E-Foods Limited
Eat Dot Limited (ii)(iii)
Eaton Catering Limited (ii)
Eaton Wine Bars Limited (ii)
EF Group Ltd (iii)(iv)
Equinoxe Solutions Limited
Eurest Airport Services Limited (ii)
Eurest Defence Support Services Limited (ii)
Eurest Offshore Support Services Limited (ii)(viii)
Eurest Prison Support Services Limited (ii)
Eurest UK Limited (ii)
Everson Hewett Limited (ii)(iii)(iv)
Facilities Management Catering Limited (ii)
Fads Catering Limited (ii)
Fairfield Catering Company Limited (ii)
Fingerprint Managed Services Limited (ii)
Funpark Caterers Limited (ii)(iii)
Goodfellows Catering Management Services Limited (ii)
Gruppo Events Limited (ii)
Hallmark Catering Management Limited (ii)
Hamard Catering Management Services Limited (ii)(vii)
Hamard Group Limited (ii)
Henry Higgins Limited (ii)
Hospital Hygiene Services Limited (ii)
Integrated Cleaning Management Limited
Integrated Cleaning Management Support Services Limited
Keith Prowse Limited (ii)
Kennedy Brookes Finance Limited (ii)
Knott Hotels Company of London (ii)
Langston Scott Limited (ii)
Leisure Support Services Limited (iii)(iv)
Leith's Limited (ii)
Letheby & Christopher Limited (ii)
Meal Service Company Limited (ii)
Milburns Catering Contracts Limited (ii)
Milburns Limited (ii)
Milburns Restaurants Limited (ii)(iii)
National Leisure Catering Limited (ii)
NLC (Holdings) Limited (ii)
NLC (Wembley) Limited (ii)
P & C Morris (Catering) Ltd (ii)(vii)
P & C Morris Catering Group Limited (ii)
Payne & Gunter Limited (ii)
Pennine Services Limited (ii)
Peter Parfitt Leisure Overseas Travel Limited (ii)
Peter Parfitt Sport Limited (ii)(vii)
PPP Infrastructure Management Limited
Prideoak Limited (ii)
QCL Limited (ii)
Regency Purchasing Group Limited (iii)(iv)(v)(vi)
Regency Technologies Ltd (iii)(iv)
Reliable Refreshments Limited
Rhine Four Limited (ii)(vii)
Rocket Food Ltd (iii)
Roux Fine Dining Limited (ii)
Scolarest Limited (ii)
Security Office Cleaners Limited (ii)
Selkirk House (CVH) Limited (ii)
Selkirk House (FP) Limited (ii)(iii)(iv)(v)
Selkirk House (GHPL) Limited (ii)(viii)
Selkirk House (GTP) Limited (ii)
Selkirk House (WBRK) Limited
Shaw Catering Company Limited
Ski Class Limited (ii)
Solutions on Systems Ltd (ii)
Summit Catering Limited (ii)
Sunway Contract Services Limited
Sutcliffe Catering Midlands Limited (ii)
Sutcliffe Catering South East Limited (ii)
Sycamore Newco Limited (ii)
The Bateman Catering Organization Limited (ii)(viii)
The Cuisine Centre Limited (ii)
THF Oil Limited (ii)
Tunco (1999) 103 Limited (ii)
Vendepac Holdings Limited (viii)
Vivo Markets Ltd
Waseley Fifteen Limited (ii)
Waseley Nominees Limited (ii)
Wembley Sports Arena Limited (ii)
Wheeler's Restaurants Limited (ii)(vii)
Woodin & Johns Limited (ii)

Compass House, Guildford Street, Chertsey, Surrey, KT16 9BQ, UK

Audrey (London) Limited (ii)
Audrey Investments Limited (ii)
Bateman Services Limited (ii)
Compass Group Finance No.2 Limited (i)
Compass Group Finance No.3 Limited
Compass Group Finance No.4 Limited (i)(iii)(iv)(viii)
Compass Group Finance No.5 Limited (i)(ii)(xi)
Compass Group North America Investments No.2
Compass Group North America Investments Limited
Compass Group Pension Trustee Company Limited (ii)
Compass Group Procurement Limited
Compass Group Trustees Limited (ii)
Compass Healthcare Group Limited (ii)(viii)
Compass Hotels Chertsey (iii)
Compass Nominee Company Number Fourteen Limited (ii)
Compass Overseas Holdings Limited
Compass Overseas Holdings No.2 Limited
Compass Overseas Services Limited (ii)
Compass Pension Trustees Limited (ii)
Compass Quest Limited (ii)
Compass Secretaries Limited (ii)
Compass Site Services Limited (ii)(vii)
Compass UK Pension Trustee Co Limited (ii)
Crisp Trustees Limited (ii)
Meritglen Limited (ii)(vii)(viii)
Nextonline Limited (iii)(iv)
Sevita (UK) Limited
The Compass Group Foundation
The Excelsior Insurance Company Limited

Suite D, Pavilion 7 Kingshill Park, Venture Drive, Arnhill Business Park, Westhill, Aberdeenshire, AB32 6FL, UK

CCG (UK) Ltd (ii)
Coffee Partners Limited (ii)
Compass Offshore Catering Limited (ii)(viii)
Compass Scottish Site Services Limited (ii)
Waseley (CVI) Limited (ii)
Waseley (CVS) Limited (ii)

1st Floor, 12 Cromac Quay, Cromac Wood, Belfast, Northern Ireland, BT7 2JD, UK

Lough Erne Holiday Village Limited (ii)

36 Details of related undertakings of Compass Group PLC continued

Other wholly owned subsidiaries

Country of Incorporation: US

2710 Gateway Oaks Drive, Suite 150N, Sacramento, CA 95833-3505, US

Bon Appétit Management Company Foundation
CulinArt of California, Inc.
H&H Catering, L.P.

211 E. 7th Street, Suite 620, Austin, TX 78701-3218, US

Bamco Restaurants of Texas LLC
Levy Premium Foodservice, L.L.C. (ii)
Levy Texas Beverages, LLC
Morrison's Health Care of Texas, Inc.
University Food Services, Inc.
Wolfgang Puck Catering & Events of Texas, LLC

2345 Rice Street, Suite 230, Roseville, MN 55113, US

Canteen One, LLC
Street Eats Limited

84 State Street, Boston, MA 02109, US

Fame Food Management Inc.
The Food Management Enterprise Corporation

7 St. Paul Street, Suite 820, Baltimore, MD 21202, US

Levy Baltimore, LLC

251 Little Falls Drive, Wilmington, DE 19808, US

A.Anthony, LLC
BenchWorks, Inc.
Bleuxus LLC
BlueStar Refreshment Services, LLC
CCL Hospitality Group, LLC
CG Analytics Consulting, LLC
CLS Par, LLC
Collective 52, LLC
Compass LATAM Corp.
Compass LCS, LLC
Compass LV, LLC
Compass Paramount, LLC
Concierge Consulting Services, LLC
Convenience Foods International, Inc.
Coreworks, LLC
Corporate Essentials LLC
Crothall Healthcare Inc.
Eat Cloud LLC
Eurest Services, Inc.
Facilities Holdings, LLC
Flik One, LLC
Fresh & Ready Foods LLC
HC Foods, LLC
Levy Oklahoma, Inc.
Levy Prom Golf, LLC
Morrison Investment Company, Inc.
National Produce Consultants, LLC f/k/a/ National Produce FB, LLC
RAC Holdings Corp. (iii)
Rank + Rally, LLC
Restaurant Services I, LLC
S-82 LLC
SpenDifference LLC
Touchpoint Support Services, LLC
Unidine Corporation
Unidine Lifestyles, LLC
Unidine Nevada, LLC
University Food Services, LLC
Wolfgang Puck Catering and Events, LLC
WPL, LLC
Yorkmont Four, Inc.

Other wholly owned subsidiaries

801 Adlai Stevenson Drive, Springfield, IL 62703, US

E15, LLC
Levy (Events) Limited Partnership
Levy (IP) Limited Partnership
Levy Food Service Limited Partnership
Levy GP Corporation
Levy Holdings GP, Inc.
Levy Illinois Limited Partnership
Levy Premium Foodservice Limited Partnership
Levy R & H Limited Partnership
Levy World Limited Partnership
Professional Sports Catering, LLC
Restaurant One Limited Partnership
RT Wholesale, LLC
Superior Limited Partnership

508 Meeting Street, West Columbia, SC 29169, US

CGSC Capital, Inc.

450 Laurel Street, 8th Floor, Baton Rouge, LA 70801, US

Coastal Food Service, Inc.
S.H.R.M. Catering Services, Inc.

80 State Street, Albany, NY 12207-2543, US

CulinArt Group, Inc.
CulinArt, Inc.
Mazzone Hospitality, LLC
Quality Food Management, Inc.
RA Tennis Corp.
RANYST, Inc.
Restaurant Associates LLC
Restaurant Associates, Inc.
Restaurant Services Inc.

2626 Glenwood Avenue, Suite 550, Raleigh, NC 27608, US

Compass 2K12 Services, LLC
Compass HE Services, LLC
Compass One, LLC
Compass Two, LLC
Strategic Dining Services, LLC
Waveguide LLC

2595 Interstate Drive, Suite 103, Harrisburg, PA 17110, US

Crothall Facilities Management, Inc.
Custom Management Corporation of Pennsylvania
Morrison's Custom Management Corporation of Pennsylvania
Newport Food Service, Inc.
Williamson Hospitality Services, Inc.

3366 Riverside Drive, Suite 103, Upper Arlington, OH 43221, US

Cuyahoga Dining Services, Inc.

40 Technology Pkwy South, #300, Norcross, GA 30092, US

Food Services Management By Mgr, LLC
Morrison Alumni Association, Inc.
The M-Power Foundation, Inc.

221 Bolivar Street, Jefferson City, MO 65101, US

Dynamic Vending, Inc.
Fresh Ideas Management, LLC

Princeton South Corporate Ctr, Suite 160, 100 Charles Ewing Blvd, Ewing, NJ 08628, US

Gourmet Dining, LLC

MC-CSC1 300 Deschutes Way SW, Suite 208, Tumwater, WA 98501, US

BlueStar Refreshment Services Washington, LLC
Inter Pacific Management, Inc.

Other wholly owned subsidiaries

2900 SW Wanamaker Drive, Suite 204, Topeka, KS 66614, US

Levy Kansas, LLC
Myron Green Corporation
PFM Kansas, Inc.
Treat America Limited

8825 N. 23rd Avenue, Suite 100, Phoenix, AZ 85021, US

Prodine, Inc.
Sacco Dining Services, Inc.

2908 Poston Avenue, Nashville, TN 37203, US

Southeast Service Corporation

8585 Old Dairy Road, Suite 208, Juneau, AK 99801, US

Statewide Services, Inc.

600 S, 2nd Street, Suite 155, Bismarck, ND 58504, US

Compass ND, LLC

2 Sun Court, Suite 400, Peachtree Corners, GA 30092, US

Eversource LLC

Notes to the consolidated financial statements for the year ended 30 September 2023 continued

36 Details of related undertakings of Compass Group PLC continued

Other subsidiaries, joint arrangements, memberships, associates and other significant holdings	% Holding
Country of Incorporation: Australia	
Level 3, 12 Newcastle Street, Perth 6000, Australia	
ESS Thalanyji PTY Ltd	60
Country of Incorporation: Canada	
1 Prologis Boulevard, Suite 400, Mississauga, Ontario, L5W 0G2, Canada	
Chef's Hall Inc. (iii)	67
Compass Group Sports and Entertainment – (Quebec) (x)	67
Mercatino Foods Inc. (iii)(iv)	60
ECC – ESS Support Services (x)	50
2265668 Ontario Limited (iii)(iv)(v)(vi)(viii)	49
Amik Catering LP (x)	49
Dease River – ESS Support Services (x)	49
Dene West Limited Partnership (x)	49
ESS – East Arm Camp Services (x)	49
ESS – Kaatodh Camp Services (x)	49
ESS – Loon River Support Services (x)	49
ESS – Mi'kmaq Support Services (x)	49
ESS – Missanabie Cree Support Services (x)	49
ESS – Na Cho Nyak Dun Camp Services (x)	49
ESS – N'deh Support Services (x)	49
ESS – Ochapowace Support Services (x)	49
ESS – Pessamit Camp Services (x)	49
ESS – Wapan Manawan Services de Soutien (x)	49
ESS-CreeQuest Support Services	49
ESS-Nuvumiut Support Services (x)	49
Nuvumiut-ESS Support Services (x)	49
ESS-SDEUM Support Services (x)	49
ESS-White River Support Services	49
ESS Haisla Support Services (x)	49
ESS HLFN Support Services (x)	49
ESS KNRA Support Services (x)	49
ESS Komatik Support Services (x)	49
ESS Liard First Nation Support Services (x)	49
ESS McKenzie Support Services (x)	49
ESS Okanagan Indian Band Support Services (x)	49
ESS Tataskweyak Camp Services (x)	49
ESS/Bushmaster Camp Services (x)	49
ESS/McLeod Lake Indian Band Support Services (x)	49
ESS/Mosakahiken Cree Nation Support Services (x)	49
ESS/Takla Lake Support Services (x)	49
ESS/WEDC Support Services (x)	49
First North Catering (x)	49
Hill Plain - ESS Support Services (x)	49
JCP – ESS Support Services (x)	49
KDM – ESS Support Services (x)	49
Metis Infinity – ESS Support Services	49
Mi'kma'ki Domiculture	49
Mi'Kmaq-ECC Nova Scotia Support Services (x)	49
Nisga'a Village – ESS Support Services (x)	49
Poplar Point Catering (x)	49
Songhees Nation Support Services (x)	49
30 Queen's Road, St. John's, Newfoundland and Labrador, A1C 2A5, Canada	
Labrador Catering Inc. (iii)	49
Labrador Catering LP (x)	49
Clearwater River Dene Nation Reserve No. 222, P.O. Box 5050, Clearwater, Saskatchewan, S0M 3H0, Canada	
Clearwater Catering Limited (iii)(iv)(v)(vi)	49
77 King Street West, No. 400, Toronto, Ontario, M5K 0A1, Canada	
O&B Yonge Richmond LP*	33.4
1600-421 7 AVE SW, Calgary, Alberta T2P 4K9, Canada	
Rimfire Solutions Ltd.	40
Country of Incorporation: Finland	
Keskussairaalantie Opinkivi 2, 40600 Jyväskylä, Finland	
Semma Oy	45
Linnankatu 26 A 41, 20100, Turku, Finland	
Unica Oy	49
Country of Incorporation: France	
Le Puy Du Fou, 85590 Les Epesses, France	
Puy Du Fou Restauration SAS	99.8
Country of Incorporation: Germany	
Steenbeker Weg 25, 24106, Kiel, Germany	
Lubinus – orgaMed Sterilgut GmbH	49
Country of Incorporation: India	
1st Floor, VK Kalyani Commercial Complex, Sankey Rd, Opp: BDA Head Office, Bengaluru, Kamataka, 560020, India	
Bottle Lab Technologies Private Limited	79.55
Nextup Technologies Private Limited	79.55
Country of Incorporation: Japan	
Hamarikyu Kensetsu Plaza, 5-5-12, Tsukiji, Chuo-ku, Tokyo 104-0045, Japan	
Chiyoda Kyushoku Services Co., Ltd	90
5-7-5, Chiyoda, Naka-ku, Nagoya-City, Aichi-Prefecture, 460-0012, Japan	
Seiyo General Food Co., Ltd	50
Country of Incorporation: Kazakhstan	
060011, Atyrauskaya Oblast, Atyrau city, Beibarys Sultan avenue 506, Kazakhstan	
Eurest Support Services Company B LLP (ii)	50
060011, Old Airport Road 64, Atyrau City, Atyrau Oblast, Republic of Kazakhstan	
ESS Kazakhstan LLP	60
Country of Incorporation: Luxembourg	
39 Boulevard Joseph, II L-1840, Luxembourg	
Geria SA	25
Country of Incorporation: Malaysia	
Suite 1301, 13th Floor, City Plaza Jalan Tebrau, 80300 Johor Bahru Johor, Malaysia	
Knusford Compass Sdn. Bhd.	49
Country of Incorporation: Monaco	
1 Avenue Henri Dunant, Palais De La Scala, 3eme, Etage – No 1125, 98000 MC, Monaco	
Eurest Monaco S.A.	99.99
Country of Incorporation: Netherlands	
Haaksbergweg 70, 1101 BZ, Amsterdam, Netherlands	
Compass Group International Finance C.V. (x)	100
Country of Incorporation: Norway	
Okesnoyveien 16, 1366, Lysaker, 1366, Norway	
Forpleiningstjenester AS	33.33
Harbitzalléen 2A, 0275 Oslo, PÅ Box 4148, Sjølyst, 0217 Oslo, Norway	
Gress Gruppen AS	33.33
Country of Incorporation: Papua New Guinea	
c/o Warner Shand Lawyers Waigani, Level 1 RH Hypermarket, Allotment 1 Section 479 (off Kennedy Road), Gordons NCD, Papua New Guinea	
Eurest OKAS Catering Ltd (ii)	55
Eurest Lotic (PNG) JV Ltd (ii)	50
Country of Incorporation: Qatar	
2 Floor, Al Mana Commercial Tower, C-Ring road, Doha, PO BOX 22481, Qatar	
Compass Catering Services WLL	20
Country of Incorporation: Saudi Arabia	
3927, Al Khobar, Street Prince Sultan, Al Jawhara Dist 9618, Saudi Arabia	
Compass Arabia Co. Ltd (LLC)	30
Country of Incorporation: Spain	
Calle Pinar de San José 98, Planta 1a, 28054, Madrid, Spain	
Gourmet on Wheels, S.L.U.	99
Country of Incorporation: UAE	
Office No. 209, Mawilah, Al Sharjah, P O Box: 1897, United Arab Emirates	
ADNH– Compass LLC	50
Abu Dhabi National Hotels Company Building, Sheikh Rashid Bin Saeed Al Maktoum Street, Abu Dhabi, United Arab Emirates	
Abu Dhabi National Hotels Compass Middle East LLC	50
Hotel owned by Emaar Properties, Building No. 1, Parcel ID 392-497, Dubai Marina, United Arab Emirates	
Abu Dhabi National Hotels – Compass Emirates LLC	50
Country of Incorporation: UK	
Parklands Court, 24 Parklands, Birmingham Great Park, Rubery, Birmingham, B45 9PZ, United Kingdom	
Quaglino's Limited (iii)	99
County Ground, Edgbaston, Birmingham, B5 7QU, United Kingdom	
Edgbaston Experience Limited (iii)(iv)	25
67 Shrivenham Hundred Business Park Majors Road, Watchfield, Swindon, Oxfordshire, SN6 8TY, United Kingdom	
Benchmark Designs Limited (iii)	50
Lower Ground 04 Edinburgh House, 154-182 Kennington Lane, London, SE11 5DP, United Kingdom	
Peppermint Events Limited	50
POP (Purveyors of Plenty) Collective Limited	50
Rugby House Twickenham Stadium, 200 Whitton Road, Twickenham, Middlesex, TW2 7BA, United Kingdom	
Twickenham Experience Limited	15.53[1]
The Oval, Kennington, London, SE11 5SS United Kingdom	
Oval Events Holdings Limited (iv)(v)(vi)	37.5
Oval Events Limited (iv)(v)(vi)	37.5
1st Floor 4 Tabernacle Street, London, EC2A 4LU, United Kingdom	
Cucumber Holdings Limited (iii)	33.9
Kerb Berlin Limited (iii)	33.9
Kerb Events Limited (iii)(iv)	33.9
Kerb Group Limited (iii)(v)(vi)	33.9
Kerb Seven Dials Limited (iii)	33.9
Clere House, 3 Chapel Place, London, EC2A 3DQ, United Kingdom	
Kerb Ventures Limited (iii)	33.9

1. As a percentage of nominal value of total share capital in issue.

36 Details of related undertakings of Compass Group PLC continued

Other subsidiaries, joint arrangements, memberships, associates and other significant holdings	% Holding
Country of Incorporation: US	
945 Market Street, San Francisco, CA 94103, US	
Saluhall SF Inc.	33.9
7 St. Paul Street, Suite 820, Baltimore, MD 21202, US	
Bon Appétit Maryland, LLC	99
84 State Street, Boston, MA 02109, US	
Levy Maryland, LLC	74
251 Little Falls Drive, Wilmington, DE 19808, US	
HHP-MMS JV1, LLC	90
HHP-Partner COL, LLC	90
HHP-Partner, LLC	90
MMS JV Holdings, LLC	90
Levy LA Concessions, LLC	62.5
Learfield Levy Foodservice, LLC	50
Parlay Solutions, LLC	50
DIOSS LLC	49
Thompson Facilities Services LLC	49
Thompson Hospitality Services, LLC	49
Chicago Restaurant Partners, LLC	42
1209 Orange St., Wilmington, DE 19801, US	
Link-Age Venture Labs, LLC	30
1090 Vermont Ave N.W., Washington, DC 20005, US	
Seasons Culinary Services, Inc	50.1
2710 Gateway Oaks Drive, Suite 150N, Sacramento, CA 95833-3505, US	
Cosmopolitan Catering, LLC	60
4605 Duke Drive, Suite 110, Mason, OH 45040, US	
Linkage Solutions, LLC	49
980 N. Michigan Ave., Suite 400, Chicago, IL 60611, US	
McCormick Food Service Partners	80
Convention Hospitality Partners	75
Atlanta Sports Catering	50
Orlando Foodservice Partners	50
8585 Old Dairy Road, Suite 208, Juneau, AK 99801, US	
KIJIK/ESS, LLC	80
Statewide/GanaAYoo JV	50
80 State Street, Albany, NY 12207-2543, US	
Hudson Yards Catering, LLC	49
7901 Fourth St. N. STE 300, St. Petersburg, FL 33702, US	
Food Fleet Inc.	25
Corporation Trust Centre, 1209 Orange Street, Wilmington, DE 19801, US	
AEG Venue Management Holdings, LLC	38

Notes
1. Unless otherwise stated, indirectly owned by Compass Group PLC, active status and ordinary shares issued.
2. Unless stated otherwise, 100% owned.
3. In some of the jurisdictions where we operate, share classes are not defined and in these instances, for the purposes of disclosure, we have classified these holdings as ordinary.
4. A number of the companies listed are legacy companies which no longer serve any operational purpose.

Classifications key
(i) Directly owned by Compass Group PLC
(ii) Dormant/non-trading
(iii) A Ordinary shares
(iv) B Ordinary shares
(v) C Ordinary and/or Special shares
(vi) D, E and/or F Ordinary shares
(vii) Deferred shares
(viii) Preference including cumulative, non-cumulative and redeemable shares
(ix) Redeemable shares
(x) No share capital, share of profits
(xi) Limited by guarantee

Parent Company balance sheet at 30 September 2023

Compass Group PLC	Notes	30 September 2023 £m	30 September 2022 £m
Fixed assets			
Investments in subsidiary undertakings	2	**6,714**	1,105
Current assets			
Debtors: amounts falling due within one year	3	**2,034**	2,752
Debtors: amounts falling due after more than one year	3	**5,993**	8,094
Cash at bank and in hand		**434**	1,459
Current assets		**8,461**	12,305
Creditors: amounts falling due within one year			
Creditors: amounts falling due within one year	4	**(9,271)**	(5,928)
Net current (liabilities)/assets		**(810)**	6,377
Total assets less current liabilities			
Total assets less current liabilities		**5,904**	7,482
Creditors: amounts falling due after more than one year			
Creditors: amounts falling due after more than one year	4	**(2,500)**	(3,527)
Provisions		**(3)**	(3)
Net assets		**3,401**	3,952
Equity			
Share capital	6	**198**	198
Share premium		**189**	189
Capital redemption reserve		**295**	295
Own shares reserve		**(1,513)**	(515)
Retained earnings[1]		**4,232**	3,785
Total equity		**3,401**	3,952

1. The Company's profit on ordinary activities after tax was £1,077m (2022: £764m), which includes dividend income of £1,039m (2022: £500m) from an intermediate holding company, Hospitality Holdings Limited.

The accompanying notes form part of these Parent Company financial statements.

Approved by the Board of Directors on 20 November 2023 and signed on its behalf by:

Dominic Blakemore, Director
Palmer Brown, Director

Parent Company statement of changes in equity for the year ended 30 September 2023

Equity	Share capital £m	Share premium £m	Capital redemption reserve £m	Own shares reserve £m	Share-based payment reserve £m	Retained earnings[1] £m	Total £m
At 1 October 2021	198	189	295	–	271	3,125	4,078
Profit for the year	–	–	–	–	–	764	764
Fair value of share-based payments	–	–	–	–	34	–	34
Release of share awards settled in existing shares purchased in the market	–	–	–	–	(4)	–	(4)
Purchase of own shares – share buyback[2]	–	–	–	(502)	–	–	(502)
Transfer[3]	–	–	–	(13)	(301)	314	–
Dividends paid to shareholders[4]	–	–	–	–	–	(418)	(418)
At 30 September 2022	198	189	295	(515)	–	3,785	3,952
Own shares held by the Compass Group PLC All Share Schemes Trust	–	–	–	**(4)**	–	–	**(4)**
Profit for the year	–	–	–	–	–	**1,077**	**1,077**
Fair value of share-based payments	–	–	–	–	–	**44**	**44**
Cost of shares transferred to employees	–	–	–	**26**	–	**(26)**	–
Purchase of own shares – share buyback[2]	–	–	–	**(1,004)**	–	–	**(1,004)**
Purchase of own shares – employee share-based payments	–	–	–	**(16)**	–	–	**(16)**
Dividends paid to shareholders[4]	–	–	–	–	–	**(648)**	**(648)**
At 30 September 2023	**198**	**189**	**295**	**(1,513)**	–	**4,232**	**3,401**

1. The non-distributable portion of retained earnings is £340m at 30 September 2023 (2022: £301m).
2. Including stamp duty and brokers' commission.
3. In 2022, the share-based payments reserve was transferred to retained earnings on the basis that it is more appropriately presented as a component of retained earnings and the value of shares in Compass Group PLC purchased in previous years and held in treasury at 30 September 2022 was transferred from retained earnings to the own shares reserve.
4. Details of dividends paid to equity shareholders are shown in note 8 to the consolidated financial statements.

The accompanying notes form part of these Parent Company financial statements.

Capital redemption reserve

The nominal value of shares in the Company purchased and subsequently cancelled is shown as a reduction in share capital and an equal and opposite transfer to the capital redemption reserve.

Own shares reserve

The own shares reserve represents shares in Compass Group PLC held either in treasury, including transaction costs, or by employee share trusts to satisfy liabilities to employees for long-term incentive plans. Own shares are treated as a deduction to equity until the shares are cancelled, reissued or sold, at which point they are transferred to retained earnings.

The own shares reserve comprises £1,501m in respect of 70,170,859 shares in Compass Group PLC held in treasury and £12m in respect of 573,223 shares in Compass Group PLC held by the Compass Group PLC All Share Schemes Trust (ASST).

The share buyback announced in November 2022 was completed in March 2023, with 13,127,521 shares repurchased during the year for a total price, including transaction costs, of £251m. Transaction costs of £1m were incurred in respect of the 3,447,549 shares repurchased during the year in respect of the completion of the share buyback announced in May 2022.

In May 2023, the Company announced that it was commencing a further share buyback to repurchase up to £750m of its own shares. During the year, 29,736,882 shares were repurchased for a total price, including transaction costs, of £621m, of which £600m was paid in cash during the year. The mandate issued to the broker to purchase the shares was irrevocable at 30 September 2023 and, therefore, a creditor of £131m in respect of the value of the shares not yet purchased has been recognised. The share buyback was completed in November and, in total, 36,094,092 shares were repurchased under the programme for a total price, including transaction costs, of £752m.

The ASST is a discretionary trust for the benefit of employees and the shares held are used to satisfy some of the Group's liabilities to employees for long-term incentive plans. During the year, 800,000 shares in Compass Group PLC were purchased by the ASST and 448,686 shares were released from the ASST to satisfy awards under the Company's long-term incentive plans. At 30 September 2023, the nominal value of the shares in the ASST was £63,341, with a market value of £11m.

No shares have been released from treasury or by the ASST since the end of the financial year to the date of this Report to satisfy awards under the Company's long-term incentive plans.

Notes to the Parent Company financial statements for the year ended 30 September 2023

1 Basis of preparation

Introduction

The separate financial statements of Compass Group PLC (the Company) have been prepared on a going concern basis, as discussed on page 151, in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The separate financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted International Accounting Standards, but makes amendments where necessary to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The financial statements present information about the Company as an individual undertaking, not as a Group undertaking, and are included in the Compass Group PLC consolidated financial statements for the year ended 30 September 2023. As permitted by section 408 of the Companies Act 2006, the Company has not presented its own income statement. The amount of profit for the year of the Company is disclosed in the Parent Company balance sheet and statement of changes in equity.

FRS 101 exemptions

In these financial statements, the Company has applied the exemptions under FRS 101 in respect of the following disclosures:

- cash flow statement and related notes
- financial instruments and fair values
- share-based payments
- transactions with wholly-owned subsidiaries
- compensation of key management personnel
- capital management
- the effect of new but not yet effective accounting standards

Significant accounting policies

The significant accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

Changes in accounting policies

There have been no significant changes in accounting policies during the year.

Investments in subsidiary undertakings

Investments are stated at cost less provision for any impairment. In the opinion of the directors, the value of such investments is not less than shown at the balance sheet date.

Investment income is measured at the fair value of the consideration received or receivable. It represents dividend income which is recognised when the right to receive payment is established.

Foreign currency

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the year-end. Gains and losses arising on retranslation are included in the income statement for the period.

Financial assets and liabilities

Financial assets and liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument and derecognised when it ceases to be party to such provisions. Financial assets are classified as current if they are expected to be received within 12 months of the balance sheet date. Financial liabilities are classified as current if they are legally due to be paid within 12 months of the balance sheet date.

Financial assets and liabilities are initially recorded at fair value including, where permitted by IFRS 9 Financial Instruments, any directly attributable transaction costs. For those financial assets that are not subsequently held at fair value, the carrying amounts are reduced by a provision equal to the lifetime expected credit losses using historic and forward-looking data on credit risk.

The Company classifies its financial assets and liabilities into the following categories:

- financial assets and liabilities at amortised cost
- financial assets and liabilities at fair value through profit or loss

Where financial assets or liabilities are eligible to be carried at either amortised cost or fair value, the Company does not apply the fair value option.

The Company uses derivative financial instruments to manage its exposure to fluctuations in foreign exchange rates and interest rates. Derivative instruments utilised include interest rate swaps, currency swaps and forward currency contracts. The Company and Group policy is disclosed in note 20 to the consolidated financial statements.

1 Basis of preparation continued

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost unless they are part of a fair value hedge accounting relationship. Borrowings that are part of a fair value hedge accounting relationship are measured at amortised cost adjusted for the fair value attributable to the risk being hedged.

Amounts owed by subsidiary undertakings are initially measured at fair value and are subsequently reported at amortised cost. Provisions on intra-group receivables are calculated at an amount equal to the lifetime expected credit losses using historic and forward-looking data on credit risk.

Amounts owed to subsidiary undertakings are initially measured at fair value and are subsequently reported at amortised cost.

Non-interest-bearing payables are stated at their nominal value as they are due on demand.

Dividends

Interim dividends are recognised in the financial statements when they are paid. Final dividends, which are subject to approval by the shareholders in a general meeting after the balance sheet date, are not included as a liability in the financial statements. Instead, they are disclosed as a post-balance sheet event and recognised in the financial statements when they are approved (see note 7).

Deferred tax

Deferred tax is provided at the anticipated rates on temporary differences arising from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Share-based payments

The Company issues equity-settled share-based payments to certain employees which are measured at fair value at the date of grant using option pricing models. The fair value is expensed on a straight-line basis over the vesting period based on the Company's estimate of the number of shares expected to vest.

The issue of share incentives by the Company to employees of its subsidiaries represents additional capital contributions. An addition to the Company's investment in subsidiary undertakings is reported with a corresponding increase in shareholders' funds. For details of the charge, see note 26 to the consolidated financial statements.

Financial guarantees and loan commitments

Financial guarantee contract liabilities are measured initially at their fair values. These liabilities are subsequently measured at the higher of the expected credit loss determined under IFRS 9 Financial Instruments and the initial fair value.

Notes to the Parent Company financial statements for the year ended 30 September 2023 continued

2 Investments in subsidiary undertakings

Investments in subsidiary undertakings	2023 £m	2022 £m
Cost		
At 1 October	**1,106**	1,075
Additions	**5,570**	–
Share-based payments to employees of subsidiaries	**44**	34
Recharged to subsidiaries during the year	**(5)**	(3)
At 30 September	**6,715**	1,106
Provisions		
At 1 October and 30 September	**(1)**	(1)
Net book value		
At 30 September	**6,714**	1,105

During the year, the Company subscribed for shares in a direct subsidiary company, Hospitality Holdings Limited, for consideration totalling £5.6bn as part of a restructuring of certain intra-group loans which resulted in an increase in investments in subsidiary undertakings of £5.6bn and a corresponding change in balances with subsidiary undertakings.

On the basis that the Company's investments in subsidiary undertakings mainly comprise an investment in Hospitality Holdings Limited, which indirectly owns all of the Company's trading businesses, there are no indicators that the carrying value may be impaired.

The principal subsidiary undertakings are listed in note 36 to the consolidated financial statements.

3 Debtors

		2023			2022		
Debtors	Notes	Falling due within one year £m	Falling due after more than one year £m	Total £m	Falling due within one year £m	Falling due after more than one year £m	Total £m
Amounts owed by subsidiary undertakings		**2,016**	**5,948**	**7,964**	2,681	8,018	10,699
Derivative financial instruments	5	**18**	**45**	**63**	71	76	147
Total		**2,034**	**5,993**	**8,027**	2,752	8,094	10,846

Amounts owed by subsidiary undertakings may be interest-free or interest-bearing loans. Interest-free loans are repayable on demand. Interest-bearing loans incur interest at fixed rates (between 4.0% and 7.25%) or various floating rates with margins ranging from -0.15% to +1.50% (subject to a minimum all-in rate of 0%) and have maturities ranging from repayable on demand up to May 2031.

The book value of amounts owed by subsidiary undertakings falling due within one year approximates to fair value due to the short-term nature of these receivables. The fair value of amounts owed by subsidiary undertakings falling due after more than one year is £5,556m (2022: £7,452m).

Details of the derivative financial instruments are shown in note 20 to the consolidated financial statements.

4 Creditors

		2023			2022		
Creditors	Notes	Falling due within one year £m	Falling due after more than one year £m	Total £m	Falling due within one year £m	Falling due after more than one year £m	Total £m
Issued debt	5	**288**	**1,510**	**1,798**	439	1,847	2,286
Bank overdrafts	5	**410**	**–**	**410**	350	–	350
Amounts owed to subsidiary undertakings	5	**8,341**	**773**	**9,114**	4,996	1,424	6,420
Derivative financial instruments	5	**37**	**207**	**244**	6	237	243
Other payables[1]	5	**152**	**–**	**152**	77	–	77
Accruals		**25**	**–**	**25**	32	–	32
Current tax		**18**	**–**	**18**	28	–	28
Deferred tax[2]		**–**	**10**	**10**	–	19	19
Total		**9,271**	**2,500**	**11,771**	5,928	3,527	9,455

1. Represents a commitment in respect of the share buyback.
2. The deferred tax liability relates to net gains on certain derivative financial instruments recognised in the income statement.

4 Creditors continued

Issued debt	Nominal value	Redeemable	Interest	2023 Carrying value £m	2022 Carrying value £m
Eurobond	€500m	Jan 2023	1.88%	–	439
US Private Placement	$352m	Oct 2023	4.12%	**288**	310
US Private Placement	$100m	Dec 2024	3.54%	**82**	89
Eurobond	£250m	Sep 2025	2.00%	**231**	220
US Private Placement	$300m	Sep 2025	3.81%	**235**	259
Eurobond	£250m	Jun 2026	3.85%	**249**	249
US Private Placement	$300m	Dec 2026	3.64%	**246**	269
Eurobond	£300m	Jul 2029	2.00%	**245**	233
Eurobond	£250m	Sep 2032	4.38%	**222**	218
Total				**1,798**	2,286

The Company has a £2,000m Revolving Credit Facility (RCF) committed to August 2026. At 30 September 2023, no amounts were drawn under the RCF (2022: £nil).

The Company has a $4bn commercial paper programme. Commercial paper is issued to meet short-term liquidity requirements and is supported by the RCF. At 30 September 2023, no commercial paper was outstanding under the programme (2022: £nil).

Amounts owed to subsidiary undertakings may be interest-free or interest-bearing loans. Interest-free loans are repayable on demand and classified as current. Interest-bearing loans incur interest at fixed rates (between 0.73% and 3.10%) or various floating rates with margins ranging from -0.15% to +1.50% (subject to a minimum all-in rate of 0%) and have maturities ranging from repayable on demand up to September 2048.

The book value of amounts owed to subsidiary undertakings falling due within one year approximates to fair value due to the short-term nature of these payables. The fair value of amounts owed to subsidiary undertakings falling due after more than one year is shown below:

Amounts owed to subsidiary undertakings falling due after more than one year	Nominal value	Redeemable	Interest	2023 Carrying value £m	2023 Fair value £m	2022 Carrying value £m	2022 Fair value £m
Euro intra-group loan[1]	€750m	Jul 2024	0.73%	–	–	632	631
Euro intra-group loan	€500m	Sep 2028	1.60%	**375**	**387**	380	388
Euro intra-group loan	€500m	Mar 2030	3.10%	**398**	**409**	412	415
Total				**773**	**796**	1,424	1,434

1. The €750m (£633m) intra-group loan is included in amounts owed to subsidiary undertakings falling due within one year at 30 September 2023.

Details of the derivative financial instruments are shown in note 20 to the consolidated financial statements.

Notes to the Parent Company financial statements for the year ended 30 September 2023 continued

5 Maturity of financial liabilities and derivative financial instruments

The maturity of financial liabilities and derivative financial instruments at 30 September is as follows:

	2023				
Maturity of financial liabilities and derivative financial instruments	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total £m
Issued debt	**288**	**548**	**495**	**467**	**1,798**
Bank overdrafts	**410**	–	–	–	**410**
Amounts owed to subsidiary undertakings	**8,341**	–	**375**	**398**	**9,114**
Derivative financial instruments	**19**	**(5)**	**73**	**94**	**181**
Other payables	**152**	–	–	–	**152**

	2022				
Maturity of financial liabilities and derivative financial instruments	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total £m
Issued debt	439	310	1,086	451	2,286
Bank overdrafts	350	–	–	–	350
Amounts owed to subsidiary undertakings	4,996	632	–	792	6,420
Derivative financial instruments	(65)	(8)	(6)	175	96
Other payables	77	–	–	–	77

6 Share capital

Details of the share capital and share-based payments of the Company are shown in notes 25 and 26 to the consolidated financial statements.

7 Post-balance sheet events

In the period from 1 October to 14 November 2023, 6,357,210 shares were repurchased for a total price, including transaction costs, of £131m under the share buyback announced in May 2023. In November 2023, we announced a further share buyback of up to $500m (£410m), to complete in 2024 subject to M&A activity.

On 20 November 2023, a final dividend in respect of 2023 of 28.1p per share, £482m in aggregate, was proposed.

8 Other information

Company audit fee

Fees payable to the Company's auditor for the audit of the Company's annual financial statements totalled £1.9m (2022: £1.8m).

Employees

The Company had no direct employees in the course of the year (2022: none).

Guarantees and indemnities

At 30 September 2023, guarantees and indemnities (including subsidiary undertakings' overdrafts) totalled £468m (2022: £443m). Details of certain contingent guarantees and indemnities which involve the Company are set out in note 30 to the consolidated financial statements.

Related party transactions

With the exception of transactions between the Company and its wholly-owned subsidiaries, there are no material related party transactions in the current or prior year.

Shareholder information

Registrar

The Company's registrar is Link Group.

Contact information

- **Post:** Central Square, 29 Wellington Street, Leeds LS1 4DL
- **Email:** shareholderenquiries@linkgroup.co.uk
- **Telephone:** within the UK: Freephone 0800 029 4520 and from overseas: +44 333 300 1568. Lines are open between 9:00 am and 5.30 pm UK time, Monday to Friday, excluding public holidays in England and Wales.

Shareholders should contact Link directly if they have questions about their Compass shareholding.

Manage your holding online

Shareholders can register online to view their shareholding details using the Share Portal, a service offered by the registrar at www.signalshares.com. To register for the Share Portal, shareholders need their investor code which is shown on their share certificate or dividend confirmation. The service enables shareholders to: check their shareholdings in Compass Group PLC 24 hours a day; gain easy access to a range of shareholder information including indicative valuations and payment instruction details; and to appoint a proxy to attend general meetings of Compass Group PLC.

Electronic communications and published information

The Annual Report and Accounts and all other shareholder communications can be found on our website, www.compass-group.com. Shareholders are encouraged to receive notification of the availability of shareholder communications via email and to view documents electronically. By electing to receive shareholder communications in this way, shareholders can read and/or download information at their convenience; and help the Company to save money by reducing the number of paper documents produced and posted. By signing up for electronic communications, shareholders will be notified by email each time a new shareholder document is available. Register to receive email communications at www.signalshares.com. To receive a copy of the Annual Report or Notice of Annual General Meeting in another format e.g. large print, Braille or an audio version, contact the Group Secretariat, Compass Group PLC, Compass House, Guildford Street, Chertsey, Surrey KT16 9BQ.

Dividends

The Company normally pays a dividend twice each year. Dividends are paid in accordance with the instructions given to the registrar, i.e. by cheque, direct payment or reinvested in the Dividend Reinvestment Plan.

Most shareholders resident outside the UK can have dividends of more than £10 paid into their bank account directly via the Link Group international payments service. Details and terms and conditions may be viewed at ww2.linkgroup.eu/ips. Shareholders outside the UK who are unable to use the international payments service should contact Link to discuss the payment options available.

Share price information, share dealing and ShareGift

The price of the Company's shares is available on the Company's website, www.compass-group.com. Compass Group shares can be traded through most banks, building societies, stockbrokers or online dealing services.

ShareGift, the charity share donation scheme, is a free service for shareholders wishing to give shares to charitable causes. It is particularly useful for anyone wishing to dispose of a small quantity of shares where the market value makes it uneconomic to sell on a commission basis. Further information can be obtained from ShareGift's website, www.sharegift.org; telephone within the UK: 020 7930 3737 and from overseas: +44 20 7930 3737; email: help@sharegift.org.

American Depositary Receipts

Compass Group PLC operates an American Depositary Receipt (ADR) programme under which ADRs are traded on the over-the-counter market under the symbol CMPGY. One ADR represents one ordinary Compass share. BNY Mellon is the depositary bank and maintains the Company's ADR register. Shareholders with a query about Compass ADRs should contact BNY Mellon as follows:

- **Post:** BNY Mellon Shareowner Services, P.O. Box 43006, Providence, Rhode Island 02940-3078, USA.
- **Overnight Post:** BNY Mellon Shareowner Services, 150 Royall St., Suite 101, Canton, Massachusetts 02021, USA.
- **E-mail:** shrrelations@cpushareownerservices.com
- **Telephone:** Tel. +1 888-269-2377 (toll-free number in the USA.) Tel. +1 201 680 6825 (international)

Further information can also be found on BNY Mellon's website, mybnymdr.com, using the symbol CMPGY.

Identity theft

We offer the following advice to shareholders on protecting their personal information and Compass Group PLC shares:

- keep all Compass correspondence in a safe place, or destroy correspondence by shredding
- when changing address, inform the registrar, Link Group. If a letter is received from Link Group regarding a change of address and there has been no change of address, contact the registrar immediately using the contact information at the top of this page
- have dividends paid directly into a bank or building society account. This will reduce the risk of a cheque being intercepted or lost in the post. Contact the registrar for further information
- on changing a bank or building society account, inform the registrar of the details of the new account and respond, as requested, to any letters Link Group send regarding this matter

Warning about share fraud

Investment scams are often sophisticated and difficult to spot. Fraudsters are persuasive and use high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an up-front payment. Whilst high profits are promised, if shares are bought or sold in this way, it is likely the money for the purchase or from the sale will be lost. These operations are commonly known as 'boiler room' scams. Shareholders should be wary if they are contacted out of the blue, pressured to invest quickly or promised returns that sound too good to be true. The higher the return promised, the more likely it's a high-risk investment or a scam.

Shareholder information continued

The Financial Conduct Authority (FCA) has issued some guidance for shareholders on how to recognise and avoid investment fraud:

- legitimate firms authorised by the FCA are unlikely to contact you unexpectedly with an offer to buy or sell shares
- if you receive an unsolicited phone call, do not get into a conversation, note the name of the person and firm contacting you and then end the call
- check the Financial Services Register available at register.fca.org.uk/S/ to see if the person and firm contacting you is authorised by the FCA. If you wish to call the person or firm back, only use the contact details listed on the register
- call the FCA on 0800 111 6768 if the firm does not have any contact details on the FCA's register, or if you are told that they are out of date
- search the list of unauthorised firms to avoid at www.fca.org.uk/warning/list-unauthorised-firms
- if you do buy or sell shares through an unauthorised firm, you will not have access to the Financial Ombudsman Service or the Financial Services Compensation Scheme
- consider obtaining independent financial and professional advice before you hand over any money.

Report a firm or scam by contacting the FCA's Consumer Helpline on 0800 111 6768 or using the FCA's reporting form which can be found on their website, www.fca.org.uk/scamsmart. If a shareholder has already invested in a scam, fraudsters are likely to target them again or sell their details to other criminals. The follow-up scam may be separate or related to the previous fraud, such as an offer to get a shareholder's money back or to buy back the investment after they have paid a fee. Any concerns about a potential scam should be reported to the FCA immediately.

compass-group.com

The Investor section of the Company's website, www.compass-group.com contains a wide range of useful information, including: the date, time and place of the Company's 2024 AGM and documents related to the AGM; and share price, dividend history, share dealing information, taxation, annual reports, and regulatory announcements and statements.

Forward-looking statements

Certain information included in this Annual Report and Accounts is forward looking and involves risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied by forward-looking statements. Forward-looking statements cover all matters which are not historical facts and include, without limitation, the direct and indirect future impacts and implications of: public health crises such as the coronavirus COVID-19 on the economy, nationally and internationally, and on the Group, its operations and prospects; risks associated with changes in environmental scenarios and related regulations including (without limitation) the evolution and development of the global transition to a low carbon economy (including increasing societal and investor expectations); disruptions and inefficiencies in supply chains (such as resulting from the wars in Ukraine and the Middle East); future domestic and global political, economic and business conditions (such as inflation or the UK's exit from the EU); projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations, including, without limitation, discussions of expected future revenues, financing plans and expected expenditures and divestments; risks associated with changes in economic conditions, levels of economic growth and the strength of the food and support services markets in the jurisdictions in which the Group operates; fluctuations in food and other product costs and labour costs; prices and changes in exchange and interest rates; and the impacts of technological advancements. Forward-looking statements can be identified by the use of forward-looking terminology, including terms such as 'believes', 'estimates', 'anticipates', 'expects', 'forecasts', 'intends', 'plans', 'projects', 'goal', 'target', 'aim', 'may', 'will', 'would', 'could' or 'should' or, in each case, their negative or other variations or comparable terminology.

Forward-looking statements in this Annual Report and Accounts are not guarantees of future performance. All forward-looking statements in this Annual Report and Accounts are based upon information known to the Company on the date of this Annual Report and Accounts. Accordingly, no assurance can be given that any particular expectation will be met and readers are cautioned not to place undue reliance on forward-looking statements when making their investment decisions. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation or warranty that such trends or activities will continue in the future. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority), the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Nothing in this Annual Report and Accounts shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

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