



## STRATEGIC REPORT

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Visit our website for related information  
[www.compass-group.com](http://www.compass-group.com)  
Our 2020 Sustainability Report will be available online in January 2021



In 2020, we demonstrated that Compass is a strong and resilient organisation as we continued to manage the business through the lens of People, Performance and Purpose to protect the interests of all our stakeholders. At all times, our priority has remained the health and safety of our people and our consumers. We have worked hard to strengthen the long term prospects of the business and are well positioned to continue to support our people, clients, consumers and the communities in which we operate to emerge stronger from the COVID-19 pandemic.

Read more about how we have responded to the challenges of 2020 while evolving our business to ensure continued long term success:

## People

page 51

## Performance

page 31

## Purpose

page 59

Throughout the Strategic Report, and consistent with prior years, underlying and other alternative performance measures are used to describe the Group's performance. These are not recognised under IFRS or other generally accepted accounting principles (GAAP). The Executive Committee of the Group manages and assesses the performance of the business on these measures and believes they are representative of ongoing trading, facilitate meaningful year on year comparisons and hence provide useful information to shareholders. Underlying and other alternative performance measures are defined in the glossary of terms on pages 278 and 279. A summary of the adjustments from statutory to underlying results is shown in note 34 on pages 251 and 252 and further detailed in the consolidated income statement (page 174), reconciliation of free cash flow (page 181), note 2 segmental reporting (pages 196 to 199) and note 35 organic revenue and organic profit (page 253).

# Chairman's statement



**Paul Walsh**  
Chairman

2020 was a challenging year for Compass. The COVID-19 pandemic has had a significant impact on our businesses around the world, and I'd like to thank our people for their hard work and dedication during this difficult period.

## PEOPLE AND CULTURE

Our response to the crisis was a testament to the strength of our culture and the resilience of our people. We acted swiftly and responsibly to ensure that we protected the interests of all our stakeholders. Our priority remained the health and safety of our employees and consumers, as we supported those working on the front line in the fight against COVID-19. Sadly, we lost a number of valued colleagues in different parts of the world, and I extend the deepest sympathies of the Board and everyone at Compass Group to the families of those affected. We are committed to doing all we can to support them.

## FINANCIAL RESULTS

Our performance in the first five months of the financial year was very strong, with underlying organic revenue growth of approximately 6% and operating margin improvement of 20 bps (10 bps excluding the impact of IFRS 16). However, the containment measures introduced by governments and businesses in March and April to limit the spread of COVID-19 resulted in the closure of 50% of our business. We acted quickly to mitigate our costs and increase our liquidity and our performance improved slowly through the year. Despite the encouraging news about a potential vaccine, the pace and the shape of the recovery remains uncertain. As a result of the dramatic change in the trading environment due to COVID-19, our organic revenue for the year declined by 18.8% and the underlying operating margin was 2.9% (2.8% excluding the impact of IFRS 16). On a statutory basis, operating profit for the year decreased by 81.9% to £294 million. Details of our operational and financial performance can be found on pages 1 to 40.

## DIVIDENDS AND EQUITY RAISE

We recognise the importance of a dividend to our shareholders. However, the Board had to balance this with the impact the pandemic has had on our business. As a result, we decided not to pay dividends for the financial year ended 30 September 2020. We

will keep future dividends under review and will restart payments when it is appropriate to do so.

In order to build a solid foundation for the recovery, in May, we raised approximately £2 billion in equity to strengthen our balance sheet. The additional capital allowed us to lower our leverage which will help us weather the crisis whilst we continue to invest in the business to support our long term growth prospects and enhance our competitive advantages. I am particularly pleased that we gave our valued retail investors an opportunity to participate in the fundraising through a separate retail offer.

## STRATEGY

Although the disruption brought about by COVID-19 created short term challenges, it has also created medium term opportunities. We remain focused on food services – our core competence – and are adapting our strategy and operations to meet the changing needs of our clients and consumers so that we can continue to create long term value. We are innovating more than ever and investing in our people, technology and operations to develop solutions that take advantage of emerging trends in the industry. Details about how we are evolving our strategy can be found on pages 12 and 13.

## CORPORATE RESPONSIBILITY AND SUSTAINABILITY

We have a strong commitment to corporate responsibility and have continued to build on this strength during the pandemic. We increased our employee support in the areas of mental health, stress management and resilience in many of our markets to better equip our people in these times of uncertainty and change. In the UK, Compass has become a Living Wage Recognised Service Provider, a scheme endorsed by the Living Wage Foundation.

Our people are critical to our ability to achieve our goals in a responsible and sustainable manner. We have exceptional leaders and are proud of what we have achieved to date in improving our gender diversity. Although there is more to do, as at the year end, we had 33% female representation on the Compass Group Board and 42% on the Executive Committee.

Looking ahead, we are focusing more closely on three priorities: food waste, our environmental impact – including climate change – and sourcing responsibly from more resilient and sustainable supply chains. See pages 51 to 69 and [www.compass-group.com](http://www.compass-group.com) for more about our people and corporate responsibility activities.

## GOVERNANCE AND THE BOARD

Companies today are judged as much by their integrity and trustworthiness as by their financial performance. One of my key responsibilities as Chairman is to ensure good governance for Compass (see pages 74 to 161). In this regard, I have been extremely well supported by the members of the Board. With their diverse backgrounds, they bring balance and a wealth of skills and experience to our organisation that complements the talents of our executive team. I would like to thank all of our Board colleagues for their support and valuable contributions as we continue to maintain oversight of the strategic, operational and compliance risks across the Group, define our path to success and uphold the high standards expected of us.

In January 2020, after almost seven years as Chairman, with a strong and well established Chief Executive in place, I announced that I would be stepping down as Chairman and a director of the Company. John Bason, Senior Independent Director, together with the Nomination Committee, led a thorough selection process, and in August 2020, we announced the appointment of Ian Meakins as non-executive Chairman and a director of the Company. Ian has an outstanding record of value creation and brings a wealth of experience to the Group. He joined the Board on 1 September 2020 and will take over as Chairman on 1 December 2020, when I step down from the Board.

As part of our ongoing review of Board membership, we continue to ensure that an appropriate number of independent non-executive directors is maintained through an orderly succession, without compromising the effectiveness of the Board and its committees. Further to Ian's appointment as Chairman, John Bason has agreed to extend his terms of appointment to provide continuity and support the transition. Subject to shareholder approval at the 2021 AGM, John will remain a member of the Board and as a member of the Nomination and Corporate Responsibility Committees. He will step down as Senior Independent Director, Chair of the Audit Committee and a member of the Audit and Remuneration Committees at the conclusion of the meeting. He will not seek re-election at the 2022 AGM. John Bryant and Anne-Francoise Nesmes, both directors of the Company, will succeed John as Senior Independent Director and Chair of the Audit Committee respectively.

I would like to thank the Board, Dominic and the rest of the team for their support during my tenure as Chairman. Compass is a world class business and it has been a privilege to serve as its Chairman. I wish the Group every success in the future.

### SUMMARY AND OUTLOOK

The Group has responded admirably to unprecedented circumstances. We supported the front line without compromising on the health and safety of our people, clients and consumers. We acted quickly to mitigate costs, increase our liquidity and strengthen our balance sheet. We have renegotiated contracts to reflect the difficult trading environment while continuing to remain disciplined in terms of costs. These actions, combined with some improvement in volumes, allowed us to return to profitability in the fourth quarter and we are now cash neutral. We continue to execute at pace and expect the underlying operating margin in the first quarter of 2021 to be around 2.5%.

We are taking proactive actions to adapt our operations and control the controllable to ensure the business can thrive despite the pandemic and is well placed for the recovery. We are innovating and evolving our operating model to be more flexible and to provide our clients and consumers with an exciting offer that is delivered safely and provides great value. This, combined with our existing scale, ability to flex costs and focus on operational execution, will allow us to return to a Group underlying margin of above 7% before we return to pre COVID-19 volumes.

Although much has changed, the Compass model of value creation remains the same. We leverage our scale and focus on best in class operational execution to drive organic revenue

### POSITION IN FTSE 100 INDEX AS AT 30 SEPTEMBER 2020

21

(2019:16)

### COMPASS SHARE PRICE PERFORMANCE VS FTSE 100 OVER LAST 3 YEARS (%)

Last 12 months

-23.3%

-44.1%

-20.8%

Last 24 months

-9.6%

-31.5%

-21.9%

Last 36 months

-5.8%

-26.2%

-20.4%

Compass

FTSE 100

### COMPASS SHARE PRICE PERFORMANCE VS FTSE 100 INDEX (£)



growth and margins. This is combined with a disciplined approach to capital allocation that rewards shareholders while supporting reinvestment in the business.

Whilst this crisis has placed significant pressure on the Group in the short term, we are very confident in our medium and long term growth prospects. We remain excited about the significant structural growth opportunities globally, the potential for further revenue and profit growth, and returns to shareholders over time.

**Paul Walsh**

Chairman

24 November 2020

# Measuring progress

We track our performance against a mix of financial and non-financial measures, which we believe best reflect our strategic priorities of growth, efficiency and shareholder returns underpinned by safe and responsible working practices.

## KPI METRICS

Our strategic priorities are driven by our goal to deliver shareholder value and we use a number of financial key performance indicators (KPIs) to measure our progress. Growing the business and driving ongoing efficiencies are integral to our strategy. The importance of safety in everything we do is demonstrated by three non-financial performance indicators that we use across our business.

The Group KPIs should be read in conjunction with the Strategy and Risk sections.

See pages 12 and 13 and 41 to 49 respectively.

## STRATEGIC FINANCIAL

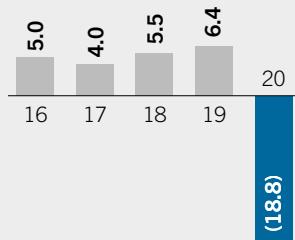
### Organic revenue change

Organic revenue growth compares the underlying revenue delivered from continuing operations in the current year with that from the prior year, adjusting for the impact of acquisitions, sale and closure of businesses and exchange rate movements.

### Why we measure

Our organic revenue performance embodies our success in growing and retaining our customer base, as well as our ability to drive volumes in our existing business and maintain appropriate pricing levels in light of input cost inflation.

(18.8)%



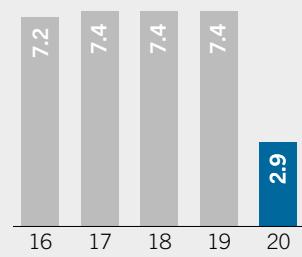
### Underlying operating margin

Underlying operating margin divides the underlying operating profit before share of profit after tax of associates by the underlying revenue.

### Why we measure

The operating profit margin is an important measure of the efficiency of our operations in delivering great food and support services to our clients and consumers.

2.9%



## FINANCIAL

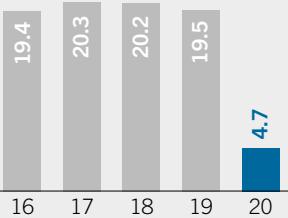
### Return on capital employed (ROCE)

ROCE divides the net operating profit after tax (NOPAT) by the 12 month average capital employed. NOPAT is calculated as underlying operating profit from continuing operations less operating profit of non-controlling interests before tax, net of income tax at the underlying rate of the year.

#### Why we measure

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.

4.7%



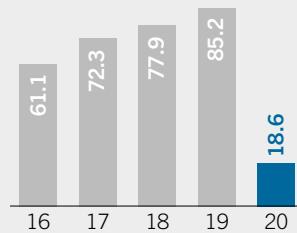
### Underlying basic earnings per share

Underlying basic earnings per share divides the underlying attributable profit by the weighted average number of shares in issue during the year.

#### Why we measure

Earnings per share measures the performance of the Group in delivering value to shareholders.

18.6p



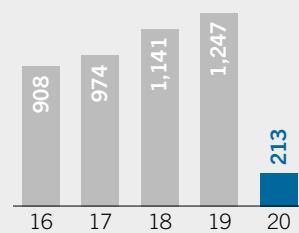
### Underlying free cash flow

Underlying free cash flow measures cash generated by continuing operations, after working capital, capital expenditure, interest and tax but before acquisitions, disposals, dividends and share buybacks.

#### Why we measure

Measures the success of the Group in turning profit into cash through the careful management of working capital and capital expenditure. Maintaining a high level of cash generation supports our progressive dividend policy.

£213m



## NON-FINANCIAL

### Health and safety

#### Global Lost Time Incident Frequency Rate

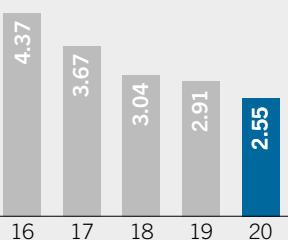
Cases where one of our colleagues is away from work for one or more shifts as a result of a work related injury or illness.

#### Why we measure

A reduction in lost time incidents is an important measure of the effectiveness of our safety culture. It also lowers rates of absenteeism and costs associated with work related injuries and illnesses.

-42%

(since 2016)



### Food safety

#### Global Food Safety Incident Rate

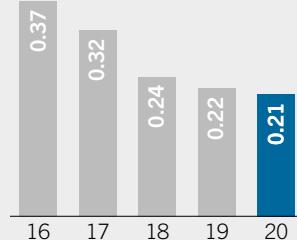
Cases of substantiated food safety incidents, including food borne illnesses.

#### Why we measure

The Food Safety Incident Rate is a helpful measure of our ability to provide food that is safe and of the right quality to our consumers globally.

-43%

(since 2016)



### Environment

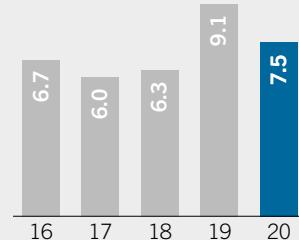
#### GHG intensity ratio

GHG intensity ratio relating to 27 countries, which represent 97% of Group revenues.<sup>1</sup> See page 66 for more information.

#### Why we measure

Since 2008, we have been measuring our carbon emissions to reduce our impact on the environment and increase operational efficiency.

7.5tCO<sub>2</sub>e/£m



1. The scope and methodology of our reporting changed in 2019, therefore previous years' data is not comparable on a like for like basis. This year, we expanded our reporting boundaries to include two additional countries, representing in total 97% of Group revenues, compared to 96% in 2019.

# Chief Executive's review



**Dominic Blakemore**  
Group Chief Executive Officer

## FY 2020 OVERVIEW

The COVID-19 pandemic has had a profound impact on Compass. We can only exist with the commitment of our colleagues around the world, many of whom have been on the front line of the battle against the pandemic. I am extremely proud of how the organisation has responded, and I'm humbled by the commitment and dedication our people are showing, day in day out.

I want to extend my deepest sympathies to the families of those colleagues that have lost their lives to COVID-19. We continue to be committed to doing all we can to support them.

2020 was a year of two halves. We began the year on track to deliver our strongest performance ever when, in March, over the course of a fortnight we saw the containment measures to control the spread of COVID-19 close half of the business.

The health and safety of our employees and consumers has been, and remains, our absolute priority. As the pandemic unfolded, sites that remained open were operating with enhanced health and safety protocols and Personal Protective Equipment (PPE). As restrictions were lifted and clients returned to schools and offices, we have helped them reopen and ensure they bring consumers back safely. Nevertheless, throughout the year, in the face of unprecedented volatility, we have continued to manage the business through the lens of People, Performance and Purpose to ensure that we continue to protect the interests of all our stakeholders.

## PERFORMANCE

Our 2020 results reflect the dramatic impact COVID-19 has had on our business. Our revenue in FY2020 declined by 18.8% on an organic basis as a result of the pandemic.

### Organic revenue

After an excellent first five months, the business received a shock when all our Sports & Leisure business and most of our Education and Business & Industry sectors were closed in March. In June, July and August we saw a gradual reopening of parts of the business. By September, all sectors except Sports & Leisure were partially or fully open representing about 65% of the business. At that time, we also began to see the reintroduction of local lockdowns as many markets started to experience a second wave of infections.

New business (MAP 1) was up 5.7% reflecting the strong momentum pre-pandemic. After a slowdown in the third quarter, in the fourth quarter we saw an increase in new wins in Healthcare & Seniors and Education in North America. This reflects a 'flight to trust' as clients sought food service providers with best in class health and safety protocols, robust supply chains and strong balance sheets.

Retention was 95.1% as clients maintained their trusted food service provider during the pandemic. Like for like revenue declined by 19.6% due to the impact of site closures as well as lower populations on site due to social distancing requirements. On a statutory basis, revenue decreased by 19.8%, including the negative impact of foreign currency translation.

### Costs

We have taken a series of measures to reduce our food (MAP 3) costs, in unit labour and in unit overheads (MAP 4) and our above-unit (MAP 5) costs to offset the impact of lower volumes. In markets where little or no government support was available, we acted quickly to adjust our cost base and are already seeing the savings come through.

In markets where government support was available, we used it to limit job losses. This year we received £437 million of government support. However, whenever government support has ended, we have evaluated our staffing needs and taken the necessary steps to ensure that we avoid carrying excess costs.

Although resizing will be an ongoing task, actions taken thus far will avoid annual in unit labour (MAP 4) costs of around £280 million and annual savings of above unit (MAP 5) costs of £70 million, both of which will be essential for us to rebuild our margins back to above 7%.

Resizing action in the year totalled £122 million. In addition, the cost action programme announced in November 2019 has incurred £75 million of costs in the year and is delivering the savings initially anticipated. Together, these initiatives will allow us to rebuild our margins in 2021 and beyond. The costs associated with both programmes have been excluded from the Group's underlying results.

## Operating profit and operating margin

Although margins were up 20 bps (10 bps excluding the impact of IFRS 16) for the five months to March, the significant volume impact of the lockdowns resulted in a negative third quarter margin. Significant cost actions and contract renegotiations to reflect the changes in the trading environment, combined with a slight improvement in volumes, allowed us to return to profitability in the fourth quarter (before any contract related non-current asset impairment and onerous contract charges).

In light of the disruption to the business, we have reviewed our contract portfolio and impaired £88 million of contract related non-current assets and recognised £31 million of onerous contract losses – together these represent around 3% of our £4 billion contract related non-current assets (contract fulfilment assets and contract costs, right of use assets, property, plant and equipment and intangible assets).

Underlying operating profit decreased by 69.7% to £561 million on a constant currency basis (or by 71.2% to £533 million excluding the impact of IFRS 16). Our underlying operating profit margin was 2.9% or 3.5% after excluding contract related non-current asset impairment and onerous contract charges (2.8% or 3.4% excluding the impact of IFRS 16) with a return to profitability in the fourth quarter.

## STRATEGY

The food services market remains very attractive. We estimate it is around £220 billion, with about two thirds currently operated by small regional players or operated in house. This means there is a significant structural growth opportunity from first time outsourcing as well as share gains. We are particularly attracted to the more defensive sectors of Healthcare & Seniors, Education and Defence, Offshore & Remote where there are meaningful first time outsourcing opportunities.

We have reviewed our strategy and remain confident about our focus on food, and our pragmatic approach to providing support services in the markets where we have the right capabilities. As the industry leader, we have the greatest scale, which gives us an advantage in terms of food procurement and our ability to leverage our overheads. In addition, we go to market with a sector and sub sector approach that allows us to get close to our clients and create a bespoke food service solution that truly meets their needs.

In response to the pandemic, we are innovating and evolving our operating model. By innovating and adapting our offer and operations to the 'new normal', this will allow us to reduce costs and increase our flexibility, so that we can provide our clients and consumers an exciting offer that is delivered safely and provides great value. The three main areas of strategic focus are:

- digital: consumer facing use of apps and kiosks to pre-order, pre-pay, click and collect as well as back of house apps for labour management and food procurement
- labour: increase labour flexibility, leverage our scale and pool our workforce across sectors to better accommodate volume volatility on site
- central production units: hubs for development, training and production to rationalise labour costs and reduce food waste

These three areas of focus combined with our existing scale and competitive strengths, will allow us to return to industry leading levels of performance.

## EARNINGS PER SHARE AND THE DIVIDEND

Underlying earnings per share was 18.6 pence, down 77.8% (19.1 pence down 77.2% excluding the impact of IFRS 16) on a constant currency basis due to the impact of the pandemic. Although we recognise the importance of the dividend to our shareholders, we need to balance this with the impact that COVID-19 has had on our business. As a result, as previously reported on 23 April, the Board has decided not to pay a final dividend in respect of the financial year ended 30 September 2020. The Board will keep future dividends under review and will restart payments when it is considered appropriate to do so.

On a statutory basis, operating profit for the year decreased by 81.9% to £294 million due to our lower underlying operating profit, resizing costs, the cost action programme and £24 million negative impact of foreign currency translation, partially offset by a £28 million benefit from the adoption of IFRS 16. Statutory earnings per share was 8.0p, down 88.8%.

## CASH

Underlying free cash flow was £213 million. This is significantly lower than last year mainly due to the impact of COVID-19 on profits. Gross capital expenditure for the year was £749 million, 3.7% of revenues. This was spent primarily on contractually committed investment including £70 million on new wins and retention in North America in the fourth quarter. Working capital was a £143 million outflow. This is slightly higher than in previous years as sales and payroll tax deferrals and excellent collections were offset by the impact of having most of our cash business in Sports & Leisure, and Business & Industry closed. Net M&A totalled £450 million. The largest acquisition was Fazer Food Services in the Nordics for £363 million net of cash acquired, offset by £29 million of disposals net of exit costs, with the largest disposal being our highways service business in Japan.

## BALANCE SHEET

At 30 September 2020 net debt was £3,006 million, including an additional £939 million due to the implementation of IFRS 16 'Leases'. Net debt to EBITDA was 2.1x (excluding the impact of IFRS 16, net debt to EBITDA would have been 0.4x lower). During the year, we took a series of steps to increase the resilience of our balance sheet. We increased the Group's liquidity from £2,381 million to £4,787 million through a £1,972 million equity raise and £800 million of additional committed and undrawn credit facilities.

We obtained waivers of the leverage covenant test in our US Private Placement agreements for the September 2020 and March 2021 test dates. The interest cover covenant test was also waived for September 2020 and reset at more than or equal to 3x on a six months proforma basis for March 2021.

These measures have increased our resilience and will allow us to weather the crisis, whilst continuing to invest in the business to support our long term growth prospects and enhance our competitive advantages so we can continue to create long term value for all our stakeholders.

In March, we qualified for and drew down £600 million from the Bank of England's Covid Corporate Financing Facility (CCFF). This was repaid in June with proceeds from the equity raise. The £600 million limit remains available whilst the CCFF remains in place.

We are targeting strong investment grade credit ratings and net debt to EBITDA in the range of 1x-1.5x. Beyond this, our priorities for cash are: (i) invest capital expenditure to support organic growth, (ii) bolt-on M&A opportunities that improve our sector exposure or strengthen our capabilities. At the appropriate time, we will resume the dividend and other returns to shareholders.

## PEOPLE

People are the foundation of our business. The global impact of COVID-19 has tested the strength, resilience and adaptability of our teams more than ever. Our overriding focus has been the safety and wellbeing of our colleagues during these difficult times.

There have been a range of initiatives developed locally to support our People through the crisis. Markets as varied as the UK, Canada, India and Argentina are providing colleagues with support and assistance programmes to help them cope with uncertainty, fear and anxiety.

The pandemic has impacted some of our sectors more than others. We have tried to protect as many jobs as possible. Employees working in units that have been closed have, where possible, been redeployed to other sites where critical work is still required such as Healthcare & Seniors, Education and Defence. Where redeployment has not been possible, support has been provided locally through mechanisms such as employee assistance programmes and hardship funds.

We are committed to hiring, developing and retaining our diverse talent to ensure we have a truly engaged, high performing and fulfilled workforce so we can drive our business forward. This year, we have signed the Race at Work Charter, which has been designed to foster a commitment to improving outcomes for ethnic minority employees in the workplace. Although we continue to progress the levels of representation of women in our senior ranks, there is more we need to do to fully reflect the rich diversity of the communities in which we operate.

## PURPOSE

Our purpose is mainly a social purpose: to keep our people and our consumers safe and healthy, provide healthy food and nutrition, while making the world a better place by protecting the environment and supporting local communities.

We have introduced new protocols to help protect our people and consumers from COVID-19. Working in partnership with our clients, we have transformed thousands of sites around the world to be COVID-19 secure, facilitating social distancing and introducing enhanced hygiene measures. We continue to take measures to protect our employees. Our global Lost Time Incident Frequency Rate has dropped by 42% since 2016.

While the pandemic has resulted in some delays in climate change action in some of our markets, we remain committed to reducing our CO<sub>2</sub> footprint and preparing to set Science Based Targets to play our part in limiting global warming to 1.5°C.

During the pandemic our teams around the world have mobilised resources at scale and with pace to allow us to support governments and Healthcare clients. We have also prepared and delivered food to critical and essential workers, the elderly, vulnerable and those in financial distress, often working in partnership with grassroots support organisations.

As we look ahead, we will focus our efforts further on three priorities: food waste, environmental impact – including climate change – and responsible and resilient sourcing.

## SUMMARY AND OUTLOOK

The Group has responded admirably to unprecedented circumstances. We supported the front line without compromising on the health and safety of our people, clients and consumers. We acted quickly to mitigate costs, increase our liquidity and strengthen our balance sheet. We have renegotiated contracts to reflect the difficult trading environment while continuing to remain disciplined in terms of costs. These actions, combined with some improvement in volumes, allowed us to return to profitability in the fourth quarter and we are now cash neutral. We continue to execute at pace and expect the underlying operating margin in the first quarter of 2021 to be around 2.5%.

We are taking proactive actions to adapt our operations and control the controllable to ensure the business can thrive despite the pandemic and is well placed for the recovery. We are innovating and evolving our operating model to be more flexible and to provide our clients and consumers with an exciting offer that is delivered safely and provides great value. This, combined with our existing scale, ability to flex costs and focus on operational execution, will allow us to return to a Group underlying margin of above 7% before we return to pre-COVID volumes.

Although much has changed, the Compass model of value creation remains the same. We leverage our scale and focus on best in class operational execution to drive organic revenue growth and margins. This is combined with a disciplined approach to capital allocation that rewards shareholders while supporting reinvestment in the business.

Whilst this crisis has placed significant pressure on the Group in the short term, we are very confident in our medium and long term growth prospects. We remain excited about the significant structural growth opportunities globally, the potential for further revenue and profit growth, and returns to shareholders over time.



**Dominic Blakemore**  
Group Chief Executive Officer

24 November 2020

## 2020 Performance at a glance

### UNDERLYING REVENUE

**£20,198m**  
(2019: £25,152m)

### STATUTORY REVENUE

**£19,940m**  
(2019: £24,878m)

### UNDERLYING OPERATING PROFIT

**£561m**  
(2019: £1,882m)

### STATUTORY OPERATING PROFIT

**£294m**  
(2019<sup>1</sup>: £1,626m)

### UNDERLYING BASIC EARNINGS PER SHARE

**18.6p**  
(2019: 85.2p)

### STATUTORY BASIC EARNINGS PER SHARE

**8.0p**  
(2019<sup>1</sup>: 71.6p)

### UNDERLYING OPERATING MARGIN

**2.9%**  
(2019: 7.4%)

### GREENHOUSE GAS INTENSITY RATIO<sup>2</sup>

**7.5tCO<sub>2</sub>e/£m**  
(2019: 9.1)

### GLOBAL LOST TIME INCIDENT FREQUENCY RATE

**-42%**  
(2019: -38%)

### GLOBAL FOOD SAFETY INCIDENT RATE

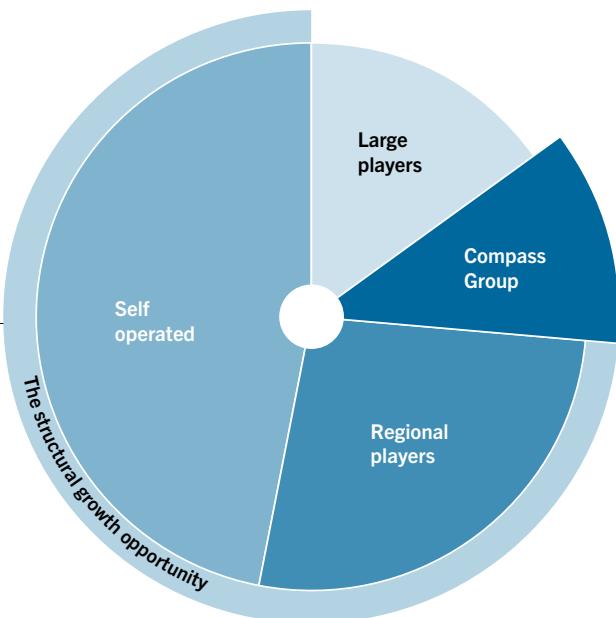
**-43%**  
(2019: -35%)

1. Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 14.  
2. The scope and methodology of our reporting changed in 2019, therefore previous years' data is not comparable on a like for like basis. This year, we expanded our reporting boundaries to include two additional countries, representing in total 97% of Group revenues, compared to 96% in 2019.

# Significant structural growth opportunity

## GLOBAL FOOD SERVICES MARKET PRE COVID-19 C. £220BN

Numbers relating to market size and penetration rates are based on management estimates and a range of external data.



Although there is a possibility the pandemic may have an impact on the total market size, we estimate that the addressable global food services market is worth around £220 billion. We are the leading global food service provider with around a 10% market share. Approximately 75% of the market is serviced by regional players or in house providers.

Despite the ongoing pandemic, the market for food services continues to offer significant structural growth opportunities. Given the increased focus on food safety and cost pressures experienced by clients, we are starting to see an acceleration in first time outsourcing across sectors and regions.

Food service remains at the core of the Compass offer. Business & Industry is an important sector that remains attractive. In more developed markets, our combination of scale, efficiencies and best in class service delivery supports retention and new business wins. COVID-19 accelerated the trend for a more digital and contactless service offering, as well as alternative service models.

The Healthcare & Seniors and Education sectors have significant potential for first time outsourcing. In Healthcare, we work directly with healthcare providers to provide food services that improve patient experiences and therefore outcomes. Throughout the pandemic, despite having seen unprecedented demand, we consistently delivered high quality food and services to our clients. In Education, our expertise in nutrition means we are able to provide delicious food that supports learning at every stage of the education journey.

Sports & Leisure is a highly outsourced sector in which we benefit from our strong reputation across key markets. The recovery within this sector is likely to be slower than in others, but we have strong partnerships with our clients and are planning for a recovery in due course.

The Defence, Offshore & Remote sector offers opportunities to build lasting strategic relationships with large local and international operators. In addition to nutrition and physical wellbeing, our solutions focus on the social, emotional and environmental needs of people working away from home.

We supplement our core food offer with targeted support services in certain markets and sectors, such as Healthcare & Seniors and Defence, Offshore & Remote. In these sectors, we have the capability to meet the needs of clients who require cleaning and hygiene services with uncompromising quality, something particularly recognised throughout the pandemic.

# Specialist sector knowledge is key to meeting clients' needs

The global food services market is large and disparate. That is why we structure our business to match the sectors in which our clients operate so that we get a deep understanding of their challenges. In this way, we can create innovative, bespoke offers that meet their specific requirements and, in doing so, truly differentiate ourselves.

## % OF GROUP UNDERLYING REVENUE

### BUSINESS & INDUSTRY

**37%**

We help our clients drive productivity and engagement in the workplace by providing nutritious, well balanced food during the working day. We work with clients to build their employee propositions to attract and retain the best people.



*Restaurant  
Associates*



**BON APPÉTIT**  
MANAGEMENT COMPANY

**canteen**

### EDUCATION

**17%**

From kindergarten to college, we provide fun, nutritious dining solutions that help support academic achievement at the highest levels. We educate young people on how to have a happy, safe and healthy lifestyle whilst contributing to a sustainable world.



**BON APPÉTIT**  
MANAGEMENT COMPANY



### HEALTHCARE & SENIORS

**29%**

We are specialists in helping hospitals in the public and private sectors on their journey of managing efficiency and enhancing quality across a range of food and some support services. We have an increasing presence in the growing senior living sector.



### SPORTS & LEISURE

**9%**

Operating at some of the world's most prestigious sporting and leisure venues, exhibition centres, visitor attractions and major events, we have an enviable reputation for providing outstanding hospitality and true service excellence.



### DEFENCE, OFFSHORE & REMOTE

**8%**

Through our established health and safety culture, we are a market leader in providing food and some support services to major companies in the oil, gas, mining and construction industries. For our defence sector clients we support their operations outside areas of conflict.



# A business model for growth

## BUSINESS MODEL

Food is our focus and our core competence. We take a pragmatic and targeted approach to support services, focusing mainly on Healthcare and Defence, Offshore & Remote. COVID-19 has increased demand for hygiene and disinfection services and we are responding to this opportunity on a country by country basis depending on our local capabilities.

### Organic revenue growth

Our business model begins with organic growth, which we drive by sectorising and sub sectorising our business. This approach allows us to differentiate ourselves and get close to our customers to create bespoke and innovative solutions. Organic growth is supplemented by small and medium sized acquisitions that add capability or scale in our existing markets.

### Cost/operating efficiencies

We focus on operational execution and generate efficiencies by optimising our supply chain and diligently managing our food and labour costs. These efficiencies enable us to reinvest in the significant growth opportunities around the Group and to improve margins.

### Competitive advantage

Our growth, the scale it creates and our focus on cost and efficiencies give us a competitive advantage. This allows us to provide our clients and consumers the best value in terms of quality and cost which, combined with our sectorised approach, helps drive long term sustainable organic revenue growth.

### Our people and culture

Our people and culture lie at the heart of our business. Our aim is to nurture an engaged and highly capable workforce to win new business, manage our units efficiently and effectively, and deliver the healthiest, most innovative food solutions in a way that provides a safe and exciting experience to our clients and consumers.

## STRATEGY

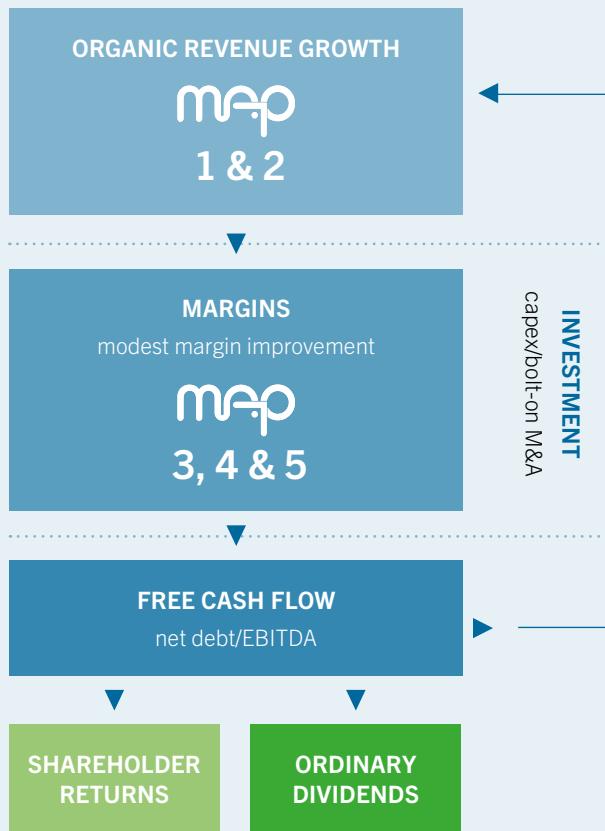
Although COVID-19 has not changed our business model, we are evolving our strategy to increase our resilience and strengthen our competitive advantages. The three main areas of focus are:

- digital: consumer facing use of apps and kiosks to pre-order, pre-pay, click and collect as well as back of house apps for labour management and food procurement
- labour: increase labour flexibility, leverage our scale and pool the workforce across sectors to better accommodate volume volatility on site
- central production units: hubs for development, training and production to rationalise labour costs and reduce food waste



By innovating and adapting our operations and our offering, we will ensure we continue to lead the industry and remain relevant to our clients and consumers. This will allow us to continue to win new business and have strong retention rates so we can continue to grow and further leverage our scale.

From an operational perspective, we are renegotiating our contracts and mitigating higher operating costs as efficiently as possible so that we can rebuild our operating margin and continue to strengthen our competitive advantage. In this way, we will continue to create long term value for all our stakeholders.



### HOW WE CREATE VALUE

Food is our focus and our core competence. We take a pragmatic and targeted approach to other support services. We prioritise organic growth and invest in the business to drive new business and retention (MAP 1) and consumer sales (MAP 2).

We focus relentlessly on costs: this includes managing the cost of food (MAP 3), in unit labour costs and overheads (MAP 4) and what we term above unit overheads (MAP 5). In large markets, our scale enables us to have lower food costs and to better leverage our overhead costs. Operational efficiency and effectiveness are key to improving margins.

This focus on organic revenue growth and margins helps grow our earnings and cash flow. Our priorities for cash are clear and simple. We invest to support organic revenue growth and to generate further efficiencies to deliver continued margin improvement. We invest in bolt-on acquisitions that add capability or scale in an existing market and whose returns exceed the cost of capital by year two. Our aim is to target a net debt to EBITDA leverage range of 1x-1.5x and we are keeping future dividends and other shareholder returns under review and will restart them when it is appropriate to do so.



We use the Management and Performance (MAP) framework to drive performance across the business. MAP is a simple framework which is embedded in our culture and allows us to harness the power of the organisation by ensuring all employees are focused on the same set of performance drivers, which are:

#### 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 customers.

#### MAP 2: CONSUMER SALES AND MARKETING

Like for like revenue consists of both volume and price. We are focused on attracting and satisfying our customer base with strong consumer propositions.

#### 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 made up predominantly 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.

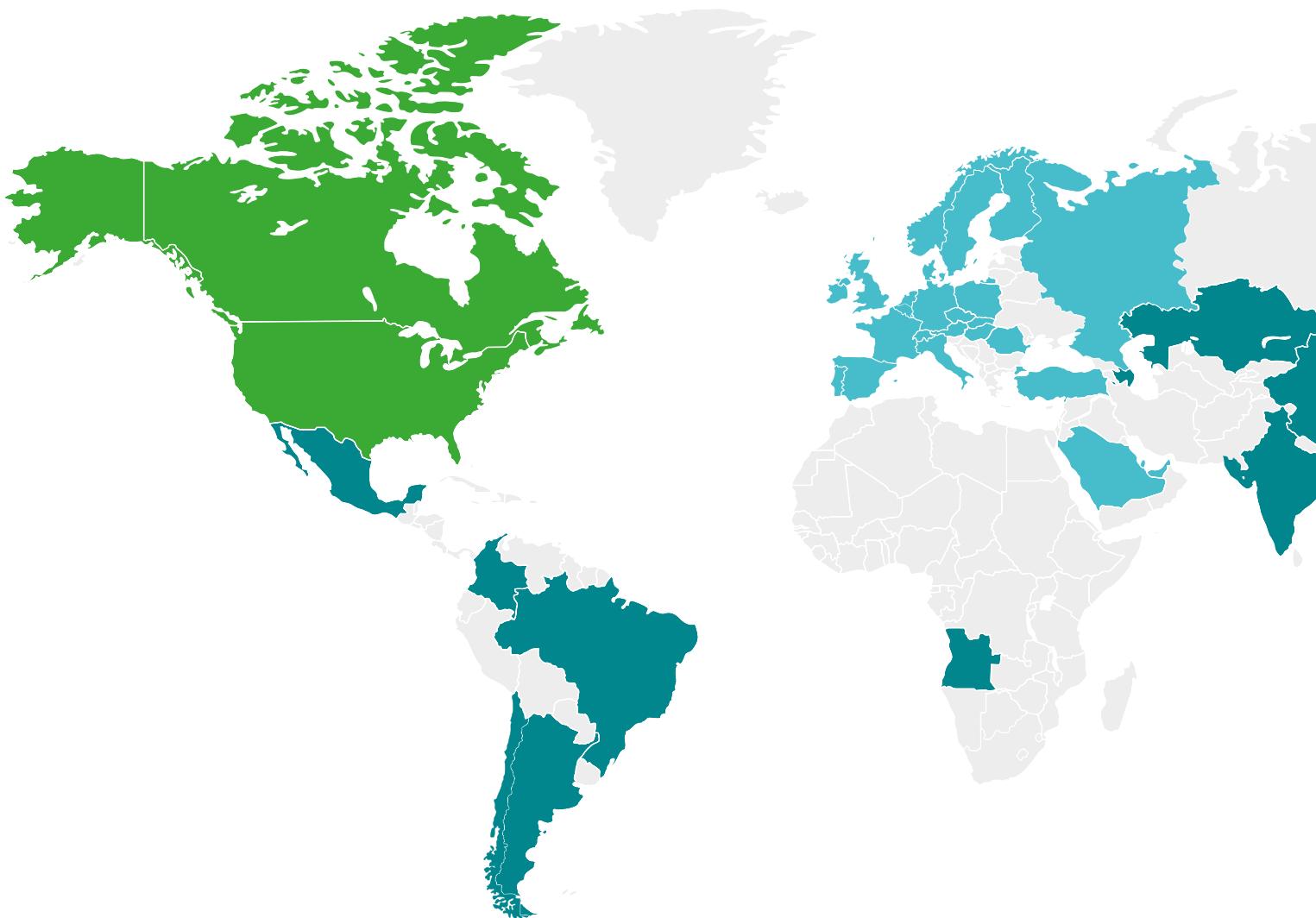
# Our global reach

Every day we provide food to millions of people around the world. Food is not only our core competence, it is our passion.

We create value for our clients and consumers by providing a bespoke food offer through our extensive portfolio of B2B brands.

As an industry leader, we keep pace with changing consumer trends and focus on culinary choices that are innovative, nutritious and sustainable. We pride ourselves on our best in class health and safety protocols and our scale allows us to provide the best value in terms of quality and cost.

We operate in around 45 countries and manage the business across three geographic regions and five main sectors. See pages 16 to 21 and pages 10 and 11 for more information.



**NORTH AMERICA***Underlying revenue*

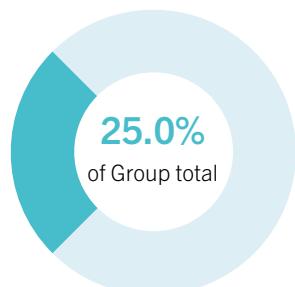
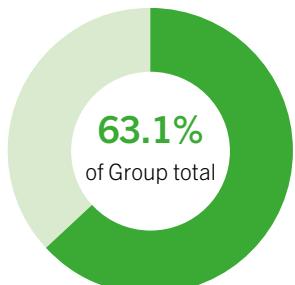
£12,746m  
(2019: £15,694m)

**EUROPE***Underlying revenue*

£5,048m  
(2019<sup>1</sup>: £6,391m)

**REST OF WORLD***Underlying revenue*

£2,404m  
(2019<sup>1</sup>: £3,067m)



1. Prior year comparatives have reclassified Turkey and Middle East from our Rest of World region into our Europe region.

# North America

## UNDERLYING REVENUE

**£12,746m**

(2019: £15,694m)

## ORGANIC REVENUE CHANGE

**(18.5)%**

(2019: +7.7%)

## UNDERLYING OPERATING PROFIT

**£606m**

(2019: £1,290m)

## UNDERLYING OPERATING MARGIN

**4.8%**

(2019: 8.2%)

## CONTRIBUTION TO GROUP REVENUE

**63.1%**

(2019: 62.4%)

## FINANCIAL SUMMARY

	Underlying		Change		
	2020	2019 <sup>1</sup>			
Revenue	<b>£12,746m</b>	£15,694m	(18.8)%	(18.4)%	(18.5)%
Operating profit (as reported)	<b>£606m</b>	£1,290m	(53.0)%	(52.8)%	(53.1)%
Operating profit (proforma IAS 17) <sup>1</sup>	<b>£588m</b>	£1,290m	(54.4)%	(54.2)%	(54.5)%
Operating margin (as reported)	<b>4.8%</b>	8.2%	(340)bps		
Operating margin (proforma IAS 17) <sup>1</sup>	<b>4.6%</b>	8.2%	(360)bps		

## UNDERLYING REVENUE BY SECTOR



- Business & Industry – 31%
- Healthcare & Seniors – 35%
- Education – 22%
- Sports & Leisure – 10%
- Defence, Offshore & Remote – 2%

1. The Group has adopted IFRS 16 'Leases' with effect from 1 October 2019 without restating prior year comparatives. As a result, the Group results for the year ended 30 September 2020 are not directly comparable with those reported in the prior year under IAS 17 'Leases'. To provide meaningful comparatives, the results for the year ended 30 September 2020 have therefore also been presented on a proforma IAS 17 basis.

Organic revenues in our North American business declined by 18.5%, reflecting the volume impact of COVID-19 in the second half of the year, which saw revenues decline by over 40%. Encouragingly, new business for the full year was 6.9%, with significant levels of growth from first time outsourcing and wins from smaller regional players. Retention rates were high at 96.4%.

Our Sports & Leisure business – mainly stadia and entertainment venues – remained closed throughout the second half of the year. Our Education sector was significantly impacted by the lockdown in March. As the new academic year began in August and September we saw a mixed approach to reopening, especially within our Higher Education sub sector where many clients are offering a hybrid curriculum with online as well as live classes. Our Business & Industry portfolio is more weighted towards ‘Business’ and serving office based consumers where the return to work has been slow. Our Healthcare & Seniors business grew by 4.5%, driven by double digit new business wins. Most Defence, Offshore & Remote locations have remained open during the year, however, changes to working patterns have driven modest volume declines.

We have taken significant actions to mitigate the impact of volume declines on our operating margin. We have renegotiated contracts, furloughed employees and rightsized both in unit (MAP 4) and above unit (MAP 5) costs. Underlying operating profit of £606 million, including £64 million of contract related non-current asset impairment and onerous contract charges, decreased by 52.8% on a constant currency basis. The full year underlying operating margin was 4.8% (4.6% excluding the impact of IFRS 16), or 5.3% before the impact of contract related non-current asset impairment and onerous contract charges. The Q4 underlying margin, before the impact of contract related non-current asset impairment and onerous contract charges, was around 3%. With uncertainty around volume recovery, the cost base remains under constant review to ensure margin improvement in 2021.



**Gary Green**  
Group Chief  
Operating Officer,  
North America

We had a great start to the year and were on track to deliver the most successful six months in Compass North America's history. However, in March we faced an unprecedented crisis, which shut down half of our business over a fortnight. None of our sectors were able to operate under normal conditions and our Healthcare sector faced immense operational pressures from the surge in COVID-19 patients. I am proud of how our people rose to the challenge and I am incredibly grateful to everyone for their focus, dedication and support.

Despite the continued pandemic, we are seeing encouraging signs from our clients who are thinking about reopening their operations. They are increasingly turning to us for advice on how to operate under COVID-19 restrictions with appropriate social distancing measures, contactless solutions and best in class health and safety protocols. We continue to adapt our operating model and challenge ourselves to look for smarter, more innovative and efficient ways to operate.

Looking ahead, we are excited by opportunities to grow our business from first time outsourcing or from winning market share from regional players in the healthcare and senior living and education sectors. Our leading expertise in food services, culinary and digital innovation, scale and robust supply chain mean that we are well placed for recovery. More importantly, we have the most incredible people and culture and we have always thrived through the imagination of our people. We will take this unprecedented time in our Company's history to effectively shape what our 'new normal' will be and will continue to be a market leader.

# Europe

## UNDERLYING REVENUE

£5,048m

(2019<sup>1</sup>: £6,391m)

## ORGANIC REVENUE CHANGE

(24.0)%

(2019<sup>1</sup>: +5.2%)

## UNDERLYING OPERATING PROFIT

£(29)m

(2019<sup>1</sup>: £421m)

## UNDERLYING OPERATING MARGIN

(0.6)%

(2019<sup>1</sup>: 6.6%)

## CONTRIBUTION TO GROUP REVENUE

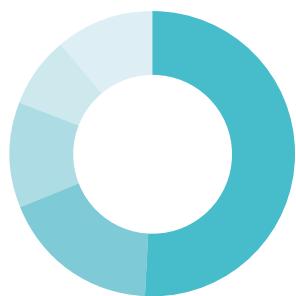
25.0%

(2019<sup>1</sup>: 25.4%)

## FINANCIAL SUMMARY

	Underlying		Change		
	2020	2019 <sup>1,2</sup>	Reported rates	Constant currency	Organic
Revenue	£5,048m	£6,391m	(21.0)%	(19.9)%	(24.0)%
Operating (loss)/profit (as reported)	£(29)m	£421m	(106.9)%	(107.0)%	(104.8)%
Operating (loss)/profit (proforma IAS 17) <sup>2</sup>	£(35)m	£421m	(108.3)%	(108.4)%	(106.2)%
Operating margin (as reported)	(0.6)%	6.6%	(720)bps		
Operating margin (proforma IAS 17) <sup>2</sup>	(0.7)%	6.6%	(730)bps		

## UNDERLYING REVENUE BY SECTOR



- Business & Industry – 51%
- Healthcare & Seniors – 18%
- Education – 12%
- Sports & Leisure – 8%
- Defence, Offshore & Remote – 11%

1. Prior year comparatives have reclassified Turkey and Middle East from our Rest of World region into our Europe region.

2. The Group has adopted IFRS 16 'Leases' with effect from 1 October 2019 without restating prior year comparatives. As a result, the Group results for the year ended 30 September 2020 are not directly comparable with those reported in the prior year under IAS 17 'Leases'. To provide meaningful comparatives, the results for the year ended 30 September 2020 have therefore also been presented on a proforma IAS 17 basis.

Organic revenue declined by 24% for the full year. Revenues declined by 44% in the second half given that 71% of Europe's revenues are in Business & Industry (51%), Education (12%) and Sports & Leisure (8%), the three sectors that have been most impacted by the pandemic. Through the summer we saw a recovery in Business & Industry as consumers returned to the office, especially in continental Europe. In Education, the beginning of the academic year in September has been positive especially in the K-12 sub sector. Reopening of our clients in Higher Education has been more mixed. Our Sports & Leisure business, which is largely in the UK, remains closed.

Although new business wins were 2.8% and have been subdued especially in the UK, France and Germany, we saw a higher proportion of new business from small and regional players. Retention has been broadly in line with previous years at 92.6%.

Across Europe, government schemes are supporting employees during the pandemic. As these schemes end, we are having to take resizing actions to adjust our cost base to reflect the current trading environment.

The integration of Fazer, acquired in February, has proceeded at a slightly slower pace than anticipated due to the pandemic. Nevertheless, Fazer returned to profitability in September and is on track to deliver the expected synergies.

As a result of the significant volume decline, the underlying operating loss was £29 million. This includes £48 million of contract related non-current asset impairment and onerous contract charges. The underlying operating margin was 0.4% before the contract related non-current asset impairment and onerous contract charges, and negative 0.6% (negative 0.7% excluding the impact of IFRS 16) including these impairments and charges. Encouragingly, since the initial impact of lockdowns in March, the underlying operating margin improved from negative 13% in Q3 to negative 4% in Q4. We have taken the necessary actions to rebuild our margin in the UK to offset the impact of lower reopening rates in Business & Industry and the sustained closure of our Sports & Leisure business with the benefits expected to come through in 2021.



**Venkie Shantaram**  
Regional Managing  
Director, Europe  
& Middle East

We were very pleased with our strong start to the year, which was subsequently impacted by COVID-19 in the second half. I have been hugely impressed by how our teams have rallied to engage with our clients on closing sites in March, and reopening progressively since July with robust safety protocols in place.

We made the most of the lockdown by driving strong cost and cash management; improving procurement processes; strengthening sales and retention processes; and making focused changes and increasing diversity in our leadership team, drawing on our significant internal talent as well as external expertise.

Emerging from the crisis, we see medium term opportunities in sharpening our culinary offers for the post-pandemic world, including more digital solutions. We are also focusing on more first time opportunities that may emerge from organisational cost pressures.



**Robin Mills**  
Managing Director,  
UK & Ireland

At the beginning of the year, the UK business was performing in line with our expectations. However, the outbreak of COVID-19 led to the closure of a large proportion of our business over a fortnight. From the outset, our front line Healthcare teams, along with colleagues redeployed from our Sports & Leisure business, supported the NHS. In addition, we redistributed food to foodbanks with charity partners such as FareShare. I am incredibly proud of how our people reacted at pace to such significant change, supporting our clients, consumers and communities during this crisis.

Operating through the pandemic has been challenging, but there have been great opportunities too. Innovation has always played a key role in our organisation. The crisis accelerated the use of digital apps for food ordering or table booking and we have trialled new delivery partnerships using our existing under utilised kitchens and central production units. Our innovation has focused on high quality food using impeccable local ingredients. These are exciting developments that should add value and open up new markets over time as we scale up the operations and more organisations reopen.

# Rest of World

## UNDERLYING REVENUE

**£2,404m**

(2019<sup>1</sup>: £3,067m)

## ORGANIC REVENUE CHANGE

**(7.9)%**

(2019<sup>1</sup>: +2.0%)

## UNDERLYING OPERATING PROFIT

**£94m**

(2019<sup>1</sup>: £232m)

## UNDERLYING OPERATING MARGIN

**3.9%**

(2019<sup>1</sup>: 7.6%)

## CONTRIBUTION TO GROUP REVENUE

**11.9%**

(2019<sup>1</sup>: 12.2%)

## FINANCIAL SUMMARY

	Underlying		Change		
	2020	2019 <sup>1,2</sup>	Reported rates	Constant currency	Organic
Revenue	<b>£2,404m</b>	£3,067m	(21.6)%	(15.5)%	(7.9)%
Operating profit (as reported)	<b>£94m</b>	£232m	(59.5)%	(56.1)%	(51.1)%
Operating profit (proforma IAS 17) <sup>2</sup>	<b>£90m</b>	£232m	(61.2)%	(57.9)%	(53.3)%
Operating margin (as reported)	<b>3.9%</b>	7.6%	(370)bps		
Operating margin (proforma IAS 17) <sup>2</sup>	<b>3.7%</b>	7.6%	(390)bps		

## UNDERLYING REVENUE BY SECTOR



- Business & Industry – 38%
- Healthcare & Seniors – 16%
- Education – 5%
- Sports & Leisure – 3%
- Defence, Offshore & Remote – 38%

1. Prior year comparatives have reclassified Turkey and Middle East from our Rest of World region into our Europe region.

2. The Group has adopted IFRS 16 'Leases' with effect from 1 October 2019 without restating prior year comparatives. As a result, the Group results for the year ended 30 September 2020 are not directly comparable with those reported in the prior year under IAS 17 'Leases'. To provide meaningful comparatives, the results for the year ended 30 September 2020 have therefore also been presented on a proforma IAS 17 basis.

Organic revenue declined by 7.9% as the volume impact of the pandemic offset modest growth in Australia and in some countries with Offshore and Remote businesses. The region was not as impacted by the pandemic given that 54% of its revenues are in the Defence, Offshore & Remote and Healthcare & Senior sectors.

New business wins in the year were 5.8%, with strong growth rates in Brazil, Chile and India. Retention for the year was 93.4%, however, we saw a significant improvement in the second half with retention at around 95%.

We took swift actions to adjust our cost base to the new trading environment, especially in Latin America.

Underlying operating profit was £94 million, including £7 million in contract related non-current asset impairment and onerous contract charges. The impact of disposals, mainly the Highway business in Japan, accounted for around £30 million of the underlying operating profit decline. The full year underlying operating margin was 3.9% (3.7% excluding the impact of IFRS 16), or 4.2% before the impact of contract related non-current asset impairment and onerous contract charges. The underlying operating margin in the fourth quarter before the impact of contract related non-current asset impairment and onerous contract charges was 2.8%.



**James Meaney**  
Regional Managing  
Director,  
Latin America

Before the COVID-19 outbreak, we continued to make good progress on our strategic priorities across our five markets in Latin America. Our focus on People, Performance and Purpose started to pay off with an improved culinary and consumer offer, higher organic revenue growth, stronger retention, higher employee engagement and a more balanced and diverse leadership team.

Our business in the region is concentrated in Industry, Offshore & Remote and Healthcare. These sectors have proven to be more resilient to the effects of the pandemic and are showing positive signs of recovery. We have also adjusted our cost structure in order to take advantage of new growth and margin opportunities. Our business model in Latin America continues to be attractive and our sector expertise and focus on quality will help us unlock the potential in the long term.



**Mark van Dyck**  
Regional Managing  
Director,  
Asia Pacific

Our Asia Pacific region is one of the most dynamic regions in the world. It consists of 11 diverse countries from the mature markets of Australia, New Zealand and Japan to high growth economies such as India and China. We have been operating in many of the countries for over 20 years and serving more than 400 million meals each year.

At the start of the pandemic, China was the first country to go into lockdown and was the first country to come out. Most of our corporate sites have reopened and roughly 80% of people are back on site. We adapted quickly to the new environment and, having learnt how to reopen safely under COVID-19 restrictions, we were able to share our learnings with the rest of the Group.

In the long term, we see a great opportunity for first time outsourcing across the region as industries seek more efficient ways to deliver safe, quality food services. Asia's large and growing middle class is also driving demand for premium goods and services that aligns to our core capability in the region.

# Delivering the Group's strategy

The Board has delegated day to day operational decisions to the Executive Committee which is the key management committee for the Group. The Executive Committee develops the Group's strategy, and reviews capital expenditure and investment budgets.



- 1 **Dominic Blakemore**, Group Chief Executive Officer
- 2 **Karen Witts**, Group Chief Financial Officer
- 3 **Gary Green**, Group Chief Operating Officer, North America
- 4 **Sarah Morris**, Group Chief People Officer
- 5 **Venkie Shantaram**, Regional Managing Director, Europe & Middle East
- 6 **Federico Tonetti**, Group Safety & Sustainability Director

It is responsible for implementing Group policy, monitoring health and safety, financial, operational and quality of service performance, purchasing and supply chain issues, succession planning and governance matters.

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**7** **Mark van Dyck**, Regional Managing Director, Asia Pacific

**8** **Sandra Moura**, Group Investor Relations & Corporate Affairs Director

**9** **Robin Mills**, Managing Director, UK & Ireland

**10** **Sapna Sood**, Group Director, Global Clients and Consumers

**11** **James Meaney**, Regional Managing Director, Latin America

**12** **Alison Yapp**, Group General Counsel and Company Secretary

## DOMINIC BLAKEMORE

Group Chief Executive Officer

Joined the Board and Executive Committee in February 2012. Dominic previously held the roles of Group Finance Director, Group Chief Operating Officer, Europe and Deputy Group CEO. He 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. Dominic is a chartered accountant.

### **Previous experience**

Dominic was formerly non-executive director of Shire plc and Chief Financial Officer of Iglo Foods Group Limited. Before joining Iglo Dominic was European Finance & Strategy Director at Cadbury Plc having previously held senior finance roles at that company. Prior to that Dominic was a director at PricewaterhouseCoopers LLP.

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## SARAH MORRIS

Group Chief People Officer

Joined the Group and appointed to the Executive Committee in May 2020.

### **Key skills and competencies**

Highly experienced in strategic leadership and people management gained in multinational environments. Sarah is a Fellow of The Chartered Institute of Personnel and Development.

### **Previous experience**

Sarah most recently held the role of Chief People Officer for Aviva plc. Prior to this she held various senior leadership roles in HR, operations and general management in technology, retail and energy, and has worked in Asia, the USA, Canada and Scandinavia.

## KAREN WITTS

Group Chief Financial Officer

Joined the Board and Executive Committee as Group Chief Financial Officer in April 2019.

### **Key skills and competencies**

Karen is an experienced Chief Financial Officer with a strong background in finance and management across a variety of sectors in global organisations. Karen is a chartered accountant.

### **Previous experience**

Karen was previously Group Chief Financial Officer of Kingfisher PLC and a member of the board of directors for over six years. Prior to that, she held senior finance positions at Vodafone Group PLC and BT PLC. Karen is a former non-executive director and the Audit Committee Chair of Imperial Brands PLC, and a former non-executive director of Wolseley plc. Karen's early career included finance roles at Mars, Paribas, Grand Metropolitan and Ernst & Whinney.

## GARY GREEN

Group Chief Operating Officer, North America

Joined the Board and Executive Committee in January 2007. Appointed Group Chief Operating Officer, North America in April 2012.

### **Key skills and competencies**

Gary brings strong business and operational leadership as well as business development and wide ranging sales experience. Gary is a chartered accountant and in 2001 received an honorary doctorate from Johnson & Wales University in the USA.

### **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 USA in 1994 as Chief Finance Officer of the Group's North American business and in 1999 became Chief Executive Officer, North America.

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## VENKIE SHANTARAM

Regional Managing Director, Europe & Middle East

Appointed to the Executive Committee in January 2018, having joined the Group in July 2017.

### **Key skills and competencies**

A skilled business leader and innovator, Venkie has an MBA from INSEAD.

### **Previous experience**

Venkie was a partner with McKinsey & Company, focusing on global energy clients, later holding Regional Managing Director positions for Aggreko plc in Europe and Asia. He was previously Regional Managing Director for Compass Central Asia, Middle East, Africa, Turkey & Southeast Asia Offshore & Remote.

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## FEDERICO TONETTI

Group Safety & Sustainability Director

Appointed to the Executive Committee in December 2018, having joined the Group in May 2018.

### **Key skills and competencies**

Leader and innovator in the field of business sustainability. Federico holds a Masters Degree in Economics from Bocconi University (Milan) and a post-graduate International MBA from IE Business School (Madrid).

### **Previous experience**

Federico has 20 years' experience in general management, global functional roles and sales and marketing positions for a variety of multinational manufacturing organisations across eight different countries. Federico also spent four years at Bain & Company in Strategy Consulting.

**MARK VAN DYCK**

Regional Managing Director,  
Asia Pacific

Appointed to the Executive Committee in April 2016, having joined the Group in February 2013.

**Key skills and competencies**

Mark is highly experienced in international business leadership. He holds a Bachelor of Arts (Honours) in Business Administration and is a graduate of the Australian Institute of Company Directors.

**Previous experience**

Mark held senior leadership roles for over 22 years in companies including LG Electronics, The Coca-Cola Company, Waterford Wedgwood, Cinzano, Allied Lyons and Gillette. The majority of his career has been spent in the service and consumer sectors with particular focus on the Asia Pacific region.

**SANDRA MOURA**

Group Investor Relations & Corporate Affairs Director

Appointed to the Executive Committee in February 2017, having joined the Group in October 2014.

**Key skills and competencies**

Highly experienced in investor relations and business finance. Sandra holds an MBA from the University of Chicago Booth School of Business and a BA in Economics from Brown University.

**Previous experience**

Prior to joining Compass, Sandra's career in investor relations and financial analysis spanned the International Finance Corporation in Washington DC, and UK FTSE 100 companies Rexam plc and Diageo plc.

**ROBIN MILLS**

Managing Director, UK & Ireland

Appointed to the Executive Committee in November 2015, having joined the Group in 2008. Appointed Managing Director, UK & Ireland in November 2019.

**Key skills and competencies**

Respected innovator with significant experience in people management and business operations.

**Previous experience**

Robin joined Compass as HR Director for UK & Ireland before becoming Managing Director of Chartwells, our education business in the UK, and then 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).

**SAPNA SOOD**

Group Director, Global Clients & Consumers

Appointed to the Executive Committee in October 2018, having joined the Group in September 2018.

**Key skills and competencies**

Sapna has in depth experience of global business development, with a focus on international clients. She has an MBA from IMD Business School and a Bachelor of Engineering in Chemical Engineering from the University of Sydney.

**Previous experience**

Sapna held various senior positions in operations and supply chain in Australia, the USA, Singapore, Germany and China with Linde, following which she joined Lafarge SA as Senior Vice President of HSE, France. Prior to joining Compass, Sapna served as Country CEO for LafargeHolcim, Philippines.

**JAMES MEANEY**

Regional Managing Director, Latin America

Joined the Group and Executive Committee in November 2017.

**Key skills and competencies**

Highly experienced in business development and leadership, James holds a Bachelor's Degree in Economics from Notre Dame University, an MBA from Harvard and completed INSEAD's advanced management course.

**Previous experience**

James has spent over 20 years in Brazil and led a number of communications and service based organisations in the region, including as Founder and President of Contax SA, Chief Operating Officer at Oi SA and CEO at Aceco TI.

**ALISON YAPP**

Group General Counsel and Company Secretary

Joined the Group in August 2018. Appointed Group General Counsel and Company Secretary and joined the Executive Committee in October 2018.

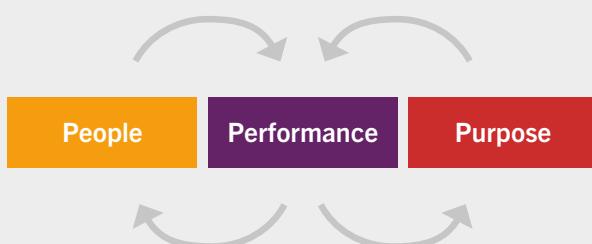
**Key skills and competencies**

Alison is a solicitor with more than 25 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.

**Previous experience**

Alison was formerly 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 Advisor of Charter plc. Prior to joining Charter, Alison held a number of senior legal roles at Johnson Matthey plc.

# Long term stakeholder value



Our strategy is to focus on food, and our model for creating value remains unchanged. However, the COVID-19 pandemic has heightened the importance of increasing our resilience so that we can continue to create long term value for all our stakeholders.

## WE FOCUS ON THREE KEY STRATEGIC PILLARS

Our People pillar is focused on ensuring we have an engaged and motivated workforce. Our colleagues around the world are at the heart of our business and we believe the way we organise, train and develop them is a critical competitive advantage. Supporting them in the challenging circumstances brought about by COVID-19 has been a key priority this year. See pages 51 to 57 for more detail.

The Performance pillar is focused on ensuring best in class execution. We manage the business using our Management and Performance (MAP) framework. The discipline it brings ensures we are managing the business efficiently while continuing to delight our clients and consumers with innovative, healthy and exciting food service solutions. See pages 12 and 13 for more detail.

The COVID-19 pandemic has further emphasised the importance of leading with Purpose to realise the true potential of the organisation. As an industry leader, we believe we have an important long term role to play in society. We support initiatives across the Group that improve the health and wellbeing of our people and consumers, and are beneficial for the environment and the communities in which we live and operate. See pages 59 to 69 for more detail.

## WHO WE CREATE VALUE FOR

We have a wide range of stakeholders that includes clients, consumers, colleagues, suppliers and shareholders, as well as the communities in which we live and operate. We seek to create value for all our stakeholders and aim to engage with them and take into account their feedback to ensure, as much as possible, that we all benefit from Compass' success.

## People

### OUR PEOPLE

Our people are the foundation of our business and our values guide our actions and behaviours. This has been clearly demonstrated through the dedication and hard work of our colleagues around the world, enabling us to deliver world class services to our clients and consumers every day.

Our overriding focus during the COVID-19 pandemic has been on the safety and wellbeing of our colleagues, many of whom have been on the front line.

We have remained vigilant to the impacts of the pandemic on our colleagues across our regions and intensified engagement with our people in the areas of health and wellbeing, diversity and inclusion, and training and development. Our Designated Non-executive director for workforce engagement has held a number of discussions with our people around the businesses to help us better understand any issues of concern during this time.

We are committed to hiring, developing and retaining our diverse talent to ensure we have a truly engaged, high performing and fulfilled workforce, enabling us to deliver results and rebuild our business.

See our People report on pages 51 to 57 for more information.

## Performance

### CLIENTS & CONSUMERS

We have a diverse range of clients and an even wider range of consumers in terms of the employees, students, patients and sports fans that come to our restaurants and cafés at our client sites.

Across this extraordinarily diverse base, we are conscious of the need to offer all of our clients and consumers 'value' in price, quality, hygiene and experience. We also work closely with them to promote and drive a nutritional health and wellness agenda that suits the needs of their specific organisation and paves the way for healthier, more balanced lifestyles.

### INVESTORS

We create long term value for our investors by focusing on our core food business and delivering sustainable profit growth and strong cash generation. Our priorities for cash are clear and simple. We invest to support organic revenue growth and to generate efficiencies to deliver continued margin improvement. We invest in bolt-on acquisitions that add capability or scale in an existing market and whose returns exceed the cost of capital by year two. Our aim is to target a net debt to EBITDA leverage range of 1x-1.5x and we are keeping future dividends and other shareholder returns under review and will restart them when it is appropriate to do so.

See our Business Model and Strategy on pages 12 and 13 for more information.

## Purpose

### CONSUMERS & EMPLOYEES

We care about the safety, health and wellbeing of our consumers and our people. This mindset drives us to continually improve our occupational and food safety performance. It underpins our internal and external initiatives on important issues like good nutrition and mental health. Through our healthy menu offerings, and using our expertise and reach, we are educating people, helping both our consumers and our people to lead healthier, more balanced lives.

### SUPPLIERS

We work only with suppliers who share our ethical values. Our newly updated and more user friendly supply chain integrity requirements help us to maintain our high standards and make continual improvements to our sustainable sourcing, for both food and non-food products. We engage regularly with partners throughout our supply chain, helping them to deliver safe, scalable and sustainable solutions.

### ENVIRONMENT

We concentrate our efforts on where we believe we can have the greatest positive impact on the global food system and the environment. In order to reduce any negative impacts of our operations, our focus is on climate action, reducing food waste and encouraging plant-forward meals. Despite the demand for disposables having temporarily increased due to the pandemic, we also remain committed to reducing our use of single-use plastics in the long term.

### COMMUNITIES

We want to give back to our local communities wherever we operate around the world. We support and actively get involved with community projects and initiatives that benefit the local area. We employ and provide training opportunities for local people, and have many local sourcing programmes. We believe that this is fundamental to building trust and to our business sustainability.

See our Corporate Responsibility report on pages 59 to 69 for more information.

# Engaging with our stakeholders

The success of our strategy is reliant on the support and commitment of all our stakeholders. Their interests are important to us and we are committed to maintaining strong, positive relationships with them, built on a foundation of mutual respect, trust and understanding. The table and the section 172 (1) statement provide a high level overview of how we engage with our stakeholders.

COVID-19 has had a profound impact on all of our stakeholders and throughout this Annual Report there are examples of measures that were taken by the Board to protect the Company and to manage the expectations of stakeholders.

## SECTION 172 (1) STATEMENT

The Board considers that the Board and its individual members have acted in a way that would be most likely to promote the success of the Company, for the benefit of its members as a whole, in the decisions made by the Board during the year. The directors confirm that the deliberations of the Board, which underpin its decisions, incorporate appropriate regard to the matters detailed in section 172 of the Companies Act 2006.

The Board and each director acknowledges that the success of Compass' strategy is reliant on the support and commitment of all of the Company's stakeholders. Having stakeholders who believe in our brand and share our values is therefore very important to us. By working together, we believe we are stronger and can achieve our common goals.

As a geographically and culturally diverse business with colleagues in around 45 countries, Compass has a global and diverse community of stakeholders, each with its own interests in and expectations of the Company. Although the Board sometimes engages directly with stakeholders, due to the scale and geographic spread of our businesses, stakeholder engagement mostly takes place at an operational level and the Board is therefore reliant on management to help it fully understand the impact of the Company's operations on its stakeholders.

During the year, the Board considered information from across the Group's businesses and received presentations from management, reviewed papers and reports and took part in discussions which considered, where relevant, the impact of the Company's activities on its key stakeholders. These activities, together with direct engagement by the Board and individual directors with the Company's stakeholders, helped to inform the Board in its decision making processes.

As a Board, the collective role of the directors is to act as effective and responsible stewards of the Company. In so doing, the Board ensures that the Company is well positioned to achieve long term sustainable success and deliver value for its stakeholders as a whole.

The Board recognises that balancing the needs and expectations of stakeholders is important, but it often has to make difficult decisions based on competing priorities where the outcome is not positive for all of the Company's stakeholders. Decisions are not taken lightly and the decision making process has been structured to enable directors to evaluate the merit of proposed business activities and the likely consequences of its decisions over the short, medium and long term, with the aim of safeguarding the Company so that it can continue in existence, fulfilling its purpose and creating value for future generations of stakeholders.

Details of how the Board and the directors have fulfilled their section 172 duties can be found throughout the Strategic and Governance reports. The following sections have therefore been incorporated by reference into this statement:

- Our business model and strategy, pages 12 and 13
- Long term stakeholder value, pages 26 and 27
- Engaging with our stakeholders, pages 28 and 29
- People report, pages 51 to 57
- Corporate Responsibility report, pages 59 to 69
- Identifying and managing risk, pages 41 to 49
- Consideration of stakeholder interests in decision making, page 83
- Board oversight of stakeholders, pages 84 and 85
- Engaging with our employees and monitoring culture, pages 86 and 87
- Corporate Responsibility Committee report, pages 104 to 109

Description	
<b>PEOPLE</b>	Colleagues who work in our business.
	
<b>COMMUNITIES</b>	The people who live in the local communities around our sites and operations.
	
<b>CLIENTS</b>	The businesses and organisations for which we provide services around the world.
	
<b>CONSUMERS</b>	The people to whom we serve food and drink and provide support services.
	
<b>SUPPLIERS</b>	Our trusted partners who source, produce and deliver products and services.
	
<b>SHAREHOLDERS</b>	Individuals or institutions that own shares in Compass Group PLC.
	
<b>NGOS</b>	Non-governmental organisations (NGOs) which support us with knowledge and expertise on key social, environmental and economic issues.
	
<b>GOVERNMENTS AND REGULATORS</b>	Regional and national government bodies and agencies which implement and enforce applicable laws across our industry.
	

Areas of focus	Why we engage	How we engage
<ul style="list-style-type: none"> <li>• health and wellbeing</li> <li>• diversity and inclusion</li> <li>• recognition and careers</li> </ul>	<p>Our people are at the heart of our businesses and key to our ongoing success. We want our people to thrive in a fair and inclusive work environment.</p>	<p>There are many ways we engage, including engagement surveys, town hall meetings, Speak Up reports, internal social media channels and consultative bodies.</p>
<ul style="list-style-type: none"> <li>• fair employment and equal opportunities</li> <li>• local causes and issues</li> <li>• health and wellbeing</li> <li>• food waste</li> </ul>	<p>To build trust by operating responsibly and sustainably, and addressing issues that are material to our communities. To provide training opportunities and support to local people currently not in education, training or employment.</p>	<p>We operate many local employment programmes to recruit and develop local people to work in our sites. We partner with local charities and organisations to raise awareness and funds to help local causes.</p>
<ul style="list-style-type: none"> <li>• working within defined sectors, creating bespoke, innovative solutions to match specific market and client requirements</li> <li>• health, wellbeing and focused sustainable CR initiatives</li> <li>• technology and analytical innovation to support consumer solutions</li> </ul>	<p>By understanding what is important to our clients, we ensure that our solutions are tailored to support their individual business objectives</p>	<p>We aim to have open and transparent relationships that are based on honesty and respect. We build relationships at all levels of our client organisations, sharing market trends and insight, developing strategic and operational plans, against which we regularly report. We conduct independent client surveys which measure satisfaction levels.</p>
<ul style="list-style-type: none"> <li>• safe, delicious and healthy food</li> <li>• staying ahead of changing consumer lifestyles and habits which impact how people want to eat and drink</li> <li>• making sure that our food and beverage offer is sustainable and good for the planet</li> <li>• clean and safe environments</li> </ul>	<p>We exist to serve people with nutritious food and drink, which helps them learn better, work better and recover better. We want our consumers to thrive and we create the environments to help them do that, at all life stages.</p>	<p>We believe that engagement is a constant conversation with our consumers, listening carefully to how we can improve our service and find new ways to delight. We use a variety of methods including formal surveys, social listening, comment cards, workshops and observation. We combine analytical tools and common sense to get to actionable insights into our consumers' preferences.</p>
<ul style="list-style-type: none"> <li>• food safety and authenticity</li> <li>• workplace health and safety</li> <li>• supply chain integrity</li> <li>• human rights</li> </ul>	<p>To develop mutually beneficial and lasting partnerships aimed at addressing shared challenges in responsible and sustainable sourcing, and to communicate our supply chain standards, expectations and commitments.</p>	<p>We regularly communicate with our suppliers, and conduct formal supplier surveys, reviews and audits; we host regular multi-stakeholder supplier conferences in some of our larger markets (these have been virtual in 2020).</p>
<ul style="list-style-type: none"> <li>• financial performance</li> <li>• competitive positioning</li> <li>• strategy and outlook</li> <li>• ethical business practices and sound governance</li> <li>• leadership and succession planning</li> <li>• debt and liquidity</li> <li>• sustainability</li> </ul>	<p>Our philosophy is to engage in regular, open and transparent dialogue with our existing and prospective shareholders. We value their thoughts and opinions which are shared with the Compass Group Board. The Board reviews the feedback and takes appropriate actions to address any concerns.</p>	<p>We engage with our existing investors through one-to-one and group meetings, webcasts, presentations, conference calls and at our AGM. The Group Investor Relations &amp; Corporate Affairs Director holds responsibility for the investor relations programme, and the Group CEO and Group CFO dedicate significant time to engaging with our major shareholders. The Chairman, other Board members, the Group General Counsel and Company Secretary, the Group Chief People Officer and the Group Safety &amp; Sustainability Director also engage with our shareholders on other matters, such as Environmental, Social and Governance topics.</p>
<ul style="list-style-type: none"> <li>• human rights</li> <li>• climate change</li> <li>• animal welfare</li> <li>• social issues</li> </ul>	<p>To ensure we stay up to date and develop effective action plans so we can have a positive impact on key social, environmental and economic issues.</p>	<p>We engage with NGOs through regular communications, interactions and meetings, as well as through industry association memberships and at forums and conferences (these have been virtual in 2020).</p>
<ul style="list-style-type: none"> <li>• consumer health and public health policies</li> <li>• food safety</li> <li>• workplace health and safety</li> <li>• human rights</li> <li>• climate change</li> <li>• legal and regulatory compliance</li> </ul>	<p>To communicate our views to those who have responsibility for implementing policy, laws and regulations relevant to our businesses.</p>	<p>Through a series of industry consultations, forums and conferences.</p>



# Our performance

Although the COVID-19 pandemic has impacted our financial results in 2020, the Compass model of value creation remains strong. Our scale and focus on execution, our emphasis on trust and safety, and our financial resilience put us in a strong position for the recovery and will allow us to generate sustainable long term value for all of our stakeholders.

The COVID-19 pandemic has brought about many changes to our day to day operations. Throughout the crisis, our priority remained the health and safety of our employees and our consumers. Where our sites remained open, we operated with enhanced health and safety protocols. Having geographically diverse operations meant that we were quickly able to transfer learnings from our Asia Pacific region to our other regions.

As country lockdowns began to ease, clients looked to us as a trusted and resilient partner which had the right expertise to help them reopen their operations. Compass started to implement appropriate social distancing measures, including significant redesign of kitchen operations, refurbishments of restaurants and technology upgrades to be in line with social distancing requirements. This meant minimising queue times and cash handling, and simplifying our food offer by producing more pre-packaged and grab and go solutions.

Digital innovation has been part of our strategy for some time. However, as a result of the pandemic, we significantly accelerated the rollout of global digital solutions for queue management, pre-order/pre-pay, onsite delivery, frictionless retail and unattended vending. We are also piloting delivery to home workers and other populations using our own central production units, joining forces with third parties or using our own delivery applications.

Feedr is an example of an app which was purchased by Compass before the crisis. It offers meals from over 150 restaurants, servicing over 200 corporate clients and 15,000 users. The app focuses on health and nutrition and customises the menu experience for users who want to set their own food goals. In response to COVID-19, we adapted the use of the app to service not only our existing clients in their usual office environments, but have also run small pilots delivering to small and medium businesses that don't have a café or restaurant on site, as well as to consumers that are working from home.

Another example of our ability to adapt and innovate in the current environment is our own Time2Eat app, which was created and launched in six weeks by our in-house development team. The app allows users to pre-book their table in the cafeteria and to pre-order and pre-pay for their food. The app then alerts the user when it is time to leave so that our support services teams can disinfect the area for the next consumer. This is just one of the many measures we have put in place to support the safe return of our clients' employees to their workplaces, and it also helps us to better manage our costs.

# Well positioned for the future



**Karen Wits**  
Group Chief Financial Officer

Compass is well positioned for the future as it addresses the challenges of COVID-19.

## FINANCIAL SUMMARY

	2020 £m	2019 <sup>1,2</sup> £m	Decrease
<b>Revenue</b>			
Underlying at constant currency	<b>20,198</b>	24,769	(18.5)%
Underlying at reported rates	<b>20,198</b>	25,152	(19.7)%
Statutory	<b>19,940</b>	24,878	(19.8)%
Organic change	<b>(18.8)%</b>	6.4%	
<b>Total operating profit</b>			
Underlying at constant currency	<b>561</b>	1,852	(69.7)%
Underlying at constant currency (IAS 17 proforma) <sup>1</sup>	<b>533</b>	1,852	(71.2)%
Underlying at reported rates	<b>561</b>	1,882	(70.2)%
Statutory	<b>294</b>	1,626	(81.9)%
<b>Operating margin</b>			
Underlying at reported rates	<b>2.9%</b>	7.4%	(450)bps
Underlying at reported rates (IAS 17 proforma) <sup>1</sup>	<b>2.8%</b>	7.4%	(460)bps
<b>Profit before tax</b>			
Underlying at constant currency	<b>427</b>	1,743	(75.5)%
Underlying at reported rates	<b>427</b>	1,772	(75.9)%
Statutory	<b>210</b>	1,494	(85.9)%
<b>Basic earnings per share</b>			
Underlying at constant currency	<b>18.6p</b>	83.8p	(77.8)%
Underlying at constant currency (IAS 17 proforma) <sup>1</sup>	<b>19.1p</b>	83.8p	(77.2)%
Underlying at reported rates	<b>18.6p</b>	85.2p	(78.2)%
Statutory	<b>8.0p</b>	71.6p	(88.8)%
<b>Free cash flow</b>			
Underlying	<b>213</b>	1,247	(82.9)%
Reported	<b>105</b>	1,218	(91.4)%
<b>Full year dividend per ordinary share</b>	<b>—</b>	40.0p	

1. The Group has adopted IFRS 16 'Leases' with effect from 1 October 2019 without restating prior year comparatives. As a result, the Group results for the year ended 30 September 2020 are not directly comparable with those reported in the prior year under IAS 17 'Leases'. To provide meaningful comparatives, the results for the year ended 30 September 2020 have therefore also been presented on a proforma IAS 17 basis, see notes 1 and 35 for additional information.  
2. Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 14.

Definitions of underlying measures of performance can be found in the glossary on pages 278 and 279.

## SEGMENTAL PERFORMANCE

	Underlying revenue <sup>1</sup>		Underlying revenue change <sup>2</sup>		
	2020 £m	2019 <sup>3</sup> £m	Reported rates	Constant currency	Organic
North America	<b>12,746</b>	15,694	(18.8)%	(18.4)%	(18.5)%
Europe	<b>5,048</b>	6,391	(21.0)%	(19.9)%	(24.0)%
Rest of World	<b>2,404</b>	3,067	(21.6)%	(15.5)%	(7.9)%
Total	<b>20,198</b>	25,152	(19.7)%	(18.5)%	(18.8)%
	Underlying operating profit <sup>1</sup>			Underlying operating margin <sup>1</sup>	
	2020 £m	2020 <sup>4</sup> (proforma IAS 17) £m	2019 <sup>3,4</sup> £m	2020 <sup>4</sup> (proforma IAS 17)	2019 <sup>3,4</sup>
North America	<b>606</b>	588	1,290	<b>4.8%</b>	4.6%
Europe	<b>(29)</b>	(35)	421	<b>(0.6)%</b>	(0.7)%
Rest of World	<b>94</b>	90	232	<b>3.9%</b>	3.7%
Unallocated overheads	<b>(85)</b>	(85)	(80)		
Total before associates	<b>586</b>	558	1,863	<b>2.9%</b>	2.8%
Associates	<b>(25)</b>	(25)	19		
Total	<b>561</b>	533	1,882		

## STATUTORY AND UNDERLYING RESULTS

	2020			2019 <sup>4,5</sup>		
	Statutory £m	Adjustments £m	Underlying £m	Statutory £m	Adjustments £m	Underlying £m
Revenue	<b>19,940</b>	<b>258</b>	<b>20,198</b>	24,878	274	25,152
Operating profit	<b>294</b>	<b>267</b>	<b>561</b>	1,626	256	1,882
Net gain/(loss) on sale and closure of businesses	<b>59</b>	<b>(59)</b>	—	(7)	7	—
Net finance costs	<b>(143)</b>	<b>9</b>	<b>(134)</b>	(125)	15	(110)
Profit before tax	<b>210</b>	<b>217</b>	<b>427</b>	1,494	278	1,772
Tax	<b>(75)</b>	<b>(41)</b>	<b>(116)</b>	(351)	(62)	(413)
Profit after tax	<b>135</b>	<b>176</b>	<b>311</b>	1,143	216	1,359
Non-controlling interest	<b>(2)</b>	—	<b>(2)</b>	(8)	—	(8)
Attributable profit	<b>133</b>	<b>176</b>	<b>309</b>	1,135	216	1,351
Average number of shares (millions)	<b>1,658</b>	—	<b>1,658</b>	1,586	—	1,586
Basic earnings per share (pence)	<b>8.0p</b>	<b>10.6p</b>	<b>18.6p</b>	71.6p	13.6p	85.2p
EBITDA			<b>1,418</b>			2,459
Gross capex			<b>749</b>			853
Free cash flow			<b>213</b>			1,247

1. Definitions of underlying measures of performance can be found in the glossary on pages 278 and 279.

2. Reconciliation between the different growth rates is provided in note 35.

3. Prior year comparatives have reclassified Turkey and Middle East from our Rest of World region into our Europe region.

4. The Group has adopted IFRS 16 'Leases' with effect from 1 October 2019 without restating prior year comparatives. As a result, the Group results for the year ended 30 September 2020 are not directly comparable with those reported in the prior year under IAS 17 'Leases'. To provide meaningful comparatives, the results for the year ended 30 September 2020 have therefore also been presented on a proforma IAS 17 basis, see notes 1 and 35 for additional information.

5. Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 14.

Further details of the adjustments can be found in the consolidated income statement, note 2 segmental reporting and note 34 statutory and underlying results.

## ADOPTION OF NEW ACCOUNTING STANDARDS

The Group has applied the new accounting standard IFRS 16 'Leases' using the modified retrospective transition approach, therefore the comparative information has not been restated and continues to be reported under IAS 17 'Leases' and IFRIC 4 'Determining whether an arrangement contains a lease'.

## STATUTORY RESULTS

### Revenue

On a statutory basis, revenue was £19,940 million (2019: £24,878 million), a decline of 19.8% due to the negative impact of COVID-19.

### Operating profit

Operating profit was £294 million (2019<sup>1</sup>: £1,626 million), a decrease of 81.9%, mainly reflecting the negative impact of COVID-19, including a £119 million one off non-cash charge in relation to contract related non-current asset impairment and onerous contract charges. The reduction in operating profit was also driven by the costs associated with the programmes aimed at right sizing the business, partially offset by the savings related to these programmes and a modest benefit from the implementation of IFRS 16.

Statutory operating profit includes non-underlying items of £267 million (2019<sup>1</sup>: £256 million), including a £75 million charge in relation to the continuation of the cost action programme announced in November 2019 (2019: £190 million), COVID-19 resizing costs of £122 million (2019: £nil) and acquisition related costs of £70 million (2019: £54 million). A full list of non-underlying items is included in note 34.

### Net gain on sale and closure of businesses

As a result of the strategic review of the business, the Group has continued to sell or exit its operations in a number of countries, sectors or businesses in order to simplify its portfolio. Activity in the period has included the sale of 50% of the Japanese Highways business. The Group has recognised a net gain of £115 million on the sale and closure of businesses (2019: £50 million gain), offset by £56 million of exit costs and asset write downs relating to committed or completed business exits (2019: £57 million).

The Group's consolidated balance sheet includes assets of £13 million (2019<sup>1</sup>: £135 million) and liabilities of £7 million (2019: £30 million) in respect of businesses held for sale. This decrease is driven by the Group's decision to pause the disposal of the remaining US laundries and some businesses in Rest of World due to the market volatility caused by COVID-19. As a result, management no longer considers these disposals are highly probable and likely to be completed within 12 months and therefore these businesses are no longer classified as held for sale.

### Finance costs

Net finance costs increased to £143 million (2019: £125 million), mainly due to the adoption of IFRS 16 which resulted in an additional £36 million of net interest payable, partially offset by lower interest rates compared to the prior year and a reduction in net debt following the equity raise.

### Tax charge

Profit before tax was £210 million (2019<sup>1</sup>: £1,494 million), giving rise to an income tax expense of £75 million (2019: £351 million), equivalent to an effective tax rate of 35.7% (2019<sup>1</sup>: 23.5%). The increase in rate primarily reflects the mix of profits by country taxed at different rates and the higher effective tax rate on sale and closure of businesses.

### Earnings per share

Basic earnings per share were 8.0 pence (2019<sup>1</sup>: 71.6 pence), a decrease of 88.8%, mainly as a result of the negative impact of COVID-19 and an increase in the number of ordinary shares in issue following the placing of shares in May 2020.

## UNDERLYING RESULTS

We track our performance against underlying and other alternative performance measures, which we believe better reflect our strategic priorities of growth, efficiency and shareholder returns.

A summary of adjustments from statutory results to underlying results is shown in note 34 on pages 251 and 252 and further detailed in the consolidated income statement (page 174), reconciliation of free cash flow (page 181), note 2 segmental reporting (pages 196 to 199) and note 35 organic revenue and organic profit (page 253).

### Revenue

On an organic basis, revenue decreased by 18.8%, reflecting the negative impact of COVID-19. The steps taken to contain the spread of the virus impacted our sectors in different ways. Revenues in Healthcare & Seniors and Defence, Offshore & Remote were good. Our Education and Business & Industry sectors were mostly closed in April and May, and started to cautiously reopen in June, while Sports & Leisure remained fully closed. In the last quarter of the year, the Group's organic revenue performance improved as clients in Education and Business & Industry began to return to schools and offices in our main markets. By September, all sectors except Sports & Leisure were partially or fully open, representing about 65% of the business. Retention was robust at 95.1% and we have started to see attractive new first time outsourcing opportunities. New business wins were 5.7% and like for like revenue decline was 19.6%.

1. Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 14.

## Operating profit

Underlying operating profit was £561 million (2019: £1,882 million), a decrease of 70.2%, reflecting the impact from COVID-19 and the resulting lower volumes. Operating profit for the year has been negatively impacted by a non-cash charge of £119 million comprising contract related non-current asset impairment (£88 million) and onerous contract charges (£31 million) for contracts impacted by COVID-19 and that are now considered to be structurally loss making.

If we restate 2019's profit at the 2020 average exchange rates, it would decrease by £30 million to £1,852 million. On a constant currency basis, underlying operating profit has therefore decreased by £1,291 million, or 69.7%.

The impact of IFRS 16 for the twelve months of 2020 was to increase underlying operating profit by £28 million.

## Operating margin

The operating profit margin was 2.9% (2.8% excluding the impact of IFRS 16), reflecting the impact of COVID-19 (2019: 7.4%). As our business started to reopen and after strong mitigating actions to compensate for lower volumes and relentless focus on cost efficiencies, the business returned to profitability in the fourth quarter.

## Finance costs

The underlying net finance cost increased to £134 million (2019: £110 million), mainly due to the adoption of IFRS 16 which resulted in an additional £36 million of net interest payable, partially offset by lower interest rates compared to the prior year and a reduction in net debt following the equity raise.

## Tax charge

On an underlying basis, the tax charge was £116 million (2019: £413 million), equivalent to an effective tax rate of 27.2% (2019: 23.3%). The increase in rate primarily reflects the mix of profits by country taxed at different rates. The tax environment continues to be uncertain, with more challenging tax authority audits and enquiries globally.

## Earnings per share

On a constant currency basis, the underlying basic earnings per share fell by 77.8% to 18.6 pence (2019: 83.8 pence). The decrease is mainly driven by the negative impact of COVID-19 and an increase in the number of ordinary shares in issue following the placing of shares in May 2020.

## SHAREHOLDER RETURNS

### Dividends

As a result of the impact of the COVID-19 pandemic, in April 2020, the Board decided not to recommend an interim or final dividend. The Board understands the importance of the dividend to our shareholders and will keep future dividends under review and will restart payments when it is appropriate to do so.

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 dividend payments. The distributable reserves of the Parent Company include the balance on the profit and loss account reserve, which at 30 September 2020 increased to £2,935 million (2019: £1,252 million) mainly due to the placing of new equity on 21 May 2020.

The ability of the Board to maintain its future dividend policy will be influenced by a number of the principal risks identified on pages 41 to 49 that could adversely impact the performance of the Group, although we believe we have the ability to mitigate those risks as outlined on pages 44 to 49.

The Group continues to have substantial available liquidity and it is our ambition to resume dividend payments. While the current uncertainty caused by the COVID-19 situation makes it difficult to accurately forecast the timing and extent of profit recovery, we continue to see good long term opportunities for the business.

### Placing of shares

The Group raised net proceeds of £1,972 million through a placing of new ordinary shares on 21 May 2020. The placing comprised 195,667,352 new ordinary shares at a price of £10.25 per share, representing a discount of 3.3% to the middle market price at the time at which the placing price was agreed. The total number of new shares issued represented approximately 12.3% of Compass' existing issued ordinary share capital prior to the capital raise.

The proceeds from the placing have strengthened the Group's balance sheet and liquidity position, reducing leverage to deal with the challenging environment and ensure Compass remains resilient in the event of further negative developments in the pandemic. These measures will enable Compass to continue to invest in the business to support long term growth, ensuring it is well positioned for the eventual recovery.

#### Share buyback programme

The Group did not buy any shares during the period under the share buyback programme (2019: £nil). The directors' authority to purchase the Company's shares in the market was renewed by the shareholders at the Company's Annual General Meeting held on 6 February 2020.

#### Share price

The market price of the Group's ordinary shares at 30 September 2020 was £11.69 per share (2019: £20.93 per share).

#### FREE CASH FLOW

Free cash flow totalled £105 million (2019: £1,218 million). During the year, we made cash payments of £108 million in relation to the programmes aimed at right sizing the business (2019: £29 million). Adjusting for this, underlying free cash flow was £213 million, an 82.9% decrease as a result of the impact of COVID-19 on profitability and cash generation. Underlying free cash flow conversion was 38% (2019: 66%).

Gross capital expenditure of £749 million (2019: £853 million) is equivalent to 3.7% (2019: 3.4%) of underlying revenue.

The working capital outflow, excluding provisions and pensions, was £143 million (2019: £59 million inflow) and includes a £234 million benefit from COVID-19 indirect and payroll tax payment deferral schemes available in different countries.

The outflow related to post employment benefit obligations net of service costs was £9 million (2019: £15 million).

The net interest outflow was £137 million (2019: £107 million), of which £36 million relates to interest on lease obligations.

The net tax paid was £228 million (2019: £328 million), equivalent to an underlying cash tax rate of 53% (2019: 19%). The percentage increase is due to changes in the UK's corporation tax instalment regime and tax payments made based on higher profits arising before the COVID-19 outbreak, partially offset by corporate income tax payments deferred as a result of COVID-19.

#### ACQUISITIONS

The total cash spent on acquisitions in the year, net of cash acquired, was £479 million (2019: £478 million), comprising £480 million of bolt-on acquisitions and investments in associates and £24 million of contingent consideration relating to prior years'

acquisitions, offset by £25 million of cash acquired net of transaction costs.

The main acquisition during the year was the purchase of 100% of the issued share capital of Fazer Food Services for an initial consideration of £363 million (€414 million) net of cash acquired. The remaining contingent consideration is payable within seven years and is dependent on the operation of an earn-out. The net present value of the contingent consideration was £56 million (€66 million) at the date of acquisition. Fazer Food Services is a leading food service business in the Nordic region with operations in Finland, Sweden, Norway and Denmark across several sectors including Business & Industry, Education, Healthcare & Seniors and Defence.

#### DISPOSALS

The Group has continued to simplify its portfolio and has sold 50% of its interest in the Japanese Highways business during the year. The Group received £29 million (2019: £101 million) in respect of disposal proceeds net of exit costs.

At 30 September 2020, the Group has net assets and liabilities totalling £6 million classified as held for sale in relation to certain businesses as these disposals are highly probable and expected to be completed within 12 months.

#### FINANCIAL POSITION

##### Liquidity

The Group finances its operations through cash generated by the business and borrowings from a number of sources including the bank, 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 2020 shows that the average period to maturity is 4.6 years (2019: 5.4 years).

We have taken steps to strengthen the Group's financial position. In March 2020, the Group qualified for and drew down £600 million from the Bank of England's Covid Corporate Financing Facility (CCFF) which was repaid in June. In April, we put in place an additional Revolving Credit Facility<sup>1</sup> (RCF) of £800 million and as at 30 September 2020 had total undrawn committed credit facilities of £2,800 million. The £600 million CCFF limit remains available whilst the CCFF is open.

We have obtained a waiver of the leverage covenant test in our US Private Placement agreements for the September 2020 and March 2021 test dates. The interest cover covenant test has also been waived for September 2020 and reset at more than or equal to 3x on a six months proforma basis for March 2021. Finally, Standard & Poor reaffirmed our long term (A) and short term (A-1) credit ratings on 24 March (the outlook was changed to Negative)

1. Contains no financial covenants.

and Moody's A3/P-2 long and short term credit ratings and Stable Outlook remain unchanged.

In May 2020, the Group completed a £1,972 million equity raise to strengthen the balance sheet and liquidity position, reducing leverage to deal with the challenging environment and ensure Compass remains resilient in the event of further negative developments in the pandemic. These measures will enable Compass to continue to invest in the business to support long term growth, ensuring it is well positioned for the eventual recovery.

Proceeds from the equity raised were used to repay: £600 million of CCFF, £350 million of drawn credit facilities and £214 million maturing Commercial Paper.

As of 30 September 2020, the Group had access to £4,787 million in total liquidity, including £2,800 million in undrawn committed bank facilities (2019: £2,000 million), £600 million available in CCFF and £1,387 million in cash net of overdrafts. Our solid financial position will allow us to weather the crisis whilst continuing to invest in the business to strengthen our competitive advantages and support our long term growth prospects.

### Net debt

The ratio of net debt to market capitalisation of £20,871 million at 30 September 2020 was 14.4% (2019: 9.8%).

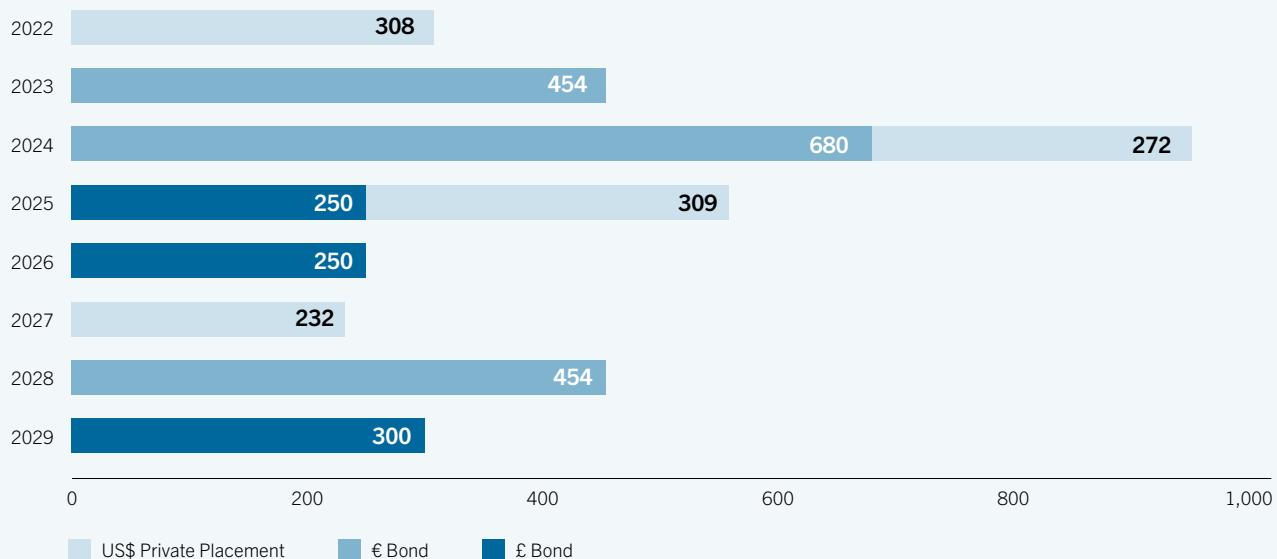
Net debt decreased to £3,006 million (2019: £3,272 million) despite £995 million of net debt added on the adoption of IFRS 16, offset by £1,972 million from the equity raise. The ratio of net debt to EBITDA was 2.1x. Our leverage policy is to maintain strong investment grade credit ratings and to target net debt to EBITDA in the range of 1x to 1.5x.

The Group generated £213 million of underlying free cash flow (2019: £1,247 million), including investing £706 million in net capital expenditure, and spent £450 million on acquisitions net of disposal proceeds. £427 million was paid in respect of the final dividend for the 2019 financial year. The remaining £47 million increase in net debt related predominantly to cash spent in relation to the cost action programme and resizing costs (£108 million) partially offset by other non-cash movements and currency translation (£61 million).

### Return on capital employed

Return on capital employed was 4.7% (2019: 19.5%) based on net underlying operating profit after tax at the underlying effective tax rate of 27.2% (2019: 23.3%). This decrease mainly reflects the impact of COVID-19 and a 30 bps decrease due to the implementation of IFRS 16. The average capital employed was £8,683 million (2019: £7,380 million).

## FINANCING – MATURITY PROFILE OF PRINCIPAL BORROWINGS As at 30 September 2020 (£m)



1. Based on nominal value of borrowings in place as at 30 September 2020, converted at foreign exchange rates on the balance sheet date and maturing in the financial year ending 30 September.
2. The average life of the Group's principal borrowings is 4.6 years (2019: 5.4 years).

### Post employment benefit obligations

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

The Compass Group Pension Plan (UK) surplus of £441 million (2019: £448 million) and the deficit in the rest of the Group's defined benefit pension schemes of £251 million (2019: £259 million) have remained relatively unchanged year on year.

The total pensions charge for defined contribution schemes in the year was £118 million (2019: £126 million) and £21 million (2019: £33 million) for defined benefit schemes.

### FINANCIAL MANAGEMENT

The Group manages its liquidity, foreign currency exposure and interest rate 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 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 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 from 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%-70% and 0%-40% respectively.

### GROUP TAX POLICY

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 therefore 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 Compass' 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 Code of Ethics.

After many years of operations, 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.

In an increasingly complex international corporate tax environment, a degree of tax risk and uncertainty is, however, inevitable. Tax risk can arise from differences in interpretation of regulations, but most significantly where governments apply diverging standards in assessing intragroup 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 with the aim of protecting its employees and customers and safeguarding the interests of the Group, its shareholders, employees, clients, consumers and other stakeholders.

The principal risks and uncertainties that face the business and the activities the Group undertakes to mitigate these are set out on pages 41 to 49.

## RELATED PARTY TRANSACTIONS

Details of transactions with related parties are set out in note 31 of 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 uncertainty as to the future impact on the financial performance and cash flows of the Group as a result of the recent COVID-19 outbreak has been considered as part of the Group's adoption of the going concern basis in its financial statements. The factors considered by the directors in assessing the ability of the Group to continue as a going concern are included on page 182.

The Group has access to considerable financial resources together with longer term contracts with a number of customers 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 during this period of uncertainty.

Based on the assessment discussed on page 182, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the 12 months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

## VIABILITY STATEMENT

In accordance with provision 31 of the UK Corporate Governance Code 2018, the directors have assessed the viability of the Group, taking into account the Group's current position, the latest three year strategic plan, and the potential impact of the principal risks documented on pages 41 to 49. Based on this assessment, the directors confirm that 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 to 30 September 2023.

### Group's strategic planning process

The Board considers annually and on a rolling basis a three year, bottom up strategic plan. Current year business performance is reforecast during the year and a more detailed budget is prepared for the following year. The most recent financial plan was approved by the Board in September 2020 and subsequently

updated in November 2020 in the light of the recent resumption of lockdowns in some of our major markets. The directors acknowledge the heightened uncertainty of the Group's strategic plans in the current environment and as a result have considered a range of different scenarios. The plan is reviewed and approved by the Board, with involvement throughout from the Group CEO, Group CFO and the management team. Part of the Board's role is to consider the appropriateness of key assumptions, considering the external environment, business strategy and model including the impact of COVID-19.

### Period of assessment

The directors have determined that a three year period to 30 September 2023 is an appropriate period over which to provide its viability statement. Having considered whether the assessment period of three years should be extended in light of COVID-19, it is the directors' view that three years is an appropriate period given this is the period reviewed by the Board in its strategic planning process and is also aligned to the Group's typical contract length (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.

### Viability assessment and COVID-19

In making this assessment, the Board carried out a robust evaluation of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The output of the strategic plan is used to perform a central debt and headroom profile analysis, which includes a review of sensitivity to 'business as usual' risks and severe but plausible events. It also considers the ability of the Group to raise finance and deploy capital. The results consider the availability and likely effectiveness of the mitigating actions that could be taken to avoid or reduce the impact or occurrence of the identified underlying risks.

While the review has considered all the principal risks identified by the Group, there was a focus on how the COVID-19 pandemic risk could impact the Group's future financial performance and cash flows under different scenarios. As a result, COVID-19 severe yet plausible downside sensitivities have been applied to the three year plan approved by the Board. These were based on the potential financial impact of the Group's principal risks and uncertainties and the specific risks associated with the COVID-19 pandemic.

The COVID-19 downside sensitivities have been assumed to occur over the same three year period in order to assess the Group's ability to withstand multiple challenges.

In the three year plan approved by the Board, consistent with current trading patterns, the business that is closed is assumed to continue reopening in a phased manner and gradually recover. Given the three year plan is most sensitive to changes in the duration and severity of the impact of the pandemic, a prudent approach has been taken to stress test this three year plan with downside scenarios as explained below:

- **'additional global wave' scenario:** assumption that a further global wave of infections and government enforced restrictions occurs in financial year 2021 and lasts for a full quarter, with trading patterns and subsequent recovery mirroring that experienced during the first global wave. This scenario mirrors the experience of the first global wave experienced in all major markets at the same time
- **'prolonged downturn' scenario:** assumes that, after an additional global wave scenario, the number of sites open, occupation levels and volumes do not recover above 75% for the rest of the three year period

The impact of the COVID-19 downside scenarios has been reviewed against the Group's projected liquidity headroom, credit ratings and financial covenants over the three year viability period. Should these scenarios occur, the Group continues to retain sufficient committed headroom on liquidity with mitigating actions it can deploy.

Mitigating actions were identified as the COVID-19 pandemic emerged as part of the contingency planning that the Group has been undertaking, which considered both feasibility and timeframe to execute. Mitigating actions available include, but are not limited to, reducing planned capital spend, resizing the cost base of the Group, reducing or pausing M&A activity, securing additional committed funding and reducing or pausing shareholder returns. During the current financial year, all such actions have been deployed as part of the Group's response to COVID-19, along with the £1,972 million equity raise.

As the pandemic emerged, in order to strengthen the Group's financial position in March 2020, the Group put in place an additional RCF of £800 million and obtained a £600 million limit under the CCFF. As at 30 September 2020 the Group had total undrawn committed credit facilities of £2,800 million, an unutilised £600 million CCFF limit, and £1,387 million cash net of overdrafts.

In May 2020, the Group completed a £1,972 million equity raise to strengthen the balance sheet and reduce leverage to deal with the challenging environment and ensure the Group remains resilient in the event of further negative developments in the pandemic.

In the event that any of the downside scenarios modelled materialise and financial covenants on the Group's US Private Placement (USPP) debt come under pressure, various alternatives exist to manage this risk including repaying the loan notes from available liquidity in advance of their maturity, negotiating further covenant waivers or refinancing the debt.

The Group was successful in obtaining a waiver of the leverage covenant test in the USPP agreements for the September 2020 and March 2021 test dates. The interest cover covenant was also waived for September 2020 and reset for March 2021.

Standard & Poor reaffirmed the Group's long term (A) and short term (A-1) credit ratings on 24 March (the outlook was changed to Negative) and Moody's A3/P-2 long and short term credit ratings and Stable Outlook remain unchanged.

The combination of strong investment grade credit ratings and a well established presence in the debt capital markets provide the directors with confidence that the Group could raise additional debt finance if required.

The geographical and sector diversification of the Group's operations helps minimise the risk of serious business interruption or catastrophic damage to our reputation. Furthermore, the Group's business model is structured so that the Group is not reliant on one particular group of clients or sector. The Group's largest client constitutes only 2.7% of Group revenue and the Group's top 10 clients account for less than 11% of Group revenue.

The Audit Committee reviews the output of the viability assessment in advance of final evaluation by the Board. Having reviewed the current performance, forecasts, debt servicing requirements, total facilities and risks, the Board has a reasonable expectation that the Group has adequate resources to continue in operation, meet its liabilities as they fall due and retain sufficient available cash across all three years of the assessment period.

The Board therefore has a reasonable expectation that the Group will remain viable over the three year period of assessment.

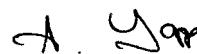


**Karen Witts**  
Group Chief Financial Officer

24 November 2020

The Strategic Report, as set out on pages 1 to 69, has been approved by the Board.

On behalf of the Board



**Alison Yapp**  
Group General Counsel and Company Secretary

24 November 2020

# Identifying and managing risk

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

Risk management is an essential element of business governance and, as set out in the Corporate Governance section, the Group has risk management processes in place, supported by policies and procedures to ensure that risks are properly identified, evaluated and managed at the appropriate level within the business.

The identification of risks and opportunities, the development of action plans to manage the risks and maximise the opportunities, and the continual monitoring of progress against agreed 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 Board has carried out a robust assessment of the Company's emerging and principal risks. The paragraphs below set out the Board's approach to assessing risk, the principal risks of the Company and the procedures in place to identify emerging risks.

## RISK GOVERNANCE FRAMEWORK

The Group runs a formal risk management process, as part of which the Group's principal risks (highlighted on pages 44 to 49) are assessed and prioritised, with the Board having overall responsibility for risk management.

Risks are reviewed by country and regional leadership teams on an ongoing basis and are assessed to identify and document corresponding mitigating actions. Risk updates form an integral part of periodic management reviews and are also reviewed by other members of the Group's senior leadership, the Group's Risk Committee and the Regional/Group Governance Committees. Additional reviews are performed by Group Internal Audit. This bottom up and top down approach provides awareness and agreement on key risks facing the Group.

A critical component of the risk review process is the dynamic identification of developing and emerging risks at a country, regional and global level. 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.

## RISK APPETITE

The Board interprets appetite for risk as the level of risk that the Company is willing to take in order to meet its strategic goals. The Board communicates its approach to and appetite for risk to the business through the strategy planning process and the internal risk governance and control frameworks. Through this process, there is a robust approach to risk assessment and mitigation,

whilst maintaining sufficient flexibility to continue to promote the entrepreneurial spirit which supports the Company's strategic priorities, including positioning the business for growth. Risk appetite, principal operational risks and risk assurance are discussed in further detail in the Audit Committee Report on pages 92 to 103.

## 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 governance frameworks and processes, and through direct feedback from management, including changing operating conditions, market and consumer trends.

In respect of emerging risk, the Board is cognisant of structural changes in many of our markets, particularly in business and industry, where working practices are changing, which include an increase in working from home. This trend has been greatly accelerated by the COVID-19 pandemic, and working habits and trends may not fully revert to their pre-COVID-19 position. In addition, office and other work sites may become smaller and more numerous. Furthermore, competition from online food vendors offering delivery services is an increasing trend, which may compete with our established premises in Business & Industry, Healthcare and Education.

To mitigate the risk to the business of changes in consumer habits, we are adapting our service offering and evolving our strategy to meet the needs of our clients and consumers while continuing to create long term value. We are focused on innovation and have invested in technology, our supply chain and our ability to scale solutions that take advantage of emerging trends in the food service sector and ensure we continue to delight our existing and future clients and consumers.

We perceive climate change as an emerging risk and foresee that it may have an impact on the Group's operations, food sourcing and our supply chain in some of our markets. In turn, this could affect the availability of some food products, and potentially may lead to food cost inflation. To mitigate this risk, we will focus on evaluating our exposure to climate change, and will seek to identify potential future issues early so that our sourcing and operations can be adjusted, and our menus adapted appropriately. Climate change is important to us as a business and to our clients, and we will continue to work with our clients to propose, execute and measure solutions to support their efforts and ours in reducing greenhouse gas emissions.

## OUR PRINCIPAL RISKS

On pages 44 to 49 we set out the principal risks and uncertainties facing the business at the date of this Report and any changes to the status of these risks since 2019. These have been subject to robust assessment and review.

They do not comprise all of 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.

#### **COVID-19 pandemic risk**

Throughout the COVID-19 pandemic, our priority has remained the health and safety of our employees and consumers and we continue to manage the business to protect the interests of all our stakeholders, including our shareholders, our people, clients, consumers and the communities in which we operate.

The Group's operations have been significantly disrupted as a result of the rapid development and global impact of the pandemic. During the pandemic, much of our business has been closed, and sites that are open are operating with enhanced health and safety protocols and Personal Protective Equipment (PPE) requirements. The performance of our Business & Industry, Education and Sports & Leisure sectors has been particularly affected by containment and social distancing measures.

Excluding Sports & Leisure, we have seen improvement, but we anticipate that changes to the market and consumer trends may require us to adapt some of our service offerings.

We moved quickly to mitigate the disruption and our ability to adapt helped us to adjust our operations to the changed environment, implementing a wide range of actions to mitigate a risk to the business which continues to evolve.

#### **Employees**

To try to protect as many jobs as possible and to facilitate mobilisation of the business at the appropriate time, steps have been taken to retain the skills and experience of our colleagues. Employees working in units that remain closed have, where possible, been redeployed to other sites where critical work is required e.g. in Healthcare and Education, and where this has not been possible, by the use of furlough according to local government support schemes and labour regulations. Our regions provide a variety of support mechanisms through employee assistance programmes and many have established funds and other mechanisms to support employees who face financial difficulties as a result of these actions.

In line with local government and public health guidance, provisions are in place throughout our operations to safeguard the health and safety of employees globally, including travel restrictions, remote working and ensuring our operations are COVID-19 secure, to help prevent the spread of the virus. Where we are able to operate on site, we have stepped up our health and safety protocols to ensure our employees, clients and consumers remain safe. Additional measures to combat the spread of the virus will continue to operate in line with local government and public health guidance.

Locally, there has been an increased focus on providing mental health awareness, stress management and resilience toolkits, whilst individual support has been provided through employee assistance programmes and our local People teams.

We have also implemented a small number of employee retention arrangements for critical employees.

#### ***Profitability and liquidity***

We have implemented action plans to mitigate a significant proportion of our cost base in order to preserve the profitability and liquidity of the Group and we continue to review our cost base for additional savings. All non-business critical capital expenditure and M&A activity has been significantly reduced or paused.

We reduced our cost base by taking a wide range of actions including: (i) limiting the use of variable forms of in unit labour (MAP 4) such as overtime, redeploying or furloughing much of the fixed element of our in unit labour; (ii) reducing in unit overheads (MAP 4) such as rent, rates and concession fees; and (iii) reducing salary, hours or furloughing above unit overhead (MAP 5) employees.

The Board decided not to recommend an interim or a final dividend for the year ended 30 September 2020 to preserve capital to ensure that the medium to long term interests of the Company are protected for the benefit of investors and other stakeholders.

The Group proactively managed its working capital, applying for government support packages such as temporary wage subsidy schemes and tax payment deadline extensions where possible.

In addition, a number of steps were taken to strengthen the Group's liquidity and increase the resilience of our balance sheet:

- in March, the Group obtained a £600 million limit under the Bank of England's Covid Corporate Financing Facility (CCFF). This was drawn down in March and repaid in June
- in April, we put in place an additional Revolving Credit Facility (RCF) of £800 million and, as at the date of this Report, we have total undrawn committed credit facilities of £2,800 million
- in May, we obtained waivers of the leverage covenant test in our US Private Placement agreements for the September 2020 and March 2021 test dates. The interest cover covenant test has also been waived for September 2020 and reset at more than or equal to 3x on a six months proforma basis for March 2021
- as announced on 19 May 2020, the Company raised £1,972 million by way of an equity placing, subscription and retail offer

The Company has further strengthened its position by undertaking the following actions:

- extending the maturity date on the Group's £2,000 million RCF (£1,860 million expires in 2025 and £140 million expires in 2024)
- increasing the Company's Commercial Paper programme from \$2,000 million to \$4,000 million and its Euro Medium Term Note programme from £4,000 million to £6,000 million

Together, these measures will ensure that we remain resilient in the event of further negative developments in the pandemic. The Board will continue to monitor the situation and to adjust the Company's capital and liquidity strategy as appropriate to deal with the situation as it evolves.

#### ***Governance and operational effectiveness***

Robust incident management and business continuity plans were quickly implemented throughout our business to safeguard governance processes and operational effectiveness. Regional and country management, Group Executive Committee and Board meetings have been, and continue to be, conducted remotely (where necessary) on a more regular basis, to ensure that the Group is able to respond to any immediate or emerging concerns and to closely monitor the effectiveness of strategic measures. Special measures that were put in place as a short term response to counter the initial severity of the COVID-19 outbreak, including remote working, are still in operation where necessary and are working effectively.

Before lockdown, we performed business continuity tests to ensure that our technology infrastructure could support the shift to mass working from home. We have accelerated the adoption of digital diagnostics and monitoring to reduce the possibility of an attack on our technology estate and we continue to closely monitor our infrastructure and any reliance we have on third parties to ensure continuity of business critical systems and processes.

Our people have been instrumental in the smooth transition to remote working. With support from our IT colleagues, we have quickly adapted to using videoconferencing and other forms of digital technology and, in the process, have demonstrated that we are able to work efficiently away from the office.

As a result of these special measures, business usage of and reliance on the internet has risen, leading to a significant increase in the number of sophisticated malware and phishing attacks across all organisations. To mitigate the risk of these types of attacks, we have increased our awareness campaigns to help our employees be better equipped to identify these attacks. We are using the lessons learned from those exercises to target areas for improvement in our awareness campaigns.

#### ***Planning for the unknown***

The speed with which countries and their governments have responded to the threat of COVID-19 and the severity of the containment measures imposed arise from the complexity of the factors involved, which include devolved decision making at country and local government level, cultural issues and financial considerations. This has meant the rate at which communities and businesses are able to return to a level of normality is different not only at country, but also at local level. Because of this, it is difficult to predict when we will return to a pre-COVID normality. Experience has demonstrated that the full threat of the virus is not yet completely understood and that further outbreaks are leading to the re-introduction of the stricter measures that were in force in many of our markets in April and May. As a precautionary

measure, to test our resilience and safeguard our resources, we are modelling on this basis and will continue to plan and evolve our strategy accordingly.

Due to the unpredictable nature of the virus and the complexity of factors involved, we believe that the COVID-19 pandemic represents a principal risk to the Group. We have taken the lessons learned from our business response and have incorporated them into our risk management processes and procedures to mitigate the impact of this risk as far as possible in the event of further outbreaks of COVID-19, or another pandemic. With respect to managing the COVID-19 risk, we will continue to monitor recurrences of the virus, and will retain the ability to adapt our service offering, employ relevant health and safety precautions and deploy resources as necessary. Our prudent financial controls and robust modelling scenarios will assist us in accounting for this risk.

#### ***Brexit***

The impact of the UK's decision to exit the European Union (Brexit) remains high on our agenda. The Board continues to view the potential impact of Brexit as an integral part of our principal risks rather than as a standalone risk.

The UK has left the EU and remains in a period of transition until 31 December 2020. The UK Government has made a number of announcements that could impact food and beverage costs from 1 January 2021, including customs checks, tariffs and new immigration policies. We perceive the main risks as a potentially reduced range of fresh produce, increased costs and tariffs, and price increases in locally sourced produce in line with increased demand. In our risk mitigation planning we have sought to ensure that our key suppliers have the correct customs documentation in place for 1 January 2021, and have planned for increased stock holding and possible menu changes in case of delays in supply through UK ports. We retain our ability to adapt our menu planning and sourcing to mitigate the risk of supply chain issues arising from the impact of Brexit. The Board will continue to monitor the potential impact and the Company will take necessary mitigating actions as appropriate.

#### ***Other principal risks***

The Group faces a number of operational risks on an ongoing basis such as litigation and financial (including liquidity and credit) risk and some wider risks, for example, environmental and reputational. Other than the impact of the COVID-19 pandemic, the principal risks affecting the Group during the year were consistent with those reported in the 2019 Annual Report and in the 2020 half year results announcement. All risks disclosed in previous years can be found in the annual reports available on our website [www.compass-group.com](http://www.compass-group.com). We recognise that these risks remain important to the business and they are kept under regular review. However, we have focused the disclosures on pages 44 to 49 on those risks that are currently considered to be more significant to the Group.

Risk	Trend	Description	Mitigation
<b>HEALTH AND SAFETY</b>			
<b>Pandemic COVID-19</b>	2020 ↑ 2019 ➔	<p>The Group's operations have been significantly disrupted as a result of the rapid global development of the COVID-19 pandemic and associated containment initiatives. Further outbreaks of the virus, or another pandemic, could cause further business risk.</p> <p>Where there is a COVID-19 impact on the other principal risks contained within this table, we have provided an explanation of what the impact is and the mitigations.</p>	<p>Operations and working practices have been adjusted to retain the skills and experience of our colleagues and provide flexibility in the event of a resumption of social containment measures.</p> <p>To protect our employees, clients and consumers, enhanced health and safety protocols and Personal Protective Equipment (PPE) requirements and guidelines, hygiene requirements and site layout solutions have been adopted.</p> <p>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.</p> <p>Robust incident management and business continuity plans are in place and are being monitored for effectiveness and reviewed to reflect best practice.</p>
<b>Health and Safety</b>	2020 ↑ 2019 ➔	<p>Compass feeds millions of consumers and employs hundreds of thousands of people around the world every day. For that reason, setting the highest standards for food hygiene and safety is paramount.</p> <p>Health and safety breaches could cause serious business interruption and could result in criminal and civil prosecution, increased costs and potential damage to our reputation.</p>	<p>Management meetings throughout the Group feature a health and safety update as one of their first substantive agenda items.</p> <p>Health and safety improvement KPIs are included in the annual bonus plans for each of the business' management teams. The Group has policies, procedures and standards in place to ensure compliance with legal obligations and industry standards.</p> <p>The safety and quality of our global supply chain are assured through compliance against a robust set of standards which are regularly reviewed, audited and upgraded as necessary to improve supply chain visibility and product integrity.</p> <p>In 2020, we launched refreshed versions of the Group's Global Safety Standards, Global Supply Chain Integrity standards and a new Global Allergen Management Plan.</p>
<b>COVID-19 impacts</b>		Appropriate measures must be adopted by societies and businesses to help prevent the spread of the virus.	In response to COVID-19, we have adopted enhanced health and safety protocols and hygiene measures in our sites and operations, which have been developed in consultation with expert advisors and with our clients.

Risk	Trend	Description	Mitigation	KEY	Link to <a href="#">map</a>							
				People	Performance	Purpose	Increased risk	Static risk	1 Client sales and marketing	2 Consumer sales and marketing	3 Cost of food	4 In unit costs
<b>PEOPLE</b>												
<b>Recruitment</b>	2020 ➔ 2019 ↑	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 a lack of industry experience amongst candidates and appropriately qualified people, and the seasonal nature of some of our business.	The Group aims to mitigate this risk by efficient, time critical resource management, mobilisation of existing, experienced employees within the organisation, improved use of technology such as apps and social media, and by targeted recruitment, training and development programmes.	   	<b>4</b> <b>5</b>							
<b>Retention and Motivation</b>	2020 ↑ 2019 ➔	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.  The current economic conditions may increase the risk of attrition in critical senior management positions.	The Group has established tools, training, development, performance management and reward programmes to help retain, develop, motivate and support our best people.  The Group has a number of well established initiatives, which help us to monitor the level of engagement and to respond to our people's needs. Specifically, we have increased our local focus and employee support on mental health awareness, stress management and resilience, to better equip our people in times of uncertainty and change.	   	<b>4</b> <b>5</b>							
<b>COVID-19 impacts</b>		The closure of substantial parts of the business during the year had a significant impact on the Company's workforce.	We employed a number of measures available to us to retain as many of our skilled workforce as possible, including redeployment and use of government furlough schemes.									
<b>CLIENTS AND CONSUMERS</b>												
<b>Sales and Retention</b>	2020 ➔ 2019 ➔	Our business relies 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 the business.	We have strategies that strengthen our long term relationships with our clients and consumers based on quality, value and innovation.  Our business model is structured so that we are not reliant on one particular sector or group of clients.  We are using technology 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 benefits our clients and consumers and positively impacts retention and new business wins.	   	<b>1</b> <b>2</b>							
<b>COVID-19 impacts</b>		Lower revenues may result from COVID-19 restrictions due to reduced office attendance, closure of client sites and fewer site visitors.	Compass continues to focus on financial security and safety. In today's environment these are key strengths for our clients.  Contracts may be renegotiated. We continue to focus on retention and new sales opportunities as clients move to outsource in-house catering, and increasing the use of technology and innovative client solutions such as cashless and cashierless payment systems and food delivery applications.									

Risk	Trend	Description	Mitigation
<b>CLIENTS AND CONSUMERS</b>			
<b>Bidding</b>	2020 ➔ 2019 ➔	Each year, the Group bids for a large number of opportunities.	A rigorous tender review process is in place, which includes a critical assessment of contracts to identify potential risks (including social and ethical) and rewards, prior to approval at an appropriate level in the organisation.
	1 2		
<b>Service Delivery and Contractual Compliance</b>	2020 ➔ 2019 ➔	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.
	1 2		
<b>Competition and Disruption</b>	2020 ↑ 2019 ➔	We operate 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.	We aim to minimise this and to respond to new market and consumer food services trends by continuing to promote our differentiated propositions and by focusing on our strengths, such as flexibility in our cost base, quality, value of service and innovation.
	1 2 3 4 5	Structural changes in working and education environments may reduce the number of people in offices.	We are using our knowledge and experience and continue to invest in technology which will help us to counter any potential risk and to capitalise on the opportunities created.
		The emergence of new industry participants using disruptive technology could adversely affect our business.	Compass continues to evolve its offer to increase participation rates and service sites of different sizes.
<b>COVID-19 impacts</b>		Numerous clients have been significantly impacted by COVID-19. Long term changes in working practices could affect service provision in some sectors.	The business is able to adapt to changes in the service provision environment, and leverage expertise and technology to mitigate the risk and where possible take advantage of changes in the market.

Risk	Trend	Description	Mitigation	KEY	Link to <a href="#">map</a>							
				People	Performance	Purpose	Increased risk	Static risk	Client sales and marketing	Consumer sales and marketing	Cost of food	In unit costs
<b>ECONOMIC AND POLITICAL ENVIRONMENT</b>												
<b>Economy</b>	2020 ↑ 2019 ↑	Some sectors of our business could be susceptible to adverse changes in economic conditions and employment levels.  Continued worsening of economic conditions has increased the risk to the business in some jurisdictions.	As part of our strategy, we are focused on productivity and purchasing initiatives which help us to manage our cost base.  During adverse conditions we can, if necessary, take actions to reduce labour costs.									
<b>COVID-19 impacts</b>		The full extent of the financial impacts of COVID-19 on economies worldwide is as yet unknown.	We have implemented action plans to protect the profitability and liquidity of the Group and mitigate a significant proportion of our cost base. We continue to review our cost base for additional savings.									
<b>Cost Inflation</b>	2020 ➔ 2019 ➔	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 USA and UK, or food, could constitute a risk to our ability to do this.  Increases in inflation continue to intensify cost pressures in some locations.	As part of our MAP framework and by sharing best practice across the Group, we seek to manage inflation by continuing to drive greater efficiencies through menu management, supplier rationalisation, labour scheduling and productivity, and with the increased use of technology. Cost indexation in our contracts also gives us the contractual right to review pricing with our clients.									
<b>COVID-19 impacts</b>		COVID-19 has disrupted inflation trends requiring inflation cost indexing to react to food supply chain and country labour changes. Near term inflation may be higher than historical averages.	We anticipate that our cost action programmes and continued oversight over supply chain costs will assist us in taking appropriate action to mitigate the risks in this area.									
<b>Political Stability</b>	2020 ↑ 2019 ↑	We are a global business operating in countries and regions with diverse economic and political conditions. Our operations and earnings may be adversely affected by political or economic instability caused, for example, by the UK's decision to leave the EU.  We have identified a potential impact on our food supply chain in the UK relating to Brexit through potential increased import costs from weaker sterling, compounded by potential new import duties and tariffs, and on our labour force from labour shortages and salary cost pressures.  Political instability around the world remains a risk as a result of continuing geopolitical tensions.	The Group remains vigilant to future changes presented by emerging markets or fledgling administrations and we try to anticipate and contribute to important changes in public policy.  We are monitoring the change in the political landscape in the USA. We are taking actions to assess and mitigate against any impact of Brexit, including engaging with key suppliers and wholesalers to identify Brexit readiness, stock levels, labour strategies and remediation plans.  Where possible, we seek to absorb price increases through operational efficiencies, and cost indexation in our contracts also gives us the contractual right to review pricing with our clients.  We have in place recruitment and retention strategies to mitigate any impact on our labour supply.									
<b>COVID-19 impacts</b>		The stress placed on political systems to combat the social and economic impacts of COVID-19 may result in increased political instability in some regions.	We remain vigilant to changes in local jurisdictions and retain the flexibility to take appropriate mitigating action as necessary.									

Risk	Trend	Description	Mitigation
<b>COMPLIANCE AND FRAUD</b>			
<b>Compliance and Fraud</b>	2020 ➔ 2019 ➔	<p>Ineffective compliance management with increasingly complex laws and regulations, or evidence of fraud, bribery and corruption could have an adverse effect on the Group's reputation. It could also result in an adverse impact on the Group's performance, and a reduction in the Company's share price and/or a loss of business.</p> <p>A failure to manage these risks could adversely impact the Group's performance if significant financial penalties are levied or a criminal action or other litigation is brought against the Company or its directors.</p>	<p>The Group's zero tolerance based Codes of Business Conduct and Ethics continue to govern all aspects of our relationships with our stakeholders. We operate a continuous improvement process as part of our Group's Ethics and Compliance programme to enhance and strengthen our culture of compliance, sharing lessons learned with our regional and country management teams.</p> <p>The Group undertakes a robust risk management assessment that helps properly identify major risks and ensures the internal control framework remains effective through regular monitoring, testing and review. Emerging regulatory and compliance risks are included in this process to enable visibility and planning to address them.</p> <p>A strong culture of integrity is promoted through our Ethics and Compliance programme and our independently operated Speak Up helpline. All alleged breaches of the Codes, including any allegations of fraud, are investigated and dealt with appropriately.</p> <p>Regulation and compliance risk is also considered as part of our annual business planning process.</p>
<b>COVID-19 impacts</b>		Companies face increased risk of fraud and corruption, both internally and externally, due to financial pressures and changes to ways of working.	As part of our ongoing process of continuous improvement, we have implemented a new Ethics and Compliance e-learning platform to provide increased engagement on key regulatory and compliance topics for our employees and to communicate our standards and expectations clearly. Internal Audit regularly reviews internal controls and analyses financial transactions to mitigate the risk of error or fraud.

Risk	Trend	Description	Mitigation	Link to <a href="#">map</a>			
				1 Client sales and marketing	2 Consumer sales and marketing	3 Cost of food	4 In unit costs
<b>COMPLIANCE AND FRAUD</b>							
<b>International Tax</b>	2020 ➔ 2019 ↑	The international corporate tax environment remains complex and an increase in audit activity from tax authorities means that the potential for tax uncertainties and disputes remains high. We note, in particular, the policy efforts being led by the EU and the OECD which may have a material impact on the taxation of all international businesses.	As a Group, we seek to plan and manage our tax affairs efficiently in the jurisdictions in which we operate. In doing so, we act in compliance with relevant laws and disclosure requirements.				
<b>COVID-19 impacts</b>		Multiple initiatives to assist businesses have been introduced across tax jurisdictions in response to the COVID-19 pandemic.	We are proactively managing our tax arrangements in accordance with these various government led initiatives and ensure compliance is achieved by putting robust processes and controls in place, including third party support and review.				
<b>Information Systems and Technology</b>	2020 ↑ 2019 ↑	<p>The digital world creates increasing risk for global businesses including, but not limited to, technology failures, loss of confidential data and damage to brand reputation through, for example, the increased and instantaneous use of social media.</p> <p>Disruption caused by the failure of key software applications, security controls or underlying infrastructure could delay day to day operations and management decision making.</p> <p>The use of sophisticated phishing and malware attacks on businesses is rising with an increase in the number of companies suffering operational disruption and loss of data.</p>	<p>We continually assess our cyber risk and manage the maturity of our enterprise infrastructure, platforms and security controls to ensure we can effectively defend against any current or future cyber attacks.</p> <p>We also have in place appropriate crisis management procedures to handle issues in the event of our defences being breached. This is supported by using industry standard tooling, experienced professionals and partners and regular compliance monitoring to evaluate and mitigate potential impacts.</p> <p>The Group relies on a variety of digital and technology platforms to manage and deliver services and communicate with our people, clients, consumers and suppliers. Our decentralised model and infrastructure help to mitigate propagation of attacks across the Group's technology estate.</p> <p>We continue to be focused on the need to maximise the effectiveness of our information systems and technology as a business enabler and have increased our investment in technology and people to strengthen our platforms and enhance our cyber security defences to mitigate the risk of technology failure and data loss.</p>				
<b>COVID-19 impacts</b>		The increase in remote working has led to an increase in the risk of malware and phishing attacks across all organisations.	We have implemented configuration changes to block phishing emails, increased awareness campaigns to help our people identify these types of attacks, and are targeting areas for further improvement in the development of our awareness campaigns.				



# Our people

Our people are behind everything we do. During this unprecedented and intensely challenging year, many of our colleagues have been on the front line responding to the pandemic and have demonstrated exceptional resilience, creativity, optimism and care for one another, our clients and our communities.

We are committed to supporting our people, our customers and the communities in which we operate, and the scale and diversity of our business has enabled us to take swift action in response to the spread of COVID-19.

We closely monitored the escalating situation as it evolved. The pandemic impacted our local businesses to different degrees and timescales, and we adapted our business practices to protect the interests of all our stakeholders. This involved putting systems in place to support the significant increase in remote working, as well as the redeployment of colleagues where required, to make sure we had the right people in the right place at the right time.

For example, in Australia, some of our colleagues have been redeployed to design and distribute a fruit, vegetable and grocery essentials box range, supporting vulnerable families in remote communities. Also, colleagues in the UK business have taken on additional shifts within the Healthcare sector to meet increased demands on the health system.

The US business has launched a flexible labour app (BENCH) and deployed workforce management capabilities across key markets to aid People functions and operational teams in ramping up resource planning in response to the varying demands across the businesses.

Where operations have been at reduced capacity or unable to open and redeployment has not been possible, our businesses have made use of government wage subsidy schemes as appropriate, such as Kurzarbeit in Germany, the CJRS in the UK, Activité Partielle in France and the NOW Scheme in the Netherlands. Additionally, local support has been provided through employee assistance programmes and hardship funds.

Throughout this period, many sites have remained open and others have reopened gradually or have increased capacity at varying rates. We have led the way with our clients and government agencies in providing COVID secure workplaces through the provision of PPE to our people, redesigning workspaces, producing social distancing guidance, intensive cleaning and the introduction of technology solutions.

We recognise the importance of promoting positive mental health and wellbeing, ensuring our people, who may be concerned about issues such as finances, security, health and wellbeing, are supported at a time when they may have been disconnected from their usual support network. Many countries have developed initiatives locally which encourage colleagues to speak about mental health concerns and seek help where needed. See page 52 for more information.

During these challenging and uncertain times, our local businesses continue to ensure that front line colleagues have been recognised for their exceptional commitment during this period. Initiatives such as Healthcare Heroes in the UK, Heroes Behind the Food and Service in the USA, and Compass Warriors in India spotlight individuals who live and breathe the Compass values through their exceptional hard work and dedication in the face of the many challenges at this time of crisis.

# Supporting our people



**Sarah Morris**  
Group Chief People Officer

Our people are the foundation of our business, and the continued dedication and hard work of our colleagues around the world is what enables us to deliver world class service to our clients and consumers every day.

The global impact of the COVID-19 pandemic has tested the strength, resilience and adaptability of our teams more than ever. Our overriding focus during these difficult times has been on the safety and wellbeing of our colleagues, many of whom have been on the front line.

Our people are our true differentiator, and during this challenging time we continued our commitment to hiring, developing and retaining a diverse pool of talent to ensure we have a truly engaged, high performing and fulfilled workforce, enabling us to deliver results and rebuild our business.

In early 2020, we completed the acquisition of Fazer Food Services, a renowned food catering business in the Nordics with similar priorities: a clear focus on food; outstanding customer service; and a commitment to people. The integration and training of 7,000 new colleagues during the pandemic has been achieved by regular engagement through pulse surveys and proactive communications.

## MENTAL HEALTH AND WELLBEING

We launched our Commitments of Respect, Growth and Teamwork last year and we have been embedding these into the fabric of our business. We have a critical role to play in looking after the health and wellbeing of our colleagues, and, as part of our Commitments work, we are driving a culture of openness and acceptance of mental health issues. During the pandemic we worked hard to ensure our businesses had the tools and capabilities necessary to develop their own initiatives locally, which encourage colleagues to speak about mental health issues and seek help where needed.

**EXAMPLES OF ACTIVITIES DEVELOPED LOCALLY INCLUDE:**

- Argentina – the By Your Side programme helps colleagues to cope with uncertainty, fear and anxiety by providing emotional support
- Australia – the Tastelife programme encompasses the #gotyourback campaign which aims to increase awareness around mental health and break down the stigma associated with not always being OK or asking for help
- Brazil – the We're Together campaign includes the provision of resources and activities related to employee engagement and wellbeing, such as an employee helpline, a virtual gym and regular feedback surveys
- Canada – the just now initiative is a campaign with a dedicated website which provides our people and the communities we serve with resources on the issues that impact their overall wellbeing
- Netherlands – support includes tools on health, job satisfaction and development, as well as an intranet portal offering guidance for managers on how they can best help their people
- UK – the You Matter campaign provides mental health awareness training for line managers, encouraging them to take time out for regular team check-in conversations, and regular wellbeing communications

## DIVERSITY AND INCLUSION

Our people's unique backgrounds, experiences and abilities are at the heart of our vibrant workforce and reflect the diverse communities we operate in. Building diverse teams at all levels means creating inclusive environments for our colleagues, resulting in innovation and improved performance.

We continue to progress the levels of female representation in our leadership team, supported by a number of talent development initiatives such as the Winning Operator Women programme in Europe.

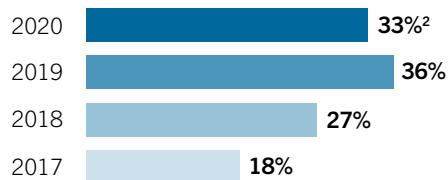
Our objective is to promote diversity across the businesses and recognise the Board's commitment to maintain at least 33% female representation on the Board, the Executive Committee and their direct reports, in line with the recommendations of the Hampton-Alexander Review, demonstrating our view that diversity of thought, experience and backgrounds are critical ingredients for our business.

Last autumn, we launched our first Global Inclusion Index by incorporating key inclusion questions into our engagement survey, covering areas such as being treated fairly and with respect, welcoming ideas, embracing diversity and inclusion and valuing people's differences. The index helps us measure and monitor the impact of our diversity and inclusion strategy. Our survey findings are used in conjunction with qualitative data collected from colleagues through discussions and listening groups.

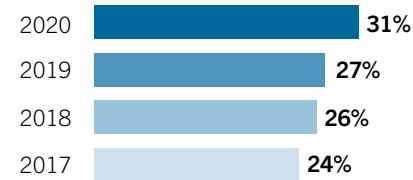
In 2020, we signed the Race at Work Charter, which has been designed to foster a commitment to improving outcomes for ethnic minority employees in the workplace, and The Valuable 500, putting disability on the business leadership agenda. We also continue to be a lead supporter of Women in Hospitality, Travel and Leisure, are an active member of the 30% Club, whose global mission is to reach at least 30% representation of all women on all boards and C-suites globally, and remain proud signatories of the UK's Social Mobility Pledge.

## FEMALE REPRESENTATION<sup>1</sup>

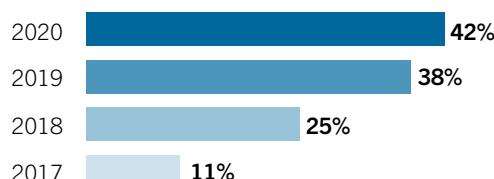
### Compass Group Board



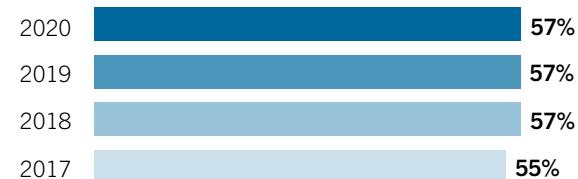
### Senior Management<sup>3</sup>



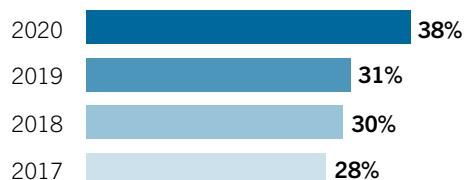
### Executive Committee



### All Colleagues



### Global Leadership Team



#### Notes:

1. The percentages disclosed for 2020 are stated as at 30 September 2020.
2. Female representation on the Board will revert to 36% when Paul Walsh steps down from the Board on 1 December 2020.
3. Senior management is defined as 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. See page 158 for more details.

Compass is uniquely positioned to effect real change in social mobility and our scale means that we have many opportunities for our people to advance. Australia's Launch into Work programme (LiW) helps long term unemployed women, often from challenging social backgrounds. Through the initiative, participants receive training to achieve a hospitality qualification, before they are employed in one of our operations. In the Netherlands, the Compass Advance programme makes jobs available to people with a vulnerable position in the labour market, including individuals with disabilities and the long term unemployed.

Across the business, we have invested in Unconscious Bias training, making training modules available to all our People teams. Our Japanese and US colleagues have taken these modules one step further and introduced face-to-face sessions with their leadership teams.

We continue to strive for inclusive environments throughout the workplace, ensuring we foster a culture where everyone feels welcomed. We also remain committed to playing an active part in our local communities through our client partnerships and supplier relationships.

We have received recognition for our work in this area including Forbes Best Employers for Diversity 2020 in the USA and Excellence in Company Programs & Performance at the Women in Resources National Awards 2020, Australia.



Our diversity and inclusion strategy is set around a framework of three pillars: people, culture and community. These focus on our approach to managing our people, the inclusive culture we seek to create which enables all our people to thrive, and how we can leverage diversity and inclusion for wider impact in communities. Below are examples of initiatives in the business.

#### PEOPLE

In Japan, we have set up a programme which supports the employment and retention of people with disabilities. This programme is aimed primarily at people with no prior working experience and at school leavers from independent support schools. The participants gain experience and confidence in their abilities by carrying out tasks in a real work environment, which leaves them better placed to find employment.

#### CULTURE

We actively support Voluntary Colleague Network Groups which bring employees with different backgrounds, cultures and experiences together, focusing on a specific dimension of diversity. In the UK, we have set up three colleague networks – Pride in Food; Women in Food, and Within, a cultural diversity network. Across the Group, we have set up Diversity and Inclusion Action Councils (DIACs) which serve as action oriented advisory committees dedicated to championing the diversity and inclusion mission of Compass within our sectors. In the US, we have also introduced an Inclusion Ambassador programme, which acts as an extension of the DIACs to further promote diversity and inclusion at all levels of the business. The DIACs equip these ambassadors with diversity and inclusion messaging and content that helps reinforce a culture of inclusion across their region and within units.

#### COMMUNITY

In Australia, we engage with over 40 Aboriginal and Torres Strait Islander business suppliers in our supply chain, which we partner with through Supply Nation, Australia's leading supplier diversity organisation, of which we are a proud founding member. We continue to expand existing and new business relationships with Aboriginal and Torres Strait Islander partners to grow strong, diverse and sustainable supply chain partnerships, through the opportunity to compete for business with us and our clients. Our spend with Supply Nation indigenous owned businesses has grown 180% on average per year since our membership began in 2009.

## HIGHLY ENGAGED EMPLOYEES

Our ambition is to be a company where our people feel valued and included and we do this through our three Compass Commitments. These outline to every person what they can expect when working for Compass – it's our baseline that guarantees a positive experience:

**Respect** – we treat each other fairly and with respect

**Growth** – we have the opportunity to develop and progress

**Teamwork** – we work as part of a positive and caring team

Over a quarter of a million employees participated in our global engagement survey and rated “I enjoy the work that I do”, “I can be myself at work” and “we work together as a team to get the job done” highest. The survey identified that our people are eager to have more opportunities to develop their careers with the Group and that engagement is reasonably high, scoring 4.1 out of 5.

The responses enabled us to create action plans at individual team, country, regional and Group level to embed our Compass Commitments and build more positive experiences for our people.

We supplement our employee insight with local initiatives to share opinions and ideas (roundtables, pulse questionnaires, townhalls or formal reviews).

At the height of the pandemic, Irene Vitthal, our Designated Non-executive director (NED) for workforce engagement, hosted a number of online roundtables with employees from around the

business. The outcomes of these discussions were shared with the Corporate Responsibility Committee and the Board, providing excellent real time insight on the learnings, challenges and opportunities faced by those involved.

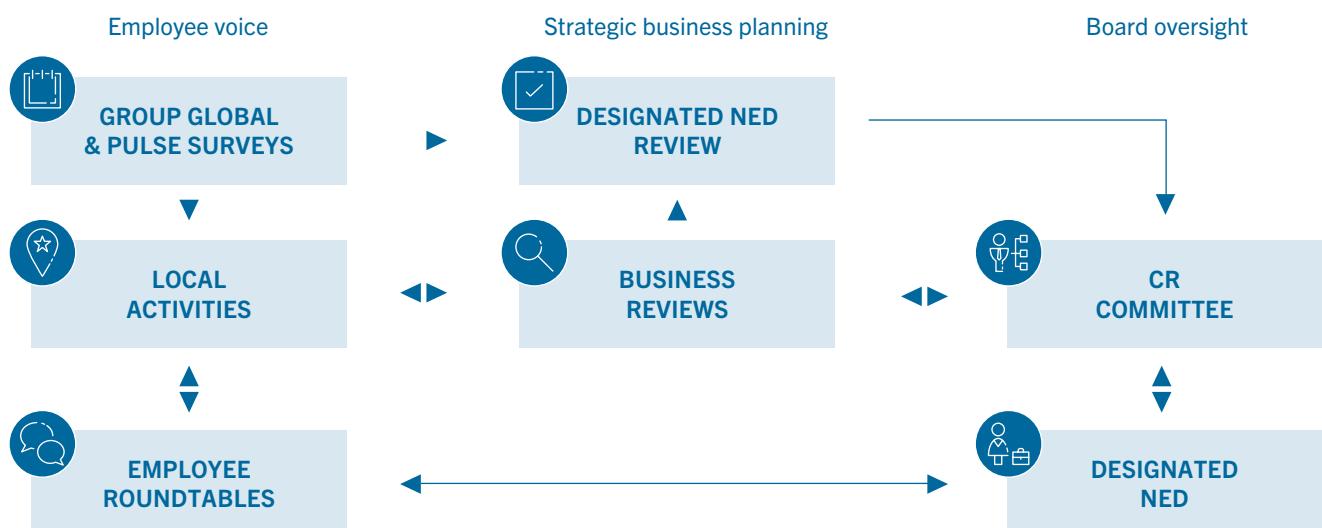
The roundtables reinforced the outcomes from the global employee engagement survey and examined how our leaders have coped and inspired their people during the COVID-19 pandemic, what has been learnt and the improvements that can be made as a result.

The sessions highlighted our people's pride in their contribution to the fight against COVID-19, the cross business engagement that has taken place, and the agility, dedication and resilience demonstrated by our people at every level in the organisation.

Our employees' voices are considered as part of our strategic business planning and the ongoing development of our culture, and adjustments were made to local plans to reflect the new priorities and concerns due to COVID-19. The feedback included a heightened interest in employee health and safety, as well as increased concerns around job security. We responded by acting quickly on the issues that matter to our people, providing decisive leadership action, relevant and timely information and specific employee assistance interventions.

We will continue to run pulse surveys to enable insight tracking of employee voice and sentiment, with questions covering specific local context, broader employee confidence in our business as a result of COVID-19, and personal wellbeing.

## EMPLOYEE VOICE – A CONTINUOUS ENGAGEMENT LOOP



## ENGAGING WITH OUR PEOPLE



**Ireeneen Vittal**

Non-executive director  
Designated NED for workforce engagement

### HOW DO THE VIEWS OF THE WORKFORCE HELP THE BOARD?

Happy clients come from happy team members. Our teams have a first hand sense of what is or is not working and what is evolving at our clients. They are the best way to get an insight into the future and also help us understand what is working well for our people.

### WHY IS IT IMPORTANT FOR WORKERS TO HAVE A VOICE?

Three reasons: they help amplify what the customer wants, they help articulate what they want and they help us remain grounded and local in a very global company.

### HOW DO YOU HELP RAISE THE VOICE OF EMPLOYEES IN COMPASS?

I hold discussions with people from across the business. This helps me get a sense of their morale, understand what is working well, what we should continue to do and what we can improve. Also, there is a great deal of variety across the teams and countries in terms of their lived experience and I have been able to get some great insights into our ways of working, our behaviours and how we can develop our people and our future leaders.

### HOW IMPORTANT HAS EMPLOYEE VOICE BEEN TO YOU IN 2020?

COVID-19 has created a black hole for many. These discussions have helped shed some light on what was working, what we needed to urgently change to make the lives of our teams better, and highlighted the people and areas to recognise and celebrate.

## RECOGNITION

We are pleased to have received external recognition during the year, including:

- Fortune World's Most Admired Companies 2020, Compass Group PLC
- Fortune Global 500 2020, Compass Group PLC
- Forbes Best Employers for Diversity 2020, USA
- Forbes Best Employers for New Grads 2020, USA
- Forbes America's Best-In-State Employers 2020 – North Carolina, USA
- Best Recruiters D-A-CH 2019/2020 Awards, Austria
- Training and Apprenticeship Award at the Public Sector Catering Awards, UK (Finalist)
- Health & Wellbeing Award at the AMMA Industry Awards, Australia



## LEADERSHIP AND LEARNING

We continue to invest in developing our leadership teams, so that they are equipped to lead the business through the recovery phase and to deliver sustainable results for the future.

We conduct external assessments for key leadership appointments and ran an intensive in person leadership development programme (Voyager) during 2019 to support our capability build.

Our highly popular Asia Pacific The Art of Leadership programme, focused on the crucial leadership skills needed in challenging times such as:

- leading through uncertainty
- building resilience and endurance
- effective communication
- leading innovation
- leading change
- effective project management

### Digital training

We continue to expand our digital training offering to extend our reach and support our people's growth. In September 2020 alone, we onboarded 1,127 people globally to our new online flagship sales training programme.

### Exceptional unit managers

Through our Leadership in Action programme, in the first half of 2020, we trained a further 1,500 unit managers, and 100 trainers across 30 countries. The current climate has highlighted the value of the programme with unit teams continuing to create positive and safe working environments at the same time as providing the very best service to clients and consumers, while operating under exceptional circumstances.

### LOOKING AHEAD

The disruption caused by COVID-19 will continue to be felt throughout our business. We remain committed to supporting our people and the communities in which we operate so that we are able to face the future and achieve sustainable business outcomes together.

## Our values guide our actions and behaviours



### OPENNESS, TRUST AND INTEGRITY

We set the highest ethical and professional standards at all times. We want all our relationships to be based on honesty, respect, fairness and a commitment to open dialogue and transparency.



### PASSION FOR QUALITY

We are passionate about delivering superior food and service and take pride in achieving this. We look to replicate success, learn from mistakes and develop the ideas, innovation and practices that will help us improve and lead our market.



### WIN THROUGH TEAMWORK

We encourage individual ownership, but work as a team. We value the expertise, individuality and contribution of all colleagues, working in support of each other and readily sharing good practice in pursuit of shared goals.



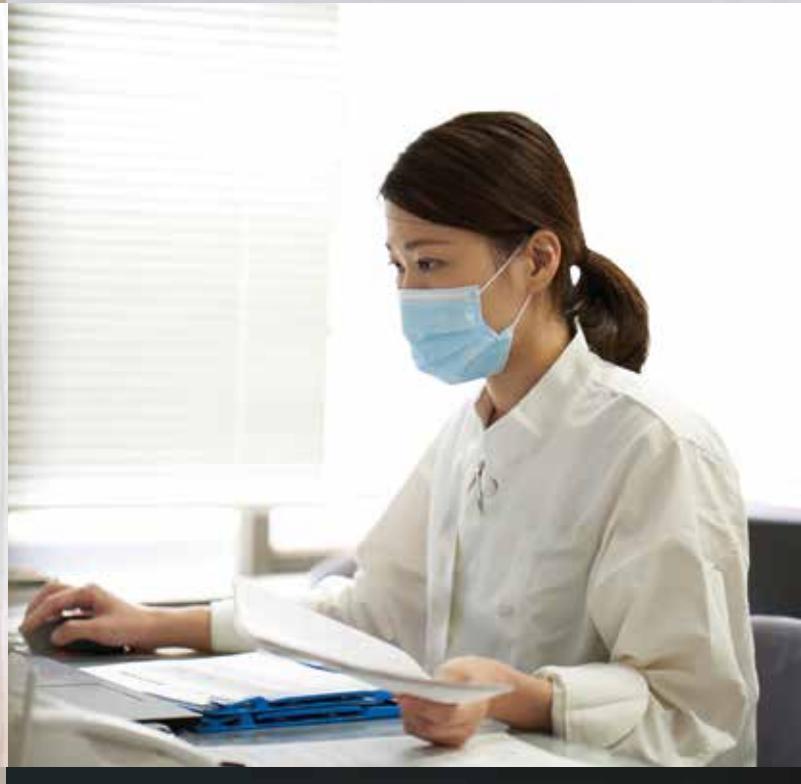
### RESPONSIBILITY

We take responsibility for our actions, individually and as a Group. Every day, everywhere, we look to make a positive contribution to the health and wellbeing of our customers, the communities we work in and the world we live in.



### CAN-DO SAFELY

We take a positive and commercially aware 'can-do' approach to the opportunities and challenges we face; we always put safety first in everything we do.



# Our purpose

Our purpose is chiefly a social purpose: to keep our people and our consumers safe and healthy, while creating a positive impact for individuals, communities and the planet through targeted actions. Despite the COVID-19 pandemic – and certainly because of it – 2020 has been an incredibly busy year for our teams.

## SAFETY HAS BEEN OUR UTMOST PRIORITY

We have worked tirelessly to introduce new measures and protocols to help protect our people and consumers from COVID-19. We have been working with our clients to make thousands of sites around the world COVID secure, facilitating social distancing and introducing enhanced hygiene measures.

We continue to take measures to protect our employees, not only from diseases such as COVID-19, but also from work related injuries and by adopting an increased focus on mental health. Our global Lost Time Incident Frequency Rate has improved by 42% since 2016.

## CONTINUED FOCUS ON SUSTAINABILITY

During the pandemic our sustainability strategy focused more closely on specific priorities including supporting local communities, through diverting surplus food to those in need, and supporting the mental health and wellbeing of our people. Globally, we aim to halve food waste by 2030, and this commitment became increasingly important during the pandemic lockdowns, when we responded quickly to avoid food waste on a large scale, and help local communities, donating over 1,100 tonnes of food, equivalent to more than two million meals, across some of our largest markets.

In spite of the disruption caused by the pandemic, we have continued to work on the other action platforms of our sustainability strategy and, during the year, Compass became a member of the World Business Council for Sustainable Development and we are involved in several food related workstreams to help transition to a more sustainable food system.

In the USA, we won a SEAL Environmental Initiative Award for our Carbon Foodprint tool, which is used to reduce carbon emissions, energy, water and waste in the kitchen, while identifying opportunities for chefs to redesign their menus to help lower greenhouse gas emissions.

In the UK, we joined 150 leading businesses and NGOs in signing a letter coordinated by the UN Global Compact. This calls for a socially just and green recovery from the COVID-19 pandemic, considering the UN Sustainable Development Goals. Our UK business joined with the Roundtable on Sustainable Soya and EFECA (experts in sustainable forests and agriculture) to urge the UK government to do more against deforestation.

While the pandemic has seen some delays in climate change action in a number of markets, we remain committed to reducing our CO<sub>2</sub> footprint and are preparing to set Science Based Targets to play our part in limiting global warming to 1.5°C.

## NEXT STEPS

Looking ahead, we are focusing more closely on the priorities of food waste, our environmental impact – including climate change – and sourcing responsibly from more resilient and sustainable supply chains. In the following pages, you will read about the actions we have taken across the Group to implement our sustainability strategy, whilst at the same time helping to keep our people and consumers safe.

For a fuller account, please see our 2020 Sustainability Report which will be online at [www.compass-group.com](http://www.compass-group.com) in January 2021.

# Corporate Responsibility Report



**Federico Tonetti**  
Group Safety & Sustainability Director

2020 forced the world – and Compass Group – to adapt quickly to cope with the COVID-19 pandemic.

Throughout the year, we have worked hard to deliver healthy, nutritious food while protecting the safety of essential workers, our people and our consumers. For our People report, see pages 51 to 57, and see page 62 for our update on safety.

In spite of the new challenges presented by COVID-19, we continue to uphold our environmental and social commitments. Our sustainability strategy centres on three important pillars:

**Health and Wellbeing** – staying healthy – in both mind and body – has been particularly important this year. We continue to focus on providing better nutritional choices and supporting mental health and wellbeing.

**Environmental Game Changers** – we are taking action to address our impact on the planet, including reducing food waste and increasing plant-based options in our menus. We remain committed to reducing single-use plastics, although usage increased this year due to temporary hygiene measures.

**Better for the World** – we are creating more resilience in our supply chain, focusing on responsible and sustainable sourcing, enriching the local communities in which we operate, and collaborating with external partners to maximise our positive impact.

These priorities were selected following a materiality assessment, which took the views of our stakeholders into account. We continue to gather this information across our stakeholder groups to ensure we remain up to date. See pages 28 and 29 for more information about how we engage with our diverse stakeholder groups. You can read in detail about our materiality assessment in our 2020 Sustainability Report which will be online at [www.compass-group.com](http://www.compass-group.com) in January 2021.

## SUSTAINABILITY BENCHMARKS



**ecovadis**  
Business Sustainability Ratings

## INITIATIVES



Our sustainability strategy is aligned with several of the United Nations' Sustainable Development Goals. See pages 68 and 69 for further information about our contribution to these goals. Since 2004, we have been committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labour, the environment and anti-corruption. The Group also reports to sustainability indices, including the Carbon Disclosure Project (where in 2019 we ranked B in climate change and B- in forests and water) and EcoVadis. We also remain part of the FTSE4Good Index.

## SUSTAINABILITY STRATEGY



### Health and Wellbeing

Nutrition, health and happiness at the heart of our value proposition



### Environmental Game Changers

Targeted action where we can make an enhanced impact



### Better for the World

Driving positive impact far beyond our business



### Better nutrition choices



### Food waste



### Sourcing responsibly



### Mental health



### Single-use plastics



### Enriching local communities



### Healthy lifestyle



### Plant-forward meals



### Collaborating for big change



### Safety culture

Turning safety from compliance to caring for each other

#### Safety leadership

#### Sharing learning

#### Simplification

## OUR RESPONSE TO THE COVID-19 OUTBREAK

From January 2020, upon hearing initial reports of the outbreak of COVID-19 and its subsequent rapid spread around the world, like so many businesses, we acted quickly to safeguard our people, clients and consumers.

In every country in which we operate, crisis management teams were formed to introduce new processes and training to make our venues COVID-19 secure, or to work with clients to temporarily close sites when lockdowns were imposed. A comprehensive crisis management process was implemented to assess the situation and cascade urgent actions to keep our people and our consumers safe and updated.

Our food businesses have introduced a range of preventative measures, including the use of Personal Protective Equipment and protective screens, and have reduced the need to touch shared surfaces, for instance, by removing self-service food stations and enabling people to access menus on their phones. Similarly, new processes were introduced in our kitchens, keeping our people and our consumers safe through stringent hygiene measures and training.

Compass has a strong presence in medical facilities and care homes. In those environments, our teams are essential workers, working to help protect our most vulnerable citizens. Every day, they play a vital role in keeping these facilities clean and in feeding the patients and front line workers battling the virus. Our cleaning businesses across all sectors have also implemented new deep cleaning regimes, helping to prevent the spread of COVID-19 by thoroughly and repeatedly disinfecting client sites.

Our people are playing a central role during the pandemic, carrying out key worker roles and supporting communities across the world. Among our people, we have many unsung heroes.



## SAFETY CULTURE

Every single day, our people serve millions of consumers, and keeping everyone safe is our top priority.

The pandemic has reinforced the critical importance of our strong safety culture – it has been key to our success.

### Personal safety

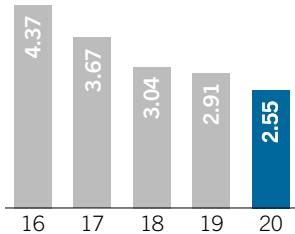
Keeping our people and consumers safe is our utmost priority. As client sites reopened, we have worked closely with them to implement strict protocols for both pre-opening and reopening, reducing person to person contact and supporting good hygiene practice.

- our clients in Asia Pacific were the first to begin returning to work. In March 2020, our Australian business launched Safe Sphere, an audited certification scheme that helps a site to meet a set of stringent COVID-19 safety standards and to reopen following a lockdown. Safe Sphere also supports the introduction of new culinary services, such as low contact grab and go meal solutions
- our digital team in India devised Café Pass, an app that allows consumers to check how busy their staff restaurant is and to order a meal to be picked up or delivered to their desk. The app also reduced indirect contact by replacing paper menus and reducing the need to handle cash and cards
- Compass Group Norway was awarded Shell's Goal Zero Hero in May 2020 in recognition of their efforts to help safeguard workers from COVID-19 on Shell's sites. They cited Compass' focus on safety, and our ability to transition quickly and work effectively, despite demanding conditions

### GLOBAL LOST TIME INCIDENT FREQUENCY RATE

**-42%**

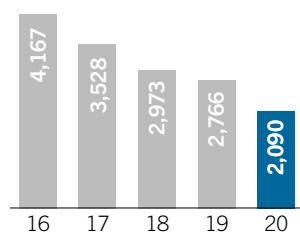
(since 2016)



### GLOBAL LOST TIME INCIDENTS

**-50%**

(since 2016)



## Food safety

Food supply chains are increasingly global and complex, but the unprecedented events of 2020 underlined how important transparency and agility are in reducing vulnerability and increasing resilience. We aim to redefine and streamline our supply chains, working with a smaller number of trusted partners, and, where possible, prioritising domestic supply chains.

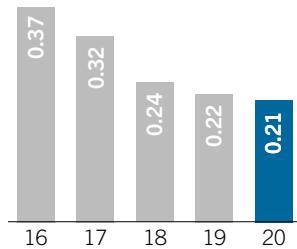
- in 2020, we launched a simplified, more user friendly version of our Global Supply Chain Integrity standards, a robust risk based framework which drives consistency of approach in the sourcing of safe and authentic food from approved vendors
- we also launched our first Global Allergen Management Plan, which sets out the minimum required standards within our own operations and supply chain, aimed at reducing any allergen related incidents, however minor

Both sets of standards are being rolled out in 2021 across our businesses, together with an overarching set of refreshed operational safety standards and behaviours, through a programme of validated self assessment.

### GLOBAL FOOD SAFETY INCIDENT RATE

**-43%**

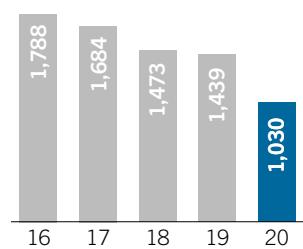
(since 2016)



### GLOBAL FOOD SAFETY INCIDENTS

**-42%**

(since 2016)



## Sharing learning

To respond to the pandemic, we created a global crisis management team, led by our Group Safety & Sustainability Director, and including representation from each of our regions. Between February and May 2020, this group met twice a week virtually to ensure that good ideas and best practices were shared quickly between our health and safety leads. In each region, similar teams were formed to manage the situation at a local level.

In February 2020, the UK government contracted with us to help create one of the first quarantine centres in the country. We worked with the NHS and Public Health England to transform Kents Hill Park conference centre into safe and secure accommodation. We introduced a zoning system to separate food teams from medical teams and worked with the NHS team on infection control. Our approach was shared so that others could follow our lead.





## HEALTH AND WELLBEING

Compass is dedicated to helping people live healthier, happier and more productive lives. We want to make it easier for consumers and our employees to make better choices.

Our teams of nutritionists and dieticians across our businesses work hard to make sure we serve healthy food, and we also focus on promoting good mental health and healthier lifestyles. This has been especially important during the pandemic. We have continued to find ways to support clients to promote good health, as well as to help our people and our consumers to maintain their physical health and mental wellbeing.

- in the UK, we created The Super Yummy Kitchen, teaming up with CBBC Chef and LEON co-founder Allegra McEvedy MBE, for fun and educational online cook-along videos and recipes for children during lockdown
- in Ireland, we introduced regular online activities to support the mental and physical health of our people at home (such as meditation sessions, coffee catch ups, virtual tours of museums and zoos, and even support in learning a new language)
- in the USA, we transitioned our live wellbeing initiatives online, developing our Eat Live Do Well website into a virtual 'wellness hub'. This offers visitors weekly blog posts, including a COVID-specific series on topics such as preparing for quarantine, food safety, supporting loved ones and boosting immunity

### Better nutritional choices



We are promoting the EAT Forum's planetary health diet across our global businesses, encouraging consumers and employees to eat food that is better for people and the planet. We help people to access more plant-based foods and encourage them to eat less foods that are high in fat, salt and sugar. We use communication boards to help convey messages on balanced diets and the importance of healthy eating, and arrange food and drink in a way that nudges consumers towards the healthier options.

### Mental health

The pandemic has made safeguarding the mental health of our people more important than ever. We aim to provide supportive workplaces, helping our people to identify and address stress, anxiety and depression.

- our Viva Bem initiative was launched in Brazil in June 2020, and provides free emotional support to employees working on the frontlines of the pandemic, as well as their immediate families. In its first three months, 126 confidential consultations with psychologists took place
- our #gotyourback campaign in Australia also helped our people to open up about their mental health



- our pilots in the UK and Australia continued with MediBio, the world's first biometric mental health management programme. Their wearable device tracks mental health biometrics and suggests personalised, proactive strategies to improve mental health, which includes offering a telephone consultation with a qualified psychologist

More examples of our initiatives can be found in the People report on page 52.

### Healthier lifestyles

Throughout the year, we ran numerous online initiatives to encourage consumers to adopt healthier habits. In Colombia, for example, our VIVE SANO programme ran over 1,660 educational and nutritional activities at 175 food sites, impacting more than 231,000 people.



## ENVIRONMENTAL GAME CHANGERS

We concentrate our efforts on where we can have the greatest positive impact on the global food system and environment.

In order to reduce our impact on the environment, our focus in 2020 has been on food waste and plant-forward meals. Due to employee and consumer concerns regarding hygiene and safety during the pandemic, demand for disposables has temporarily increased. Despite this, we remain committed to removing unnecessary single-use plastics in the long term, and work with clients to source more environmentally friendly options and encourage recycling wherever possible.

We use a number of energy management systems to monitor and reduce our environmental impact, and we also work together with clients to improve efficiency at their sites through guidance documents such as our Environmental Toolkit.

- our award-winning Carbon Foodprint tool is helping units in the USA to reduce their carbon emissions, water use and waste. As well as smart analysis, it offers simple tips, like substituting ingredients with a lower carbon footprint and using more energy efficient equipment
- in some of our restaurants in the Nordics, we calculate the carbon footprint of each meal and provide that information to our consumers to help them make informed choices and consider the environmental impact of their meal



## Food waste and beyond

According to the UN, approximately one third of all food produced each year is wasted. We aim to reduce food waste by 50% by 2030.



In 2017, we founded the annual Stop Food Waste Day, which reaches millions of consumers around the world, encouraging them to adopt more sustainable behaviours. Due to the pandemic, this year our Stop Food Waste Day was smaller, however diverting surplus food for distribution became increasingly important.

- in Canada, in only three months we rescued 15 tonnes of food, supported over 55 community organisations, and prevented 310 tonnes of greenhouse gases
- technology, such as ORCA (to convert food waste into a safe liquid for discharge) in Kazakhstan, and Waste Not™ 2.0 (our proprietary, cloud-based waste tracking programme) in the USA, is helping to reduce waste daily

## Plant-based goes mainstream

Eating less meat is generally agreed to be better for our bodies and for the planet, and our consumers and clients are demanding more plant-based choices and meat alternatives. We are helping to raise awareness of the impact of eating less meat, and partner with EAT to explore ways to transform our global food system. We are offering more delicious vegan and plant-forward options for consumers, and helping our chefs and clients to incorporate plant-based meals into their menus, as well as bring them to consumers in innovative ways to encourage greater take up of these options.

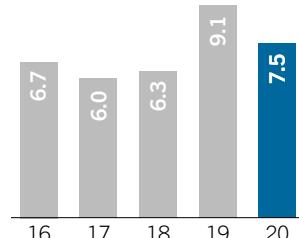
- over the last three years, Compass has worked to support Google to reduce the carbon emissions of the food served through plant-forward innovations. A multi-tiered training programme, SEED (Skills, Enrichment, Evolution and Development), was created to train culinary teams to make delicious plant-forward food through rebalancing meat and vegetables and educate about the impact of plant-forward eating on nutrition and health. Culinarians make plant-forward food flavourful and use choice architecture techniques such as visibility and placement to nudge toward healthier, lower carbon menu options

### Climate change

In line with the 2015 Paris Agreement to limit global warming to 1.5°C, last year we committed to setting a Science Based Target to reduce our carbon footprint. We continue to work with our teams around the world on this and will communicate our targets and action plans in due course.

We are monitoring energy usage and greenhouse gas emissions of our owned and operated sites across 27 countries, which represent 97% of Group revenues. This year, our global Scope 1 and Scope 2 emissions decreased significantly compared to the financial year ended 30 September 2019 as a result of site closures due to the widespread lockdowns in many of the countries in which we operate.

### GREENHOUSE GAS INTENSITY RATIO



### STREAMLINED ENERGY & CARBON REPORTING DISCLOSURE

Global energy consumption and greenhouse gas emissions for the period 1 October 2019 to 30 September 2020.

	Current reporting year 2019-2020	Previous reporting year 2018-2019
	UK and Offshore	Global
Scope 1 – Emissions from the combustion of fuel or the operation of any facility including fugitive emissions from refrigerants use / tCO <sub>2</sub> e	<b>5,912</b>	<b>106,047</b>
Scope 2 – Emissions resulting from the purchase of electricity, heat, steam or cooling (location based) / tCO <sub>2</sub> e	<b>3,300</b>	<b>39,703</b>
Total gross emissions / tCO <sub>2</sub> e	<b>9,212</b>	<b>145,750</b>
tCO <sub>2</sub> e per million £ turnover	<b>6.1</b>	<b>7.5</b>
Energy consumption used to calculate above emissions /kWh	<b>41,968,394</b>	<b>556,869,904</b>
		n/a

### 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 detailed 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 70 to 161.

To calculate our Group emissions, we have used the main requirements of the Greenhouse Gas Protocol Corporate Standard along with the UK Government GHG Conversion Factors for Company Reporting 2019. The scope and methodology of our reporting changed in 2019, therefore

previous years' data is not comparable on a like for like basis. This year, we expanded our reporting boundaries to include two additional countries, representing in total 97% of Group revenues, compared to 96% in 2019.

### Energy efficiency

We are continuously seeking to improve operational efficiency. In the UK, we developed an environment toolkit, mandatory for all sites, to help reduce our environmental impact across energy, transport, water, materials, pollution and waste. The toolkit allows us to comply with environmental legislation, support clients with their environmental activities and reduce operational costs. Through the use of the toolkit we require that energy intensive machinery and kitchen equipment are used efficiently on site.



## BETTER FOR THE WORLD

Using the scale and scope of our business, we aim to have a positive impact on the world. We support thousands of local communities and suppliers, as well as hundreds of partners alongside our clients.

Our global supply chain integrity requirements and Code of Business Conduct ensure that we partner only with suppliers who meet our high standards. Supporting local suppliers and communities has been especially important during the pandemic, with many small businesses and families facing financial difficulties.

- during lockdown in India, we created the platform, #letsfeedtogether, working with clients, consumers, partner kitchens, government authorities and NGOs to provide over three million meals for underprivileged people
- in Canada, we offer free job training through the Gather Culinary Academy. This provides people dealing with poverty, mental health issues or addiction an opportunity to learn new skills in the kitchen, supporting their re-entry into the workplace

### Responsible sourcing

We purchase thousands of food and drink items every day and recognise the importance of having a value chain that is resilient and operates responsibly. We work with clients to help drive positive change in several priority areas, including the increased use of certified sustainable seafood, and fairly-traded tea and coffee. In the UK, we use the Supplier Ethical Data Exchange (SEDEX) to assess, track and share information on our suppliers in the areas of social compliance and human rights topics and remain committed to rolling out SEDEX across several other countries in the Group.

- we have been assessed by the Business Benchmark on Farm Animal Welfare (BBFAW) since its inception in 2012 and are pleased to have maintained our Tier 3 ranking in their latest report. By 2025, we aim to be using 100% cage-free shell eggs and liquid egg products globally. In North America and Europe, we remain committed to achieving higher welfare standards for 100% of the chicken meat we source by 2024 and 2026 respectively
- the palm oil used to prepare food in our kitchens will be 100% certified sustainable from physical sources by 2022. We are active members of the Roundtable on Sustainable Palm Oil and the Round Table on Responsible Soy and are committed to preventing the deforestation and desertification of the planet



Marine  
Stewardship  
Council



### Supporting local suppliers

The pandemic has reminded us of the importance of having strong, trusted relationships with fewer suppliers, who are as local to us as possible. We continually work to increase the resilience of our supply chain and enhance the livelihoods in our communities by offering delicious food to our consumers using local produce. By the end of 2020, for example, Compass Group USA aimed to purchase 20% of produce from local sources. We achieved our target early – by the end of summer 2019 – and contribute more than US\$75.5 million annually to American family farms.

### Empowering employees for change

We offer training and employment opportunities to disadvantaged people within our communities, such as indigenous people or people with disabilities, and we encourage our employees to get involved. In Australia, for example, we exceeded our goal of employing an additional 1,050 Aboriginal and/or Torres Strait Islander jobseekers by the end of 2020.

### Human rights

We have been working on strengthening our human rights across our businesses with a global cross functional human rights working group formed to analyse, share and implement human rights policies and procedures. In June 2020, we launched our new Human Rights Policy which is available on our website. We carried out workshops and training for over 200 of our people in multiple countries, and this continues to be an area of focus for our businesses globally.

# SUSTAINABLE DEVELOPMENT GOALS

Sustainable Development Goal and indicator	Our contribution
 <p>2.1 End hunger and ensure access to safe, nutritious and sufficient food</p> <p>2.4 Ensure sustainable food production and resilient agriculture</p>	<p>We spend billions of pounds on food each year, and help our local communities to tackle food insecurity by donating surplus food through donation programmes. This has been especially important during pandemic lockdowns, when we have taken fast action to avoid tonnes of food waste, benefiting thousands of families.</p> <p>We encourage local sourcing. In the USA, we surpassed our target of purchasing 20% of our produce from local sources, meaning we contribute more than US\$75.5 million annually to American family farms.</p>
	<p>We encourage sustainable agricultural practices through initiatives like Farm to Fork in the USA, and our award-winning Buy Social Corporate programme in the UK. 100% of our shell eggs and liquid egg products will be cage-free by 2025, and 100% of our chicken in North America and Europe will meet the highest welfare standards by 2024 and 2026 respectively.</p>
 <p>3.4 Reduce premature mortality through prevention and treatment and promote mental health and wellbeing</p>	<p>The pandemic and accompanying quarantines and lockdowns have raised the prioritisation of safeguarding mental health. For example, we have run campaigns to open up the conversation about mental health, and offered free consultations with psychologists to employees working on the front lines of the COVID-19 pandemic and their immediate families.</p> <p>We also remain committed to supporting our employees and consumers to live a balanced lifestyle through wellbeing and nutrition initiatives, such as providing online cooking demos and virtual 'wellness hubs'.</p>
 <p>5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision making</p>	<p>We want to empower women to work with Compass. For us, this means investing in our female colleagues through development and training schemes, as well as encouraging female led suppliers. We are also a lead supporter of WiHTL, a cross industry initiative dedicated to increasing women's representation in leadership positions across the hospitality, travel and leisure sectors.</p>
 <p>8.5 Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value</p> <p>8.7 Take active measures to eradicate forced labour, end modern slavery and human trafficking and end child labour in all its forms</p> <p>8.8 Protect labour rights and promote safe and secure working environments for all workers</p>	<p>Our people are crucial to our business success. We work with local communities across the globe to offer fair and safe employment and promising career opportunities.</p> <p>To promote work for all, we run diversity and inclusion programmes and action councils and provide skills training to disadvantaged people in our communities. We also work hard throughout our operations and with our suppliers to address any human rights and modern slavery risks, conducting audits and providing training.</p>

Sustainable Development Goal and indicator	Our contribution	
 <b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION	12.3 Halve per capita global food waste by 2030 12.5 Reduce waste generation through prevention, reduction, recycling and reuse 12.6 Adopt sustainable practices and integrate sustainability information into reporting	<p>We are actively reducing food waste through measurement and targeted actions in every region. In 2020, Compass Group joined the US Food Loss and Waste Champions to commit to reducing food waste by 50% by 2030.</p> <p>We use environmental management systems at client sites, as well as education and toolkits to help reduce waste through prevention, recycling and reuse. In 2019, we launched our comprehensive sustainability reporting system, gathering thousands of data points across our business to measure and report on our sustainability efforts.</p>
 <b>13</b> CLIMATE ACTION	13.3 Improve capacity on climate change mitigation, adaptation and impact reduction	<p>We are preparing to set Science Based Targets to do our part in limiting global warming to 1.5°C.</p> <p>We are working hard to reduce our indirect (Scope 3) greenhouse gas emissions through reducing food waste and increasing plant-based diets. In the USA, we won a SEAL Environmental Initiative Award for our Carbon Footprint tool to help reduce carbon emissions, water and waste.</p>
 <b>14</b> LIFE BELOW WATER	14.1 Prevent and reduce marine pollution 14.C Enhance the conservation and sustainable use of oceans and their resources	<p>Due to employee and consumer concerns regarding hygiene and safety during the pandemic, demand for single-use plastics has temporarily increased. However, we remain committed to eliminating unnecessary disposables, which could otherwise make their way into the oceans.</p> <p>Our goal is for 50% of our fish and seafood to be certified sustainable. We continue to promote sustainable and responsibly sourced seafood and have a number of restaurants certified sustainable by the Marine Stewardship Council. Our policy is not to serve fish from the Marine Conservation Society 'fish to avoid' list.</p>
 <b>15</b> LIFE ON LAND	15.1 Ensure the sustainable use of terrestrial and inland freshwater ecosystems 15.2 Promote the implementation of sustainable management of all types of forests, halt deforestation	<p>Throughout our global supply chain, we are working to ensure we source our food and non-food products in a sustainable way, with the least possible impact on the environment. We are a member of the Round Table on Responsible Soy and the Roundtable on Sustainable Palm Oil. We are also increasing our certified sustainable palm oil purchasing, in order to help prevent deforestation and encourage sustainable environmental practices from farm to fork. The palm oil used to prepare food in our kitchens will be 100% certified sustainable from physical sources by 2022.</p>
 <b>17</b> PARTNERSHIPS FOR THE GOALS	17.16 Enhance the global partnership for sustainable development, complemented by multi stakeholder partnerships that mobilise and share knowledge, expertise, technology and financial resources, to support the achievement of the goals	<p>We want to help address some of the biggest global challenges today. As a responsible business, we understand the importance of partnering with our clients, suppliers, NGOs and other stakeholders to improve our impact.</p> <p>In 2019, we joined the World Business Council for Sustainable Development and are involved in several food related workstreams. In the UK, we joined partners in calling for a socially just and green pandemic recovery, and greater action on deforestation.</p>

# Board of Directors



1 **Paul Walsh**, Chairman

2 **Dominic Blakemore**, Group Chief Executive Officer

3 **Gary Green**, Group Chief Operating Officer, North America

4 **Carol Arrowsmith**, Non-executive director

5 **Stefan Bomhard**, Non-executive director

6 **John Bryant**, Non-executive director

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7 **Karen Witts**, Group Chief Financial Officer

8 **Ian Meakins**, Non-executive director/Chairman elect

9 **John Bason**, Senior Independent Director

10 **Anne-Francoise Nesmes**, Non-executive director

11 **Nelson Silva**, Non-executive director

12 **Ireene Vittal**, Non-executive director, and Designated NED for workforce engagement

13 **Alison Yapp**, Group General Counsel and Company Secretary

**PAUL WALSH**

Chairman

**C** **N**

Joined as a non-executive director in January 2014. Appointed Chairman in February 2014. Will step down from the Board on 1 December 2020.

**Key skills and competencies**

Paul has significant experience in marketing, M&A, retail operations and corporate leadership.

**Current external appointments**

Non-executive director of McDonald's Corporation and FedEx Corporation and a director of Bespoke Capital Acquisition Corp. (a special purpose acquisition company). Advisor to TPG Capital LLP (TPG) affiliates and a nominee director of various companies, as required by TPG. Chairman of Chime Communications Limited (a private company) and McLaren Group Limited (a private company).

**Previous experience**

Paul was formerly Chairman of Avanti Communications Group plc and Ontex Group N.V., Chief Executive of Diageo plc, Chief Executive Officer of the Pillsbury Company, director of GrandMet, non-executive director of RM2 International S.A., HSBC Holdings plc, Simpsons Malt Limited, Unilever PLC, Centrica plc and United Spirits Limited, nominee director of Pace Holdings Corp, Business Ambassador on the UK Government's Business Advisory Group and Chairman and a Council Member of the Scotch Whisky Association.

**DOMINIC BLAKEMORE**

Group Chief Executive Officer (CEO)

**C** **E** **G**

Joined the Board in February 2012. Dominic previously held the roles of Group Finance Director, Group Chief Operating Officer, Europe and Deputy Group CEO. He 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 joined the board of London Stock Exchange Group as a non-executive director in January 2020 and is Chairman of their Audit Committee. Dominic is also a member of the Council of University College London.

**Previous experience**

Dominic was formerly non-executive director of Shire plc and Chief Financial Officer of Iglo Foods Group Limited. Before joining Iglo Dominic was European Finance & Strategy Director at Cadbury Plc having previously held senior finance roles at that company. Prior to that Dominic was a director at PricewaterhouseCoopers LLP.

**GARY GREEN**

Group Chief Operating Officer, North America (COO)

**E** **G**

Joined the Board in January 2007. Appointed Group Chief Operating Officer, North America in April 2012.

**Key skills and competencies**

Gary brings strong business and operational leadership as well as business development and wide ranging sales experience. Gary is a chartered accountant and in 2001 received an honorary doctorate from Johnson & Wales University in the USA.

**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 USA in 1994 as Chief Finance Officer of the Group's North American business and in 1999 became Chief Executive Officer, North America.

**KAREN WITTS**

Group Chief Financial Officer (CFO)

**C** **D** **E** **G** **T**

Joined the Board as Group Chief Financial Officer in April 2019.

**Key skills and competencies**

Karen is an experienced Chief Financial Officer with a strong background in finance and management across a variety of sectors in global organisations. Karen is a chartered accountant.

**Current external appointments**

None.

**Previous experience**

Karen was previously Group Chief Financial Officer of Kingfisher PLC and a member of the board of directors for over six years. Prior to that, she held senior finance positions at Vodafone Group PLC and BT PLC. Karen is a former non-executive director and the Audit Committee Chair of Imperial Brands PLC, and a former non-executive director of Wolseley plc. Karen's early career included finance roles at Mars, Paribas, Grand Metropolitan and Ernst & Whinney.

**IAN MEAKINS**

Non-executive director/Chairman elect

**C** **N**

Joined the Board as a non-executive director on 1 September 2020 and will succeed Paul Walsh as Chairman of the Board and Nomination Committee on 1 December 2020.

**Key skills and competencies**

Ian is an experienced Chairman and former CEO with a strong background in B2B and B2C across a variety of sectors in global organisations.

**Current external appointments**

Ian is non-executive Chairman of Rexel SA. He is also currently non-executive Chairman of The Learning Network BV and will step down from this role on 30 November 2020.

**Previous experience**

Ian was formerly CEO of Wolseley plc, prior to which he was CEO of Travelex Holdings Ltd, having joined that company from Alliance UniChem plc where he served as CEO until its merger with Boots in July 2006. Prior to this, he held senior roles at Diageo plc, rising to President of European Major Markets and Global Supply, and was a Founding Partner of Kalchas Group (management consulting). Ian started his career in senior roles with Bain & Company and Procter & Gamble. He is a former non-executive director of O2 plc and a former non-executive director and SID of Centrica plc.

**JOHN BASON**

Senior Independent Director (SID)

**A** **C** **N** **R**

Appointed to the Board in June 2011. Appointed SID in June 2018. Will step down as SID, Chairman of the Audit Committee and as a member of the Audit and Remuneration Committees following the conclusion of the AGM on 4 February 2021.

**Key skills and competencies**

John brings significant financial and international experience to the Board, gained from his long career with major global businesses. John is a chartered accountant.

**Current external appointments**

Finance Director of Associated British Foods plc and Chairman of the charity FareShare.

**Previous experience**

John was previously Finance Director of Bunzl plc and is a former trustee of Voluntary Service Overseas.

## CAROL ARROWSMITH

### Non-executive director

Appointed to the Board in June 2014.

#### Key skills and competencies

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

#### Current external appointments

Non-executive director of Centrica plc and Vivo Energy PLC, director and trustee of Northern Ballet Limited and director of Arrowsmith Advisory Limited. Member of the Advisory Group for Spencer Stuart.

#### Previous experience

Carol is a former partner and advisor of Deloitte LLP and was Vice Chairman of their UK business and former director of the Remuneration Consultants Group and non-executive director of TMF Group Limited.

## STEFAN BOMHARD

### Non-executive director

Appointed to the Board in May 2016.

#### Key skills and competencies

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

#### Current external appointments

Chief Executive Officer of Imperial Brands PLC.

#### Previous experience

Stefan is the former CEO of Inchcape plc and before that was Regional President, Europe, Geneva at Bacardi Martini for five years and held a number of worldwide senior positions at Cadbury Plc, Unilever PLC, Diageo plc, Burger King and Procter & Gamble.

## JOHN BRYANT

### Non-executive director

Appointed to the Board in September 2018. Will succeed John Bason as SID following the conclusion of the AGM on 4 February 2021.

#### 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 director of Ball Corporation and Macy's Inc. John will join the board of Coca-Cola European Partners plc as a non-executive director with effect from 1 January 2021.

#### Previous experience

John is the former Chairman and CEO of global consumer goods company Kellogg. Prior to joining Kellogg in 1998, John held strategic and operational roles in several companies, worldwide.

## ANNE-FRANCOISE NESMES

### Non-executive director

Appointed to the Board in July 2018. Will succeed John Bason as Chairman of the Audit Committee following the conclusion of the AGM on 4 February 2021.

#### Key skills and competencies

Anne-Francoise has a wealth of experience in finance and accounting gained in international organisations with a strong focus on strategy, M&A and governance. Anne-Francoise is a chartered management accountant.

#### Current external appointments

Chief Financial Officer of Smith+Nephew Plc.

#### Previous experience

Anne-Francoise is the former Chief Financial Officer of Merlin Entertainments Ltd and Dechra Pharmaceuticals PLC and also held a number of senior finance roles during her 16 year tenure at GlaxoSmithKline.

## IREENA VITTAI

### Non-executive director

Appointed to the Board in July 2015. Designated NED for workforce engagement, effective October 2019 for a period of two years.

#### 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 Diageo plc, Godrej Consumer Products Limited, WIPRO Limited and Housing Development Finance Corporation Limited.

#### Previous experience

Ireena was formerly a non-executive director of Titan Company Limited, The Indian Hotels Company Limited, Cipla Limited, Tata Global Beverages Limited, Tata Industries, Zomato Media Private Limited, GlaxoSmithKline Consumer Healthcare and Axis Bank Limited, Head of Marketing and Sales at Hutchinson Max Telecom and partner at McKinsey and Company.

## ALISON YAPP

### Group General Counsel and Company Secretary

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

#### Key skills and competencies

Alison is a solicitor with more than 25 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.

#### Current external appointments

None.

#### Previous experience

Alison was formerly 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 Advisor of Charter plc. Prior to joining Charter, Alison held a number of senior legal roles at Johnson Matthey plc.

### Board committee membership

 Audit Committee	p. 92	 Nomination Committee	p. 110
 Corporate Responsibility Committee	p. 104	 Remuneration Committee	p. 122
 Disclosure Committee	p. 79	 Treasury Committee	p. 79
 Executive Committee	p. 79	 Chairman	
 General Business Committee	p. 79	 Secretary	
		 Designated NED for workforce engagement	

# Maintaining high standards of corporate governance



**Paul Walsh**  
Chairman

## MAIN RESPONSIBILITIES

The Board manages the business of the Company and sets the Group's values and standards. It ensures that the Company acts ethically and that its obligations to its stakeholders are understood and met.

The Board has a formal schedule of matters reserved for its decision. For more details see page 88. However, the Board's primary role remains to provide leadership and to review the overall strategic development of the Group. It has delegated day to day operational decisions to the Executive Committee, which is supported by regional and country management teams that are responsible for achieving agreed targets, maintaining budgetary controls and implementing policies and controls at country and business unit level.

## MEMBERSHIP AND ATTENDANCE

Member	Member since	Eligible to attend <sup>1</sup>	Meetings attended
Paul Walsh	Jan 2014	10	10
Carol Arrowsmith	Jun 2014	10	10
John Bason	Jun 2011	10	10
Dominic Blakemore	Feb 2012	10	10
Stefan Bomhard	May 2016	10	10
John Bryant	Sep 2018	10	10
Gary Green	Jan 2007	10	10
Ian Meakins <sup>2</sup>	Sep 2020	1	1
Anne-Francoise Nesmes	Jul 2018	10	10
Nelson Silva	Jul 2015	10	10
Ireene Vittal	Jul 2015	10	10
Karen Witts	Apr 2019	10	10

1. The maximum number of meetings that a member was eligible to attend.
2. Appointed to the Board, Nomination and Corporate Responsibility Committees on 1 September 2020, and will succeed Mr Walsh as Chairman on 1 December 2020.

## DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present Compass Group PLC's Corporate Governance Report for the financial year ended 30 September 2020.

## THE YEAR IN REVIEW

The past year has been an extremely challenging time for the business and for the Board's overall stewardship of the Group, and I believe that our commitment to and promotion of the Group's purpose, culture and values have stood us in good stead and proved to be more important than ever before in our leadership of the Company.

The Board's objective has been, and continues to be, driving strategy for the long term benefit of the Company and its stakeholders, and our results for the first five months of the year demonstrate that our strategy was working. However, as the year progressed, and the impact of the unprecedented measures being taken by governments and businesses across the world in response to COVID-19 became clearer, the Board's attention increasingly focused on formulating a coherent, measured and coordinated response to protect the interests of the Company and its stakeholders, and to ensure that the Company remains well positioned for the recovery and the longer term.

In addition to maintaining Board oversight of the Group and discharging its annual duties, this year, the Board and its committees also dealt with a full governance agenda, including our arrangements for compliance with the UK Corporate Governance Code 2018 (the Code), our succession planning agenda and the development of a new Remuneration Policy which reflects our measured approach to reward.

## PURPOSE, CULTURE AND VALUES

At the heart of our governance model is a commitment to our social purpose, which is founded on a safety culture built around caring for our people, clients and consumers. Our social purpose guides and informs the actions of the Board, helps shape our business model and strategy, and is supported by our culture and values, which define who we are, what we stand for and how we do business.

Compass' history and culture is founded on the principle that strong governance makes sound business sense. Our good reputation has been built on our resolve to maintain the highest ethical and professional standards at all times, underpinned by a well-defined and effective system of governance. As a Board, we spend time ensuring that our culture is aligned to and supports the Company's strategy, values and business model. We use a range of reporting mechanisms and indicators to continually monitor the Company's business activities to ensure that they remain fully consistent with our culture and values.

Our people remain our highest priority, and our greatest asset. They live our values, differentiate us from our competitors, and help us to win new business and retain our existing clients. It is therefore important that all our people understand the importance of our values and the role they play in our distinctive, delivery focused culture.

The COVID-19 pandemic has brought our purpose, culture and values into sharp focus and required the Company and the Board to demonstrate their resilience through strong and decisive governance and risk management.

I would like to take this opportunity to thank all of my colleagues across the world and my fellow directors for their unwavering support, dedication and resolve to protect each other and the Company in these extraordinary times and to express my admiration for their ability to maintain a positive approach in the midst of challenge.

Our robust governance arrangements and well established processes gave the Board and its committees the flexibility to adapt their focus and keep up with the rapidly evolving developments and challenges facing the business. To support decision making and risk management, the number and frequency of our formal and informal meetings increased in the year and our information flows were adjusted to facilitate additional deliberation time as the pandemic unfolded. The non-executive directors devoted additional time and support to management during this period, providing independent guidance and advice based on their collective skills, knowledge and experience. Through these collective efforts, the Board oversaw the delivery of a comprehensive package of measures both to mitigate the risks caused by COVID-19, and to protect the business going forward. The impact of the pandemic, and the mitigation plans employed by management, are described in greater detail in the Strategic Report on pages 1 to 69.

As the pandemic has progressed, in addition to managing risk, the Board has devoted considerable time to considering the medium and longer term prospects of the Group, and particularly the strategic opportunities that might develop on recovery. In doing so, the Board considered, supported and advised on management initiatives to ensure the continued long term success of the business in the new environment.

## STAKEHOLDERS

The pandemic, and the events which unfolded during the year, put extraordinary pressure on all of our stakeholders. The Board devoted additional time to the consideration of the impact of COVID-19 on the Company's stakeholders in its decision making processes, and had to make difficult choices when deciding how best to safeguard the future of the business.

As announced on 23 April 2020, when approximately half of the Group's business was closed due to country lockdowns, as one of a series of steps taken to protect the Company's cash flow, strengthen its liquidity and balance sheet and to safeguard as many jobs as possible, the Board concluded that, based on projected further closures of the Group's businesses, it would not be prudent to pay an interim or final dividend for the financial year under review. The Board fully understands the importance of a dividend to the Company's shareholders and the decision not to pay a dividend was only taken after very careful consideration. The Board will continue to keep this under review and will restart payments when it is appropriate to do so.

Further information on how the Board and the Company has had regard to the interests of our stakeholders over the year can be found on pages 28 and 29 of the Strategic Report, and pages 83 to 85 of the Governance Report.

## UK CORPORATE GOVERNANCE CODE

Last year, we reported how we were changing our corporate governance model to reflect the requirements of the UK Corporate Governance Code 2018 and, over the year, we refined our approach to ensure that we continue to be compliant with the Code, adapting our arrangements and providing additional guidance and training to the Board.

We have now fully embedded the principles and provisions of the Code within our governance framework, and I am pleased to report that for the financial year ended 30 September 2020, the Company was fully compliant with the Code.

## REMUNERATION POLICY

Our proposed Remuneration Policy, which is intended to apply for the coming three years, will be put to shareholders for their approval at the AGM on 4 February 2021. The proposed policy has been designed so that there continues to be close alignment between executive reward and the delivery of our business strategy. Details of the proposed policy, the outcome of the shareholder consultation process that has been undertaken and the implementation of the current policy during the year, can be found in the Directors' Remuneration Report on pages 122 to 153.

## SUCCESSION PLANNING AND DIVERSITY

This year marks my last as Chairman and much of the work of the Nomination Committee, led by John Bason, Senior Independent Director, was devoted to identifying my successor. As announced on 18 August 2020, Ian Meakins was appointed as an independent non-executive director on 1 September 2020 and will take over as Chairman when I step down on 1 December 2020. I would like to take this opportunity to welcome Ian to the Board. Ian has deep experience of B2B and B2C companies and is an outstanding choice to succeed me.

As part of our ongoing review of Board membership, we continue to ensure that an appropriate number of independent non-executive directors is maintained through orderly succession, without compromising the effectiveness of the Board and its committees. Further to Ian's appointment as Chair, John Bason has agreed to extend his terms of appointment to provide continuity and support the transition. Subject to shareholder approval at the 2021 AGM, John will remain a member of the Board and a member of the Corporate Responsibility and Nomination Committees and will step down as Senior Independent Director, Chair of the Audit Committee and as a member of the Audit and Remuneration Committees at the conclusion of the meeting. He does not intend to seek re-election at the 2022 AGM.

John Bryant will succeed John as Senior Independent Director, and Anne-Francoise Nesmes will succeed him as the Audit Committee Chair. I hope that our shareholders will join the Board in supporting John's re-election to the Board at the 2021 AGM to support the transition during a period of extreme economic uncertainty. Please see the Nomination Committee report on pages 110 to 121 for more details.

During the year, the formal Board Diversity Policy was adopted by the Board which sets out the Board's commitment to remain compliant with the Hampton-Alexander Review's target of 33% female representation on the Board, and the Board currently meets this target. As a Board, we continue to embrace diversity in respect of gender, cultural background and experience, and expect this to be increasingly reflected in Board composition over the coming years.

## EFFECTIVENESS

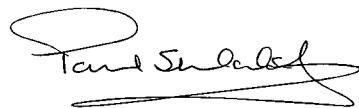
To ensure that the Board and its Committees continue to operate effectively, we evaluate the performance of the Board on an annual basis. In 2019, we employed the services of Lintstock Limited (Lintstock) to carry out the externally facilitated triennial evaluation, details of which were in last year's annual report. This year, Lintstock has again assisted in the design of a series of online questionnaires for the Board and each of its principal committees, individual performance reviews for each director, and a separate review of my performance as Chairman. I am pleased to report that overall, the evaluation showed that good progress had been made against the areas identified for development in last year's review. Details of this year's evaluation can be found in the Nomination Committee report on pages 117 to 121. The Board's priorities remain consistent, with a continued focus on the development and implementation of the Group strategy, succession planning and oversight of risk.

## LOOKING FORWARD

Notwithstanding a challenging year, the directors believe that the Board is well placed to provide the strategic oversight and stewardship required to ensure that the Company continues to deliver long term success.

On a personal note, I would like to thank shareholders and the Board, Dominic and the rest of the team for their support during my tenure as Chairman. Compass is a world class business and it has been a privilege to serve as its Chairman. I wish the Group every success in the future.

The 2021 AGM will be held on Thursday 4 February 2021. Further details will be published in the Notice of Annual General Meeting which will be sent to shareholders and made available on the Company's website, [www.compass-group.com](http://www.compass-group.com).



**Paul Walsh**  
Chairman

24 November 2020

# Applying the principles of the UK Corporate Governance Code

**It is the Board's view that for the financial year ended 30 September 2020 the Company has been fully compliant with all of the principles and provisions set out in the Code.**

## RESPONSIBILITY FOR GOOD GOVERNANCE LIES WITH THE BOARD

The Board is committed to the highest standards of corporate governance as set out in the UK Corporate Governance Code 2018 (the Code). The Code can be found on the Financial Reporting Council (FRC) website at [www.frc.org.uk](http://www.frc.org.uk).

This Corporate Governance Report, together with the Directors' Remuneration Report set out on pages 122 to 153, describes how the Board has applied the main principles of good governance and complied with the relevant provisions as set out in the Code for the year under review.

The Directors' Report also contains information required to be disclosed under the UK Listing Authority's (UKLA) Rules and under the Disclosure Guidance and Transparency Rules (DTR). To the extent necessary, certain information is incorporated into this Report by reference.

Throughout the Governance and Directors' report we have set out how we have applied the main principles and complied with the relevant provisions of the Code.

## COMPLIANCE STATEMENT

It is the Board's view that for the financial year ended 30 September 2020, the Company has been fully compliant with all of the principles and provisions set out in the Code.

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 UKLA Rules and to report if it does not reflect such compliance. No such report has been made.

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 2020.

This Corporate Governance Report on pages 70 to 153 and the Other Statutory Disclosures on pages 154 to 161 together with the Directors' Responsibilities statement on page 162 and the Strategic Report on pages 1 to 69 which have been incorporated into this Report by reference, make up the Directors' Report.

## 1. BOARD LEADERSHIP AND COMPANY PURPOSE

Compass is led by an effective and committed Board, dedicated to promoting the long term sustainable success of the Company, generating value for shareholders and contributing to wider society. Read more on pages 70 to 73.

## 2. DIVISION OF RESPONSIBILITIES

The roles of the Chairman and the CEO are separate and there is an appropriate combination of executive and independent non-executive directors. Read more on page 81.

## 3. 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. An evaluation of the Board and its committees is undertaken annually, in line with the Code. Read more on pages 117 to 121.

## 4. 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 and the integrity of financial and narrative statements and to manage and mitigate risks. Read more on pages 101 and 102.

## 5. 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 122 to 153.

# How the Board governs the Company

The Board leads the Group's governance structure. It is responsible for setting the strategy for the Group, monitoring progress made against strategic objectives, approving proposed actions and for ensuring that the appropriate internal controls are in place and that they are operating effectively. The Board is assisted by four principal committees (Audit, Corporate Responsibility, Nomination and Remuneration), each of which is responsible for reviewing and dealing with matters within its own terms of reference. The minutes of all committee meetings are circulated at scheduled Board meetings.

The Company also has a number of executive management committees (Disclosure, Executive, General Business and Treasury). These have been established in order to consider various matters for recommendation to the Board and its principal committees or to deal with day to day matters within the authority granted by the Board. The formal terms of reference for the principal committees, approved by the Board and complying with the Code, are available from the Group General Counsel and Company Secretary and can also be found on our website [www.compass-group.com](http://www.compass-group.com).

The terms of reference of the committees and the Chairman, Group CEO and SID role descriptions are reviewed annually by the relevant committees and the Board as appropriate and are updated when necessary to reflect changes in legislation or best practice. The matters reserved for the Board, the terms of reference of the principal committees and the relevant role descriptions were thoroughly reviewed during the year and can be found on our website.

Directors who are not members of individual Board committees may be invited to attend one or more meetings of those committees during the year.

The Chairman of each of the principal committees attends the AGM to respond to any shareholder questions that might be raised on committee activities. The Group General Counsel and Company Secretary acts as Secretary to all Board committees.

Our governance structure is supported by the Group's standards, policies and internal controls, which are described in more detail over the following pages.

The operational governance of the Company is the responsibility of the Group CEO.

The various operational governance structures in place are maintained and overseen by the Executive Committee, which is led by the Group CEO and comprises the executive directors, regional managing directors and other members of senior management, whose biographies are on pages 22 to 25.

## SHAREHOLDERS

We have a geographically diverse shareholder base of 37,896 shareholders, comprising 3,158 institutional investors and 34,738 private investors (as at 30 September 2020).

## AGM

At the 2021 AGM, shareholders will vote on 23 resolutions dealing with key governance matters, including the appointment or reappointment of directors, approval of the Directors' Remuneration Policy, changes to the articles of association and the reappointment of the auditor.

## INVESTOR RELATIONS

We have an active Investor Relations engagement programme. During the year, the Company held 431 meetings with investors through a combination of one to one meetings, group meetings and telephone calls, 78 of which were attended by the Group CEO and Group CFO. The Chairman, SID and Remuneration Committee Chairman also held meetings with investors.

Read more on how the views of our shareholders and investors are taken into account in our Board's decision making on pages 83 to 85.

## THE BOARD

The Board comprises the Chairman, executive directors and non-executive directors, and is responsible for the performance and long term success of the Company, including health and safety, leadership, strategy, values, standards, controls and risk management.

### CHAIRMAN

The Chairman leads the Board and is responsible for its overall effectiveness and for ensuring there is an effective decision making process, promoting a culture of openness and debate.

### GROUP CHIEF EXECUTIVE OFFICER

The Group CEO is responsible for day to day operational management decisions and for leading the implementation of the Group's strategy. The Group CEO acts as a direct liaison between the Board and management.

### SENIOR INDEPENDENT DIRECTOR

The role of SID is to provide a sounding board for the Chairman and to serve as an intermediary for other directors and shareholders where necessary.

### DESIGNATED NON-EXECUTIVE DIRECTOR

The role of the Designated NED for workforce engagement is to ensure that the views and concerns of employees are brought to the attention of the Board.

## GROUP GENERAL COUNSEL AND COMPANY SECRETARY

The Group General Counsel and Company Secretary supports the Board, ensures timely information flow to the Board and its committees and between senior management and the non-executive directors and advises the Board, through the Chairman, on governance matters.

## BOARD COMMITTEES

### AUDIT COMMITTEE

Responsible for the Group's financial reporting and the effectiveness of the internal and external audit functions.

### CORPORATE RESPONSIBILITY COMMITTEE

Advises the Board on broad CR policy taking into account the overall strategic plan and other factors.

### NOMINATION COMMITTEE

Ensures the Board has the necessary balance of skills, experience and diversity to oversee the delivery of strategy.

### REMUNERATION COMMITTEE

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

### EXECUTIVE COMMITTEE

Responsible for day to day operational management and the implementation of strategy, led by the Group CEO.

See page 92

See page 104

See page 110

See page 122

See page 22

### DISCLOSURE COMMITTEE

Oversees the disclosure of market sensitive information and other public announcements (as necessary).

The Disclosure Committee comprises the Group CFO, Group General Counsel and Company Secretary, Group Corporate Finance Director, Group Director of Risk and Internal Audit and Group Investor Relations & Corporate Affairs Director. The Committee meets as and when required. A quorum for a meeting is two, one of which must be either the Group CFO or Group General Counsel and Company Secretary. Only members of the Committee have the right to attend meetings, although other individuals may be invited to attend as and when appropriate.

### GENERAL BUSINESS COMMITTEE

Conducts the Company's business within clearly defined limits delegated by the Board and subject to the matters reserved for the Board.

The General Business Committee comprises all of the executive directors and meets as required. A quorum for a meeting is two. Only members of the Committee have the right to attend meetings, although other individuals may be invited to attend as and when appropriate.

### TREASURY COMMITTEE

Provides oversight of treasury activities in implementing the treasury policies approved by the Board.

The Treasury Committee comprises the Group CFO, Group Corporate Finance Director, Group Treasurer, Deputy Group General Counsel, Deputy Group Treasurer and Deputy Group Treasurer, International. The Committee meets at least quarterly. A quorum for a meeting is two, one of which must either be the Group CFO or Group Treasurer. Only members of the Committee have the right to attend meetings, although other individuals may be invited to attend as and when appropriate.

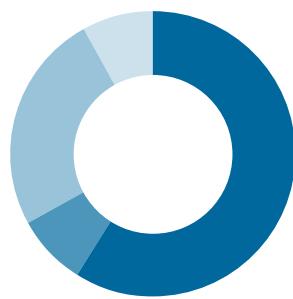
# An effective board

As at 30 September 2020, and as at the date of this Report, the Board of Directors was made up of 12 members, comprising the non-executive Chairman, three executive directors and eight non-executive directors. Biographies of each of the directors are set out on pages 72 and 73. The roles of Chairman and Group CEO are separate and clearly defined, and their roles and that of the SID have been agreed by the Board and are publicly available on the Company's website [www.compass-group.com](http://www.compass-group.com).

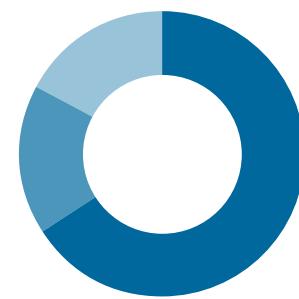
All of the non-executive directors are considered by the Board to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement. The Company's policy relating to the terms of appointment and the remuneration of both executive and non-executive directors is detailed in the Directors' Remuneration Report, which is on pages 122 to 153.

## TENURE AND DIVERSITY

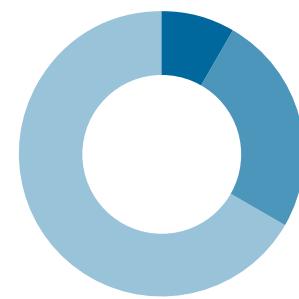
Board tenure



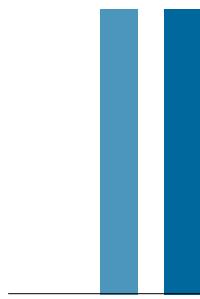
Nationalities by reporting region



Board balance chart



Hampton-Alexander 2020 target: % female



█ > 5 years – 59%  
█ 3-5 years – 8%  
█ 1-3 years – 25%  
█ Less than 1 year – 8%

█ Europe – 66%  
█ North America – 17%  
█ Rest of World – 17%

█ Chairman – 1  
█ Executive directors – 3  
█ Independent Non-executive directors – 8

█ Compass – 33%<sup>1</sup>  
█ Hampton-Alexander 2020 target – 33%

1. Female representation will revert to 36% when the change in Chairman becomes effective on 1 December 2020.

## SKILLS AND EXPERIENCE

Director	CEO Experience	Finance	Strategy & M&A	Remuneration	Health & Safety	HR/People	Operations	Sales & Marketing	Consumer Goods & Retail	Food & Beverage	Art, Culture & Charity
Paul Walsh	●		●		●		●	●	●	●	
Dominic Blakemore	●	●	●		●		●	●	●	●	●
Gary Green	●	●	●		●		●	●	●	●	
Karen Witts		●	●				●		●	●	
Ian Meakins	●		●		●		●	●	●	●	
John Bason		●							●	●	●
Carol Arrowsmith				●	●						●
Stefan Bomhard	●		●		●		●	●	●	●	
John Bryant	●	●	●		●		●	●	●	●	
Anne-Francoise Nesmes		●	●		●				●	●	
Nelson Silva	●		●		●		●	●			●
Irenea Vittal			●		●				●	●	

# Roles in the boardroom

## NON-EXECUTIVE CHAIRMAN

### **Paul Walsh**

Leads the Board and ensures its overall effectiveness in discharging its duties

- shapes the culture in the boardroom and promotes openness, challenge and debate
- sets the agenda for Board meetings, focusing on strategy, performance, value creation, risk management, culture, stakeholders and accountability
- chairs meetings ensuring there is timely information flow before meetings and adequate time for discussion and debate
- fosters relationships based on trust, mutual respect and open communication inside and outside the boardroom
- leads relations with major shareholders in order to understand their views on governance and performance against strategy

## SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

### **John Bason**

Provides a sounding board for the Chairman and serves as an intermediary for other directors and shareholders

- provides the Chairman with support in the delivery of objectives, where necessary
- works closely with the Nomination Committee, leads the process for the evaluation of the Chairman and ensures orderly succession of the Chairman's role
- acts as an alternative contact for shareholders, providing a means of raising concerns other than with the Chairman or senior management

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### **Carol Arrowsmith**

### **John Bason**

### **Stefan Bomhard**

### **John Bryant**

Ensure that no individual or small group of individuals can dominate the Board's decision making

- independent non-executive directors meeting the independence criteria set out in the Code, comprise more than half of Board membership
- provide constructive challenge, give strategic guidance, offer specialist advice and hold executive management to account

### **Ian Meakins**

### **Anne-Francoise Nesmes**

### **Nelson Silva**

### **Irenea Vittal**

## CEO AND EXECUTIVE DIRECTORS

### **Dominic Blakemore**

### **Gary Green**

### **Karen Witts**

Lead the implementation of the Group's strategy set by the Board

- the Group CEO is responsible for delivering the strategy and the overall management of the Group
- the Group CEO leads the Executive Committee and ensures its effectiveness in managing the overall operations and resources of the Group
- the executive directors provide information and presentations to the Board and participate in Board discussions regarding Group management and operational matters

## DESIGNATED NON-EXECUTIVE DIRECTOR FOR WORKFORCE ENGAGEMENT

### **Irenea Vittal**

Provides an effective engagement mechanism for the Board to understand the views of the workforce

- brings the views and experiences of the workforce into the boardroom
- enables the Board to consider the views of the workforce in its discussions and decision making

## GROUP GENERAL COUNSEL AND COMPANY SECRETARY

### **Alison Yapp**

Supports the Chairman and ensures directors have access to the information they need to perform their roles

- provides a channel for Board and committee communications and provides a link between the Board and management
- advises the Board on legal and corporate governance matters and supports the Board in applying the Code and complying with UK listing obligations and other statutory and regulatory requirements

# Insight into the boardroom

In addition to fully discharging its annual duties, the activities of the Board have adapted to meet the challenges faced by the Company and its stakeholders in respect of the COVID-19 pandemic. The number of Board meetings was increased, allowing the directors to focus on specific aspects of the challenges facing the Company. Directors devoted additional time to Company business outside the usual schedule of Board meetings. This focused approach supported the depth of deliberation and considered decision making required to promote the success of the Company, for the benefit of its stakeholders as a whole, during the unprecedented events of the past year.

Meeting agendas and information flow were adapted accordingly. The use of technology enabled directors to continue to meet face to face despite the geographical distance between them.

Below is an insight into the matters considered by the Board over the course of the year, and how time was devoted to the affairs of the Company as the pandemic unfolded. More information about the number of Board meetings held can be found on page 74 and deeper insights into matters discussed and Board decision making processes can be found on pages 83 to 87.

## HOW THE BOARD SPENT ITS TIME



# Consideration of stakeholder interests in decision making

COVID-19 caused severe business disruption during the year and significantly impacted all of the Company's stakeholders. In consideration of the business' response, the Board was required to carefully consider the future needs of the Company and the interests of all of its stakeholders. In doing so, the Board aimed to ensure that actions taken to protect the business were proportionate, balanced and treated all of the members of the Company fairly, whilst safeguarding long term stakeholder value.

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

## Key decision

### Shareholder placing

As part of risk mitigation measures in response to COVID-19, the Board approved the decision to raise approximately £2 billion through a placing which took place on 21 May 2020. In formulating its decision, the directors took into account the views of the investor community regarding potential investment, the short and long term requirements of the business which could impact on employees and suppliers, and the protection of the interests of stakeholders as a whole. The merits of the placing were considered, including that it would reduce leverage, enhance liquidity and strengthen the Company's position, ensuring that Compass remains resilient in the event of further negative developments in COVID-19. In determining whether the placing offer should be made on a non-pre-emptive basis, having taken external financial, stockbroking and legal advice, the Board considered a number of factors including cost, timing, and the views of certain investors during a market soundings process. It was concluded that the placing structure was best suited to achieve these aims at an important and unprecedented time for Compass. Recognising the value Compass places on its retail investors, we provided an opportunity for our retail shareholders to participate in the equity raise alongside institutional investors, an approach supported by the Financial Conduct Authority and the London Stock Exchange. Consultation with major investors and management also underpinned the Board's view that the placing was in the best interests of shareholders, as well as the Company's wider stakeholder community, and was accordingly approved by the Board.

### Link to strategy and stakeholders

-  People
-  Performance
-  People
-  Clients
-  Suppliers
-  Shareholders
-  NGOs
-  Governments and regulators

### Dividend

In April 2020, the Company announced that the Board had decided not to recommend an interim or a final dividend for the year under review. In reaching this decision, the Board considered the importance of a dividend to the Company's shareholders, the need to preserve the Company's liquidity and the exceptional circumstances that COVID-19 represented. The Board will keep future dividends under review and will restart payments when it is appropriate to do so.

-  Performance
-  Shareholders
-  Governments and regulators

### Board Director and Executive Committee salary reduction

During the year, a range of actions to mitigate risks was implemented. As a result of the COVID-19 pandemic, a significant proportion of the global workforce was affected by a range of cost mitigation measures which included reduced salary, reduced working hours, furloughing arrangements and, in some cases, redundancy. Mindful of the wider employee context and in support of the Company's culture, which is rooted in fair and equitable treatment for all stakeholders, the Group CEO, the rest of the Board and the Executive Committee all agreed to take temporary reductions in their fees and base salaries. Reductions remained in place until the end of the financial year.

-  People
-  Performance
-  Purpose
-  People
-  Shareholders

### Disposal of the Japanese Highways business

In November 2019, the Board approved the sale of 50% of the Japanese Highways business, receiving £51 million in respect of disposal proceeds net of exit costs. In deciding whether the disposal supported the long term success of the Company, and with due regard to the interests of the Company's stakeholders, the Board evaluated the contribution of the business, its growth prospects and fit with the overall strategy of the Group. In consideration of these matters, the Board considered the potential impact of the sale on the Company's stakeholders, and in particular, the impact on the employees of the Japanese Highways business. It was determined, at the time the decision was made, that the employees of the Japanese Highways business would not be materially disadvantaged by the change in ownership, and jobs would be protected as part of the sale. Following evaluation of these factors, it was determined that the sale of the Japanese Highways business was in the best interests of the Company and its stakeholders as a whole.

-  People
-  Performance
-  People
-  Shareholders

# Board oversight of stakeholders

The Board recognises that understanding the views and interests of the Company's diverse community of stakeholders and, as far as possible, ensuring that their interests and those of the Company align, is a key component of the Company's long term success. The views and interests of stakeholders are considered in the development, delivery and oversight of the Group's business model, strategy and culture, and where Board decisions impact stakeholders, management is tasked with ensuring that potential impacts on stakeholders are fully considered and presented to the Board.

The scale and geographic spread of the Group means that although the Board and its directors sometimes engage directly with stakeholders, for the most part, engagement takes place at an operational level. Because of this, the Board mainly forms views on stakeholders through reports and information given to it by management. The ways in which management engage with the Company's stakeholders are described on pages 28 and 29. The Board keeps these processes under review to ensure that they remain effective so that the Board continues to have the information it needs to understand the views of stakeholders and to apply this knowledge to discussion and decision making.

The table opposite gives an overview of how the views and interests of our stakeholder groups are represented or reported at Board level, and are factored into the Board's decision making processes. This should be read in conjunction with the stakeholder engagement table on pages 28 and 29, which describes how the Company engages at an operational level with its stakeholders.

Description	
<b>PEOPLE</b>	Colleagues who work in our business.
	
<b>COMMUNITIES</b>	The people who live in the local communities around our sites and operations.
	
<b>CLIENTS</b>	The businesses and organisations for which we provide services around the world.
	
<b>CONSUMERS</b>	The people to whom we serve food and drink and provide support services.
	
<b>SUPPLIERS</b>	Our trusted partners who source, produce and deliver products and services.
	
<b>SHAREHOLDERS</b>	Individuals or institutions that own shares in Compass Group PLC.
	
<b>NGOS</b>	Non-governmental organisations which support us with knowledge and expertise on key social, environmental and economic issues.
	
<b>GOVERNMENTS AND REGULATORS</b>	Regional and national government bodies and agencies which implement and enforce applicable laws across our industry.
	

## How the Board engages and has oversight

People matters are central to the Company's strategy and are included in the CEO's review which is presented at every scheduled Board meeting. The Board and its committees have direct access to and receive presentations from the Group Chief People Officer, Group Engagement Director, Group Reward Director and the Group Safety & Sustainability Director. Through these primary channels the Board retains oversight and engagement on workforce matters including health and safety, deployment of resource, succession planning and talent development, diversity and inclusion, cultural awareness and reward and retention strategies. The Board is kept informed of the effectiveness of employee strategies through a range of performance measures and initiatives, including the global engagement survey in which over a quarter of a million colleagues participated.

In line with the recommendations of the UK Corporate Governance Code 2018, Irene Vittal has been appointed as the Designated Non-executive director for workforce engagement. A programme of direct engagement with employees took place during the year and provided a mechanism through which our employees' voice can be heard in the boardroom.

The Group's sustainability strategy describes how the Company aims to enrich the communities in which it operates and to minimise its impact on the environment. Compass operates in culturally diverse communities with differing characteristics and needs. Community engagement is primarily achieved by liaison with local organisations and representatives and through initiatives sensitive to cultural differences, designed to meet those needs. The Board is kept informed of activity principally through the Corporate Responsibility Committee, which receives regular reports on Corporate Responsibility progress across the Group from the Group Safety & Sustainability Director.

The Group Director, Global Clients and Consumers keeps the Board informed of new and evolving trends and the aspirations and needs of our global client base. She is supported by regional client and market development teams and executive management at country and Group level. From these reports and those of the Group CEO and regional management, the Board is able to form a coherent view of the interests of the Company's clients. In the year, we surveyed 25,000 clients and consumers across 23 countries as part of our Compass Group Global Eating at Work survey.

The Board receives updates on sector trends from our sector heads including details of opportunities, challenges and developments in consumer food services, including product innovation and consumer interest in brand responsibility and sustainability.

The Board is kept informed on supply chain initiatives through the Corporate Responsibility Committee, which receives reports from the Group Safety & Sustainability Director and from the Group Head of Ethics and Compliance, including our work to prevent modern slavery and human trafficking in the Group's businesses and supply chains.

The Chairman ensures that the Board maintains an appropriate dialogue with shareholders. The Group CEO, Group CFO and the Group Investor Relations & Corporate Affairs Director 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 Group Investor Relations & Corporate Affairs Director. The Group General Counsel and Company Secretary also acts as an important focal point for communications on corporate governance matters throughout the year, with a particular intensity leading up to, during and after shareholder meetings.

Although the non-executive directors are not formally required to meet shareholders of the Company, their attendance at presentations of the interim and annual results is encouraged. All of our shareholders are invited to attend our AGM, which provides a forum in which they can put questions to the Board and the committee chairs. It also provides shareholders with an opportunity to meet with directors and other senior executives on a more informal basis.

The Board is kept informed of Group collaborations with non-governmental organisations which support us with knowledge and expertise on key social, environmental and economic issues through the Corporate Responsibility Committee which receives reports on key areas of focus such as human rights, climate change and farm animal welfare from the Group Safety & Sustainability Director.

The Group General Counsel and Company Secretary, Group Head of Tax and other subject matter experts regularly update the Board on matters affecting the Group as a result of actions being taken by regional and national government bodies and agencies which implement and enforce laws and regulations.

# Engaging with our employees and monitoring culture

## WORKFORCE ENGAGEMENT

The role of the Designated Non-executive director for workforce engagement is to provide a link between the Board and the Company's workforce, so that our employee voice is heard in the boardroom. This year, the Designated Non-executive director met with various members of our workforce from across the businesses, in line with a structured programme of engagement designed and supported by the Group Engagement Director. This was the first full financial year that the Designated Non-executive director role, currently undertaken by Ireena Vittal, had been in place for Compass. Despite restrictions on travel and social distancing, Ireena was able to hold open forum meetings with groups of employees representing different sectors, countries and cultures, providing an opportunity to freely express views and share ideas. Feedback was sought on a number of relevant matters, including the Company's response to the COVID-19 pandemic, and views on what the Company could improve in its response to help the business and its employees. Participants were invited to raise matters for direct feedback to and consideration by the Board. The format of engagement proved successful, and was endorsed by the Board as an extremely useful feedback mechanism.

### Meetings held during the year were as follows:

- Designated NED, Group Engagement Director and employees from Spain, Italy and Turkey
- Designated NED, Group Engagement Director and employees from UK & Ireland, Australia and China
- Designated NED, Group Engagement Director and employees from Colombia, USA, UK & Ireland and India

## CULTURAL INDICATORS

HEALTH AND SAFETY	PEOPLE	ETHICS AND COMPLIANCE	CLIENTS AND SUPPLIERS	SUSTAINABILITY
 <ul style="list-style-type: none"> <li>• lost time incident frequency rates</li> <li>• food safety incident rates</li> <li>• safety walks and results</li> </ul>	 <ul style="list-style-type: none"> <li>• results of global employee engagement survey</li> <li>• employee turnover rates</li> <li>• gender pay gap disclosures</li> <li>• diversity and inclusion statistics</li> </ul>	 <ul style="list-style-type: none"> <li>• Internal Audit reports</li> <li>• fraud and misconduct statistics</li> <li>• annual confirmation of compliance with the Codes of Ethics and Business Conduct by senior managers</li> <li>• Speak Up call statistics and trends</li> </ul>	 <ul style="list-style-type: none"> <li>• adherence to the Global Supply Chain Integrity standards</li> <li>• client retention rates</li> <li>• supplier audits</li> </ul>	 <ul style="list-style-type: none"> <li>• greenhouse gas emissions</li> <li>• waste reduction rates</li> <li>• sustainable sourcing</li> </ul>

## PURPOSE AND CULTURE

The Board is responsible for establishing the Company's purpose, values and strategy, and satisfying itself that these and its culture are aligned. In recognition of the Company's strong commitment to corporate responsibility, the Board has determined that the Company's purpose is first and foremost a social purpose, the foundation of which is a safety culture built around caring for our people and our consumers. Our purpose informs the Company's strategy and business model, which are geared towards capturing opportunities for long term growth and delivering value to all of our stakeholders.

The Company's purpose shapes and determines the values and behaviours the Board expects and promotes, forming the foundations of the Group's corporate culture. Compass' corporate culture is based upon maintaining the highest standards of safety, ethical practices and standards. It also encompasses the Group's entrepreneurial and innovative business spirit that supports our growth, and the respect and regard with which we treat our stakeholders, for whom we generate long term value. The Board, with support from its committees, monitors the alignment of the Group's culture with our purpose, values and strategy, through a variety of mechanisms, cultural indicators and reporting lines including those summarised below and opposite.

## EXAMPLES OF HOW THE BOARD AND ITS COMMITTEES MONITOR CULTURE

<b>BOARD</b>	<p>The Group CEO's review is presented to each Board meeting. The review is structured around the Group's three strategic pillars of People, Performance, Purpose, which underpin the Company's culture and performance and provide indicators of the overall health of the Company's culture.</p> <p>The performance against the Group's health and safety, strategy and agreed KPIs are also considered at each meeting, allowing the Board to directly monitor the effectiveness of the safety culture within the Group. How the Board monitors culture is also considered as part of the annual Board and committee evaluation process.</p>
<b>DIRECTORS</b>	<p>The directors receive feedback from executive management in respect of workforce engagement, which involves formal liaison with workforce representative groups, and informal forums such as townhall meetings.</p> <p>The Designated Non-executive director for workforce engagement engages directly with employee groups on a range of matters important to the workforce, including cultural matters. Board site visits provide the opportunity for directors to engage with senior management and other colleagues and to hear their views directly.</p>
<b>AUDIT COMMITTEE</b>	<p>The Audit Committee receives regular reports from the independent Internal Audit function which monitors adherence to the Group's internal controls, policies, procedures and practices and acts as an early warning system for identifying potential threats to the Company's culture and monitors the implementation and success of remediation plans.</p> <p>The Committee reviews reports concerning potential fraudulent activity or financial impropriety from the Company's whistleblowing helpline, Speak Up, which enables the Company's employees and other stakeholders to raise concerns in confidence. Trends identified through the helpline can also provide indicators of cultural issues, which once identified can then be addressed.</p>
<b>CORPORATE RESPONSIBILITY COMMITTEE</b>	<p>The Corporate Responsibility Committee receives reports from multiple Group functions which monitor aspects of the Company's culture as part of their remit, including regular reports from the Group Engagement Director, which include oversight of the employee engagement strategy, and analysis of employee feedback received through the global engagement survey and other sources. The Group Safety &amp; Sustainability Director's updates cover the sustainability matters most important to the business and our stakeholders, and our progress against our commitments including those related to human rights and modern slavery.</p> <p>The Committee monitors ethics and compliance matters, including compliance with the CBC and Code of Ethics and associated employee training statistics, through regular reports from the Group Head of Ethics and Compliance. The Committee also receives reports on matters raised through the Group's whistleblowing helpline, Speak Up, that fall within its remit.</p>
<b>NOMINATION COMMITTEE</b>	<p>The Nomination Committee considers the Group's diversity and inclusion strategy, policies and statistics to ensure alignment with the Company's values.</p>
<b>REMUNERATION COMMITTEE</b>	<p>The Remuneration Committee reviews workforce remuneration policies and practices, and assesses their alignment with the culture and strategy of the Company. Gender pay gap disclosures are also considered annually to ensure practices are consistent with the Company's values.</p>

# Board effectiveness

The Board meets regularly during the year as well as on an ad hoc basis, as required by business needs. The Board met ten times during the year and attendance is shown in the table on page 74. The Board and the Board committees also held a significant number of meetings to deal with business critical decisions that had to be taken outside the schedule of planned Board and Board committee meetings.

If a director is unable to attend a Board or committee meeting, the Chairman of the Board and/or committee chairman are informed and the absent director is encouraged to communicate comments and opinions on the matters to be considered.

Board activities are structured to help the Board achieve its goals and to provide support and advice to the executive management team on the delivery of Group strategy within a robust governance framework.

## MATTERS RESERVED

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

Throughout the year, the Board received presentations from colleagues across the Group and regularly reviewed the periodic financial results, market consensus, competitor updates, merger and acquisition opportunities, capital expenditure and other matters.

## BOARD MEETINGS

Meetings between the Chairman 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 and calls without the presence of the executives, typically following each Board meeting. These meetings and calls were encouraged by the Chairman and provide the non-executive directors with a forum in which to share experiences and to discuss wider business topics, fostering debate in Board and committee meetings and strengthening working relationships.

In addition to routine financial and operating reports and updates (including health and safety), the Board spends time debating and formulating Group strategy and reviewing its performance.

Each year, the Board aims to hold two meetings overseas. By visiting operations, the directors are able to meet with a diverse group of colleagues on a more informal basis which greatly assists in the succession planning process. These visits provide an opportunity to assess local management performance and potential, to gain further insight into how the business works on a day to day basis and to speak first hand to local management and listen to their views. The format of visits often comprises a macroeconomic overview of the country, its social and political systems, challenges and opportunities, a review of the competitive landscape, and a detailed review of the relevant sectors in which the business operates, its people, as well as the three year plan. The Board also uses these opportunities to hold town halls with employees, undertake visits to Company and client sites and to meet with high potential employees and country and regional management teams.

Although the Board was able to hold physical meetings in the early part of the year, once social distancing and lockdown restrictions were introduced, most Board meetings were held virtually. However, this has not deterred the Board from engaging with regional management leaders and other colleagues face to face through the use of technology. This engagement has helped the Board to understand the unique operational challenges that were being faced at regional and local level as lockdown measures progressed.

## ENGAGEMENT WITH OPERATIONS

This year, although it was not possible to visit the local operations in person, the Board held a virtual meeting with the Group COO, North America and members of his senior management team to discuss strategy and performance in North America. Discussions included the impact of COVID-19, safety and reopening plans, regional results, growth strategy and opportunities for future growth.

The Board will resume its practice of meeting in person and visiting the Group's operations, which it considers to be an important part of its oversight responsibility, when it is able to do so.

## INFORMATION AND SUPPORT

The Board has established a procedure for directors, if deemed necessary, to take independent professional advice at the Company's expense in the furtherance of their duties. Every director also has access to the Group General Counsel and Company Secretary, who helps to ensure that Board procedures are followed, and that good corporate governance and compliance are implemented throughout the Group. Together with the Group CEO and the Group General Counsel and Company Secretary, the Chairman ensures that the Board is kept properly informed and is consulted on all issues reserved for it. Board papers and other information are distributed in a timely fashion to allow directors to be properly briefed in advance of meetings.

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 legal action against its directors and officers.

## STRATEGIC FOCUS

Ensuring that Compass retains its disciplined approach to long term growth, its focus on food as its core competence, and its delivery of value for all of its stakeholders is dependent on the successful implementation of the strategy set by the Board. While the Group's strategy is continuously monitored and evaluated throughout the year, the Board aims to take time out of its regular schedule to debate and reflect on broader strategic issues every year. This is supported by strategy updates at every Board meeting. This year, the Board was unable to hold a separate dedicated Board strategy day due to both travel restrictions and the demands on its time of dealing with the impact of the COVID-19 pandemic. It is anticipated that a dedicated strategy day will be held in 2021 which will enable the Board to reflect on the learnings of this year and inform the development of the Group's strategy. More information about the Group's strategy can be found on pages 1 to 69.

## TRAINING AND DEVELOPMENT

In accordance with best practice, the Chairman addresses the developmental needs of the Board as a whole, with a view to further developing its effectiveness as a team and ensures that each director refreshes and updates his or her individual skills, knowledge and expertise. A formal, comprehensive and tailored induction is given to all directors following their appointment, including access to external training courses, visits to key locations within the Group and meetings with members of the Executive Committee and other senior executives. 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. Details of Ian Meakins' induction can be found in the Nomination Committee report on page 114.

With respect to continuous training, the Board and its Committees receive regular updates from expert advisors including the Group's auditors, legal counsel, remuneration advisors and various others, including our internal subject matter experts, on a range of topics pertinent to their areas of responsibility. Where a training need is identified by a non-executive director, this would be supported by the Company and facilitated through the Company Secretariat.

## SUCCESSION PLANNING

Retention and development of critical talent and succession planning is a key area of focus for the Board and, during the year, the Board reviewed and discussed detailed succession plans presented by the Group Chief People Officer. For further details on succession planning see the Nomination Committee report on page 112.

The Company's articles of association provide that one third of the directors retire by rotation each year and that each director will seek re-election at the AGM every three years. All directors submit themselves for annual re-election by shareholders. New directors may be appointed by the Board but are subject to election by shareholders at the first opportunity after their appointment. The articles of association limit the number of directors to not less than two and not more than 20, save where shareholders decide otherwise. Non-executive directors are normally appointed for an initial term of three years, which is reviewed and may be extended by two further three year terms. It is Board policy that non-executive director appointments should last for no more than nine years.

On 6 January 2020, the Company announced that Paul Walsh would not seek re-election at the forthcoming AGM. On 18 August 2020, the Company announced that Ian Meakins would join the Board on 1 September 2020, initially as an independent non-executive director and that he would assume the role of Chairman of the Board when Paul Walsh steps down from the Board on 1 December 2020 allowing for a period of handover between Mr Walsh and Mr Meakins.

In June, John Bason, SID, completed nine years of service on the Board. Following a recommendation by the Nomination Committee, the Board determined, with Mr Bason's agreement, that it is appropriate that Mr Bason's terms of appointment be extended for a short period to provide continuity and to support the transition. Following the conclusion of the 2021 AGM, Mr Bason will step down as Senior Independent Director, Chairman of the Audit Committee and as a member of the Remuneration and Audit Committees. Subject to his re-election by shareholders, Mr Bason will remain a member of the Board and of the Corporate Responsibility and Nomination Committees.

This will enable the Company to continue to benefit from Mr Bason's considerable knowledge of the Company, wider experience and skillset. The Board has determined that Mr Bason remains independent and that the extension of his tenure for a short period serves the best interests of the Company and its stakeholders. Mr Bason does not intend to stand for re-election at the 2022 AGM. Mrs Nesmes and Mr Bryant will succeed Mr Bason as Chair of the Audit Committee and SID respectively. More information can be found in the Nomination Committee report on page 115.

## BOARD EVALUATION

The Chairman is responsible, with assistance from the Nomination Committee, for ensuring that the Company has an effective Board with an appropriate range of skills, expertise and experience. Every year, a performance evaluation of the Board and its committees is carried out to ensure that they continue to be effective, that each of the directors demonstrates commitment to his or her respective roles and has sufficient time to meet his or her commitment to the Company.

The Board evaluation is used to provide a full and frank appraisal of the contribution of each individual director and the effectiveness of the Board and its committees and the annual evaluation process is conducted by the Nomination Committee. Details of this year's evaluation can be found in the Nomination Committee Report on pages 117 to 121.

## CONFLICTS OF INTEREST

As part of their ongoing development, the executive directors may seek one external non-executive role on a non-competitor board, for which they may retain the remuneration in respect of the appointment. In order to avoid any conflict of interest, all appointments are subject to Board approval and the Board monitors the extent of directors' other interests and the time commitment required to fulfil those interests to ensure that its effectiveness is not compromised.

Each director has a duty under the Companies Act 2006 to avoid a situation in which he or she has or can 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 that he or she owes to the Company to disclose to the Board an interest in any transaction or arrangement under consideration by the Company. The Company's articles of association authorise the directors to approve such situations and to include other provisions to allow conflicts of interest to be dealt with. The Board follows an established procedure when deciding whether to authorise an actual or potential conflict of interest. Only independent directors (i.e. those who have no interest in the matter under consideration) will be able to make the relevant decision and, in making the decision, the directors must act in good faith and in a way they consider will be most likely to promote the Company's success. Furthermore, the directors may, if appropriate, impose limits or conditions when granting authorisation. Any authorities are reviewed at least every 15 months.

The Board considered and authorised each director's reported actual and potential conflicts of interest at its July 2020 Board meeting and considers any changes on an ad hoc basis throughout the year.

# Audit Committee Report



**John Bason**  
Chairman of the Audit Committee

## MAIN RESPONSIBILITIES

- monitors the integrity of the Company's/Group's published financial statements and related disclosures
- monitors any formal announcements relating to the Group's financial reporting issues and key accounting and audit judgements related to the preparation of the Company's/Group's financial statements
- reviews the Company's arrangements for its workforce/stakeholders to raise concerns in confidence about possible improprieties in financial reporting or other matters and ensures that they are investigated
- reviews the adequacy and effectiveness of the risk management and internal control systems, including the going concern and viability statements, and provides assurance to the Board
- monitors and reviews the role, mandate and effectiveness of the Group's Internal Audit function
- manages the appointment, independence, effectiveness and remuneration of the Group's external auditor, including compliance with the non-audit services policy
- advises the Board on how it has discharged its responsibilities and considers whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides assurance to the Board

## MEMBERSHIP AND ATTENDANCE

Member	Member since	Eligible to attend <sup>1</sup>	Meetings attended
John Bason <sup>2</sup>	Jun 2011	3	3
Carol Arrowsmith	Jun 2014	3	3
Stefan Bomhard	May 2016	3	3
John Bryant	Sep 2018	3	3
Anne-Francoise Nesmes	Jul 2018	3	3
Nelson Silva	Jul 2015	3	3
Ireene Vittal	Jul 2015	3	3

1. The number of meetings the member was eligible to attend.  
2. Will step down as Chairman and a member of the Audit Committee at the conclusion of the AGM on 4 February 2021 and will be succeeded as Chair by Anne-Francoise Nesmes.

## DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present the Audit Committee's Report for the financial year ended 30 September 2020.

This year marks my last full financial year as Chairman of the Audit Committee. Following the conclusion of the forthcoming 2021 AGM, I will be succeeded as Chair of the Committee by Anne-Francoise Nesmes. Anne-Francoise has the requisite recent and relevant financial expertise and experience and is well qualified to discharge the role.

## THE YEAR IN REVIEW

The Audit Committee continued to fulfil its duties throughout the year, maintaining oversight of the integrity of the Company's financial reporting, key accounting judgements and related disclosures, and the robustness of the Group's risk management and internal control systems. In discharging its duties, the Committee works to a structured agenda closely linked to the events in the Company's reporting cycle.

The Committee's work was supported by the Group's well established risk and financial management structures. The exceptional and unprecedented challenges posed by the COVID-19 pandemic and its impact on the Group's businesses has tested the robustness of those structures and the established working processes between management and the Committee.

I am pleased to report that the Group's risk and financial management structures have operated effectively during the year under review. The continued support, constructive engagement and level of responsiveness of my Committee colleagues and management, particularly during the early stages of the pandemic, have enabled the Committee to fulfil its role in providing effective scrutiny and challenge. In this regard, I would like to thank colleagues across the Group who assisted the Committee during the year for their support.

As in previous years, the Committee's primary focus was on the integrity of the Group's financial reporting activities. In considering the financial statements for 2020, the Committee concentrated on the accounting judgements and disclosures relating to the impact of COVID-19 on the Group's businesses, including government support and tax deferral initiatives, liquidity and the impact on financial covenants, cost control and right sizing actions, the carrying value of goodwill, contract related non-current assets, and the Group's tax provisioning. Careful consideration was given to the Group's viability disclosures and its ability to continue as a going concern, with particular scrutiny being given to the reports prepared and assumptions used by management to support those statements.

In the context of this work, the Committee also reviewed the guidance and reporting recommendations issued by regulators in response to COVID-19 and ensured that their recommendations were appropriately applied. The Committee concluded that the Company had adopted an appropriate approach in all significant areas.

The impact of the UK's decision to exit the European Union (EU) continued to remain high on the Company's agenda. The UK is currently in a period of transition. However, whilst the efforts of all governments are focused on the containment and eradication of COVID-19, the uncertainty about the future arrangements between the UK and the EU will persist. The Company has already considered possible impacts and has taken mitigating steps and will continue to do so as appropriate.

At the request of the Board, the Committee considered the Group's Principal Risk disclosures for the financial year ended 30 September 2020. The Committee is satisfied that the statements made by executive management on pages 41 to 49 of the Principal Risks section of this Annual Report are appropriate based on what is currently known to management as at the date of this Report.

The Committee continued its oversight of the Group's IT strategy, including the IT controls framework and infrastructure and the provisions in place to defend against cyber attack, which is perceived to be a growing risk. The Committee also spent time reviewing the IFRS 16 'Leases' accounting standard, against which the Company reports for this first time this year.

More information about the Committee's activities during the year can be found in the pages which follow.

### Committee evaluation

Each year, the Audit Committee critically reviews its own performance and considers where improvements can be made. In so doing it considers, amongst other things, those matters discussed by the Audit Committee, such as:

- composition, structure and activities
- how well the Committee oversees the financial reporting process
- its review of the work of the Internal Audit function and the external auditor
- the effectiveness of the process for raising concerns
- its monitoring of the management of risk
- how well it understands and evaluates the effectiveness and conclusions of internal control and the adequacy of the related disclosures
- whether the Committee's terms of reference are appropriate for the particular circumstances of the Company and comply with prevailing legislation and best practice
- whether the number and length of time of Committee meetings are sufficient to meet the role and responsibilities of the Committee and coincide with key dates within the financial reporting and audit cycle
- identification of additional training needs for Committee members

This year's evaluation was again conducted with the assistance of Lintstock. Overall, the performance of the Committee continued to be rated highly and the Committee was considered to have discharged its duties effectively. The outcome of the Audit Committee's evaluation, and its priorities for the coming year, are discussed in more detail on page 103. The annual performance evaluation of the Board and its committees is referred to on pages 117 to 121.

### THE YEAR AHEAD

COVID-19 has had a profound impact on the sectors in which we operate, and on the Group, and we continue to respond to the challenges and opportunities that this brings. The Audit Committee fulfils a key role in assisting the Board in ensuring that the integrity of the Group's financial statements and the effectiveness of the Group's internal financial controls and risk management systems are maintained. Through the Audit Committee's composition, resources and the commitment of its members, I believe that it remains well placed to meet these challenges and to discharge its duties in the year ahead.



**John Bason**

Chairman of the Audit Committee

24 November 2020

## ACTIVITY DURING THE YEAR

The key matters reviewed and evaluated by the Committee during the year are set out below:

### Financial reporting and significant accounting issues

- the appropriateness of the interim and annual financial statements (as well as the associated announcements to the London Stock Exchange) including:
  - at the Board's request, whether 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 the European Securities and Markets Authority Guidelines on Alternative Performance Measures
  - a discussion of the critical accounting policies and use of assumptions and estimates, as noted in section B of the accounting policies on page 184 of this Annual Report, and concluding that the estimates, judgements and assumptions used were reasonable based on the information available and had been used appropriately in applying the Group's accounting policies. Areas of critical accounting judgement and estimation uncertainty included going concern, COVID-19 specific related estimates, taxes, goodwill and post employment benefits
  - the adoption of IFRS 16 'Leases' and the appropriateness of disclosures included in the Annual Report and Accounts
- the going concern and viability statements
- non-financial information

## AREAS OF FOCUS OVER THE YEAR

The table opposite illustrates areas of focus for the Committee over the year, and how the Committee discharged its duties of oversight in respect of each. These included areas which required judgement and estimation to be applied by the Committee.

## Areas of significant accounting judgement and estimation

### Going concern and viability

The going concern and viability statements required careful consideration with respect to the impact of COVID-19.

### Carrying value of goodwill

The Group undertakes a formal goodwill impairment exercise at least once each year. This is based on the latest approved budget and financial plans for the different cash generating units of the Group.

### Contract related non-current asset impairment

The Group invests in contract fulfilment assets and contract costs, right of use assets, property, plant and equipment and intangible assets in order to fulfil its obligations under client contracts. These assets are reviewed for impairment if there are indicators that they may be impaired.

### 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 level of judgement is required in determining levels of tax recognised in the financial statements.

## Other areas of focus

### COVID-19 right sizing costs

Governments' measures taken to contain the COVID-19 outbreak have required the Group to limit or suspend business operations in certain countries and sectors. The Group has started to adjust its business and has incurred COVID-19 right sizing costs.

### Implementation of IFRS 16

The IFRS 16 'Leases' reporting standard became effective for the financial year under review, requiring significant changes to how leases are reported in the financial statements.

### Cyber security

Cyber security is considered an increasing risk to the Group and ensuring that appropriate IT controls and infrastructure are in place and are operating effectively, is a priority for the Committee.

## How it was addressed by the Committee

The assumptions and evidence supporting the Group's going concern and viability statements were reviewed and challenged by the Committee. In assessing the potential impact of COVID-19 on the going concern and viability statements of the Company, the Committee considered stringent financial stress test modelling scenarios accounting for varying degrees of impact upon the business. The Committee ensured that reporting guidance issued by the FRC was carefully reviewed and applied as appropriate, assessed the liquidity position of the Group, and the actions taken to mitigate risk with respect to continued compliance with financial covenants attached to issued debt. Having considered these factors, the detailed analysis undertaken, prudent scenario modelling and the assessment of the external auditor, the Committee was satisfied that the going concern and viability statements were appropriate.

The recoverability of the carrying value of goodwill involves the use of assumptions, including operating cash flow forecasts (revenue and operating margins), growth rates and discount rates. The Committee challenged the key assumptions and methodologies used to assess the recoverability of goodwill in the context of COVID-19, noting the existing headroom in the UK cash generating unit was sensitive to reasonably possible changes in key assumptions, and concluded that these were appropriate. The Committee also reviewed the goodwill impairment assessment disclosures and concluded that these were appropriate.

The Committee reviewed the methodology employed by management to determine whether contract assets were impaired, and management's assessment of whether onerous contract provisions should be recognised when the unavoidable costs of meeting the obligations under client contracts exceed the economic benefits expected to be received from them. The Committee considered the approach taken by management with respect to trading forecasts over the life of the contracts, which contemplated recoverable asset values against a range of potential future trading conditions. The Committee was satisfied that the assumptions used by management were appropriately balanced and reflective of the uncertainty surrounding the ultimate impact of COVID-19.

The Committee oversaw the development and reporting of the Company's and the Group's tax strategy, assessing the impact of the changes in taxation approach of governments in response to COVID-19, including the Group's use of the different local government support measures available to companies which have experienced significant impacts on their business as a result of the pandemic. The Committee discussed with management key judgements made and, in particular, the policy efforts being led by the EU and OECD which may have a material impact on the taxation of all international businesses, including relevant legal advice. The external auditor also reported on all material provisions to the Committee. On the basis of the above, the Audit Committee was satisfied that the level of tax provisioning for the Group was appropriate.

## How it was addressed by the Committee

The Committee reviewed the accounting principles and judgements around the Group's right sizing measures and the conclusions of the testing performed by the external auditor. The Committee was satisfied with the quantum of costs recognised in the current financial year and the presentation of such costs in the financial statements.

Throughout the year, the Committee received regular reports from management concerning the implementation of IFRS 16 within the accounting framework of the Group. Following careful review, the Committee was satisfied that the standard had been correctly implemented with effect from 1 October 2019 and that the effects of the adoption of IFRS 16 had been correctly reflected and disclosed in the financial statements.

The Committee undertakes deep dives into specific risk topics to develop an understanding of the risk mitigations in place. The Committee continued to monitor the implementation of the Group's IT strategy with regard to cyber security, through regular updates from the Group Chief Information Officer who provided insights into the processes in place to protect the Group against cyber attack, and the activities underway to further improve cyber security across the Group's technology estate.

## OTHER MATTERS

The Committee has a broad remit covering the audit, assurance and risk processes within the business. A summary of the topics covered by the Audit Committee during the year is detailed below:

2019	2020	
<b>NOVEMBER</b> <ul style="list-style-type: none"> <li>full year results <ul style="list-style-type: none"> <li>summary of 2019 preliminary results</li> <li>certificates of assurance</li> <li>year end accounting and control matters</li> <li>Tax update</li> <li>draft press release</li> <li>draft Annual Report and Accounts (including the report of the Audit Committee)</li> <li>fair, balanced and understandable Annual Report reading guide</li> </ul> </li> <li>going concern and viability statements</li> <li>Regional Governance Committees update</li> <li>KPMG report to the Audit Committee on the 2018-2019 audit and key issues</li> <li>Internal Audit update</li> <li>use of external auditor for non-audit services</li> <li>private discussion with auditor</li> </ul>	<b>MAY</b> <ul style="list-style-type: none"> <li>KPMG External Audit Plan 2019-2020</li> <li>2020 interim results review (fair, balanced and understandable)</li> <li>key accounting and reporting matters and tax update</li> <li>COVID-19 pandemic (including going concern) and FRC guidance on the going concern basis of accounting</li> <li>IFRS 16 implementation</li> <li>Tax update</li> <li>feedback from country interim certificates of assurance</li> <li>KPMG report on interim results review</li> <li>Internal Audit update</li> <li>cyber security update</li> <li>GDPR / data privacy update</li> <li>Regional Governance Committee update</li> <li>review of external auditor effectiveness</li> <li>use of external auditor for non-audit services</li> <li>private discussion with auditor</li> </ul>	<b>SEPTEMBER</b> <ul style="list-style-type: none"> <li>year end matters <ul style="list-style-type: none"> <li>accounting issues and financial reporting update</li> <li>Tax update</li> <li>KPMG early issues report</li> </ul> </li> <li>Internal Audit update</li> <li>Regional Governance Committees update</li> <li>2020 Annual Report and Accounts draft</li> <li>Audit Committee Report, Principal Risks and Internal Controls report</li> <li>cyber security update</li> <li>GDPR / data privacy update</li> <li>terms of reference annual review</li> <li>use of auditor for non-audit services</li> <li>private discussion with auditor</li> </ul>

## RISK APPETITE, PRINCIPAL OPERATIONAL RISKS AND RISK ASSURANCE

The Board's attitude to and appetite for risk are communicated to the Group's businesses through the strategy planning process. 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 which has greatly contributed to the success of the Company is not inhibited. The Committee and the Board remain satisfied that the Company's internal risk control framework continues to provide the necessary element of flexibility without compromising the integrity of risk management and internal control systems.

To ensure that growth is underpinned by robust business practices, it is important to have a clear, well established system of risk management and internal control. As the concepts underpinning corporate governance standards can vary across jurisdictions, to promote consistency in approach to risk across the Group, we have in place a framework of Regional Governance Committees (RGCs) which have operated throughout the financial year. The RGCs provide oversight across the countries and regions in which we operate, ensuring that the Group's risk management culture is firmly embedded within the businesses.

The Group Risk Management Committee (RMC), comprising a multi-disciplinary team of key individuals, assists the Audit Committee with its work. The Chairman of the RMC is the Group CFO and the membership comprises the Group General Counsel and Company Secretary, the Group Director of Risk and Internal Audit, the Group Corporate Finance Director, the Group Investor Relations & Corporate Affairs Director, and the Group Chief People Officer. The RMC, in conjunction with the efforts of its colleagues in the Group's RGCs, further embeds the Group's risk management culture within the business. It also provides an additional layer of oversight to help underpin the assurances given by the Audit Committee to the Board in connection with the appropriateness of the Group's financial reporting, the effectiveness of the internal and external audit functions, the management of the Group's systems of internal control over business risks, and related compliance activities.

The Committee has oversight of a robust annual review and assessment of the principal risks and uncertainties of the Group. This review was conducted internally by a multi-disciplinary team, which seeks to establish, in the context of the macro environment and the Group strategy:

- i. if the principal risks and uncertainties disclosed in the prior year Annual Report and Accounts apply to the current financial year
- ii. whether there has been any year on year variance in the status of each risk
- iii. what should be removed or added

This year, the significant disruption caused by COVID-19, and its continuing impact on the business, has meant that pandemic risk has been included as a principal risk to the business in the Group's risk register. The principal risks reported in the 2019 Annual Report and Accounts, as updated in the 2020 half year results announcement, continue to remain pertinent and the Group's perception of how these risks have increased or diminished over the year may be viewed in the Principal Risks section on pages 41 to 49.

## FAIR, BALANCED AND UNDERSTANDABLE

The UK Corporate Governance Code 2018 (the Code) provides that, through its financial reporting, the Board should provide a fair, balanced and understandable assessment of the Company's position and prospects. At the Board's request, the Committee has reviewed the 2020 Annual Report and Accounts to determine whether it considered that the document, 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, we track our performance 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 both the performance and the culture of the business and the drivers which contribute to its success and which will be of interest to stakeholders.

## GOVERNANCE

The Audit Committee comprises John Bason, Chairman, and all of the non-executive directors (except Ian Meakins), in office at the date of this Report. Members of the Committee are appointed by the Board following recommendation by the Nomination Committee. The Committee's membership is reviewed and assessed in the context of the range of skills, knowledge and experience required by the Code, by the Board and as part of the annual evaluation process.

The Chairman of the Committee reports to the Board on the activities of the Committee and keeps in touch with key individuals involved with the Company's governance, including the Group CEO, Group CFO, the Group General Counsel and Company Secretary, the Group Director of Risk and Internal Audit and the external Senior Statutory Auditor, and attends the AGM to respond to any shareholder questions that might be raised concerning the Committee's activities. The remuneration of the members of the Audit Committee and the Company's policy with regard to the remuneration of the non-executive directors are set out on page 139.

Members of the Committee are required to have broad financial and commercial experience which is needed by the Committee to undertake its duties effectively. Each member brings an appropriate balance of senior level 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 members of the Committee are summarised on pages 72 and 73. The Board considers that each member of the Committee is independent within the definition set out in the Code and is capable of assessing the work of management and the assurances provided by the Internal Audit function and the external auditor.

John Bason, the Audit Committee's Chairman, is the Finance Director of Associated British Foods plc and is therefore considered by the Board to have significant, recent and relevant financial experience and to be competent in auditing and accounting. Anne-Francoise Nesmes will assume the Chair of the Audit Committee at the conclusion of the 2021 AGM. She is the Group CFO of Smith+Nephew plc and is considered by the Board to have the requisite significant, recent and relevant financial experience and to be competent in auditing and accounting.

All members of the Audit Committee are given an appropriate induction. Topics covered include the role and remit of the Committee and an overview of the business, its financial dynamics and its risks. Where appropriate, meetings are held with key individuals in the Group. Members are expected to have an understanding of the principles of, and recent developments in, financial reporting, including the applicable accounting standards and statements of recommended practice, key aspects of the Company's policies, financing, internal control mechanisms, and matters that require the use of judgement in the presentation of accounts and key figures, as well as the role of internal and external auditors. Ongoing training is undertaken as required.

The Committee meets at least three times a year. A quorum for a meeting is two.

The Committee's agenda is linked to events in the Company's financial calendar. Members of the Audit Committee may require reports on matters of interest in addition to the regular items. The Audit Committee met three times during the year, with an appropriate interval between each of the meetings to ensure that work arising from Committee meetings could be carried out and reported back to the Board, as appropriate. Attendance is shown in the table on page 92.

In addition to Committee members, the Chairman, the Group CEO, Group CFO, Group Corporate Finance Director, Head of Group Reporting and the Group Director of Risk and Internal Audit, together with senior representatives of the external auditor, also attended meetings by invitation during the year. The Audit Committee reserves time for discussions without invitees and executive management being present at the end of each meeting. Other members of senior management are invited to present such reports as are required for the Committee to discharge its duties.

## EXTERNAL AUDITOR

An external audit tender and appointment process was concluded in 2014. The Committee considers that the Company has complied with the legal requirements relating to the frequency and governance of tenders for the appointment of the external auditor and the setting of a policy on the provision of non-audit services. Mr Paul Korolkiewicz was the Senior Statutory Auditor for the year under review.

To ensure objectivity, key members of the external audit team rotate off the Company's audit. To safeguard the independence of the Company's external auditor and the integrity of the audit process, 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 Committee currently intends to tender its audit in 2023-2024 with a view to the chosen firm being appointed in 2024.

## EXTERNAL AUDIT

The Audit Committee is responsible for the development, implementation and monitoring of the Company's policy on external audit. The Committee reserves oversight responsibility for monitoring the auditor's independence, objectivity and compliance with ethical, professional and regulatory requirements. The Audit Committee is responsible for the retendering 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; the overall work plan for the forthcoming year, together with the associated fee proposal and cost effectiveness of the audit, the external auditor's independence, any major issues which arise during the course of the audit and their resolution, key accounting and audit judgements, the level of errors identified during the audit, the recommendations made to management by the auditor and management's response, and the auditor's overall performance.

During the year, the Committee also considered the findings of the FRC's Audit Quality Review on KPMG and, in particular, how KPMG were addressing the points raised.

The Company operates a policy on non-audit fees which it reviews annually and discloses the ratio of audit to non-audit fees paid in each financial year.

The Committee monitors the extent of non-audit work which the external auditor can perform, to ensure that the provision of those non-audit services that can be undertaken by the external auditor falls within the agreed policy and does not impair its objectivity or independence. The Group's policy on non-audit services is aligned to 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 (i.e. the half year limited review) with a fee that 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 so that the best placed advisor 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 over and above these limits. Note 3 on page 202 includes the fees for non-audit services. Non-audit fees included the Group's half year limited review, non-statutory audit work and the comfort letter for the extension of the EMTN programme.

During the year, the Committee reviewed KPMG's fees for its services performed to 30 September 2020, its effectiveness and whether the agreed audit plan had been fulfilled and the reasons for any variation from the plan. The review included a formal evaluation process involving the use of questionnaires completed by finance teams around the Group.

The Audit Committee also considered the robustness of the 2020 audit, the degree to which KPMG was able to assess key accounting and audit judgements and the content of the audit committee report issued by the external auditor. Due to governmental advice and restrictions regarding social distancing and travel, KPMG's audit teams have followed different levels of remote working in the locations where the Group operates. The Committee is satisfied that this has not impacted the effectiveness of the audit or the audit process. On the basis of the Committee's evaluation and taking into account the views of other key internal stakeholders, the Committee concluded that both the audit and the audit process were effective.

The total fees paid to KPMG in the year ended 30 September 2020 were £6.3 million, of which £0.3 million related to non-audit work (2019: £6.5 million of which £0.4 million related to non-audit work). Further disclosure of the non-audit fees paid during the year can be found in note 3 on page 202.

## REAPPOINTMENT OF AUDITOR

There are no contractual restrictions on the Company's choice of external auditor and, in making its recommendation to shareholders on the reappointment of KPMG, the Committee considered, amongst other matters, the tenure, objectivity and independence of KPMG and its continuing effectiveness and cost as well as the availability of firms within the wider audit market.

The Committee also considered the report on KPMG, as a firm, of the Audit Quality Review team of the FRC.

KPMG has expressed its willingness to continue as auditor of the Company. Separate resolutions proposing KPMG's reappointment and the determination of its remuneration by the Audit Committee will be proposed at the 2021 AGM.

## DISCLOSURE OF RELEVANT AUDIT INFORMATION

The directors confirm that, so far as they are each aware, there is no relevant audit information of which 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.

## OUR STANDARDS

The Company remains committed to the highest standards of business conduct and expects all of its employees to act accordingly. The Group's Speak Up policy (an extension of the Code of Ethics incorporated within the Group's Code of Business Conduct (CBC) which is available in 40 languages) sets out arrangements for the receipt, in confidence, of complaints on accounting, risk issues, internal controls, auditing issues and related matters which would, as appropriate, be reported to the Audit Committee. Speak Up is a standard review item on all Internal Audit work programmes. The Corporate Responsibility Committee retains overall responsibility for the Group's CBC programme, the training of employees and the way in which management obtain assurance in this area, including the annual self-certification process which required 3,045 of our senior managers, leaders and employees working in control functions to confirm their continued compliance with the CBC and the Code of Ethics in the year ended 30 September 2020. The CBC and Code of Ethics are available on the Company's website [www.compass-group.com](http://www.compass-group.com).

The Audit Committee also receives updates on any allegations of bribery and fraud in the business at every meeting, with individual updates being given to the Audit Committee, as needed, in more serious cases of alleged bribery, fraud or related activities. The Group's theft and anti-fraud policies are a subset of the CBC, which does not tolerate any activity involving fraud, dishonesty or deception. These policies, for which the Audit Committee retains overall responsibility, set out how allegations of fraud or bribery are dealt with, such as through investigations conducted by the local People function, finance team or legal team, and the frequency of local reporting that feeds into the regular updates, which are presented to the Audit Committee. Reporting of these matters to the Audit Committee is managed and overseen by the Internal Audit function. The Speak Up policy operates when a complaint is received through the whistleblowing channel, and that policy redirects the fraud or bribery allegation for investigation at the most appropriate level of the organisation which may be, for example, by a member of the local People function, the Legal function, the internal auditor, or on occasion, the Audit Committee itself.

## INTERNAL AUDIT

The Audit Committee reviews the effectiveness of the Group's Internal Audit function and its relationship with the external auditor, including internal audit resources, plans and performance as well as the degree to which the function is free of management restrictions. Throughout the year, the Audit Committee reviewed the Internal Audit function's plans and its achievements against those plans. The Audit Committee considered the results of the audits undertaken by the Internal Audit function and the adequacy of management's response to matters raised, including the time taken to resolve any such matters.

## INTERNAL CONTROL

The Committee also 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 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. The Board retains overall responsibility for internal control and the identification and management of business risk and is assisted in this regard by a top down and bottom up process of risk identification and management which is the subject of regular review by the RGCs and the RMC.

The key features of the Group's internal control and risk management systems that ensure the accuracy and reliability of financial reporting include clearly defined lines of accountability and delegation of authority, policies and procedures that cover financial planning and reporting, preparing consolidated accounts, capital expenditure, project governance and information security and the Group's CBC. The Internal Audit function is involved in the assessment of the quality of risk management and internal control and helps to promote and further develop effective risk management within the businesses. Certain internal audit assignments (such as those requiring specialist expertise) continue to be outsourced by the Group Director of Risk and Internal Audit as appropriate. The Audit Committee reviews internal audit reports and considers the effectiveness of the function.

In a group where local management have considerable autonomy to run and develop their businesses, a well designed system of internal control is necessary to safeguard shareholders' investments and the Company's assets. The directors acknowledge that they have overall responsibility for risk management, the Group's systems of internal control, for reviewing the effectiveness of those controls and for ensuring that an appropriate culture has been embedded throughout the organisation. In accordance with the guidance set out in the FRC's Guidance on Risk Management, Internal Control and Related Financial Business Reporting 2014, and in the Code itself, an ongoing process has been established for identifying, managing and evaluating the risks faced by the Group.

This process has been in place for the full financial year and up to the date on which the financial statements were approved. 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 to ensure compliance with relevant legislation, regulation and best practice including that related to social, environmental and ethical matters. The systems provide reasonable, but not absolute, assurance against material misstatement or loss. Such systems are reviewed by the Board to deal with changing circumstances.

A summary of the key financial risks inherent in the Group's business is given on pages 41 to 49. Risk assessment and evaluation are an integral part of the annual planning cycle. Each business documents the strategic objectives and the effectiveness of the Group's systems of internal control. As part of the review, each significant business and function has been required to identify and document each substantial risk, together with the mitigating actions implemented to manage, monitor and report to management on the effectiveness of these controls. Senior managers are also required to sign biannual confirmations of compliance with key procedures and to report any breakdowns in, or exceptions to, these procedures. Summarised results are presented to senior management (including to the RGCs) and to the Board.

These processes have been in place throughout the financial year ended 30 September 2020 and have continued to the date of this Report. Taken together, these processes and the reports they generate, which are considered by the Audit Committee, constitute a robust assessment of key risks and the internal controls that exist, and are designed to mitigate these risks. The Board has reviewed the effectiveness of the Group's system of internal control for the year under review and a summary of the principal control structures and processes in place across the Group is set out in this Report.

## CONTROL ENVIRONMENT

Whilst the Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness, it has delegated responsibility for the operation of the internal control and risk management programme to the Executive Committee. The detailed review of internal control has been delegated to the Audit Committee. The management of each business is responsible for internal control and risk management within its own business and for ensuring compliance with the Group's policies and procedures. Each business has appointed a risk champion whose primary role in such capacity is to ensure compliance by local management with the Group's risk management and internal control programme. The internal auditors and external independent auditor have reviewed the overall approach adopted by the Group towards its risk management activities to reinforce these internal control requirements.

## CONTROL PROCEDURES

The Board reviews its strategic plans and objectives on an annual basis and approves Group budgets and strategies in light of these. Control is exercised at Group, regional and business level through the Group's MAP framework (as well as through the RGCs), monthly monitoring of performance by comparison with budgets, forecasts and cash targets, and by regular contact with Group businesses by the Group CEO, Group CFO, Group General Counsel and Company Secretary, Group Chief People Officer, the Group Director, Global Clients and Consumers, and the Group Safety & Sustainability Director.

This is underpinned by a formal major risk assessment process, which is an integral part of the annual business cycle and is also a robust process adopted to support the viability statement. Each of the Group's businesses is required to identify and document major risks facing their business and appropriate mitigating activities and controls, and to monitor and report to management on the effectiveness of these controls on a biannual basis. These reports, together with reports on internal control and departures, if any, from established Group procedures prepared by both the internal and external auditors, are reviewed by the Group CFO and the Audit Committee.

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 Group CFO summarises these submissions for the Audit Committee, and the Chairman 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 Board has formal procedures in place for the approval of client contracts, capital investment and acquisition projects, with clearly designated levels of authority, supported by post investment review processes for selected acquisitions, client contracts and major capital expenditure. The Board considers social, environmental and ethical matters in relation to the Group's business and assesses these when reviewing the risks faced by the Group. Further information regarding environmental and ethical matters is available on pages 59 to 69. The Board is conscious of the effect such matters may have on the short and long term value of the Company.

The external auditor of the Company and the Group Director of Risk and Internal Audit attend Audit Committee meetings and receive its papers. Committee members meet regularly with the external auditor and with the Group Director of Risk and Internal Audit, without the presence of executive management.

Although some of the Group's employees involved in preparing the year end financial information and supporting the external audit have been working from home, remote user access and software collaboration tools have ensured that the Company's internal control over financial reporting has remained robust. As a result, during the year ended 30 September 2020, there have been no changes that have affected materially, or are reasonably likely to affect materially, the Company's internal control over financial reporting.

## EVALUATION OF THE AUDIT COMMITTEE

The 2019 external evaluation of the Committee, conducted by Lintstock, identified the following areas for improvement:

Priorities	How they were addressed by the Committee during the 2019-2020 financial year
Allocating more time to meetings	To reflect the increasing responsibilities of the Committee, further time has been allocated to enable the Committee to cover topics within its remit in more detail. Agendas and information flows have been adjusted accordingly.
Maintaining oversight of the changing regulatory environment	The Committee considers maintaining oversight of the regulatory environment to be essential. To ensure that its knowledge of the regulatory environment is maintained, the Committee receives regular reports and updates from the external auditor and the Company Secretariat concerning developments in legislation, regulation and best practice.
Deep dives	During the year the Committee maintained its focus on deep dives into the key topics of cyber security and data privacy, receiving regular updates and reports from subject matter experts within the Company.

## 2020 EVALUATION

This year's evaluation was also conducted with the assistance of Lintstock. Overall, the performance of the Committee continued to be rated highly. Areas of the Committee's performance which were identified as being particularly strong included the effectiveness of the Committee Chairman and the quality of the Committee's oversight of the Group's financial reporting. The evaluation also highlighted the strength of the composition of the Committee and the quality of information provided to the Committee was rated very highly.

## GOING FORWARD

It was agreed that the priorities for the coming year included managing the transition of the role of the Committee Chair to maintain the Committee's overall performance, and supporting the new Group Director of Risk and Internal Audit in delivering the internal audit and risk management plans. Building on existing relationships with the external auditor was considered key to ensuring that a high level of transparency was maintained. It was agreed that the Committee should continue its focus on the key areas of financial reporting and on ensuring the robustness of the control framework, the evaluation and management of risk and risk mitigation plans. The opportunity to undertake deep dives into specific areas (such as cyber risk and data privacy) was welcomed and would continue. An update on progress will be provided in next year's Annual Report.

# Corporate Responsibility Committee Report



**Nelson Silva**  
Chairman of the Corporate Responsibility Committee

## MAIN RESPONSIBILITIES

- reviewing and monitoring the effectiveness of the Group's Safety and Sustainability and People strategies
- monitoring the Group's CR policies and practices for alignment to the Company's culture, purpose and values
- reviewing/recommending for approval the Company's annual Modern Slavery Act statement
- overseeing the Group's ethics and compliance programme
- receiving updates on non-financial related reports from the whistleblowing helpline Speak Up
- overseeing appropriate and effective engagement with the Company's stakeholders including employees
- approving the content of the CR report and the CR Committee's report for the Annual Report and Accounts

## MEMBERSHIP AND ATTENDANCE

Member	Member since	Eligible to attend <sup>1</sup>	Meetings attended
Nelson Silva	Jul 2015	3	3
Carol Arrowsmith	Jun 2014	3	3
John Bason	Jun 2011	3	3
Dominic Blakemore	Jan 2018	3	3
Stefan Bomhard	May 2016	3	3
John Bryant	Sep 2018	3	3
Ian Meakins <sup>2</sup>	Sep 2020	1	1
Robin Mills <sup>3</sup>	Nov 2015	1	1
Sarah Morris <sup>4</sup>	May 2020	2	2
Anne-Francoise Nesmes	Jul 2018	3	3
Ireene Vittal	Jul 2015	3	3
Paul Walsh <sup>5</sup>	Jan 2014	3	3
Karen Wiggs	Apr 2019	3	3

1. The number of meetings that a member was eligible to attend.
2. Appointed to the CR Committee on 1 September 2020.
3. Stepped down from the CR Committee on 25 November 2019.
4. Appointed to the CR Committee on 11 May 2020.
5. Will step down from the CR Committee on 1 December 2020.

## DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present the Corporate Responsibility Committee's Report for the financial year ended 30 September 2020.

## THE YEAR IN REVIEW

Corporate responsibility is central to the Company's strategy and forms an integral part of how Compass operates. To advance the Company's corporate responsibility (CR) objectives, the Committee oversees and monitors the implementation and effectiveness of the Company's CR strategies and, in doing so, seeks to ensure the alignment of the Company's policies and practices with its culture, purpose and values.

Last year, the role and responsibilities of the Committee were extensively restructured both in respect of changes in the Company's CR agenda, and in view of evolving best practice as part of our compliance with the UK Corporate Governance Code 2018, which applied to the Company from 1 October 2019. As a result, the Committee's remit has been widened, its areas of oversight clarified, and the number and length of its meetings increased. These positive changes have assisted the Committee in discharging its role in supporting the Company's CR objectives.

This year, operating under its revised terms of reference, the Committee's work encompassed its core areas of oversight being people, health and safety, sustainability, governance, ethics and compliance, and stakeholder engagement. To enable the Committee to focus on these specific topics, agendas have been structured around these elements, and at each meeting, the Committee receives reports and presentations from subject matter experts including the Group Director of Safety and Sustainability, the Group Chief People Officer, the Group Engagement Director, the Group General Counsel and Company Secretary, and the Group Head of Ethics and Compliance, to help develop the Committee's understanding of these matters.

An important aspect of the Committee's work involves the constructive oversight and challenge of how the Company engages with and understands the interests of its key stakeholder groups. This provides the Committee with greater insight into stakeholder interests and concerns, which helps to inform Board debate and decision making.

During the year, our people and our operations have been under considerable pressure as a result of the COVID-19 pandemic. Over this period, the work of the Committee focused on overseeing the health and safety initiatives developed by management to keep our people, clients and consumers safe. This was supported by a structured employee engagement strategy to ensure our people received the appropriate levels of advice, guidance and support, both in terms of safety and mental health awareness. The Committee received regular updates on the measures implemented on a country by country basis during the pandemic. This enabled the Committee to assess the actions taken by management and assisted the Committee in keeping the Board informed of the impact of COVID-19 on the Company's stakeholders.

As part of its duties, the Committee has continued to monitor and measure the Group's health and safety performance against the agreed KPIs and the performance of the Group's sustainability strategy, and progress against our sustainability targets.

Our global employee engagement survey helps the Committee and the Board to further understand the views of our people across a number of areas and during the year we launched our latest global People survey. Over a quarter of a million colleagues across the Group took part in the survey.

Another key element of our engagement strategy is to raise the voice of employees in the boardroom and last year, we appointed Irene Vittal to act as the Designated Non-executive director for workforce engagement. Since assuming this important role, Irene has held several sessions with a diverse group of employees from around the Group.

The results of the global engagement survey and other engagement activities such as roundtable discussions and employee town halls, together with the learnings from the matters raised through our whistleblowing helpline, Speak Up, and the work being undertaken by Mrs Vittal, have all provided a valuable insight into the thoughts, concerns and aspirations of our people and will be used to help shape our people priorities as we go forward. Further information can be found in our People report on pages 51 to 57.

Our ethics and compliance agenda also progressed in the year with the launch of an improved global e-learning training platform to communicate our ethical standards. These are designed to ensure that our people understand how the Company's policies, procedures and values apply to them and their roles. We believe the best way to maintain a strong culture of ethics and integrity is through employees applying the standards, behaviours and expectations set out in our Code of Business Conduct, our Code of Ethics, and the broader Compass values.

The Committee receives regular updates on legislative, regulatory and best practice developments and will continue to ensure that the Company's policies, practices and governance arrangements reflect such developments.

As part of the annual performance evaluation process, the Committee assessed its effectiveness and performance against a number of key areas as part of a detailed questionnaire compiled with the assistance of Lintstock. Further information on the results of this year's evaluation can be found on page 109.



**Nelson Silva**

Chairman of the Corporate Responsibility Committee

24 November 2020

## PEOPLE

The Group's most valuable resource is its people. The Board has delegated responsibility to the Committee to oversee and to make recommendations to the Board on the development, implementation and effectiveness of the Group's People strategies, processes and initiatives. To assist the Committee with its work in this area, it received regular reports and presentations from key individuals in the Group People function, including the Group Chief People Officer and Group Engagement Director.

The Committee gained valuable insights from colleagues across the Group's businesses through the global engagement survey undertaken in November 2019 and from other sources. How our people feel about their workplace is an important indicator of the health of the Company's culture and values, and this information provided the Committee with a unique perspective into how employee culture can best complement the corporate strategy. These views will help the Committee in its oversight of the Group's People strategy to ensure that it remains effective and is valued and understood by the Group's employees.

Over a quarter of a million employees participated in the global engagement survey. The overall score was reasonably high at 4.1 out of 5, and the Committee was reassured to note that high scoring questions included "I enjoy the work that I do", "I can be myself at work" and "we work together as a team to get the job done". The survey also identified that employees are eager to have more opportunities to develop their careers within the Group.

COVID-19 has caused significant disruption to the lives of our employees. In line with the Group's culture and values, the Committee recognises that effective engagement with employees is of paramount importance and the Committee closely monitored engagement initiatives during the period. Focus centred on ensuring that communications were transparent and timely and that actions supported the health, motivation and wellbeing of colleagues. The Committee received updates on the effectiveness of employee engagement initiatives used by management to keep employees informed, and supported events as the crisis unfolded. Measures taken were designed to help employees feel safe and secure and able to voice their concerns. The Committee also noted that support offered to employees during the COVID-19 crisis, available on a country by country basis, included a range of initiatives: financial support, advice and counselling, mental health awareness and stress management, welfare discussions and tools, listening sessions on key topics and other communications.

As part of the Group's workforce engagement programme, Irene Vittal, as Designated Non-executive director for workforce engagement, held three meetings with a diverse group of front line employees from a number of countries. To protect the welfare of those who took part during the COVID-19 pandemic, the meetings were held virtually. These meetings are considered by the Committee to be very valuable and have provided an opportunity for employees to share their personal experiences, table ideas,

and raise questions with Mrs Vittal to feed back to the Committee for consideration. A full programme of meetings has been planned for the coming year, which will likely also be held virtually.

More details on the Group's People strategy and workforce engagement can be found on pages 51 to 57.

## HEALTH, SAFETY AND SUSTAINABILITY

In 2020, the Company continued to deliver on its corporate responsibility initiatives against the three pillars of its sustainability strategy, which are underpinned by the People strategy and the Company's safety culture. The sustainability pillars are:

- Health and Wellbeing
- Environmental Game Changers
- Better for the World

Further information on the sustainability strategy can be found on pages 59 to 69.

This year, more than ever, the health and safety of employees, clients and consumers has been a top priority for Compass. At the start of every meeting, the CR Committee considers a safety moment. This helps the Committee to develop a deeper understanding of the health and safety risks and challenges facing the business, and to consider how the lessons learned from specific incidents can be applied to help prevent recurrence.

The Committee was instrumental in keeping the Board informed of the health and safety measures taken to protect employees, clients and consumers as a result of COVID-19. Restrictions in personal movement and initiatives to limit the potential spread of the virus required a carefully coordinated response from the businesses. Through direct reports from the Group Safety & Sustainability Director, the Committee oversaw the implementation of initiatives to ensure that working environments which continued to be operational during the pandemic remained safe, and that sites that had been closed could reopen with appropriate safety protocols in place.

In designing the health and safety protocols, management consulted a range of internal and external experts, including seeking expert medical advice. In accordance with advice received, the reopening protocols were developed by the Group's central health and safety team, and regional and country safety leads, and were designed to ensure that the risk of transmission of COVID-19 was appropriately limited. This included a review of reopening safety checklists, and consideration of resource planning, training, screening methodology and safety equipment requirements. The Committee received reports on implementation of the measures taken including safe working practices, the correct use of Personal Protective Equipment, and controlling social interaction within workspaces. The Committee considered with the Group Safety & Sustainability Director the effectiveness of the protocols in place to ascertain that the approach being taken by the businesses was appropriate. It also received regular updates on employee infection rates.

During the year, the Committee received reports on safety performance and progress against the Group's safety key performance indicators (KPIs). Both our global Lost Time Incident Frequency Rate and our global Food Safety Incident Rate have improved since 2016 by 42% and 43% respectively. However, the Committee is not complacent and recognises that this year's results have been positively influenced by the closure of much of the business in the second half of the year. The Committee will continue to closely monitor the KPIs as those parts of the business which have been closed reopen. The Committee also reviewed food safety audits carried out on suppliers representing 35% of the total food supplier base, which were conducted by NSF International, an independent third party specialist audit firm.

As a result of the pandemic, many people have lost family, friends and colleagues, and sadly, during the year, we lost a number of valued colleagues in different parts of the world. Our deepest sympathies are with the families and colleagues of those who have died and we continue to be committed to doing all we can to support them.

The dynamic nature of the COVID-19 virus means that when contracted, it is very difficult to identify the source of the infection. While some of our colleagues have been affected by the virus, our investigations have found no conclusive evidence that the sources of contraction originated within our work environments. We have, however, reported one workplace related COVID-19 fatality of a colleague who was a front line worker in a hospital in our North American business. Although there is no conclusive evidence that our colleague contracted the virus while at work, local law makes the presumption that for front line workers, the virus was contracted in the workplace.

Sadly, there was one non-COVID-19, non-work related fatality in the year; a road traffic accident in our Australian business. A full investigation was conducted by the Australian police and the outcome was reported to the directors and senior executives. Support was provided by the local operation to the family of the deceased.

In recognition of the overall Group financial performance during the year, and taking into account the impact of COVID-19 on our business, our people and our shareholders, the executive directors asked to waive their entitlements to any bonus for the year. They proposed instead that some of the monies be donated to good causes.

The Committee is responsible for reviewing and monitoring the implementation of the Company's corporate responsibility and sustainability strategy to ensure that it continues to be effective and remains aligned to the Company's social purpose, culture and values. Over the course of the year the Committee received and considered regular updates on the progress of the strategy, which included details of the work and projects taking place throughout the Group and in the wider industry. The sustainability projects which the Committee spent time considering included initiatives aimed at promoting mental health awareness within the workforce, reducing food waste and the usage of single-use

plastics, greenhouse gas and climate change reporting, ensuring responsible sourcing of goods from suppliers and partnering with external parties to effect big change within the food industry. The Committee believes that the increasing work the Group undertakes in the sustainability arena reflects and is fully aligned with the Company's culture and values. More details of our sustainability strategy, the performance against our sustainability KPIs, and the Group's various sustainability projects and initiatives can be found in our Corporate Responsibility report, which is on pages 59 to 69.

## ETHICS AND COMPLIANCE

During the year, the Committee received reports from the Group Head of Ethics and Compliance, regarding the implementation of the Group Ethics and Compliance Programme (ECP). The ECP has been designed to further strengthen the controls framework through which the Company's ethics and compliance culture is embedded, monitored and tested. The focus of the ECP this year was:

- enhancing the Group's ethics and compliance training programme and strategy and replacing and improving the existing training platform
- ensuring that the Code of Business Conduct continues to be fit for purpose
- supporting the overall Major Risk Assessment process and enhancing bribery and corruption risk assessments
- improving the periodic training on key risks facing the business and its people
- maintaining the oversight of key issues and trends resulting from the Group's whistleblowing helpline, Speak Up

The scope of the programme included the development and roll out of a new ethics and compliance learning portal, which is provided by an independent third party, replacing the existing training for new starters. This improved learning platform will support increased engagement with employees through targeted training on a wide range of regulatory, ethics and compliance topics.

The ECP also focused on improving the Group's Speak Up programme through engagement sessions with relevant stakeholders, including an interactive face to face session for senior leaders in the People, Internal Audit and Legal functions on conducting investigations, regulatory developments and best practice. At each meeting, the Committee now receives dashboards and presentations to provide greater insight into key trends and data arising from Speak Up.

The Committee will continue to monitor the performance of the Group's ethics and compliance strategy to ensure alignment with the Group's culture, purpose and values.

## HUMAN RIGHTS AND MODERN SLAVERY

The Committee reviewed the content of the Company's Modern Slavery Act statement (MSA) on behalf of the Board with the aim of establishing whether the MSA statement and the approach taken reflected best practice and was representative of the Company's activities to promote ethical business practices and policies, and to provide assurance to the Board.

In undertaking its review, the Committee considered whether the statement conveyed to stakeholders the steps being taken by the Company to tackle modern slavery. The Company continues to collaborate with a wide range of organisations, corporate peers and other relevant stakeholders to effect change and advance the Company's human rights agenda. During the year, we developed and undertook a human rights risk assessment that was piloted in the Group's UK & Ireland business. The pilot was led by the Group's Human Rights Working Group, supported by an independent consulting firm, and will help the Company to develop its initiatives in this area. Further roll out of the initial pilot was paused as a result of the impact and disruption to our business from the COVID-19 pandemic.

Discussions are underway to roll out the risk assessment more broadly in the coming year. Once the risk assessment has been completed, the findings and results will be shared with the Committee for review and comment.

The Committee also reviewed the Group's revised Human Rights Policy which was updated during the year to align it to the Group's People, Performance, Purpose strategy and recommended it to the Board for approval. The updated policy, which was subsequently approved by the Board, sets out our commitment and approach to human rights and incorporates elements of the Company's sustainability strategy, reflecting increased focus on this area from clients, investors and other stakeholders.

The Committee concluded that the MSA statement reflected the Company's approach and activities for identifying, monitoring and eradicating human slavery and trafficking in its business and supply chain, was clear and understandable and demonstrated a year on year improvement in the Company's human rights agenda. Copies of our MSA and the Human Rights Policy are available on the Company's website [www.compass-group.com](http://www.compass-group.com).

## ACTIVITY DURING THE YEAR

The key matters considered and discussed by the Committee during the year are set out below:

2019	2020	
<b>NOVEMBER</b> <ul style="list-style-type: none"> <li>• safety moment</li> <li>• People update: employee voice</li> <li>• Purpose update: safety KPI update against targets for 2018-2019</li> <li>• approval of HSE targets for 2019-2020</li> <li>• food safety: supplier audits rating review</li> <li>• sustainability metrics update (including cage-free eggs)</li> <li>• sustainability projects update</li> <li>• annual approvals: CR Committee report, Corporate Responsibility report</li> <li>• Modern Slavery Act statement</li> <li>• ethics and compliance update - Speak Up</li> </ul>	<b>MAY</b> <ul style="list-style-type: none"> <li>• safety moment</li> <li>• People update: employee voice, engagement during COVID-19 pandemic</li> <li>• Purpose update: COVID-19 update, reopening toolkits</li> <li>• governance update</li> <li>• ethics and compliance update</li> </ul>	<b>SEPTEMBER</b> <ul style="list-style-type: none"> <li>• safety moment</li> <li>• health and safety performance and sustainability update</li> <li>• safety and sustainability strategy update</li> <li>• safety KPI performance against targets for 2019-2020</li> <li>• COVID-19 update</li> <li>• allergen update</li> <li>• employee engagement update (including employee voice)</li> <li>• wider stakeholder engagement update</li> <li>• ethics and compliance update - Speak Up</li> <li>• governance and regulatory update</li> <li>• terms of reference: annual review</li> <li>• Human Rights Policy approval</li> </ul>

The Committee continued to fulfil its watching brief on regulatory, legislative and best practice developments throughout the year, the majority of which related to the various initiatives of government and policy makers taken in response to COVID-19. In addition to these, the Committee ensured that its members were kept up to date on emerging corporate governance developments.

## GOVERNANCE

The CR Committee comprises Nelson Silva, Chairman, and all the non-executive directors in office at the date of this Report. Other members include the Chairman of the Board, the Group CEO, Group CFO, and the Group Chief People Officer. The Group General Counsel and Company Secretary attends all meetings of the Committee.

Only members of the CR Committee have the right to attend CR Committee meetings. Other individuals, such as the Group Safety & Sustainability Director, Group Head of Ethics and Compliance, Group Engagement Director and external advisors, may be invited to attend for all or part of any meeting, as and when appropriate.

A quorum for a meeting is two. The CR Committee met three times during the year. Attendance is set out in the table on page 104.

The objective of the CR Committee is to assist the Board and the Company in fulfilling its corporate responsibility in line with the Company's strategy, policies and practices.

The CR Committee receives reports from the Group Safety & Sustainability Director, Group General Counsel and Company Secretary, Group Head of Ethics and Compliance, Group Chief

People Officer, Group Engagement Director and other senior managers to ensure that progress is being made towards meeting the Group's specific CR KPIs and our ongoing CR commitments.

The CR Committee Chairman reports the outcome of its meetings to the Board.

The CR Committee's remit includes monitoring and ensuring executive management and the Board are appropriately prepared for changes in the legislative, regulatory and best practice landscape and, in this regard, is supported by the Group General Counsel and Company Secretary.

The CR Committee is authorised to seek information from any employee of the Group to enable it to perform its duties, and if necessary, at the expense of the Company, can obtain legal or other independent professional advice on matters covered by its terms of reference. The terms of reference of the CR Committee are reviewed annually to ensure that they continue to be fit for purpose.

The CR Committee Chairman attends the AGM to meet with shareholders and to answer any questions on the Committee's activities.

## EVALUATION OF THE CORPORATE RESPONSIBILITY COMMITTEE

The following areas were identified in last year's review as being areas of focus for the Committee:

Priorities	How they were addressed by the Committee during the 2019-2020 financial year
Increasing the number and duration of Committee meetings to reflect the broader scope of matters falling within the Committee's remit	As a result of last year's annual performance evaluation, to reflect the broader scope of matters falling within the Committee's remit and to ensure that sufficient time is allocated to enable the Committee to focus on specific areas linked to the Company's purpose, values and culture, the number of Committee meetings was increased from two to a minimum of three each year. The duration of the meetings has also been increased.
Enhanced focus on food safety and sustainability and performance against agreed KPIs	Additional time has also been given in meetings for reports and presentations from the Group's Safety and Sustainability Director on topics relating to food safety, and sustainability strategy and performance.

## 2020 EVALUATION

This year's evaluation of the Committee concluded that the performance of the Corporate Responsibility Committee continued to be rated very highly and had increased overall, and it was noted that the Committee had successfully adapted its remit to the new Code requirements. The composition of the Committee was rated positively as was the performance of the CR Committee Chairman. The increased time for discussion and debate was well received. Whilst it was early days, the promotion of employee engagement through the sessions held by Irene Vittal as Designated Non-executive director for workforce engagement, were considered to provide valuable insights.

## GOING FORWARD

It was agreed that to assist the Committee in improving its performance over the coming year, its priorities should be:

- spending more time on how the ESG agenda drives investor choices
- selecting relevant deep dive topics to be presented by business leaders, as appropriate
- continuing to prioritise and focus the sustainability and ESG agendas
- continuing oversight of the effectiveness of the People strategy and to receive feedback to measure employee engagement and morale
- continuing oversight of the ongoing development of wider stakeholder engagement initiatives

An update on progress will be provided in the 2021 Annual Report.

# Nomination Committee Report



**Paul Walsh**

Chairman of the Nomination Committee

## MAIN RESPONSIBILITIES

- leads the process for Board appointments, ensures plans are in place for orderly succession to the Board and senior management positions, overseeing development of a diverse pipeline for succession
- reviews the structure, size and composition of the Board and its committees, recommending to the Board any new appointees and the reappointment of existing directors and committee members
- ensures there is a balance of skills, knowledge, experience and diversity on the Board
- reviews senior leadership needs to enable the Group to compete effectively in the marketplace
- advises on succession planning for executive directors
- oversees a formal and rigorous annual evaluation of the Board, its committees and directors
- oversees the Company's policy, objectives and strategy on diversity and inclusion

## MEMBERSHIP AND ATTENDANCE

Member	Member since	Eligible to attend <sup>1</sup>	Meetings attended
Paul Walsh	Jan 2014	9	9
Carol Arrowsmith <sup>2</sup>	Jun 2014	9	8
John Bason	Jun 2011	9	9
Stefan Bomhard	May 2016	9	9
John Bryant	Sep 2018	9	9
Ian Meakins <sup>3</sup>	Sep 2020	1	1
Anne-Francoise Nesmes	Jul 2018	9	9
Nelson Silva	Jul 2015	9	9
Irenea Vittal <sup>2</sup>	Jul 2015	9	8

1. The maximum number of meetings that a member was eligible to attend.
2. Unable to attend a telephone meeting called at short notice on 5 January 2020. However, provided comments to the Chairman in advance.
3. Appointed to the Nomination Committee on 1 September 2020. Will succeed Paul Walsh as Chairman of the Nomination Committee on 1 December 2020.

## DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present the Nomination Committee's Report for the financial year ended 30 September 2020 which provides an overview of the Committee's activities in the year under review and looks ahead to our anticipated activities in the coming year.

## YEAR IN REVIEW

As in previous years, succession planning continued to be the primary focus of the Committee's work. The Committee is responsible for leading a formal, rigorous and transparent process for Board appointments and ensuring that plans are in place for orderly succession to the Board and senior management positions. The Committee is also responsible for keeping under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace.

In January 2020, we reported that I would be stepping down from the Board after almost seven years as Chairman and that John Bason, Senior Independent Director (SID), would be leading the search for my successor. After undertaking a thorough selection process using external search consultants, Korn Ferry, on 18 August 2020 we announced the appointment of Ian Meakins as Chairman. Ian joined the Board and the Committee as a non-executive director on 1 September 2020 and will succeed me as Chairman of the Company and Chairman of the Committee on 1 December 2020. Ian has a strong record of value creation and brings a wealth of experience to the Group and is a strong choice to succeed me. Further details of the selection process can be found later in the Nomination Committee Report.

As announced on 24 October 2020, John Bason has agreed to extend his terms of appointment to provide continuity and support the transition. Subject to shareholder approval at the 2021 AGM, John will remain a member of the Board and a member of the Nomination and Corporate Responsibility Committees. He will step down as Senior Independent Director, Chair of the Audit Committee and as a member of the Audit and Remuneration Committees at the conclusion of the 2021 AGM. He will not seek re-election at the 2022 AGM. John Bryant will succeed John as Senior Independent Director, and Anne-Francoise Nesmes will succeed him as the Audit Committee Chair.

The decision by the Committee to extend John's terms of appointment for a short period was made to ensure continuity and stability on the Board at a time of wider economic challenge and uncertainty. The Committee considers this to be in the best interests of the Company and its stakeholders as a whole, and I hope that you will join the Board in supporting John's re-election to the Board at the 2021 AGM.

During the year, the Committee also considered, and recommended to the Board the reappointment of Carol Arrowsmith, who chairs our Remuneration Committee, for a further three year period. I am pleased to report that the Board endorsed the Committee's recommendations, ensuring that the Board retains the skills, experience and diversity required to meet the Group's strategic objectives.

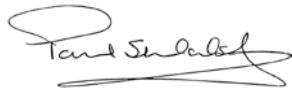
With the aim of continuing to promote diversity on the Board and within the Group as a whole, the Committee reviewed the Board's policy on diversity and inclusion which was recommended to the Board and approved during the year. The Board Diversity Policy sets out the Board's approach to diversity with respect to its composition and is consistent with the values we hold throughout the Group. In line with the recommendations of the Hampton-Alexander Review, the Board has made a formal commitment to maintain at least 33% female representation on the Board and the Board continues to meet this commitment.

People remain our most valuable asset and we are committed to creating an inclusive culture which enables all of our people to thrive, and to leverage diversity and inclusion to ensure we have a balanced pipeline of talent for the future. The Board also supports the aims of the Parker Review to improve ethnic diversity in UK business leadership so that the values of company stakeholders (including employees, shareholders and the communities in which the Company operates) are reflected in the boardroom.

The Parker Review, first published in 2017, made a series of recommendations aimed at improving ethnic diversity on FTSE 100 boards. Compass is compliant with the Parker Review recommendations and the Nomination Committee will continue its work to maintain a balance on the Board of individuals representing a wide cross section of experience, cultural backgrounds and specialisms.

As part of our annual Board and committee evaluation process, further details of which are set out on pages 117 to 120, the Committee assessed the time commitment needed from non-executive directors to ensure that each individual has sufficient time to devote to their duties. The impact of the pandemic on businesses globally has required the Board and its committees to devote additional time to Board business and to providing leadership oversight, and each of our directors remains fully committed to promoting the success of the Company in a way that ensures that the interests of shareholders and other stakeholders are protected.

In the coming year, the Nomination Committee will continue to focus on the Board's composition, succession planning on the Board and in senior management positions and on furthering our diversity and inclusion agenda, as Ian takes the helm.



**Paul Walsh**

Chairman of the Nomination Committee

24 November 2020

## GOVERNANCE

Committee membership comprises the independent non-executive directors of the Company and the Chairman. The Committee meets at least twice a year. A quorum for a meeting is three, the majority of which must be independent non-executive directors.

The Chairman acts as Chair of the Committee, save in respect of matters relating to the appointment of his or her successor, when the meetings will be chaired by the SID. A meeting to reappoint the Chairman will be chaired by an independent non-executive director. The outcome of Committee meetings is reported by the Committee Chairman to the Board.

Only members of the Committee have the right to attend Committee meetings. Other individuals, such as the Group CEO, the Group Chief People Officer and external advisors may be invited to attend all or part of any meeting, as and when appropriate.

The Committee is authorised to seek information from any employee of the Group to enable it to perform its duties and, if necessary, at the expense of the Company, can obtain legal or other independent professional advice on matters covered by its terms of reference.

The Committee Chairman attends the AGM to meet with shareholders and answer questions on the Committee's activities.

## BOARD COMPOSITION AND SUCCESSION PLANNING

The Board's policy is to ensure that the Board comprises members with a range of skills and capabilities to meet its primary responsibility for promoting the success of the Company in a way that ensures that the interests of shareholders and other stakeholders are protected. The Committee leads the process for Board appointments, ensuring plans are in place for orderly succession to both the Board and senior management positions, and oversees the development of a diverse pipeline for succession.

Succession planning is an important aspect of the Committee's work. When assessing future succession planning needs of the Board, the Committee considers and evaluates the skills of its members to ensure that it and its committees are well placed to discharge the Company's governance requirements. In doing so, the Committee considers the experience and expertise of individual directors in relation to the Group's current and future strategic objectives, and the need for diversity of Board membership to reflect a broad range of backgrounds and views. The time served by the independent non-executive directors on the Board is considered to allow the Committee to plan for refreshment of the Board and to maintain a balance of non-executive directors with varying lengths of tenure. From these

reviews the Committee can determine the desirable skills, experience, qualities and attributes for new appointees to augment those already present, and replenish any key skills and experience lost as the Board is refreshed.

With respect to succession planning for senior management positions within the Company, the Committee oversees and promotes the development of a strong pipeline of high calibre individuals capable of discharging executive level responsibilities. The succession planning process includes a review of talent at the senior regional and country levels within the Group, which enables the Committee to monitor and evaluate the strength of the talent pipeline, its composition, diversity and the training and development needs within the Group's senior leadership.

During the year, the Committee reviewed the succession plans for senior management with the Group Chief People Officer, recognising the importance of culture in the context of the evolution of the Company's People, Performance, Purpose strategy. The succession plans for Executive Committee members were discussed as well as those for the senior leadership team in Europe and Middle East, the US executive team and the head office functions. The pipeline of female talent was reviewed, together with strategies for the provision of support and development for certain key individuals.

## BOARD APPOINTMENT PROCESS

The process for making new appointments to the Board is led by the Chairman, save where this concerns the appointment of the Chairman's successor, in which case the process is led by the SID. The procedures for appointing a non-executive or an executive director are set out in the Committee's terms of reference. When appointing a new Chairman, this includes an assessment of the time commitment expected, recognising the need for the chairman to be available in the event of crises.

Prior to making an appointment, the Nomination Committee evaluates the balance of skills, knowledge, independence, experience and diversity on the Board and, in consideration of this, prepares a description of the role and capabilities required. The Board promotes an environment which is supportive of all individuals from diverse backgrounds and thus, in identifying suitable candidates, the Nomination Committee shall:

- use open advertising or the services of external advisors to facilitate the search
- consider candidates from different genders and a wide range of backgrounds
- consider candidates on merit and against objective criteria taking into account the benefits of diversity on the Board
- ensure that appointees have enough time to devote to the position, in light of other significant commitments

## Appointment of a new Chairman

During the year, the Committee focused on the composition of the Board, the combined capabilities and experience of the directors and the appointment of a new Chairman to succeed Mr Walsh.

The selection process was led by the SID, John Bason, and the Committee, with assistance from a small sub-committee of non-executive directors and the Group General Counsel and Company Secretary.

As part of the external search process, the services of an executive search firm were used to identify potential candidates. The Committee considered the credentials of a number of search consultants before recommending the appointment of Korn Ferry, which is a signatory to the voluntary code of conduct for executive search firms. Korn Ferry is used from time to time by the Company and its subsidiaries for the recruitment of senior executives but has no other connection with the Company or with individual directors.

Korn Ferry undertook detailed discussions with each member of the Board in order to seek their views on the desired attributes, experience and qualities for the role of Chair. Feedback was also provided by the Board members to Korn Ferry in terms of the Board dynamics, Company and Board culture and the key strategic challenges facing the Group. This information was used by Korn Ferry to prepare a position specification for consideration by the Committee, which set out the desired attributes, experience and personal style for the successful candidate. Key competencies were considered to be: a successful track record as CEO of a global business, with experience of the USA; experience as a Chair; broad sector experience, with an emphasis on B2B and B2C environments. UK plc experience and an understanding of the UK corporate governance environment were also considered a prerequisite, as well as proximity to the UK in terms of location. Potential candidates were required to demonstrate that they had sufficient time available to devote to the role.

A detailed search was conducted by Korn Ferry, as a result of which a long list of around 15 candidates was prepared, from which a shortlist of three potential candidates was derived. Each of the shortlisted candidates was discussed in detail by the Committee and interviews with each candidate were undertaken by Korn Ferry and the members of the sub-committee, following which feedback was presented to the Committee. Two of the three candidates were selected to meet with the CEO and the Chairman, and the preferred candidate then met with the remaining members of the Committee and the Board. Meetings were also held with one of the Company's brokers and the external auditor, KPMG, by way of further due diligence both for the Company and the preferred candidate.

Following detailed discussions and careful consideration, the Committee concluded and recommended to the Board that Ian Meakins be appointed to the Board with effect from 1 September 2020 as a non-executive director and that he assume the role of Chairman with effect from 1 December 2020, when Mr Walsh will step down from the Board. This was approved by the Board.

Mr Meakins was considered to meet the brief that had been set by the Committee very favourably. He brings a successful track record as CEO of a number of global businesses and is the serving chairman of Rexel SA, a French listed company. He has broad sector experience, with an emphasis on B2B and B2C environments, substantial UK plc experience and a deep understanding of the UK corporate governance framework.

## Induction of new Chairman

When a new Board member joins Compass they receive a formal, comprehensive and tailored induction designed to suit their individual needs and their role. The induction programme includes activities and meetings with key personnel, technical briefings and site visits. This is an effective way of introducing them to the Group's culture and of ensuring that they have the information and support they need to understand the business and to enable them to be productive in their role.

The induction programme for Mr Meakins included meetings with senior management across the businesses and functional leaders and was structured to help him gain an insight into how the business works on a day to day basis and to understand its strategic priorities, culture, values and people.

Since joining, Ian Meakins has held a series of meetings including one to one sessions with Board colleagues, senior management, sector and functional heads and has also undertaken site visits in the UK to meet with front line employees and a number of clients. This will be supplemented by continuous development over the course of his tenure. Details of Ian's induction programme are set out below:

Area	Provided by	Subjects covered and discussed
Global businesses	Regional Managing Directors	<ul style="list-style-type: none"> <li>• North America, UK &amp; Ireland, Europe and Middle East, Asia Pacific and Latin America regions' businesses and operations</li> <li>• North American business sectors and leadership</li> <li>• performance, risks and future opportunities in each of the regions</li> </ul>
	Sector Heads	
Foodbuy	Managing Director Foodbuy UK	<ul style="list-style-type: none"> <li>• structure of Foodbuy businesses</li> <li>• importance and contribution to operating model</li> </ul>
	CEO Foodbuy US	
UK	Managing Director, UK & Ireland	<ul style="list-style-type: none"> <li>• UK site visits including meetings with front line employees and clients</li> </ul>
Financial review and arrangements	Group Chief Financial Officer	<ul style="list-style-type: none"> <li>• financial control framework and governance processes</li> <li>• internal and external reporting of the Company's results</li> <li>• review of treasury arrangements</li> <li>• overview of taxation</li> </ul>
Governance, legal and compliance	Group General Counsel and Company Secretary	<ul style="list-style-type: none"> <li>• review of the governance framework and landscape</li> <li>• Board and committee matters</li> <li>• overview of the Group's legal and compliance framework and material litigation</li> </ul>
People	Group Chief People Officer, Group CEO, Group COO, North America, and Chief People Officer, North America	<ul style="list-style-type: none"> <li>• review of the Group's People strategy, including succession planning, diversity and inclusion and engagement initiatives</li> <li>• review of People strategy for the Group's North American business, including succession planning, diversity and inclusion and engagement initiatives</li> </ul>
Global Clients and Consumers	Group Director, Global Clients and Consumers	<ul style="list-style-type: none"> <li>• overview of Global Clients portfolio, performance and pipeline</li> <li>• growth and innovation strategy and digital structure for Rest of World</li> <li>• sales and retention excellence programmes</li> </ul>
Strategic plan and business model	Group CEO	<ul style="list-style-type: none"> <li>• overview of the Group's businesses and business model, three year business plan and strategic aims</li> <li>• review of the Group's M&amp;A strategy</li> </ul>
Group Reward	Remuneration advisors	<ul style="list-style-type: none"> <li>• Group remuneration philosophy, executive remuneration and annual cycle, retention initiatives</li> <li>• short and long term incentive plans</li> </ul>
Legal	External lawyers	<ul style="list-style-type: none"> <li>• overview of the external legal team, legal support provided in respect of corporate legal matters, corporate governance and reward workstreams</li> </ul>
Audit	External auditor	<ul style="list-style-type: none"> <li>• overview of the external audit team, audit plan and areas of focus</li> </ul>
Investors	Group Investor Relations & Corporate Affairs Director, Corporate brokers	<ul style="list-style-type: none"> <li>• review of investor portfolio and external market matters</li> </ul>

Arrangements will be made for Mr Meakins to meet with the Company's major shareholders to discuss areas of shareholder interest including performance, resilience and future opportunities following his appointment as Chairman.

## REAPPOINTMENT OF DIRECTORS

The Nomination Committee considers the selection and reappointment of directors carefully before making a recommendation to the Board. The Board is conscious of the length of tenure of non-executives when formulating its succession planning process. Non-executive directors and the Chairman are generally appointed for a period of three years, which may be renewed for a further two terms. Reappointment is not automatic at the end of each three year term.

### Non-executive director tenures and roles

Mrs Arrowsmith completed her second three year term in June 2020. In contemplating the extension of her tenure for a final three year term, consideration was given to the balance of perspectives, skills, experience and expertise needed on the Board to help the Company achieve its strategic aims. Mrs Arrowsmith's performance and ability to contribute effectively as a non-executive director and as Chairman of the Remuneration Committee and to challenge the performance of management were considered. The Committee was also satisfied that she continues to be able to devote sufficient time to fulfil her duties at Compass, taking into account her other roles and, therefore, the Committee recommended an extension of Mrs Arrowsmith's tenure for a further three year term, which was approved by the Board.

In June 2020, Mr Bason reached his nine year tenure as a director of the Company and ordinarily he would step down from the Board at the conclusion of the Company's AGM in February 2021. However, the Committee recommended to the Board that it would be in the best interests of the Company and its stakeholders that Mr Bason continue to serve as a non-executive director beyond the 2021 AGM, although Mr Bason does not intend to stand for re-election at the 2022 AGM. Subject to shareholders approving his re-election, Mr Bason will step down as a member and Chairman of the Audit Committee, as SID and as a member of the Remuneration Committee at the conclusion of the 2021 AGM. He will continue to be a member of the Board and Corporate Responsibility and Nomination Committees. Mr Bason will be succeeded as Chairman of the Audit Committee and SID by Anne-Francoise Nesmes and John Bryant respectively.

In making its recommendations to the Board, the Committee considered that, in the context of the prevailing economic climate, the impact of the COVID-19 pandemic on the Group's operations and the importance of maintaining Board continuity and to support the transition to a new Chairman, it was in the best interests of the Company to extend Mr Bason's terms of appointment for a short period.

As part of its deliberations, the Nomination Committee also considered the UK Corporate Governance Code 2018 criteria for determining whether a director's independence is impaired, and it was determined that none of the criteria were met with the exception of length of tenure. Taking into consideration Mr Bason's approach, ability to challenge management and independence of thought and enquiry, the Committee concluded that his independence remained unimpaired. This was supported by the outcome of the 2020 Board and committee evaluation.

As regards the appointment of Mr Bason's successor as Chairman of the Audit Committee, Anne-Francoise Nesmes, who has served on the Board since 2018 and has recent and relevant financial experience in her role as a serving Chief Financial Officer of a FTSE 100 company, was considered by the Committee to be a natural successor to this role.

In considering the appointment of a new SID, the Committee reviewed and evaluated the role and discussed the qualities, skills and experience required for the position, including a strong record of working within listed company boards, excellent knowledge of the associated regulatory and governance regime and of the Company's investor base, and the required level of seniority and experience to assume this senior position on the Board. It was concluded that the SID should be nominated from the existing members of the Board and that John Bryant, who had the requisite skills and experience as a former Chairman and CEO of a global company, be recommended for appointment as SID.

The Board accepted the Committee's recommendations and is confident that the Company's shareholders will understand the exceptional circumstances and reasoning behind its decision to extend the terms of Mr Bason's appointment, and looks forward to receiving the support of shareholders for Mr Bason's re-election as a non-executive director at the forthcoming AGM in February 2021.

## diversity

As a people business, our strength comes from an inclusive and welcoming environment, where we recognise that the experiences and perspectives which make us unique come together in our shared values and vision. We strongly believe that the more our people reflect the diversity of our clients and consumers, the better equipped we are to service their needs.

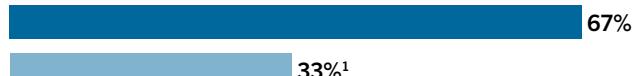
As part of its remit the Committee reviews the Group's policies on workforce diversity and inclusion, and their objectives and link to the Company's strategy. The Group has always operated open and inclusive hiring and staff management practices and has made significant progress in respect of increasing diversity, particularly in respect of gender, at senior leadership levels. In reviewing the Group's policies, the Committee was satisfied that they supported the development of a more diverse workforce within the business and were consistent with the Group's inclusive and welcoming culture. More details on workforce diversity can be found on pages 51 to 57.

At Board level, our approach to the appointment of new directors reflects our desire to ensure the optimal balance of experience and backgrounds on the Board. Great emphasis is placed on ensuring that Board membership reflects diversity in its broadest sense and increasingly embodies our employee base and the communities in which we operate. The Company adopts a formal, rigorous and transparent procedure for appointing new directors and senior executives. Open advertising or the services of independent external advisors are used. Consideration is given to candidates of different genders with a diverse range of social, cultural, educational and professional backgrounds and experiences.

During the year, the Committee recommended, and the Board endorsed, the adoption of a formal Board Diversity Policy, which is published on the Company's website [www.compass-group.com](http://www.compass-group.com). As part of the policy, the Board has made a formal commitment to maintaining at least 33% female representation on the Board, in line with the recommendations of the Hampton-Alexander Review. As at the date of this Report, the percentage of female directors on the board is 33%. This is due to the recent appointment of Mr Meakins and the balance will be restored to 36% when Mr Walsh steps down from the Board on 1 December 2020.

The gender balance of the Board, Executive Committee and their direct reports is shown below:

### Board



1. The Hampton-Alexander Review target for female representation on the Board is 33% by 2020.

### Executive Committee



### Direct reports to Executive Committee



■ Male  
■ Female

## time commitment and training

In line with its terms of reference, the Committee performs an annual review of the time required from the Chairman, SID and non-executive directors to perform their duties. As part of this process, the Committee reflects on a director's attendance at scheduled meetings and their availability at other times during the year. In the year under review, directors were available, often at short notice and outside regular working hours, to discuss matters that required a prompt decision; for example, the consideration and oversight of the various strategies employed during the year to mitigate the impact of the COVID-19 pandemic upon the business.

In consultation with the Chairman, the Committee also considered the training that had been received by directors in the year, including technical updates from the Group General Counsel and Company Secretary and other in-house or external subject matter experts and advisors, and future training needs that had been identified to help promote a deeper understanding of the business, technical, statutory or regulatory developments.

## terms of reference

The terms of reference of the Committee were reviewed during the year, and it was determined that they continue to be fit for purpose and no changes were required. The terms of reference are available on the Company's website [www.compass-group.com](http://www.compass-group.com).

## BOARD EVALUATION

The Chairman is responsible, with assistance from the Nomination Committee, for ensuring that the Company has an effective Board with an appropriate range of skills, expertise and experience. Every year, a performance evaluation of the Board and its committees is carried out to ensure that they continue to be effective, that each of the directors demonstrates commitment to his or her respective roles and has sufficient time to meet his or her commitment to the Company.

The Committee oversees this process with the Chairman of the Board and reviews the results of the evaluation process so that it can make recommendations to the Board in relation to outcomes and further actions. This year's evaluation process was again conducted with the assistance of Lintstock Limited (Lintstock).

### 2019 review process

In May 2019, an independent formal external evaluation was conducted in line with the mandated triennial external requirement set out in the Code. Lintstock, which is independent of and has no other links with the Company or its directors, was chosen to conduct the evaluation. A key consideration in the appointment of Lintstock was its ability to assist with the ongoing facilitation of the evaluation process, assisting the Board to achieve its development objectives over the longer term.

As a result of the evaluation, the following priorities for change were identified to help improve the performance and effectiveness of the Board:

Priorities	How they were addressed by the Board during the 2019-2020 financial year
The continued implementation and development of the Group's strategy	Strategy is discussed regularly at Board meetings and delivery against strategy is included in the CEO's report. This year included an in depth update on North American strategy. In response to COVID-19, the Board oversaw the implementation of strategy which has been adapted to deal with the rapidly changing economic and social conditions.
Succession planning and talent acquisition and development	The Board continued its oversight of succession planning and consideration of talent and employee development through its own work and that of the Nomination and Corporate Responsibility Committees. An important consideration in the succession agenda was to ensure continuity in Board membership to facilitate a smooth transition of the Chairman's role.
Continued oversight of risk	Management of risk is a continuous priority. This year our Major Risk Assessment considered the impact of COVID-19 against the Group's risk profile. The Board continues to strive to ensure that the Group's response to and mitigation of risks is appropriate, and that the Company's financial position is appropriately safeguarded. More details on the Company's Principal Risks can be found on pages 41 to 49.
Furthering the Corporate Responsibility strategy	Last year, the Board approved revised terms of reference for the CR Committee reflecting the widening of the Group's ambitions in this area. The corporate responsibility agenda continues to develop and the Company is making progress in sustainability. Further information regarding the initiatives and projects over which the Board has had oversight can be found within the Corporate Responsibility report on pages 59 to 69 and the CR Committee Report on pages 104 to 109.
Supporting senior management	Supporting our executive directors has remained a priority for the non-executive directors and, during this particularly challenging year, more time was made available to the executive directors so they could benefit from the advice and experience of the other Board members.

## 2020 Board evaluation

This year's evaluation was conducted internally with support from Lintstock. The results of the 2019 external evaluation provided a benchmark against which to measure the performance of the Board and formed the basis on which the 2020 evaluation was conducted. The Chairman and the Group General Counsel and Company Secretary agreed the timing, scope and nature of the review, including key themes for exploration and the approach that would be adopted to ensure that the evaluation process was challenging and comprehensive.

The following key themes were agreed:

- COVID-19
- Board composition
- stakeholder oversight
- Board dynamics
- management and focus of meetings
- Board support
- strategic oversight
- risk management and internal control
- succession planning and people management
- priorities for change

## FINDINGS OF BOARD EVALUATION

Board composition	Stakeholder oversight	Board dynamics	Management and focus of meetings	Board support
<p>The composition of the Board was rated highly.</p> <p>A number of suggestions were made regarding desirable attributes in future potential candidates. These included technology, sector/market and ESG expertise. The importance of maintaining a focus on diversity and cultural and geographic representation was also noted.</p>	<p>The Board's understanding of the Company's stakeholders was rated highly overall. The work being undertaken by the Designated NED for workforce engagement was rated positively and was helping the Board develop a better understanding of the views of employees.</p> <p>Whilst rated positively overall, it was agreed that there was scope to improve the Board's effectiveness in monitoring culture and behaviour and a number of suggested KPIs were proposed for further consideration.</p>	<p>The dynamic between the non-executives and senior management in providing effective support and constructive challenge was rated highly overall and the boardroom atmosphere was positive and constructive. Further opportunities for more informal interactions were considered to be beneficial.</p>	<p>The management of meetings was rated very highly as was the effectiveness of virtual meetings necessitated by restrictions imposed during the COVID-19 pandemic.</p> <p>The Board's performance in making decisions, and in subsequently following up on implementation, was rated highly overall. It was agreed that the frequency with which the effectiveness of past decisions were reviewed should be increased.</p> <p>The balance of the Board's focus was commented on favourably and it was agreed that the Board's focus on growth and strategy should continue, as should a focus on ESG matters.</p>	<p>The quality of Board papers received a high rating. It was concluded that a more succinct approach in some areas would assist understanding of the information presented.</p> <p>The quality of support available to the Board was rated very highly overall in terms of induction, Company Secretariat support and access to external advice.</p> <p>In view of the increasing complexities of the regulatory, governance and business landscape, it was agreed that the Board would continue to benefit from ongoing training to enable it to continue to perform its role effectively.</p>

The evaluation comprised a series of online questionnaires for the Board and each of its principal committees for completion by the Board members and the Group General Counsel and Company Secretary, together with an individual performance review for each director, and a separate review of the Chairman's performance. Based on the agreed themes, the surveys were designed to be objective, thought provoking and to encourage candid responses.

Lintstock prepared reports summarising the key findings in respect of each of the Board, its principal committees, and individual performance reviews for each director and the Chairman. The reports on the Board and its committees were initially reviewed by the Chairman and Group General Counsel and Company Secretary, and were then presented to the Nomination Committee for discussion. The SID discussed the Chairman evaluation with the Chairman after which this was also circulated to the Committee.

### CASE STUDY: COVID-19

This year's questionnaire included a case study on how the outbreak of COVID-19 had impacted the Board and its decision making processes. Lintstock's report concluded that the flow of information from management to the Board on the Company's response to the developing COVID-19 pandemic was rated very highly, as was the quality of the Company's internal and external communications during the crisis. The Board was seen to have been very effective in adjusting its focus and priorities in response to the pandemic. The top priorities for positioning the Group to recover from the pandemic included: i) adapting the business model and innovating the Group's offering; ii) retaining talent; iii) reshaping the portfolio on less impacted sectors and geographies; and iv) continuing control of costs.

Strategic oversight	Risk management and internal control	Succession planning and people management	Priorities for change
The clarity of the Group's strategy was rated highly. The importance of adapting to the changing environment and the impact of COVID-19 was acknowledged.	Health and safety is included at the start of every agenda of the Corporate Responsibility Committee, and in each of the Group CEO's Board reports, recognising its importance.	The structure of the Group at senior levels was rated highly and the Board's oversight of the Group's processes for managing and developing talent was positive.	The performance of the Board was seen to have been maintained or improved since the last review.
The Board's effectiveness in overseeing technological opportunities and threats facing the Group was rated positively, and this was noted as being an area of continued importance. The Board's oversight of the implementation of strategy was rated highly overall.	The Board's focus on risk, including reputational risk, was considered to be appropriate and the oversight of the various specific aspects of risk received high ratings. In light of recent events, it was agreed that focus on emerging risks should continue to increase together with further consideration of risk mitigation plans.	The Board's oversight of succession plans for the Group Chief Operating Officer, North America, and the Executive Committee were also rated highly. There was scope for further improvement in relation to the oversight of succession planning and of development plans for the Group's key talent.	The top priorities for ensuring a successful transition of the new Chairman included: i) receiving an effective induction into the Group and its operations; ii) building strong relationships with the Group CEO and management team; iii) engaging with shareholders; and iv) maintaining an open and collaborative Board culture.
The KPIs provided to inform the Board's analysis of business performance received high ratings, and the Board's oversight of the Group's financial position and ongoing financial viability was rated very highly.	The opportunity for further enhancement of the organisation's approach to risk and risk appetite was noted.	The key People priorities were identified as: i) attracting, developing and retaining talent; ii) employee engagement and reward; iii) succession planning; and iv) diversity and inclusion.	The key priorities for the Board over the coming year included: i) ensuring financial recovery and adapting to the changing environment in light of the COVID-19 pandemic; ii) talent retention; iii) succession planning; and iv) the Chair transition.
Key strategic issues for the Group were identified as: i) changes to the market and business model, particularly as a result of COVID-19; ii) technology and disruption; iii) maintaining sustainable growth; iv) financial recovery and cost management; and v) succession planning and employee retention.			The areas for attention identified in this year's review and how they have been addressed will be reported in the 2021 Annual Report and Accounts.

## EVALUATION OF THE NOMINATION COMMITTEE

The following areas were identified in last year's review as being areas of focus for the Committee:

Priorities	How they were addressed by the Committee during the 2019-2020 financial year
Developing our leaders	The Committee had oversight of the development plans and activities for potential succession candidates to senior positions within the Group and continued to review the talent pipeline to ensure the ongoing success of the Company.
Stakeholder oversight	Keeping abreast of changes affecting the Company's stakeholders remained a priority for the Board and the Committee, with a particular emphasis on the impact on stakeholders of COVID-19.
Annual work of the Committee	The Committee's annual cycle was reviewed to ensure that the Committee had sufficient time for meetings in light of its workload and increasing governance requirements. This was reflected in the Committee agendas and length and frequency of meetings.

## 2020 EVALUATION

This year's evaluation of the Nomination Committee concluded that the performance of the Committee continued to be rated highly, and it was noted that the Committee had successfully adapted its remit to the new Code requirements. The Committee was considered to have the right balance in terms of the expertise and diversity required, and the cultural and skills mix had proved to be very effective in the process for the search for the Chairman's successor. The process for the recruitment of the new Chairman of the Board was rated very highly and the frequency and number of meetings in the year increased accordingly. It was noted that detailed discussions had taken place to determine the profile and skills required of the Chair.

## GOING FORWARD

It was agreed that the priorities for the coming year included continuing to improve the effectiveness of determining succession plans for senior management and in developing a diverse pipeline for succession, with an emphasis on North America.

It was determined that the Committee should maintain its focus on succession planning for the Board and senior leadership team, and continue to oversee the Group's diversity and inclusion agenda.

It was recognised that diversity and inclusion had been a key area of focus and that progress was being made in this regard with the Group receiving recognition for its efforts in this area, details of which can be found in the People report on pages 51 to 57.

An update on progress will be provided in next year's Annual Report.

# Directors' Remuneration Report



**Carol Arrowsmith**  
Chairman of the Remuneration Committee

## MAIN RESPONSIBILITIES

In line with the authority delegated by the Board, the Remuneration Committee sets the Company's Remuneration Policy and is responsible for determining remuneration terms and conditions of employment for the Chairman of the Board and members of the Executive Committee, which comprises the executive directors and other senior executives.

### The Committee:

- ensures that the members of the Executive Committee are appropriately incentivised to enhance the Group's performance and are rewarded for their contribution to the success of the business by designing, monitoring and assessing incentive arrangements, including setting stretching targets and assessing performance and outcomes against them
- reviews the remuneration arrangements for other senior executives within the Group, having regard to the wider remuneration philosophy of the organisation when developing policy and considering executives' packages, monitoring the relationship between them and those of the wider workforce
- maintains an active dialogue with shareholders, ensuring their views and those of their advisors are sought and considered when setting executive remuneration Policy

## MEMBERSHIP AND ATTENDANCE

Member	Member since	Eligible to attend <sup>1</sup>	Meetings attended
Carol Arrowsmith	Jun 2014	6	6
John Bason <sup>2</sup>	Jun 2011	6	6
Stefan Bomhard	May 2016	6	6
John Bryant	Sep 2018	6	6
Anne-Francoise Nesmes	Jul 2018	6	6
Nelson Silva	Jul 2015	6	6
Irenea Vittal	Jul 2015	6	6

- The maximum number of meetings that a member was eligible to attend.
- John Bason will step down as a member of the Committee following the conclusion of the AGM on 4 February 2021.

## DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present the Remuneration Committee's Report for the financial year ended 30 September 2020. The Report is split into the following sections:

- this Annual Statement which contains a summary of the proposed updates to our Directors' Remuneration Policy and an 'at a glance' summary of the remuneration decisions made during the year
- a summary of activities during the year
- the proposed 2021-2024 Remuneration Policy (the 2021 Policy)
- the Annual Remuneration Report on the implementation of the current Policy in the year ended 30 September 2020 and proposed implementation of the proposed 2021 Policy for the next financial year

## COVID-19 CONTEXT

This has been an extraordinary and challenging year. A strong first half was undermined by the significantly detrimental effects of the COVID-19 pandemic, which has had a profound effect on our business, negatively impacting our overall performance for the year.

The Committee, together with the Board, applauds the incredible resilience of our employees, particularly those working in front line roles. To protect the Company over the course of the year, management, with the support of the Board, enacted a series of measures to reduce costs and protect as many jobs as possible.

In recognition of the prevailing challenges and to acknowledge the impact of the pandemic on all our stakeholders, including our shareholders, our people, clients and the communities in which we operate, the Group's executive directors voluntarily waived a percentage of their contractual base salaries during the year. The reduction for the three months from April to June 2020 was 30% for Dominic Blakemore, and 25% for both Karen Wits and Gary Green. They also chose to extend the reduction for the period from July to September 2020 at the rate of 15% for Mr Blakemore, and 12.5% for Mrs Wits and Mr Green, to reflect the ongoing economic situation and the experience of the Group's wider stakeholders.

The Chairman and non-executive directors also agreed to a reduction in their fees of 25%, reducing to 12.5% over the same periods of time.

The Committee has continuously monitored remuneration decisions being taken across the Group and has considered executive pay in the context of the wider workforce and the broader impact on society, the Company and its shareholders.

## PERFORMANCE AND REMUNERATION OUTCOMES IN 2019-2020

The Company has endured one of the most difficult periods in its history. In determining the executive directors' remuneration outcomes for the financial year, the Committee maintained a clear and rigorous focus on aligning pay with performance in the context of a very challenging year.

The Committee has worked closely with the executive team to ensure that remuneration reflects the challenges of the pandemic and the impact on our employees, shareholders and wider stakeholders. I have summarised our rigorous and thoughtful approach and the steps taken. Each is then described in more detail to provide a sense of how we have dealt with matters.

- the voluntary salary waiver by executive directors with fee reductions for the Chairman and non-executive directors
- the majority of the annual bonus targets were not achieved; executive directors requested that any bonus payments that were otherwise earned be waived
- there will be no vesting arising from the 2017-2018 LTIP award in spite of strong performance until the onset of the COVID-19 pandemic

### 2019-2020 Bonus

The 2019-2020 bonus plan was based on performance measures aligned to the financial and strategic objectives of the Company and the relevant director at the start of the financial year. Each measure within the plan is independently set and assessed.

For Dominic Blakemore and Karen Witts, the annual bonus plan for the financial year to September 2020 was based on the following Group performance measures: Profit Before Interest and Tax (PBIT), Adjusted Free Cash Flow (AFCF), Organic Revenue Growth (ORG) and Health, Safety & Environmental (HSE) (measured using the Lost Time Incident Frequency Rate and Food Safety Incident Rate). Despite a very strong performance in the first half of the year and exceptional efforts that were made in response to the dramatic market impact of COVID-19 in the second half of the year, performance against the financial targets was below the thresholds set and no payment was due. A payment was due in respect of the HSE element.

For Gary Green, most of the bonus was based on a number of key financial measures in respect of the North American region. While performance in three of these measures fell short of the threshold set, a payment was due in respect of the improvement in Working Capital component. This reflected the resilient performance of the North American business in challenging market conditions (as described in more detail on pages 16 and 17).

In recognition of the overall Group financial performance during the year and taking into account the impact of COVID-19 on our business, our people, and our shareholders, the executive directors asked to waive their entitlements to any bonus for the year. They proposed instead that some of the monies be donated to good causes. This was welcomed by the Committee, which endorsed the decision.

### 2017-2018 Long Term Incentive Plan

The three year performance period in respect of the 2017-2018 LTIP award came to an end on 30 September 2020.

The LTIP awards held by Mr Blakemore and Mr Green were subject to AFCF, Return on Capital Employed (ROCE) and Total Shareholder Return (TSR) performance measures.

Until the onset of the COVID-19 pandemic, performance was strong, with improvement in ROCE and AFCF tracking in line with a vesting against the performance measures, along with a positive TSR performance. However, the impact of the COVID-19 pandemic reversed this trend which meant that the targets set for each of the performance measures were not met and the awards have therefore lapsed in full.

The second tranche of the Restricted Share Award (RSA) granted to Mrs Witts in respect of forfeited awards from her previous employer also lapsed in full during the year, because the underpins based on Compass' performance were not met.

### REMUNERATION POLICY REVIEW

Early in 2020, the Committee began the review of the three year Policy by examining the remuneration framework to ensure that it remained appropriate. The remuneration policy review builds upon the current policy implemented in 2018, which received a high level of support from shareholders at the 2018 AGM (95.9% of the votes cast in favour of the resolution). The Committee considered a range of options regarding remuneration structures, factoring in developments in the corporate governance landscape, and reviewing remuneration trends and practices in both the UK and US to reflect the significant size and scope of the US business.

We also sought input from management, ensuring that any conflict of interest was suitably mitigated, and from key shareholders at the very early stages of our review. The Committee concluded that the existing model of:

- base salary
- an annual cash bonus
- a three year LTIP with a two year post vesting holding period

was well understood by the business, supports our culture and is appropriate to drive business performance going forward.

The annual bonus and LTIP are linked to the key performance indicators (KPIs) by which we measure delivery of the business.

The principles and structure of the current policy remain relevant, with strong alignment in our incentive plans between executives and the interests of our shareholders. We recognise that there is an increasing focus on non-financial performance measures, including measures relevant to Environmental, Social and Governance (ESG) performance. As a result, we intend to incorporate the flexibility to increase the use of such measures in our proposed 2021 Policy.

As a Committee, we believe that, until the onset of the COVID-19 pandemic, the current policy proved effective and delivered pay for performance, with outcomes reflecting the business performance. At this stage, we therefore propose to limit changes to the policy for the forthcoming period to those which focus on the following key areas:

- a phased reduction of pension allowances for executive directors, such that, by 31 December 2022, they are aligned with the maximum contribution available to the majority of employees in the wider UK workforce
- the introduction of post employment shareholding requirements for executive directors
- a strengthening of the malus and clawback provisions in share based incentive plan rules
- increased flexibility in the policy to permit future changes to incorporate further ESG performance metrics into the bonus plan.

We are not proposing any increases to the level of remuneration, retaining our prudent approach to executive remuneration.

Our policy will be submitted to shareholders for approval at the AGM in February 2021. Details of the proposed changes to the Policy are set out on page 132.

## REMUNERATION FRAMEWORK FOR 2020-2021

The continued focus of the Committee will be to ensure that our remuneration structures are effective, to enable us to continue to motivate, engage and retain the talented colleagues who are critical to the future success of the Company. The Committee recognises that performance targets will need to be achievable yet appropriately stretching to drive performance.

### Base salary

To reflect the ongoing societal impact of COVID-19, and the resulting continued disruption to the business, there will be no increase to base salaries for executive directors in 2021.

### Pension alignment

As detailed on page 133 we will start a phased reduction of executive directors' pension rates from 1 January 2021. This will achieve alignment with the maximum contribution available to the majority of the UK workforce by 31 December 2022.

### Bonus plan

The bonus measures for 2020-2021 reflect the business priorities for the year ahead. Our focus for the forthcoming year will be the responsible restoration of our markets, maintaining a rigorous focus on margin and turning profit into cash.

Accordingly, PBIT is replaced by operating margin. We will measure our success in turning profit into cash with a cash conversion measure replacing AFCF and we will retain our focus on revenue with an absolute revenue target. We have reinforced the importance of our HSE culture as a core pillar of our strategy with Mr Green's bonus now including a separate HSE element weighted at 10% of the overall bonus; the weighting for the other executive directors increasing from 5% to 10% of the overall bonus.

Given the continuing uncertainty regarding COVID-19, governmental responses and the timing and efficacy of the roll out of any COVID-19 vaccine, it is difficult to set full year targets, so 2020-2021 bonus performance will be considered on the basis of two independent six month targets, at the half and full year, for absolute revenue and operating margin. There will be a full year target for cash conversion and the HSE measures. This will reduce the risk of setting targets for the year that are inappropriately calibrated in the event of a stronger recovery in the second half.

### LTIP award

The Committee also considered the LTIP award due to be made to executive directors in November 2020, with respect to the quantum of the award, and the target setting process. Despite strong operational and share price performance in the first half of the financial year, there was a fall in the share price due to the impact of the pandemic in the latter half of the year.

The Committee is mindful that the share price fall experienced during the year as a result of the pandemic could, subject to a short to medium term recovery, lead to the perception of a 'windfall gain' for executive directors. The Committee considered a number of factors, including recent share price appreciation, when contemplating the implementation of a reduction in the multiple of salary used to determine the number shares to be awarded to executive directors and decided that for Dominic Blakemore, the multiple of salary for the 2020-2021 award will be reduced from 300% of salary to 270% of salary, with corresponding reductions for the other executive directors. The Committee took into account the broader impact on remuneration for executive directors and determined that the reduction in the award was a fair and reasonable adjustment to avoid windfall gains.

We will postpone setting LTIP targets for up to six months, enabling us to have better insight into COVID-19 related developments and the potential for market recovery as vaccines are deployed. This will enable us to set targets in light of the then prevailing circumstances, ensuring they are calibrated appropriately and are suitably challenging.

Overall, the Committee remains committed to performance related pay and responsible business practices.

### EXTENDING THE REMIT OF THE COMMITTEE

The UK Corporate Governance Code 2018 (the Code) applies to the Company from the financial year commencing 1 October 2019. The Committee has considered changes in regard to the 2021 Policy update as well as best practice developments.

This year, we have disclosed the ratio between the CEO's remuneration and that of the lower quartile, median and upper quartile of UK employees. The CEO pay ratio is presented on page 150.

The Committee continued to consider the wider workforce when making pay decisions and conducted reviews of the wider arrangements concerning employee remuneration during the year. Both the annual bonus plan and long term incentive plans are structurally consistent for the executive directors and the broader management teams, which operate across all countries within the Group, creating alignment and a consistent strategic focus.

At the beginning of the year, the Committee considered the salary arrangements across the Group in determining the 2020 salary reviews for the executive directors and other Executive Committee members. The Committee also received updates on the broader employee landscape across the Group, details of which are set out on page 150. The Committee has been provided with frequent updates during the year on the Company's response to managing the impact of COVID-19 from a remuneration and broader people perspective. This included examples of local responses recognising the efforts of front line team members and supporting the response by paying additional bonuses, establishing hardship funds and providing enhanced employee assistance programmes.

### SHAREHOLDER ENGAGEMENT

The Committee values open, ongoing engagement with major shareholders and key institutional investor bodies. During the year I had the opportunity to speak with many of our major institutional shareholders about the proposed 2021 Policy. Much of the consultation was held virtually, with round table events enabling the collective participation of our major shareholders.

The overall tone from shareholders was positive and constructive and enabled us to understand what was important for the Committee to consider both from a Policy perspective and regarding the Company's response to the challenges faced in 2020.

We believe that our current and proposed 2021 Policy arrangements remain appropriate, a view shared by our major shareholders during the consultations. It was considered that the existing model is clearly understood, supports our culture and provides a foundation to restore shareholder value in the future.

As a Committee, we will continue to engage with shareholders and institutional investor bodies in the development of our remuneration policies and structures and will continue to emphasise the links to performance and to consider wider stakeholders.

### CONCLUSION

The voting outcomes at the 2020 AGM in respect of the Remuneration Report for the year ended 30 September 2019, together with the results of voting on the current Policy at the 2018 AGM when it was introduced are set out on page 153. The 2021 Policy and 2019-2020 Remuneration Report will be put to the 2021 AGM for approval by shareholder resolution.

I would like to express my appreciation to our major shareholders for helping us to develop our Policy. I believe that this constructive engagement has enabled the Committee to reach conclusions which I believe are grounded, balanced and in the best interests of the Company and its stakeholders. I hope that you will join the Board in supporting the resolution to approve the proposed 2021 Policy.



**Carol Arrowsmith**

Chairman of the Remuneration Committee

24 November 2020

# At a glance

## REMUNERATION IN 2019-2020 MEASURING PERFORMANCE

Measuring performance	Strategic KPI	Bonus Weighting <sup>1</sup>	LTIP Weighting <sup>1</sup>
Growing and retaining our customer base and driving volumes	Organic Revenue Growth (ORG)	25%	—
Delivering profit from our operations	Profit Before Interest & Tax (PBIT)	55%	—
Turning profit into cash	Adjusted Free Cash Flow (AFCF)	15%	40%
Delivery against investments	Return on Capital Employed (ROCE)	—	40%
Effectiveness of our safety culture	Lost Time Incident Frequency Rate (LTIFR)	2.5%	—
Providing safe food and of the right quality	Food Safety Incident Rate (FSIR)	2.5%	—
Delivering returns for shareholders	Total Shareholder Return (TSR)	—	20%

1. Based on Group bonus plan performance measures for the 2019-2020 year, and the 2017-2018 LTIP vesting in the 2019-2020 financial year.

## REMUNERATION OUTCOMES AS AT 30 SEPTEMBER 2020

Element	Dominic Blakemore	Gary Green	Karen Witten
Base salary at 30 September 2020 <sup>1</sup>	£1,000,000	\$1,486,000	£674,000
Pension (% of base salary)	20%	35%	20%
Benefits	£69,000	\$151,000	£32,000
Annual bonus (% of max)	0%	0%	0%
LTIP (% of max)	0%	0%	—
2019-2020 Single Figure of Remuneration	£1,162,000	\$2,010,000	£785,000

1. Reflects notional base salary. Actual base salary paid for the year ended 30 September 2020 reflects a reduction over a period of six months to align with the wider stakeholder experience. Further details can be found on page 122.

## ANNUAL BONUS OUTCOME

The maximum annual bonus opportunity is 200% of base salary for the Group CEO and 150% of base salary for other executive directors. Performance measures and weightings are set out in more detail on page 143. As described, to reflect the wider context and stakeholder experience during 2020, the executive directors asked to waive their entitlements to any bonus earned. The Committee endorsed this decision and, accordingly, no bonus payments were made to executive directors for 2019-2020.

## LTIP OUTCOME

The 2017-2018 award of 300% of base salary granted to Dominic Blakemore and 250% granted to Gary Green in respect of the three year performance period ended on 30 September 2020 did not meet the performance conditions and the awards lapsed in full. Karen Witten did not hold an award under the 2017-2018 LTIP.

## Share ownership guidelines

The share ownership guidelines for executive directors are 300% of base salary for the Group CEO and 250% of base salary for other executive directors which is to be achieved over a five year period. Details of current share ownership compared with the guidelines are on page 149.

## COVID-19 IMPACT ON EXECUTIVE REMUNERATION

The following table summarises the key components of executive remuneration and the decisions made by the Committee:

Element of remuneration	Committee decision	Rationale
<b>2020 temporary salary reductions</b>	Base salaries were reduced for a period of six months for executive directors together with a reduction in the Chairman's fee. Whilst not a decision made by the Committee, there was a corresponding reduction in the fees paid to the non-executive directors <sup>1</sup> .	The Committee took into consideration the wider stakeholder experience, including employees, shareholders, clients and the communities in which we operate and considered it appropriate to apply the temporary reduction.
<b>2019-2020 Bonus plan outcome</b>	No interventions were made to the formulaic outcome of the bonus plan. The Committee endorsed the decision by the executive directors to waive their right to any payout under their bonus.	The executive directors felt it appropriate that the funds otherwise payable for performance in respect of the HSE measures should be donated to good causes.
<b>2017-2018 LTIP vesting</b>	No adjustments to the LTIP were made during the year. The award lapsed in full in line with performance against the targets.	The award lapsed in accordance with the level of achievement against the performance conditions.
<b>2020-2021 Bonus plan design</b>	The bonus plan for 2020-2021 has been designed to support business recovery; measures have been updated, a greater weighting placed on HSE for all executive directors and two six month targets for absolute revenue and operating margin introduced.	The Committee considered the bonus plan measures in the context of an uncertain year ahead. Focus is placed on measures that will reflect the Group's recovery, with targets being set for two six month periods. This provides the flexibility for the Committee to ensure that, if the market environment improves, targets will be calibrated to remain suitably stretching for the full year.
<b>2020-2021 LTIP award</b>	The multiple of salary applied to determine the 2020-2021 LTIP award will be reduced. This takes into account the fall in the share price as a consequence of the impact of the COVID-19 pandemic on the business.  Targets will be set within six months of the date of award.	The Committee decided to reduce the multiple of salary used to determine the number shares to be awarded to executive directors and decided that for Dominic Blakemore, the multiple of salary for the 2020-2021 award will be reduced, from 300% of salary to 270% of salary, with corresponding reductions for the other executive directors.
<b>2021 salary review</b>	Base salaries will remain unchanged in the financial year 2020-2021.	The Committee took into consideration the wider stakeholder experience, including employees, shareholders, clients and the communities in which we operate and considered it appropriate for salaries to remain unchanged for 2021.

1. The fee reduction for Ian Meakins was effective from 1 September 2020, being the date he was appointed to the Board, for a period of one month.

# Committee summary

## ACTIVITY DURING THE YEAR

The key activities of the Committee during the year ended 30 September 2020 are set out below. In addition, the Committee monitors performance in relation to Group wide share plans. The Committee also reviews regularly any discretionary matters in relation to individuals below executive director level and actively considers other governance matters.

2019	2020	
<b>NOVEMBER</b>	<b>MARCH</b>	<b>MAY</b>
<ul style="list-style-type: none"> <li>reviewed salaries for the Executive Committee, including the executive directors, effective 1 January 2020 taking into consideration salary review budgets across the Group</li> <li>determined 2018-2019 performance outcomes for the LTIP and bonus plans</li> <li>approved draft DRR for 2018-2019</li> <li>set targets under the bonus and LTIP for 2019-2020</li> <li>assessed share ownership compliance against the guidelines</li> <li>agreed the high level timetable and consultation approach for the 2021 Policy review</li> </ul>	<ul style="list-style-type: none"> <li>assessed the current Directors' Remuneration Policy against emerging market trends and determined areas of focus</li> <li>discussed shareholder feedback received in respect of the 2020 AGM</li> <li>received an overview of total remuneration for the global leadership team</li> <li>determined reductions to fees paid to the Chairman and base salaries paid to executive directors in respect of COVID-19</li> </ul>	<ul style="list-style-type: none"> <li>received an update on wider employee remuneration and employment practices within the Group</li> <li>received an update on the response to COVID-19 in respect of the wider workforce and external landscape</li> <li>received an update on the indicative performance of Mrs Witts' restricted share award</li> <li>determined the approach to the 2021 Policy review in the context of COVID-19</li> <li>received an update on the proposals for the 2019-2020 global leadership team LTIP award</li> <li>received an update on external remuneration trends from the external remuneration advisors</li> </ul>
<b>2020</b>		
<b>JULY</b>	<b>AUGUST</b>	<b>SEPTEMBER</b>
<ul style="list-style-type: none"> <li>considered the motivation, engagement and retention of leadership talent critical to the Group</li> <li>reviewed the proposed 2021 Policy</li> <li>agreed the extension of reductions in base salaries paid to executive directors and fees paid to the Chairman of the Board in the context of the wider stakeholder experience</li> <li>noted the lapse of Mrs Witts' restricted share award which did not vest in July 2020</li> <li>considered a market review of fees for the role of Chairman as part of the search for a new Chairman that was undertaken in the year</li> <li>undertook a review of remuneration advisory services</li> </ul>	<ul style="list-style-type: none"> <li>determined the fees to be paid to the new Chairman and the associated reduction in fees for September 2020 to align with the reduction applied to all non-executive directors in respect of COVID-19</li> </ul>	<ul style="list-style-type: none"> <li>considered shareholder feedback in respect of the proposed 2021 Policy</li> <li>received an update on wider employee remuneration and employment practices within the Group</li> <li>reviewed the terms of reference of the Committee and confirmed that they remained fit for purpose</li> <li>considered the draft DRR for 2019-2020</li> <li>agreed the reinstatement of base salaries paid to the executive directors and fees paid to the Chairman from 1 October 2020</li> <li>approved the appointment of Deloitte LLP as new remuneration advisors to the Committee</li> </ul>

## GOVERNANCE

The Committee consists entirely of independent non-executive directors, as defined in the Code.

The membership comprises Carol Arrowsmith, Chairman, and all other non-executive directors (except Ian Meakins) in office at the date of this Directors' Remuneration Report (DRR). Biographical details of the current members of the Committee are set out on pages 72 and 73. Members of the Committee are appointed by the Board following recommendation by the Nomination Committee.

### Meetings attendance

The Committee must meet at least twice a year. A quorum for a meeting is two.

Only members of the Committee have the right to attend Committee meetings. The Group General Counsel and Company Secretary acts as Secretary to the Committee. The Group Chief People Officer and the Group Reward Director attend Committee meetings by invitation to advise the Committee on remuneration strategy, Group policies and practice. Details of advisors to the Committee can be found on page 152.

The Committee is authorised to seek information from any employee of the Group to enable it to perform its duties and, if necessary, at the expense of the Company, can obtain legal or other independent professional advice on matters covered by its terms of reference.

The terms of reference of the Committee are reviewed annually to ensure that they continue to be fit for purpose. A copy of the Committee's terms of reference can be found on the Company website [www.compass-group.com](http://www.compass-group.com).

The Chairman of the Remuneration Committee attends the AGM to respond to any shareholder questions that might be raised on the Committee's activities.

## COMMITTEE PERFORMANCE

Last year, as part of the Committee evaluation, Committee members were asked to consider the alignment of the Remuneration Policy with the Company's strategy. The results of these deliberations are evidenced in the revised Remuneration Policy which will be put to shareholders for approval at the 2021 AGM. In line with the development priorities identified last year, the Committee continued to work with the executive team to evaluate management remuneration arrangements against the Company's strategy and the evolving external environment, and received external input and guidance from its remuneration advisors on key trends and developments in remuneration.

### 2020 Evaluation

This year's evaluation was also conducted with the assistance of independent board effectiveness advisors Lintstock. The overall effectiveness of the Committee and, in particular, the Committee

Chairman were rated very highly. The process for the review of the new Remuneration Policy and engagement with investors was rated very highly, despite having to move to virtual consultation as a result of the outbreak of the COVID-19 pandemic. It was considered that appropriate focus had been given to ensuring the alignment of management incentives with the Company's strategy, culture, purpose and values, the wider pay arrangements for the Group and the expectations of its stakeholders.

### Going Forward

Over the coming year, the Committee will continue to balance management incentives and motivation with the expectations of stakeholders.

## STRUCTURE AND CONTENT OF THE DIRECTORS' REMUNERATION REPORT

This DRR has been prepared on behalf of the Board by the Committee in accordance with the requirements of the Companies Act (CA 2006), The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the 2013 regulations), The Companies (Miscellaneous Reporting) Regulations 2018 (the 2018 regulations) and The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 (the 2019 regulations). The next two sections of the DRR cover the following matters:

- the Company's proposed Remuneration Policy effective from 4 February 2021 and for three years thereafter (the Policy Report), including:
  - how decisions on directors' remuneration will be made and the philosophy and strategy behind those decisions
  - the structure of remuneration packages for existing, departing and new directors
  - the impact of key performance measures on the potential value of remuneration
  - key contractual terms for existing and new directors
  - how the Company engaged with major shareholders during the development of the 2021 Policy
  - how the Policy approved by shareholders at the 2018 AGM was implemented in the year ended 30 September 2020 and how the proposed 2021 Policy will be implemented in the next financial year (the Annual Remuneration Report)

Auditable disclosures are the:

- executive directors' single total figure of remuneration (page 141)
- long term incentive awards (page 144)
- extant equity incentive awards held by executive directors (page 147)
- director changes during the year (page 148)
- non-executive directors' remuneration (page 148)
- directors' interests (page 149)

# Remuneration Policy

This section of the Report sets out our new Remuneration Policy (the 2021 Policy).

We consulted with shareholders extensively during 2020 when the 2021 Policy was being formulated to ensure that it aligned with the expectations of our shareholders. If the 2021 Policy is approved at the AGM to be held on 4 February 2021, it will apply from that date.

The current Remuneration Policy for executive directors applied from the date of the 2018 AGM (2018 Policy) and was subsequently amended at the 2020 AGM to replace the annual cap of £125,000 on the total fees payable to each non-executive director of the Company with the aggregate cap on directors' fees specified in the Company's articles of association.

The 2018 Policy will continue to apply until the 2021 Policy is approved at the 2021 AGM. The provisions of the 2018 Policy will continue to apply until all the long term incentive awards (including any restricted share awards) granted under that Policy have vested or lapsed. The post employment shareholding requirement will apply to all long term incentive awards acquired after the 2021 Policy is approved on 4 February 2021.

The Committee reviewed the Company's remuneration philosophy and structure to ensure that remuneration supports the Company's strategic objectives, is in line with best practice and can fairly reward individuals for the contribution they make to the business. In doing so, the Committee had regard to the size and complexity of the Group's operations and the need to motivate and attract individuals of the highest calibre.

The Committee believes that the 2018 Policy, which was designed to maintain stability in the executive team and to ensure appropriate positioning against our comparator groups, has worked well, remains balanced, is relevant to support the

delivery of the strategy and will continue to stand the test of time. As a result, the 2021 Policy is an evolution of the 2018 Policy, building on best practice with only limited changes, including enhanced flexibility in the bonus plan to enable future focus on ESG measures.

Remuneration links corporate and individual performance with an appropriate balance between short and long term elements, and fixed and variable components. The 2021 Policy is 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 considers that the targets set for the different components of performance related remuneration are both appropriate and sufficiently demanding in the context of the business environment and the challenges the Group faces.

The Committee has discretion to amend certain aspects of the 2021 Policy in exceptional circumstances when considered to be in the best interests of shareholders. Should such discretion be used, this will be explained in the DRR of the following year.

The Committee considers 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.

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

## 2021 POLICY REVIEW FOCUS AREAS

The table below shows the areas which the Committee focused on in respect of the 2021 Policy review:

PENSION	BONUS	LTIP	POST EMPLOYMENT SHAREHOLDING REQUIREMENTS
Alignment of executive pension levels to the wider UK workforce	Review of structure, measures and malus and clawback provisions. Explore greater use of ESG measures	Review of structure, measures and malus and clawback provisions	Introduction of a two year post employment shareholding requirement for executive directors

## Designing the Remuneration Policy

The Committee is responsible for the design and oversight of the Remuneration Policy and has responsibility for its implementation. In designing the 2021 Policy, the Committee was supported by internal experts and external advisors and undertook a programme of shareholder consultation to ensure that arrangements reflected best practice. In considering the structure and framework for the Remuneration Policy, the Committee carefully considered the linkage of remuneration to the Company's business model and strategy, to ensure that our arrangements support the strategy, and promote long term sustainable success.

As economic conditions continued to worsen through the year as a result of COVID-19, the Committee deemed it appropriate to account for this in the design of the 2021 Policy. The Committee advocated limited changes to the Remuneration Policy already in operation, a view that was shared by our major shareholders and shareholder representative bodies, as well as our internal and external remuneration experts.

The table below sets out how the principles of the Code relating to the design of remuneration policies and practices, have been applied:

Clarity	Simplicity	Risk	Predictability	Proportionality	Alignment to culture
We ensure pay for performance and our policy is designed to be logical and transparent. We believe this is clearly communicated to and understood by our stakeholders.	Remuneration for executive directors is comprised of distinct elements: base salary, benefits, pension arrangements which will be phased down to align with the wider UK workforce, annual bonus and long term incentive awards to reward sustainable long term performance.	Remuneration arrangements ensure that the risks from excessive rewards are easily identified and mitigated. Base salaries are carefully reviewed to consider a variety of factors, including benchmarking and salary increases of the wider workforce. Variable pay elements are linked directly to Company performance.	Target ranges and potential maximum payments under each element of remuneration are disclosed within the DRR. The Committee operates a high degree of discretion over variable pay elements and can adjust any pay outcomes that the Committee deems are inconsistent with the performance of the Company.	The Committee has ensured that appropriate safeguards are incorporated into the 2021 Policy and remuneration structures to ensure that pay remains proportionate to the Company's long term performance and the delivery of the strategy.	Our business is performance orientated and our remuneration structure is appropriately aligned to our culture. In addition to financial metrics and KPIs, we will retain the flexibility to introduce further non-financial measures into our annual bonus plan.

## TIMELINE FOR THE REVIEW

FEBRUARY 2020	MARCH	MAY	AUGUST	SEPTEMBER	NOVEMBER	FEBRUARY 2021
Stakeholder interviews	Focus areas agreed with the Committee and initial shareholder consultation meetings held	Initial proposals drafted	Proposals issued to shareholders	Shareholder consultation roundtable meetings held	Final proposals confirmed	2021 Policy presented to shareholders for approval at 2021 AGM

## SUMMARY OF CHANGES

The table below sets out key changes between the 2018 Policy and the 2021 Policy, to be approved by shareholders at the Company's 2021 AGM:

Policy element	Description of proposed change
<b>Alignment of pension to wider workforce</b>	<ul style="list-style-type: none"> <li>pension benefits for newly appointed executive directors will be in line with the maximum employer contribution available to the majority of the wider workforce (currently 6%). The UK workforce has been chosen as the most appropriate comparator group as Compass is a UK listed company</li> <li>alignment with the maximum available to the majority of the wider UK workforce for executive directors will be achieved by 31 December 2022</li> <li>Mr Blakemore and Mrs Wiggs' pension benefits will reduce in three tranches from 20% to 6%. The first reduction to 15% will commence on 1 January 2021</li> <li>Mr Green's pension benefit will reduce in three tranches from 35% to 6%. The first reduction to 28% will commence on 1 January 2021</li> <li>details of the phasing down for each executive director is set out in the policy table on page 133</li> </ul>
<b>Post employment shareholding requirements</b>	<ul style="list-style-type: none"> <li>the current share ownership guideline policy will be updated to include a post employment shareholding requirement</li> <li>executive directors will be 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</li> <li>the post employment shareholding requirement will apply to all shares acquired through the Company's share plans after the 2021 Policy has been approved by shareholders at the 2021 AGM</li> </ul>
<b>Malus and clawback</b>	<ul style="list-style-type: none"> <li>the current malus and clawback provisions are being strengthened to include corporate failure as a trigger under the bonus and long term incentive plans</li> </ul>
<b>Bonus plan measures</b>	<ul style="list-style-type: none"> <li>the 2021 Policy will include increased flexibility within the annual bonus plan to enable an increased focus on environmental, social and governance measures. The plan measures will continue to be weighted towards financial measures. Details on the implementation of this change for 2020-2021 are set out on page 144</li> </ul>

## COMPONENT PARTS OF THE REMUNERATION PACKAGE

The key components of executive directors' remuneration for the 2021 Policy Period are summarised below:

Component and link to strategy	Operation of component	Maximum opportunity	Performance measures
<b>BASE SALARY</b> 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; there is 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.
<b>BENEFITS AND PENSION</b> To provide a competitive level of benefits.	Benefits include, but are not limited to, healthcare insurance 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.  Executive directors are invited to participate in the Company's defined contribution pension scheme 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 will be aligned to the maximum rate available to the majority of the wider UK workforce (currently 6% of base salary).  Pension contributions for current executive directors will be aligned to this rate over time.	None.

Component and link to strategy	Operation of component	Maximum opportunity	Performance measures
<b>ANNUAL BONUS</b>	<p>Incentivise and reward the achievement of stretching one year key performance targets set by the Committee at the start of each financial year.</p> <p>The annual bonus is earned by the achievement of one year performance targets set by the Committee at the start of each financial year and is delivered in cash or a combination of cash and Deferred Bonus Shares.</p> <p>The Committee retains the discretion to adjust the bonus outcomes to ensure that they reflect underlying business performance.</p> <p>The annual bonus is subject to malus and/or clawback for a period of three years following the date of payment in the event of discovery of a material misstatement in the accounts or in the assessment of a relevant performance condition; or 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; or a material corporate failure; or the occurrence of any other exceptional event as determined at the discretion of the Committee.</p> <p>Bonus will be deferred when share ownership guidelines have not been met, usually with a minimum level of deferral of one third of the bonus earned and typically deferred for a period of three years.</p> <p>Dividend equivalents may be accrued on Deferred Bonus Shares.</p>	<p>The target award for the Group CEO is 100% of base salary, with a further maximum of 100% for enhanced performance. No bonus is payable for performance below threshold level. Payments increase, on a straight line basis, from threshold to target payout level and from target to maximum performance.</p> <p>The target award for other executive directors is 75% of base salary, with a further maximum of 75% of base salary available for enhanced performance. No bonus is payable for performance below threshold level. Payments increase, on a straight line basis, from threshold to target payout level and from target to maximum performance.</p>	<p>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.</p> <p>The performance measures and their percentage weightings may vary, depending upon a director's area of responsibility.</p> <p>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 be weighted to financial measures.</p> <p>Annual bonus targets are set with reference to internal budgets and analyst consensus forecasts, with maximum payout requiring performance well ahead of budget.</p> <p>A bonus underpin may be operated so that the bonus outcome is reduced if underpin performance is not met.</p> <p>Details of the specific measures and targets applying to each element of the bonus for the year being reported are shown in the Annual Remuneration Report on page 143.</p>

Component and link to strategy	Operation of component	Maximum opportunity	Performance measures	
<b>LONG TERM INCENTIVE PLAN (LTIP)</b>	<p>Incentivise and reward executive directors for the delivery of longer term financial performance and shareholder value.</p> <p>Share based to provide alignment with shareholder interests.</p>	<p>An annual conditional award of ordinary shares which may be earned after a single 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.</p>	<p>Awards may be made at the following levels of salary:</p> <p>Group Chief Executive: 300%</p> <p>Other executive directors: 250%</p>	<p>Performance is measured over three financial years.</p>
<b>Return on capital employed (ROCE)</b>	<p>ROCE supports the strategic focus on growth and margin through ensuring that cash is reinvested to generate strong returns with capital discipline.</p>	<p>Calculations of the achievement of the targets are independently assessed and are approved by the Committee. To ensure continued alignment between executive directors' and shareholders' interests, the Committee also reviews the underlying financial performance of the Group and retains its discretion to adjust vesting if it considers that performance is unsatisfactory.</p>	<p>In exceptional circumstances, such as the appointment of a new executive director, this could be increased to 400% of base salary. Any use of this exceptional limit would be appropriately explained.</p>	<p>Performance measures for the 2020-2021 award are ROCE, AFCF and TSR, with each applying 40%, 40% and 20% respectively.</p>
<b>Adjusted free cash flow (AFCF)</b>	<p>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.</p>	<p>Dividend equivalents may be accrued on the shares earned from LTIP awards.</p>	<p>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 on a straight line basis for achievement of maximum performance.</p>	<p>LTIP targets are set with reference to internal budgets and analysts' consensus forecasts, with maximum payment requiring performance well ahead of budget.</p>
<b>Relative total shareholder return (TSR)</b>	<p>TSR provides direct alignment between the interests of executive directors and shareholders.</p>	<p>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; or 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; or a material corporate failure; or the occurrence of any other exceptional event as determined at the discretion of the Committee.</p>	<p>The element of an award based on relative TSR will vest in full for top quartile performance achievement 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.</p>	<p>Details of the targets for LTIP awards vesting and granted are set out as required in the Annual Remuneration Report on pages 145 and 146.</p>
		<p>Awards are delivered in shares. However, the rules contain excepted 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 their release.</p>		<p>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.</p>
<b>Notes to the Remuneration Policy table</b>				
<ol style="list-style-type: none"> <li>The Committee may make minor amendments to the Policy (for example for tax, exchange control, regulatory or administrative purposes) without obtaining shareholder approval.</li> <li>The Remuneration Policy for executive directors differs from that of other members of the Executive Committee solely in respect of quantum of the various components and remuneration. 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.</li> </ol>				

## INCENTIVE PLANS

The LTIP described in the table on page 135 (known as The Compass Group PLC Long Term Incentive Plan 2018) is the primary form of equity incentive for executive directors.

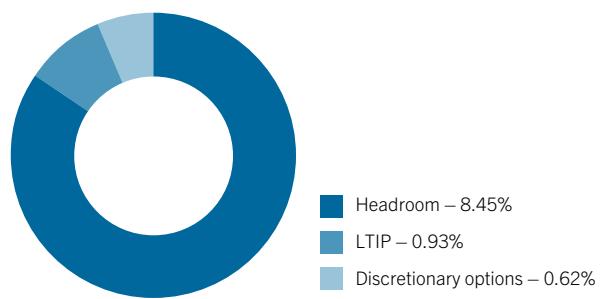
## DILUTION LIMITS

All of the Company's equity based incentive plans incorporate the current Investment Association Share Capital Management Guidelines (IA Guidelines) 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.

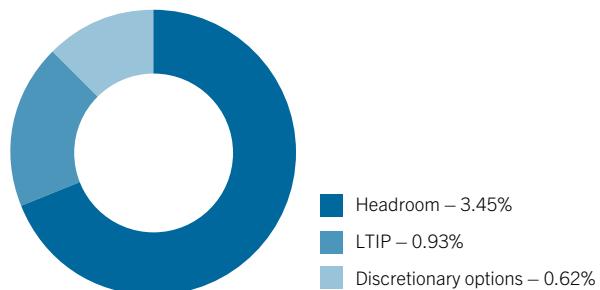
The Committee monitors the position regularly and prior to making an award, ensures that the Company remains within these limits. Any awards which are required to be satisfied by market purchased shares are excluded from such calculations. On 30 September 2020, the Company held 1,535,347 treasury shares. During the financial year ended 30 September 2020, 136,904 shares were purchased in the market by the trustees of The Compass Group PLC All Share Schemes Trust. 1,794,287 treasury shares and 177,301 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 2020, the Company's headroom position, which remains within the current IA Guidelines, was as shown in the charts below:

## HEADROOM AS AT 30 SEPTEMBER 2020

10% in 10 years



5% in 10 years



## 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.

The share ownership guideline requirement is to build up and maintain a personal shareholding of 300% of base salary for the Group CEO and 250% for all other executive directors. Non-executive directors are required to build up and retain a personal shareholding equal to the value of their base fee.

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 change of LTIP opportunity, whichever is the later. 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.

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 grant of future LTIP awards to an executive director will be conditional upon reaching the appropriate threshold in the required timeframe. Where executive directors have not achieved the minimum guideline effective for the period, one third of their cash bonus will be deferred into shares for three years.

From 4 February 2021, a post employment shareholding requirement will be implemented under the share ownership guideline policy for executive directors which will apply to awards acquired after the effective date of the 2021 Policy. The 2021 Policy will require 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.

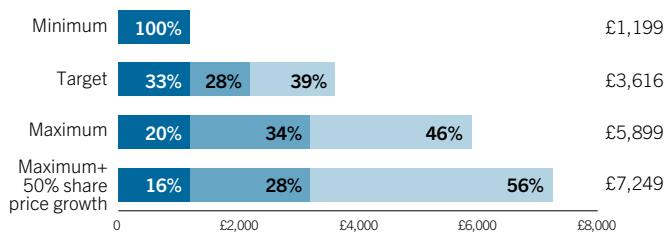
Details of the interests of directors in shares and equity incentives are set out on page 149, together with the extent to which each of the directors has complied with the share ownership guidelines as at 30 September 2020.

## ILLUSTRATIONS OF APPLICATION OF THE PROPOSED 2021 REMUNERATION POLICY

The graphs below show an estimate of the remuneration that could be received by executive directors in office at 1 October 2020 under the proposed 2021 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.

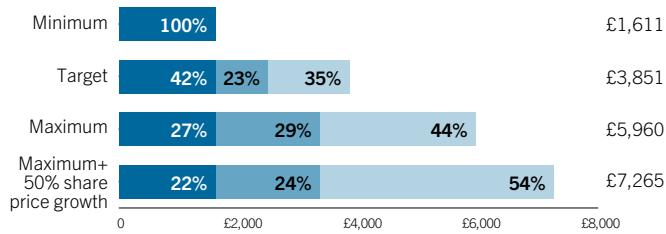
### DOMINIC BLAKEMORE

Total remuneration £000



### GARY GREEN<sup>1</sup>

Total remuneration £000



1. Gary Green is paid in US dollars. For reporting purposes, this pay is converted into sterling at an exchange rate of \$1.2814/£1.

### KAREN WITTS

Total remuneration £000



Fixed pay

Annual bonus

LTIP

The scenarios in the graphs are defined as follows:

- fixed pay includes:
  - annual base salary as at 1 October 2020
  - value of benefits as noted in the single figure table on page 141. The benefit arising from the 2020 equity raise subscription is excluded on the basis that it is not expected to arise in 2020-2021
  - pension cash allowance reflecting the first three months of the 2020-2021 financial year at the current rates and nine months at the proposed reduced level taking effect on 1 January 2021
- annual bonus is shown as a maximum percentage of base salary, with minimum, target and maximum performance shown as 0%, 50% and 100% respectively
- LTIP is 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 paying out at 62.5% of maximum (midway between threshold and maximum payout). LTIP awards of 270% for Dominic Blakemore, and 225% for Gary Green and Karen Wiggs have been used in the calculation to reflect the reduction in the salary multiple used to determine the 2020-2021 award
- 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 2021 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 2021 Policy maximum opportunity for existing executive directors and the Group CEO. However, in exceptional circumstances, such as the recruitment of a new executive director, a maximum LTIP award of up to 400% of base salary may be awarded. Additionally, to support the successful building up of a shareholding in compliance with the share ownership guidelines, executives will also be required to have a minimum of one third of their annual bonus deferred into shares where the share ownership guideline has not yet been met. The required level of shareholding is expected to be achieved within a five year period in accordance with our share ownership guidelines.

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 minimising the cost to the Company. The policy for the recruitment of executive directors during the 2021 Policy period includes the facility to provide a level of compensation for forfeiture of bonus entitlements and/or unvested long term incentive awards from an existing employer, if any, and the additional provision of benefits in kind and other allowances, such as relocation, education and tax equalisation, as may be 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, commercial value 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 Company or following corporate activity/reorganisation, the normal policy would be to honour any legacy incentive arrangements to run off in line with the original terms and conditions.

It is the Board's intention that the policy on the recruitment of new non-executive directors during the 2021 Policy period would be to apply remuneration elements consistent with those in place for the existing non-executive directors. It is not intended that variable pay, cash supplements, day rates or benefits in kind be offered, although in exceptional circumstances such remuneration may be required in currently unforeseen circumstances.

The Committee will include in annual reports details of the implementation of the 2021 Policy as utilised during the 2021 Policy period in respect of any such recruitment to the Board.

## 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
<b>REMUNERATION</b>	<ul style="list-style-type: none"> <li>base salary, pension and benefits</li> <li>car benefit</li> <li>family private health insurance</li> <li>life assurance</li> <li>financial planning advice</li> <li>minimum of 25 days' paid annual leave</li> <li>participation in the annual bonus plan, subject to plan rules</li> <li>participation in the LTIP, subject to plan rules</li> </ul>
<b>CHANGE OF CONTROL</b>	no special contractual provisions apply in the event of a change of control
<b>NOTICE PERIOD</b>	<ul style="list-style-type: none"> <li>12 months' notice from the Company</li> <li>6 months' notice from the director (12 months from Mr Blakemore)</li> </ul>
<b>TERMINATION PAYMENT</b>	<p>Payment in lieu of notice equal to 12 months:</p> <ul style="list-style-type: none"> <li>base salary</li> <li>pension supplement</li> <li>10% of base salary in respect of benefits</li> </ul>
<b>RESTRICTIVE COVENANTS</b>	<p>All of the above would be paid in monthly instalments, subject to an obligation on the part of the director to mitigate his/her loss such that payments will either reduce, or cease completely, in the event that the director gains new employment/ remuneration</p> <ul style="list-style-type: none"> <li>during employment and for 12 months after leaving</li> </ul>

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. Mr 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 Mr Blakemore and Mrs Witts 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.

Mr 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 Mr Green's contract are not required to be consistent with the current Policy.

Whilst unvested awards will normally lapse, the Committee may in its absolute discretion allow for awards to continue until the normal vesting date and for the performance conditions to be disregarded, or for vesting to be accelerated (for example on death), or otherwise, 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.

Service contracts outline the components of remuneration paid to the individual but do not prescribe how remuneration levels may be adjusted from year to year.

The senior executives who are members of the Executive Committee, and who are referred to in note 4 to the consolidated financial statements on page 202, have similar service contracts.

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 2020
Dominic Blakemore	12 Dec 2011 7 Nov 2017 <sup>1</sup>	8 years, 7 months
Gary Green	29 Dec 2006 27 Nov 2007 <sup>2</sup>	13 years, 9 months
Karen Witts	10 Oct 2018	1 year, 5 months

1. Appointment was formally revised from 1 October 2017.  
2. Appointment was formally revised from 1 November 2007.

## CHAIRMAN

The fee for the Chairman is reviewed annually by the Committee with any increase taking effect on 1 October. The Chairman is not eligible for pension scheme membership, bonus or incentive arrangements. Costs in relation to business and commuting travel may be reimbursed. The Chairman's appointment is terminable without compensation on six months' notice from either side. Fees paid to the Chairman for the year ended 30 September 2020 are set out on page 148.

Paul Walsh has a letter of engagement dated 19 June 2013 in respect of his original appointment as a non-executive director for a period of three years from 1 January 2014. Mr Walsh became Chairman at the conclusion of the Company's AGM on 6 February 2014 and will step down as Chairman of the Company on 1 December 2020. His successor, Ian Meakins, was appointed as a non-executive director on 1 September 2020 and will succeed Mr Walsh as Chairman on 1 December 2020. Fees paid to Mr Meakins are set out on pages 148 and 149.

## 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.

The fees for the year under review comprised a base fee which includes membership of the Audit, Corporate Responsibility, Nomination and Remuneration Committees. An additional fee is payable where a non-executive director acts as Chairman of the Audit, Remuneration or Corporate Responsibility Committee and an additional fee is also payable to the director nominated as Senior Independent Director (SID). 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 for the year ended 30 September 2020 are set out on page 149.

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	Total length of service as at 30 Sep 2020
Carol Arrowsmith	1 Jun 2014	14 May 2014 8 Mar 2017 <sup>1</sup> 19 Mar 2020 <sup>1</sup>	6 years, 4 months
John Bason	21 Jun 2011	10 May 2011 8 May 2014 <sup>1</sup> 8 Mar 2017 <sup>1</sup> 23 Sep 2020 <sup>1</sup>	9 years, 3 months
Stefan Bomhard	5 May 2016	5 May 2016 13 Mar 2019 <sup>1</sup>	4 years, 4 months
John Bryant	1 Sep 2018	17 May 2018	2 years, 1 month
Ian Meakins	1 Sep 2020	17 Aug 2020	1 month
Anne-Francoise Nesmes	1 Jul 2018	17 May 2018	2 years, 3 months
Nelson Silva	16 Jul 2015	16 Jul 2015 8 Mar 2018 <sup>1</sup>	5 years, 2 months
Ireene Vittal	16 Jul 2015	16 Jul 2015 8 Mar 2018 <sup>1</sup>	5 years, 2 months

1. Date on which appointment was formally revised.

At the recommendation of the Nomination Committee, Mr Bason's terms of appointment have been extended to provide stability and to support the transition to the new Chairman. He will step down as a member of the Committee at the conclusion of the 2021 AGM and will not seek re-election as a director at the 2022 AGM.

# Annual Remuneration Report

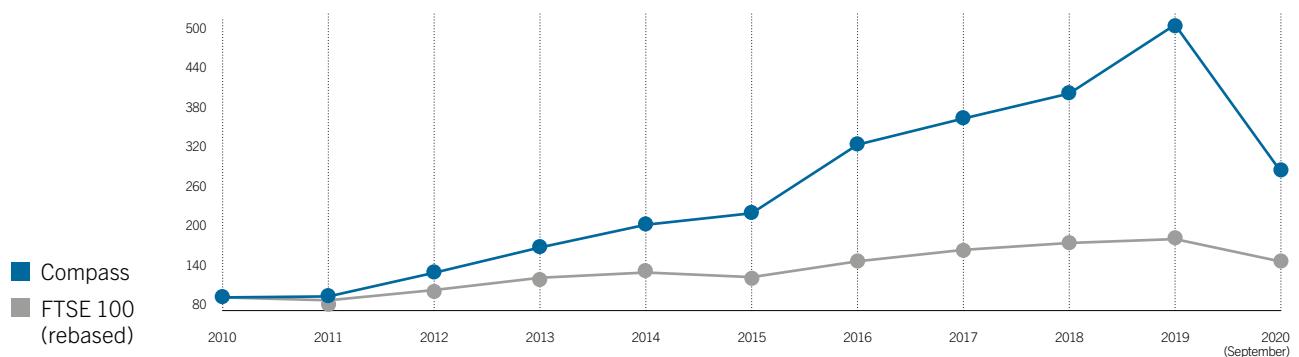
## REMUNERATION IN DETAIL FOR THE YEAR ENDED 30 SEPTEMBER 2020

### Total Shareholder Return (TSR)

The performance graph below shows the Company's TSR performance against the performance of the FTSE 100 over the 10 year period to 30 September 2020. 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.

### TOTAL SHAREHOLDER RETURN INDICES

#### Compass vs FTSE 100



### PAY FOR PERFORMANCE

The Committee believes that the Policy and the supporting reward structure provide a clear alignment with the strategic objectives and performance of the Company. To maintain this relationship, the Committee regularly reviews the business priorities and the environment in which the Company operates. The table below shows the Group CEO's total remuneration over the last 10 years and the achieved annual variable and long term incentive pay awards as a percentage of the plan maximum.

	2011	2012	2013	2014	2015	2016	2017	2018 <sup>1</sup>	2019	2020
Single total figure of remuneration £000	4,410	4,867	5,532	6,298	5,325	5,822	5,617	4,568	4,659 <sup>2</sup>	1,162
Annual variable element: award payout against maximum opportunity %	75.0	71.8	84.5	87.3	88.7	85.8	68.9	95.9	78.3	0
LTIP vesting rates against maximum opportunity %	100	100	98.0	100	79.0	84.5	74.5	95.0	100	0

1. Mr Blakemore was Deputy Group CEO from 1 October 2017 to 31 December 2017 and Group CEO from 1 January 2018.

2. LTIP indicative vesting amount of £1.951 million was disclosed in the 2019 Annual Report and Accounts. Actual amount was £1.810 million.

## 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 2020.

	Dominic Blakemore		Gary Green		Karen Wiggs	
	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000
<b>Fixed pay</b>						
Base salary <sup>1,2,3</sup>	<b>894</b>	956	<b>1,045</b>	1,121	<b>619</b>	318
Taxable benefits <sup>2,4</sup>	<b>69</b>	34	<b>118</b>	79	<b>32</b>	7
Pension <sup>2,5</sup>	<b>199</b>	191	<b>406</b>	392	<b>134</b>	64
<b>Total fixed pay</b>	<b>1,162</b>	1,181	<b>1,569</b>	1,592	<b>785</b>	389
<b>Performance related pay</b>						
Bonus <sup>2,6</sup>	<b>0</b>	1,527	<b>0</b>	1,665	<b>0</b>	374
LTIP: performance shares <sup>2,6</sup>	<b>0</b>	1,951	<b>0</b>	2,774	—	—
Restricted shares <sup>7</sup>	—	—	—	—	<b>0</b>	394
Total long term incentives	<b>0</b>	1,951	<b>0</b>	2,774	<b>0</b>	394
<b>Total variable pay</b>	<b>0</b>	3,478	<b>0</b>	4,439	<b>0</b>	768
<b>Single total figure of remuneration</b>	<b>1,162</b>	4,659	<b>1,569</b>	6,031	<b>785</b>	1,157

1. Dominic Blakemore's base salary was increased from £975,000 to £1,000,000 on 1 January 2020 being an increase of 2.6%. A reduction in base salary in respect of COVID-19 was in place for six months of the year, reflecting a 30% reduction for the period from April to June 2020 and a 15% reduction for the period from July to September 2020.
2. Gary Green's base salary was increased from \$1,442,000 to \$1,486,000 on 1 January 2020 being an increase of 3.1%. His base salary and other emoluments are shown in sterling at an exchange rate of \$1.2814/£1 (2019: \$1.2762/£1). A reduction in base salary in respect of COVID-19 was in place for six months of the year, reflecting a 25% reduction for the period from April to June 2020 and a 12.5% reduction for the period from July to September 2020.
3. Karen Wiggs commenced employment as Group CFO on 8 April 2019. Mrs Wiggs' base salary was increased from £660,000 to £674,000 on 1 January 2020 being an increase of 2.1%. A reduction in base salary in respect of COVID-19 was in place for six months of the year, reflecting a 25% reduction for the period from April to June 2020 and a 12.5% reduction for the period from July to September 2020.
4. Taxable benefits comprise healthcare insurance, limited financial advice, life assurance and car benefit. During May 2020, the executive directors and other senior management participated in the equity placing alongside, and on the same terms as participating shareholders (described in more detail on page 155). The benefits figure for 2020-2021 also includes an amount in respect of the taxable benefit which was deemed to have occurred as a result of this personal investment in the Company's shares. Mr Green's benefits for 2019 have been restated to reflect a benefit which was received in that year, but not known to the Committee at the date of the 2019 DRR.
5. In accordance with the 2018 Policy, a pension cash allowance was paid to each executive director in monthly instalments in lieu of pension participation, being 20% for Mr Blakemore and Mrs Wiggs, and 35% for Mr Green.
6. Bonus includes any cash payments and bonus deferred into shares. Details of the performance measures and weighting as well as the achieved results for the bonus and LTIP components are shown on pages 143 to 145. For the LTIP award vesting on 26 November 2019, the value attributable to share price appreciation was £670,812 for Mr Blakemore and £953,951 for Mr Green.
7. Mrs Wiggs was granted an award over 62,973 shares under the Karen Wiggs Restricted Share Award Plan on 16 May 2019 in recognition of awards forfeited at her previous employer. 20,803 shares vested on 1 July 2019. The value attributed to share price growth for this tranche was £24,027. 20,804 shares lapsed on 1 July 2020 as the underlying financial underpins were not achieved. The balance of the award will vest, subject to continued employment and financial underpins, in one further tranche on 1 July 2021. The remaining shares are not subject to a further holding period but will count towards her achievement of the share ownership guideline.
8. Johnny Thomson was Group CFO until 31 December 2018. Total remuneration for 2020 was £nil (2019: £241,000).

## Annual Remuneration Report (continued)

### BASE SALARY

The annual rate of base salary for each executive director for the year ended 30 September 2020 is set out below:

Director	Base salary	Effective date	Increase	Reason
Dominic Blakemore	£1,000,000	1 January 2020	2.6%	Relevant peer/market & performance. Increases consistent to those applicable to the wider workforce in the relevant local market.
Gary Green	\$1,486,000	1 January 2020	3.1%	
Karen Wiggs	£674,000	1 January 2020	2.1%	

When conducting salary reviews, market data is considered, which reflects the size, index positioning and location of the role. For example, for UK roles, the FTSE 50 (excluding the financial services sector) may be one reference point considered.

Base salaries will remain unchanged for 2021.

### PENSIONS

At 30 September 2020, there were no executive directors actively participating in any Compass Group defined benefit pension arrangements and none of the executive directors were accruing additional entitlement to benefit under any arrangements that existed prior to their appointment as executive directors.

For the year under review, a pension cash allowance equal to 20% of base salary for Mr Blakemore and Mrs Wiggs and 35% of base salary for Mr Green was paid monthly in lieu of pension for the period of employment.

In line with the proposed 2021 Policy, the pension cash allowance for each director will reduce in three tranches, commencing 1 January 2021 in line with the schedule set out below:

Director	Current pension cash allowance	Pension cash allowance effective 1 Jan 2021	Pension cash allowance effective 1 Jan 2022	Pension cash allowance effective 31 Dec 2022
Dominic Blakemore	20%	15%	10%	6%
Gary Green	35%	28%	18%	6%
Karen Wiggs	20%	15%	10%	6%

### ANNUAL BONUS PLANS

#### 2019-2020 BONUS

The bonus targets and outcomes for the year ended 30 September 2020 are set out on page 143. Targets are disclosed on a retrospective basis. The achievement of targets is calculated on a straight line basis between Minimum and Target (par) and between Target (par) and Maximum, and by reference to budgeted exchange rates.

As was the case for previous years, the measurement of the achievement of the AFCF and PBIT 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.

## 2019-2020 BONUS PERFORMANCE MEASURES AND TARGETS

The financial measures were not met for Dominic Blakemore and Karen Witts and were partly met for Gary Green. The HSE measures applicable to Mr Blakemore and Mrs Witts were achieved in full.

Each measure is independent. However, as described in the Committee Chairman's statement on page 123, to reflect the broader stakeholder experience in respect of the 2019-2020 year, the executive directors decided to waive any entitlement to their bonuses. Consequently, there will be no payout under the bonus plan for the executive directors for 2019-2020.

The outcomes against the targets are set out below:

### Dominic Blakemore and Karen Witts

Financial measures <sup>1</sup>	% Weighting	Minimum	Par (target)	Maximum	Achieved
PBIT <sup>2</sup>	55	£1,943.6m	£1,983.3m	£2,023.0m	£553.2m
AFCF <sup>3</sup>	15	£852.9m	£879.3m	£905.7m	£230.0m
ORG <sup>4</sup>	25	3.8%	4.8%	5.8%	(18.6)%
Group HSE Improvement			Target	Achieved	Achieved
Lost Time Incident Frequency Rate	2.5		2.89	2.55	Yes
Food Safety Incident Rate	2.5		0.21	0.21	Yes

### Gary Green

Financial measures <sup>1</sup>	% Weighting	Minimum	Par (target)	Maximum	Achieved
PBIT <sup>2</sup>	5	£1,943.6m	£1,983.3m	£2,022.9m	£553.2m
RPBIT <sup>5</sup>	55	5.1%	6.1%	7.1%	(53.1)%
MAWC <sup>6</sup>	15	\$(619.5)m	\$(639.5)m	\$(649.5)m	\$(694.1)m
RORG <sup>7</sup>	25	5.0%	6.0%	7.0%	(18.5)%

North America HSE Improvement

HSE for the North American business is measured through North American underlying PBIT.

## 2019-2020 BONUS OUTCOMES

Measure	Dominic Blakemore % of performance target achieved	Gary Green % of performance target achieved	Karen Witts % of performance target achieved
PBIT/RPBIT <sup>2,5</sup>	0/55 <sup>2</sup>	0/60 <sup>2,5</sup>	0/55 <sup>2</sup>
AFCF <sup>3</sup>	0/15 <sup>3</sup>	—	0/15 <sup>3</sup>
MAWC <sup>6</sup>	—	15/15 <sup>6</sup>	—
ORG/RORG <sup>4,7</sup>	0/25 <sup>4</sup>	0/25 <sup>7</sup>	0/25 <sup>4</sup>
HSE	5/5 <sup>8</sup>	—	5/5 <sup>8</sup>
<b>Total</b>	<b>5/100</b>	<b>15/100</b>	<b>5/100</b>

1. Financial targets for 2019-2020 bonus purposes are all set and measured at 2020 foreign exchange budget rates, not actuals.
2. PBIT is underlying Profit Before Interest and Tax (Group).
3. AFCF is Adjusted Free Cash Flow (Group).
4. ORG is Organic Revenue Growth (Group).
5. RPBIT is underlying Profit Before Interest and Tax growth improvement for the North America region.
6. MAWC is Monthly Average Working Capital Balance for the North America region for Mr Green. The MAWC target is based on an improvement in the value of MAWC over the designated period. The formulaic outcome for the MAWC element was 15%. Mr Green waived his entitlement to this element of the bonus.
7. RORG is Organic Revenue Growth for the North America region.
8. The formulaic outcome for the HSE element was 5%. Dominic Blakemore and Karen Witts waived their entitlements to this element of the bonus.

## 2019-2020 BONUS PAYOUTS

The table below shows the payout to each executive director for the year, following their decision to waive their entitlements:

	2019-2020 bonus payment as % of base salary as at 30 Sep 2020	Value of bonus
Dominic Blakemore	0%	£0
Gary Green	0%	\$0
Karen Witts	0%	£0

# Annual Remuneration Report (continued)

## 2020-2021 BONUS PERFORMANCE MEASURES

To reflect the prevailing uncertainty and challenges arising from COVID-19, the Committee has made a number of changes to the bonus plan for the 2020-2021 financial year. These changes are designed to align the plan to our recovery strategy as we navigate the period of business disruption and to establish targets that are both achievable and fair and are within management's control. The 2020-2021 Plan includes the following measures:

- operating margin % – this demonstrates the efficiency of our operations in delivering great food and support services. The operating margin can be managed, to reflect the revenue level, and is therefore a more appropriate measure in a period where volumes and revenues are difficult to predict
- cash conversion % – this demonstrates our ability to convert profit into cash – it sets out what percentage of profit is converted to cash. Regardless of absolute profit, it ensures a certain conversion rate is achieved and incorporates key levers under management control
- absolute revenue – this embodies our success in growing and retaining our customer base, as well as our ability to drive volumes in our existing business and maintain appropriate pricing levels considering input cost inflation
- HSE measures remain unchanged, however for 2020-2021 equate to 10% of the plan, emphasising our commitment to our health and safety culture

The updated bonus structure for 2020-2021 is set out below:

Measure <sup>1</sup>	Weighting
Operating margin	50%
Cash conversion	20%
Absolute revenue	20%
HSE <sup>2</sup>	10%
<b>Total</b>	<b>100%</b>

1. All measures are assessed at a Group level with the exception of the bonus for Gary Green where all measures (save for 5% of Group operating margin) are measured by reference to regional North American performance.
2. The HSE measures are Lost Time Incident Frequency Rate (LTIFR) and Food Safety Incident Rate (FSIR), weighted equally.

Two independent half year and full year bonus targets will be set and communicated for absolute revenue and operating margin. The cash conversion measure will be measured at the financial year end, in conjunction with our usual 'quality of earnings' assessment, to ensure that bonus outcomes are consistent with the underlying performance of the business. The HSE measures will continue to be measured at the financial year end. Bonus payments may be reduced if the Committee is not satisfied with the underlying financial performance of the Group. The Committee's overriding discretion on the overall outcome will be based on an assessment of annual performance.

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

## LONG TERM INCENTIVE AWARDS

### Scheme interests awarded during the year

During the year ended 30 September 2020, executive directors received a conditional award of shares which may vest after a three year performance period which will end on 30 September 2022, based on the achievement of stretching performance conditions. The targets under this award were disclosed in the 2019 DRR. In line with the approach in prior years, the ROCE targets will be updated at the end of the performance period to reflect actual acquisition spend, changes in accounting standards and constant currency. Restated targets will be disclosed in the 2022 DRR.

Director	Type of award	Value of award as a % of base salary <sup>1</sup>	Value of award £000	Number of shares awarded <sup>2</sup>
Dominic Blakemore	LTIP 2018	300%	2,925	152,700
Gary Green	LTIP 2018	250%	2,804 <sup>3</sup>	146,385
Karen Witts	LTIP 2018	250%	1,650	86,135

1. Expressed as a percentage of base salary at the date of award.
2. The share price used to calculate the award was the closing market price of £19.16 per share on 26 November 2019. Awards were granted on 27 November 2019.
3. Face value of award was converted to sterling at the time of award at an exchange rate of \$1.2856/£1.

Executive directors are required to hold vested awards for a period of two years following vesting so as 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.

The table below sets out the performance measures for the awards under the Policy in operation during the financial year under review:

Definition of measure

**ROCE** The definition aims to measure the underlying economic performance of the Company. 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 (see page 278 for full definitions).

**Adjusted FCF** The definition aims to measure the cash generation of the Company and is calculated as the three year cumulative underlying FCF (see page 278 for full definition) 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).

In setting the performance targets, the Committee considers internal budgets and the Group's strategic plan, market expectations and general economic conditions. The table below shows the targets against which performance has been measured to determine the vesting of the grant of awards for the year ended 30 September 2020.

#### 2017-2018 LTIP Award Outcome

Awards were made to Dominic Blakemore and Gary Green in 2017-2018, which were subject to achievement of three year performance targets for the year ended 30 September 2020. Performance conditions were ROCE, AFCF and Relative TSR, weighted 40%, 40% and 20% respectively. The targets and outcomes are set out below:

##### ROCE Target

Level of performance	Threshold	Maximum	Achieved
Vesting % of component	0%	100%	0%
As at date of award	18.78%	19.82%	—
Reconciled at the end of the performance period <sup>1</sup>	18.67%	19.72%	5.13%

##### AFCF Target

Level of performance	Threshold	Maximum	Achieved
Vesting % of each component	0%	100%	0%
AFCF	£3,095m	£3,421m	£2,741m

##### TSR Target

Level of performance	Below median	Median	Upper Quartile	Achieved
Vesting % of each component	0%	25%	100%	0% <sup>2</sup>

1. ROCE targets are updated at the end of the performance period to reflect actual acquisition spend and constant currency.
2. TSR ranking was 47th in its comparator group.

The Committee applied the established framework to deal with items that were unforeseen at the time the targets were set in 2017-2018 and which were in the long term interests of shareholders. Both the ROCE and AFCF measures were adjusted to exclude a one-off capital investment in the North American business.

None of the performance measures were met at the end of the three year performance period, such that the LTIP awards made in the 2017-2018 year lapsed in full.

Director	Performance conditions			Number of shares awarded	Number of shares lapsed	Value of shares on vesting £000
	ROCE % vested on maturity	AFCF % vested on maturity	TSR % vested on maturity			
Dominic Blakemore	0%	0%	0%	178,390	178,390	0
Gary Green	0%	0%	0%	165,125	165,125	0

## Annual Remuneration Report (continued)

### 2020-2021 LTIP AWARD

It is the Committee's intention to grant LTIP awards in 2020-2021 to executive directors. In determining the appropriateness of the award levels, the Committee considered the recent share price movement. Despite strong operational and share price performance in the first half of the financial year, there was a fall in the share price in the second half of the year due to the impact of COVID-19. The Committee considered the extent to which the fall in share price could have the potential to result in a windfall gain for executive directors, where a lower share price at the grant date would result in a materially higher number of shares being awarded under the 2020-2021 LTIP compared to previous years. The Committee considered carefully the implementation of a reduction in the multiple of salary used to determine the number shares to be awarded to executive directors and decided to scale back the face value award levels accordingly.

It is the Committee's intention that for the 2020-2021 LTIP award, when compared with previous practice, a reduction will be made to the multiple of salary used to determine the level of award. The impact of this scale back is set out in the table below:

Director	Usual LTIP award (as a % of base salary)	Usual value of award <sup>1</sup>	Scale back level (as a % of base salary)	Resulting LTIP award (as a % of base salary)	Resulting value of award £000
Dominic Blakemore	300%	3,000	30%	270%	2,700
Gary Green	250%	2,899	25%	225%	2,609
Karen Witts	250%	1,685	25%	225%	1,517

1. Value of award calculated by reference to base salary at date of grant.

The Committee will also look retrospectively at events over the three year performance period immediately prior to vesting to ensure that vesting outcomes are consistent with the performance of the Company. The Committee has determined that, following the reduction in the multiple used to establish the level of award, any further review by the Committee will be made on the presumption that the matter of any perceived windfall gain has already been taken into consideration.

Performance measures and weightings remain in line with previous years as set out below:

Performance Measures	Weighting
ROCE	40%
AFCF	40%
TSR	20%

The TSR targets will be unchanged from the approach in prior years (outlined on page 145). For the financial targets (ROCE and AFCF), our normal approach would be to disclose the targets in this Report. However, given the ongoing uncertainty related to the severity and duration of the impact of COVID-19 on the Group, the target setting for this award has been deferred to later in the financial year, when we hope to have greater clarity allowing the Committee to ensure targets are meaningful and stretching. In line with shareholder guidance, it is our intention that target setting is not delayed by more than six months from the date of grant and will therefore be disclosed no later than the interim financial results in May 2021.

### HISTORIC LTIP AWARD VESTING

The table below sets out the percentage of each LTIP award made to executive directors within the last five years which has vested:

Year of award	Maturity date	Performance conditions	ROCE % vested on maturity	AFCF % vested on maturity	TSR % vested on maturity
2017-2018	1 Oct 2020	ROCE/AFCF/TSR	0%	0%	0%
2016-2017	1 Oct 2019	ROCE/AFCF/TSR	100%	100%	100%
2015-2016	1 Oct 2018	ROCE/AFCF/TSR	84.9%	100%	100%
2014-2015	1 Oct 2017	ROCE/AFCF/TSR	23.5%	100%	100%
2013-2014	1 Oct 2016	ROCE/AFCF/TSR	60.7%	92.7%	100%

## 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 long term incentive plans to the executive directors at any time during the year ended 30 September 2020, are shown in the table below. None of the executive directors hold any extant award under any previously operated share option scheme:

### LTIP

Director	As at 30 Sep 2019: 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 2020: number of shares	Market price at date of award: £	Date of award	Maturity date
Dominic Blakemore	96,528	—	96,528	—	—	13.26	23 Nov 2016	1 Oct 2019
	178,390	—	—	—	178,390	15.13	9 Feb 2018	1 Oct 2020
	161,385	—	—	—	161,385	16.73	21 Nov 2018	1 Oct 2021
	—	152,700	—	—	152,700	19.16	27 Nov 2019	1 Oct 2022
<b>Total</b>	<b>436,303</b>	<b>152,700</b>	<b>96,528</b>	<b>—</b>	<b>492,475</b>			
Gary Green	137,271	—	137,271	—	—	13.26	23 Nov 2016	1 Oct 2019
	165,125	—	—	—	165,125	15.13	9 Feb 2018	1 Oct 2020
	162,810	—	—	—	162,810	16.73	21 Nov 2018	1 Oct 2021
	—	146,385	—	—	146,385	19.16	27 Nov 2019	1 Oct 2022
<b>Total</b>	<b>465,206</b>	<b>146,385</b>	<b>137,271</b>	<b>—</b>	<b>474,320</b>			
Karen Wiggs	120,880	—	—	—	120,880	17.78	16 May 2019	1 Oct 2021
	—	86,135	—	—	86,135	19.16	27 Nov 2019	1 Oct 2022
	—	6,784	—	—	6,784	18.37	12 Dec 2019	12 Dec 2022
<b>Total</b>	<b>120,880</b>	<b>92,919</b>	<b>—</b>	<b>—</b>	<b>213,799</b>			

### Restricted Share Award (RSA)

Director	As at 30 Sep 2019: 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 2020: number of shares	Market price at date of award: £	Date of award	Maturity date
Karen Wiggs	20,804	—	—	20,804	—	17.78	16 May 2019	1 Jul 2020
	21,366	—	—	—	21,366	17.78	16 May 2019	1 Jul 2021
<b>Total</b>	<b>42,170</b>	<b>—</b>	<b>—</b>	<b>20,804</b>	<b>21,366</b>			

1. Each LTIP award with the exception of deferred bonus awards is based on a three year performance period. Under the 2010 LTIP, awards are based one third on a ROCE target, one third on AFCF and one third on the Company's TSR relative to the FTSE 100, excluding the financial services sector. Awards granted under the 2018 LTIP are based 40% on a ROCE target, 40% on an AFCF target and 20% on the Company's TSR relative to the FTSE 100, excluding the financial services sector.
2. The award granted to Karen Wiggs on 12 December 2019 under the 2018 LTIP was made as a deferred bonus award and will vest after three years subject to Mrs Wiggs remaining employed by the Company on vesting or being considered a good leaver under the rules of the Plan.
3. The performance period of the award granted on 23 November 2016 came to an end on 30 September 2019. This award vested in full.
4. Awards granted on 23 November 2016 were made under the LTIP 2010. All other awards were granted under the LTIP 2018.
5. On 27 November 2019, Messrs Blakemore and Green sold 46,469 and 62,849 shares respectively of LTIP awards that had become receivable as a result of the achievement of performance conditions relating to the three year performance period to 30 September 2019 to settle resultant tax and social security obligations. All of the vested LTIP awards were subject to a two year post vest holding period. The closing share price on the day preceding the release of their awards was £19.16 per share.
6. The performance period of the award granted on 9 February 2018 came to an end on 30 September 2020. None of the threshold performance conditions were met and the award lapsed in full.
7. All LTIP awards were granted for nil consideration.
8. Of the 120,880 LTIP awards granted to Mrs Wiggs on 16 May 2019, 28,110 were in respect of the agreed buyout arrangement for awards forfeited in her former employment.
9. The awards granted to Mrs Wiggs under the Karen Wiggs Restricted Share Award Plan on 16 May 2019 were granted in recognition of awards forfeited at her previous employer. The awards are subject to two financial underpins relating to Compass' performance, which are (i) the maintenance of net debt: underlying EBITDA (adjusted for M&A activity and changes to accounting standards) and (ii) dividend at least in line with constant currency underlying basic earnings per share. The award vesting on 1 July 2020 lapsed due to the financial underpins relating to Compass performance not being satisfied. The remaining tranche will vest on 1 July 2021, subject to continued employment and satisfaction of the financial underpins. Any vested shares under this award are not subject to a further holding period, however will count towards Mrs Wiggs' achievement of the share ownership guideline.
10. The highest mid-market price of the Company's ordinary shares during the year ended 30 September 2020 was £20.73 per share and the lowest was £10.02 per share. The year end price was £11.69 per share.
11. The market price at the date of each award is shown to two decimal places.

## Annual Remuneration Report (continued)

### DIRECTOR AND ROLE CHANGES DURING THE YEAR

As announced on 6 January and confirmed on 18 August 2020, Paul Walsh will step down as Chairman of the Company on 1 December 2020. Other than the fees and expenses payable to Mr Walsh for the period up to 1 December 2020, no payment will be made to him in connection with him ceasing to be a director of the Company. On the relevant date, a statement prepared pursuant to Section 430(2B) of the CA 2006 in connection with Mr Walsh, will be posted on the Company's website [www.compass-group.com](http://www.compass-group.com).

As announced on 24 September 2020, subject to his re-election by shareholders at the 2021 AGM on 4 February 2021, John Bason will continue to serve as a non-executive director. However, at the conclusion of the 2021 AGM, he will step down as SID and as Chairman and a member of the Audit and Remuneration Committees but will remain as a member of the Board and of the Corporate Responsibility and Nomination Committees. Mr Bason will not seek re-election at the 2022 AGM.

John Bryant and Anne-Francoise Nesmes will succeed Mr Bason as Senior Independent Director (SID) and Chair of the Audit Committee respectively. Following these changes, Mr Bason, Mr Bryant and Mrs Nesmes will each be paid a fee commensurate with the respective roles they perform, prorated to 30 September 2021. Details of the fees for non-executive directors for the coming year are set out below.

### PAYMENTS TO PAST DIRECTORS

There were no payments to former directors during the year.

### PAYMENTS FOR LOSS OF OFFICE

There were no loss of office payments made to former directors during the year.

### EXTERNAL NON-EXECUTIVE DIRECTOR APPOINTMENTS

Executive directors may take up one non-executive directorship outside the Group subject to the Board's approval, 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 £73,654 in respect of his directorship at the London Stock Exchange Group for the period from 1 January 2020 to 30 September 2020. Karen Wiggs received fees of £76,985 in respect of her directorship at Imperial Brands PLC for the period from 1 October 2019 until 15 June 2020 when she stepped down from their board. At the date of this DRR, Gary Green does not hold any paid external appointments.

### NON-EXECUTIVE DIRECTORS' REMUNERATION

The fee for the Chairman is reviewed annually by the Committee with any increase taking effect on 1 October. The fee paid to Paul Walsh for the year ended 30 September 2020 was £575,000 per annum and will remain at this rate for the remainder of Mr Walsh's term as Chairman. Mr Walsh will step down as Chairman of the Company on 1 December 2020. His successor, Ian Meakins was appointed as a non-executive director on 1 September 2020 and will succeed Mr Walsh as Chairman on 1 December 2020. For the period from 1 September 2020 to 30 November 2020, Mr Meakins was paid a base fee of £88,000 per annum prorated. On assuming the role of Chairman, Mr Meakins' fee will increase to £525,000 per annum inclusive of any Board committee memberships. Details of amounts received by Paul Walsh during the year ended 30 September 2020 are shown below:

	Fees <sup>1</sup> £000	Benefits <sup>2</sup> £000	Total 2020 £000	Total 2019 £000
Chairman				
Paul Walsh	521	8	529	562

1. Fees paid to Mr Walsh were reduced by 25% for the period from 1 April to 30 June 2020 and 12.5% for the period from 1 July to 30 September 2020 to reflect the wider stakeholder experience as a result of COVID-19.
2. Benefits for the year ended 30 September 2020 comprise the provision of costs in relation to commuting travel. The benefits figure for 2020 also includes an amount in respect of the taxable benefit which was deemed to have occurred as a result of the personal investment in the Company's shares under the May 2020 equity raise.

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 2020 was £88,000 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 Chairman 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 SID. These fees remain unchanged for the coming year.

Details of the amounts received by each of the non-executive directors in office for the year ended 30 September 2020 are set out below:

Non-executive director	Fees <sup>1</sup> £'000	Benefits <sup>2,3</sup> £'000	Total 2020 £'000	Total 2019 £'000
Carol Arrowsmith	107	18	<b>125</b>	126
John Bason	134	6	<b>140</b>	139
Stefan Bomhard	80	6	<b>86</b>	87
John Bryant	80	48	<b>128</b>	104
Ian Meakins <sup>4</sup>	6	—	<b>6</b>	—
Anne-Francoise Nesmes	80	11	<b>91</b>	86
Nelson Silva	107	20	<b>127</b>	132
Irenea Vittal	80	14	<b>94</b>	97

1. Fees paid to each non-executive director were reduced by 25% for the period from 1 April to 30 June 2020 and 12.5% for the period from 1 July to 30 September 2020 to reflect the wider stakeholder experience as a result of COVID-19.
2. Travel costs relating to attending Board meetings held in the UK are treated as a benefit and have been included in the table above, where relevant.
3. The benefits figure for 2020 also includes an amount in respect of the taxable benefit which was deemed to have occurred as a result of the personal investment in the Company's shares under the May 2020 equity raise. This applies to all non-executive directors in office at the time of the equity raise, with the exception of Irenea Vittal who did not participate.
4. Appointed to the Board and the Nomination and Corporate Responsibility Committees on 1 September 2020.

## 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 as described on page 136.

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 the year ended 30 September 2020 in shares (including the interests of Persons Closely Associated) and share incentives are shown in the table below:

		Beneficial		Conditional		Shareholding required <sup>2</sup>	Compliance with share ownership guidelines
		Shares held as at 30 Sep 2020 <sup>1</sup>	Shares held as at 30 Sep 2019	LTIP/RSA holdings as at 30 Sep 2020	LTIP/RSA holdings as at 30 Sep 2019		
Executive directors	Dominic Blakemore	<b>276,789</b>	197,462	<b>492,475</b>	436,303	300%	✓
	Gary Green	<b>275,560</b>	191,382	<b>474,320</b>	465,206	250%	✓
	Karen Witts <sup>3</sup>	<b>20,751</b>	10,995	<b>235,165</b>	163,050	250%	✓
Non-executive directors	Carol Arrowsmith	<b>12,916</b>	10,333	—	—	100%	✓
	John Bason	<b>21,658</b>	14,288	—	—	100%	✓
	Stefan Bomhard	<b>10,743</b>	5,865	—	—	100%	✓
	John Bryant	<b>15,781</b>	6,025	—	—	100%	✓
	Ian Meakins <sup>4</sup>	<b>0</b>	—	—	—	100%	✓
	Anne-Francoise Nesmes	<b>11,907</b>	2,122	—	—	100%	✓
	Nelson Silva	<b>10,323</b>	7,884	—	—	100%	✓
	Irenea Vittal	<b>5,350</b>	5,350	—	—	100%	✓
	Paul Walsh	<b>40,273</b>	35,395	—	—	100%	✓

1. The shares held at 30 September 2020 include shares that the directors subscribed for under the equity raise in May 2020, where applicable.
2. As a percentage of base salary or fee.
3. Appointed to the Board and the Corporate Responsibility Committee on 8 April 2019. Under the current guidelines executive directors are required to achieve the percentage shareholding shown in the table above within a five year period in accordance with the Company's share ownership guidelines.
4. Appointed to the Board and the Nomination and Corporate Responsibility Committees on 1 September 2020. Under the current guidelines non-executive directors are required to achieve the percentage shareholding shown in the table above within a four year period in accordance with the Company's share ownership guidelines.

There were no changes in directors' interests between 30 September 2020 and 24 November 2020.

## Annual Remuneration Report (continued)

### REMUNERATION IN THE WIDER CONTEXT

Our approach to workforce engagement is set out on pages 51 and 57, including the approach taken to gathering the views of the workforce. Irene Vittal, a member of the Remuneration Committee, is the current Designated Non-executive director for workforce engagement and is responsible for ensuring the views of the workforce are communicated to the Board.

When considering executive remuneration and setting the Directors' Remuneration Policy, the Committee takes into consideration the wider workforce. An employee landscape dashboard was considered by the Committee at both the May and September 2020 meetings with the dashboard in the September 2020 meeting showing the impact of COVID-19 on the workforce in respect of headcount. Each section of the dashboard is shown below:

EMPLOYEE LANDSCAPE DASHBOARD:				
Diversity	Turnover and headcount	Speak Up results	Engagement survey results	Health and safety outcomes
Minimum and living wage data	Pension plans	Incentive plans	Pay ratio reporting	Pay gap reporting

### CEO PAY RATIO

As required by the 2018 regulations, the ratio between the CEO's remuneration and the median, lower quartile and upper quartile of UK employees is disclosed for the first time and is set out below for the 2019-2020 financial year. The ratio shows the comparisons between the 25th, median and 75th percentile employees in the UK, with reference to remuneration paid in the financial year to 30 September 2020, and the Group CEO's total remuneration as set out in the single figure table on page 141.

Year and component	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019-2020 Total remuneration	Option A	63:1	54:1	42:1

Compass has chosen to use prescribed method A to calculate the ratio which is considered to be the most accurate approach. This method includes total full time equivalent remuneration for UK employees received by an individual in respect of the financial year ended 30 September 2020 and is calculated in line with the methodology for the 'single figure of remuneration' for the 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 workforce at each quartile.

The composition of our business changed significantly during the peak stages of the first wave of the COVID-19 pandemic, with a significant number of our UK employees furloughed during April to September 2020. As a consequence, any reduction in pay received during the year is reflected in the employee remuneration, as it has been in the CEO single figure in respect of the six month period of base salary reductions. The Committee has considered the pay data for the three employees identified and believes that it fairly reflects pay at the relevant quartiles amongst the UK workforce. The three individuals identified were full time employees during the year and did not receive any remuneration which would otherwise inflate their pay figures.

The CEO's remuneration is weighted more heavily towards variable pay than that of the wider workforce and, as a result, the ratio will fluctuate each year depending on the performance of the Company. This is particularly relevant for the 2019-2020 financial year where remuneration paid to the CEO was significantly lower due to the impact of COVID-19 on the performance-related incentive elements of pay and the six month period of reduced base salary. The ratio is therefore likely to be materially higher in following years.

The salary and total remuneration is set out in the table below:

Financial year and component	CEO £000	25th percentile £000	Median £000	75th percentile £000
2019-2020 Salary	£894	£17	£21	£26
2019-2020 Total remuneration	£1,162	£18	£21	£28

## ANNUAL PERCENTAGE CHANGE IN REMUNERATION OF DIRECTORS AND EMPLOYEES

As required by the 2019 regulations, which implement Articles 9a and 9b of European Directive 2017/828/EC1 (commonly known as the Revised Shareholder Rights Directive or SRD), the table below shows a comparison of the annual change of each individual director's pay to the annual change in average employee pay commencing the year ended 30 September 2020.

Average employee pay is based on a Full Time Equivalent (FTE) calculation, using a mean average. Where there is a year on year decrease in base salary or fees paid to the directors, this is due to the six month period of reductions made in response to COVID-19. The benefits figure for 2020 for most directors includes an amount in respect of the taxable benefit which was deemed to have occurred as a result of their personal investment in the Company's shares under the May 2020 equity raise.

Change in pay between the year ended 30 September 2019 and 30 September 2020		Base salary/fees % change <sup>1</sup>	Bonus % change <sup>2</sup>	Benefit % change <sup>3</sup>
Executive directors	Dominic Blakemore	(6.5)%	(100.0)%	105.0%
	Gary Green	(6.7)%	(100.0)%	49.1%
	Karen Witts <sup>4</sup>	94.5%	(100.0)%	350.2%
Non-executive directors	Carol Arrowsmith	(7.8)%	—	79.1%
	John Bason	(3.3)%	—	—
	Stefan Bomhard	(7.3)%	—	1,013.5%
	John Bryant	(7.3)%	—	162.5%
	Ian Meakins <sup>5</sup>	—	—	—
	Anne-Francoise Nesmes	(7.3)%	—	—
	Nelson Silva	(7.8)%	—	23.8%
	Ireena Vittal	(7.3)%	—	27.7%
	Paul Walsh	(6.9)%	—	330.8%
Average pay of UK employees <sup>6</sup>		3.4%	(12.3)%	(13.4)%

1. The annual percentage change in salary is calculated by reference to actual salary paid for the financial year ended 30 September 2020 compared to the financial year ended 30 September 2019.
2. The annual percentage change in bonus is calculated by reference to the bonus payable in respect of the financial year ended 30 September 2020 compared to the financial year ended 30 September 2019 for executive directors, and by reference to all bonus payments received during the financial year ended 30 September 2020 in comparison to the financial year ended 30 September 2019 for UK employees. Non-executive directors are not eligible to receive a bonus.
3. The annual percentage change in benefits is calculated by reference to the value of benefits received in respect of the financial year ended 30 September 2020 compared to the financial year ended 30 September 2019. Non-executive directors' travel expenses are considered a benefit and are disclosed in the DRR. The increase in benefits paid to the directors is attributable to an increase in the value of these expenses, and/or to the inclusion of the benefit of the discount on the subscription price in respect of the May 2020 equity placing, in which the majority of directors participated alongside, and on the same terms as, other shareholders (described in more detail on page 155).
4. Appointed to the Board and the Corporate Responsibility Committee on 8 April 2019. The increase in base salary from 2019 to 2020 reflects the pro-rated period of employment in 2019. The increase in benefits from 2019 to 2020 partly reflects the pro-rated period of employment in 2019.
5. Appointed to the Board and the Nomination and Corporate Responsibility Committees on 1 September 2020.
6. 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 years ended 30 September 2019 and 2020.

Dispersals	2020 £m	2019 £m	Change % <sup>1</sup>
Share buybacks <sup>2</sup>	—	—	—
Dividends paid <sup>3</sup>	427	611	(30.0)%
Total employee costs <sup>4</sup>	9,975	11,370	(12.3)%

1. The year on year percentage change in dispersals represents measures taken to protect the Company and its stakeholders from the impact of COVID-19.
2. At the AGM on 6 February 2020, 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. No shares were repurchased during the financial year ended 30 September 2020. However, 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 total dividend paid during the year ended 30 September 2019 was £611 million which related to the 2018 final and 2019 interim dividends. The total share capital in issue on 30 September 2019 was 1,589 million ordinary shares of 11½ pence. At the date of this Report there were 1,785,403,977 ordinary shares of 11½ pence in issue of which 1,535,347 were held in treasury 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. The total dividend paid during the financial year ended 30 September 2020 was £427 million which related to the final dividend for the financial year ended 30 September 2019. The share capital in issue on 30 September 2020 was 1,785 million ordinary shares of 11½ pence each. As announced on 23 April 2020 no interim or final dividend has been or will be declared or paid for the financial year ended 30 September 2020.
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 2020, was 548,143 (2019: 596,452).

## Annual 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 takes into account 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 is summarised in note 4 to the consolidated financial statements on page 202.

### REMUNERATION ADVICE

The Chairman and the Group CEO, together with the Group Chief People Officer and the Group Reward Director are normally invited to attend each Committee meeting and provide advice and guidance to the Committee (other than in respect of their own remuneration) for which they are not paid a fee in addition to their remuneration from the Company under their service contracts. Details of the members of the Committee who served during the year ended 30 September 2020 are set out on pages 72 and 73.

Under its terms of reference, the Committee obtains the advice of external independent remuneration consultants and is responsible for their selection and appointment. The Committee also considers the independence and effectiveness of the advisor, and concluded that, after a three year period of working with Willis Towers Watson (WTW), in the interests of good governance, it would be appropriate to change advisors. Following an objective selection process, the Committee appointed Deloitte LLP (Deloitte) as its independent remuneration advisor.

Deloitte commenced work with the Committee in September 2020 and fees for the month were £10,750 for advice in relation to executive remuneration. WTW's fees during the year under review were £46,900. Fees covered attendance at Committee meetings, general advice and updates on remuneration developments with the total fees paid to advisors of £57,650 for the year ended 30 September 2020 (2019: £30,150).

WTW also provided services to the Company globally which comprised remuneration benchmarking, insurance brokerage and other consultancy advice. Deloitte provided advice in relation to tax and accounting, technology and other consulting services. Deloitte and WTW are both members of the Remuneration Consultants Group and comply 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 (2019: £24,000). It also provided the TSR performance graph for the DRR, for which it received a fixed fee of £500 (2019: £500). Alithos did not provide any other advice or services to the Company during the year.

The Committee is satisfied that the advice it received during the year was objective and independent, based on the experience of its members generally, including Carol Arrowsmith, Chairman of the Committee, who until 2014, was a remuneration consultant with Deloitte.

## SHAREHOLDER VOTE AT 2018 AND 2020 ANNUAL GENERAL MEETINGS

The table below sets out the voting outcome at the AGM held on 6 February 2020 for the 2019 Annual Remuneration Report:

### 2020

Director	Number of votes 'For' & 'Discretionary'	% of votes cast	Number of votes 'Against'	% of votes cast	Total number of votes cast	Number of votes 'Withheld'
Annual Remuneration Report <sup>2</sup>	1,197,897,440	93.85	78,502,084	6.15	1,276,399,524	2,841,986

The table below sets out the voting outcome at the AGM held on 8 February 2018 for the Remuneration Policy which applies until February 2021:

### 2018

Director	Number of votes 'For' & 'Discretionary'	% of votes cast	Number of votes 'Against'	% of votes cast	Total number of votes cast	Number of votes 'Withheld'
Remuneration Policy <sup>3</sup>	1,153,741,571	95.90	49,370,003	4.10	1,203,111,574	10,721,950

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

The Committee welcomed the endorsement of the DRR by shareholders and took steps, wherever practicable, to understand shareholders' concerns when withholding their support.

At the 2021 AGM, shareholders will be invited to vote on the 2020 Annual Remuneration Report (advisory vote) and the proposed Remuneration Policy for 2021-2024 (binding vote).

On behalf of the Board



**Carol Arrowsmith**

Chairman of the Remuneration Committee

24 November 2020

# Other Statutory Disclosures

This Directors' Report forms part of the management report as required under DTR 4. The Company has chosen, in accordance with Section 414 C(11) of the CA 2006, and as noted in this Directors' Report, 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 69 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 70 to 153, the Other Statutory Disclosures on pages 154 to 161 and the Directors' Responsibilities Statement on page 162 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	38
Future developments in the business	2
Statement of directors' responsibilities including disclosure of information to the auditor	162
Disclosure of greenhouse gas (GHG) emissions	66
Shareholder information	275
Viability statement	39
Going concern statement	39

## DIRECTORS

Details of the directors in office at the date of this Report are listed on pages 70 to 73. In accordance with the Code, each director of the Company is subject to annual re-election. Those directors intending to continue in office will submit themselves for re-election at the 2021 AGM. As announced on 18 August 2020, Ian Meakins joined the Board as a non-executive director on 1 September 2020 and will succeed Paul Walsh as Chairman of the Board on 1 December 2020.

## RESULTS AND DIVIDENDS

In the year ended 30 September 2020, the Group delivered an underlying profit before tax of £427 million (2019<sup>1</sup>: £1,772 million), a decrease of 75.9%; and a statutory profit before tax of £210 million (2019<sup>1</sup>: £1,494 million), a decrease of 85.9%.

As part of a range of measures undertaken to protect the liquidity position of the Company in response to the impact of COVID-19, whilst recognising the importance of a dividend to the Company's shareholders, the Board decided not to pay an interim or final dividend in respect of the financial year ended 30 September 2020. The Board will keep future dividends under review and will restart payments when it is appropriate to do so.

A summary of the dividends paid on ordinary shares in the prior financial year is shown below:

Year	Dividend	Pence per share <sup>1</sup>
2020	Final	Nil <sup>2</sup>
2020	Interim	Nil <sup>2</sup>
2019	Final	26.9
2019	Interim	13.1
<b>2019</b>	<b>Total</b>	<b>40.0</b>

1. Dividends are paid gross. A dividend reinvestment plan (DRIP) is available to eligible shareholders. Details can be found on page 276.
2. As announced by the Company on 23 April 2020.

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 156 of this Report. The value of the dividends payable during the year ended 30 September 2020 that were waived by the ASST was £9,270 (2019: £6,531).

At the date of this Report, there were 1,535,347 11½ pence ordinary shares held in treasury for the purpose of satisfying the Company's obligations under the Company's employee equity incentive schemes. Shares held in treasury are not entitled to receive dividends. Therefore £449,107 (2019: £1,378,421) worth of dividends related to treasury shares were not paid during the financial year.

## SHARE CAPITAL

### General

At the date of this Report, 1,785,403,977 ordinary shares of 11½ pence each (of which 1,535,347 are held in treasury) have been issued, are fully paid up and are quoted on the London Stock Exchange. The total voting rights attaching to the issued ordinary share capital (excluding treasury shares) at the date of this Report is 1,783,868,630. In addition, the Company sponsors a Level I American Depository Receipts programme with BNY Mellon, under which the Company's shares are traded on the over the counter market in the form of American Depository Shares.

During the year ended 30 September 2020, 161,869 options were exercised and 1,809,719 awards 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 1,794,287 treasury shares and the release of 177,301 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.

1. Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 14.

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, for example, insider trading law. With respect to EU Market Abuse Regulation, certain employees are required to seek the approval of the Company to deal in its shares. 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's articles of association may only be amended by special resolution at a general meeting of shareholders.

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, in addition to those conferred by law, are set out in the Company's articles of association, which are available on the Company's website [www.compass-group.com](http://www.compass-group.com). A copy of the revised articles of association, which will be submitted for shareholder approval at the forthcoming AGM, will be made available for review on the Company's website.

### REPURCHASE OF SHARES

No shares were repurchased during the financial year ended 30 September 2020. No shares have been repurchased in the period from 1 October 2020 to the date of this Report.

As at the date of this Report, there are 1,785,403,977 ordinary shares of 11½ pence in issue. Of these 1,535,347 are held in treasury 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.

We create long term value for our investors by focusing on our core food business and delivering sustainable profit growth and strong cash generation. Our priorities for cash are clear and simple. We invest to support organic revenue growth and to generate efficiencies to deliver continued margin improvement. We invest in bolt-on acquisitions that add capability or scale in an existing market and whose returns exceed the cost of capital by year two. Our aim is to target a net debt to EBITDA leverage range of 1x-1.5x and we are keeping future dividends and other shareholder returns under review.

At the 2021 AGM, a special resolution will be proposed to renew the directors' limited authority (last granted at the 2020 AGM) to repurchase ordinary shares in the market. Retaining the ability to repurchase shares gives the Board the flexibility of electing to repurchase shares where this is the most effective method of returning cash to shareholders, or to fund bolt-on acquisitions. The directors consider it desirable for this general authorisation to

be renewed in order to assist in maintaining the most efficient capital structure for the business.

The authority sets the minimum and maximum prices which may be paid and it will be limited to a maximum of 10% of the Company's issued ordinary share capital calculated at the latest practicable date prior to the publication of the Notice of AGM. Any purchases of ordinary shares will be by means of market purchases through the London Stock Exchange and any shares purchased may be cancelled or placed into treasury in accordance with Section 724 of the CA 2006.

### ISSUE OF SHARES

In May 2020, as part of a placing of shares, the Company issued a total of 195,667,352 new ordinary shares of 11½ pence each (having an aggregate nominal value of £21,621,242.40) on a non-pre-emptive basis at an issue price of £10.25 per share, raising gross proceeds of approximately £2 billion (£1,972 million net of issue costs).

Pursuant to the placing, 195,012,686 new ordinary shares were issued for non-cash consideration to new and existing institutional investors by way of a 'cash box' structure. Concurrently with the placing, an aggregate of 654,666 new ordinary shares were issued on a non-pre-emptive basis for cash. Directors and members of the Executive Committee of the Company subscribed for an aggregate of 109,266 new ordinary shares and retail and other investors subscribed via the PrimaryBid platform for a further 545,400 new ordinary shares.

The terms of the issue were agreed on 19 May 2020 and the issue price of £10.25 per share represented a discount of 3.3% to the middle market price on 19 May 2020. The shares were issued and admitted to trading on the main market of the London Stock Exchange on 21 May 2020. The net proceeds from the capital raise have been used to strengthen the Company's balance sheet and liquidity position and reduce leverage.

At the date of allotment and issue, the total number of new ordinary shares issued pursuant to the capital raise represented approximately 12.3% of the existing issued ordinary share capital of the Company prior to the capital raise.

The Pre-Emption Group's Statement of Principles specifies that, subject to certain exceptions, in any rolling three year period, a company should not issue non-pre-emptively for cash equity securities that represent more than 7.5% of its issued ordinary share capital. Noting the unparalleled economic situation that businesses face as a result of the COVID-19 pandemic, the Pre-Emption Group recommended in April 2020 that investors, on a case-by-case basis, consider supporting share issuances by companies of up to 20% of their issued share capital on a temporary basis where (amongst other things) there had been prior consultation with major shareholders and the share issue is made on a 'soft pre-emptive' basis.

As required by the Pre-Emption Group's April 2020 statement, the Company sought input from its major shareholders on the proposed size and structure of the capital raise in advance of announcing it to the market. The placing structure was chosen as it minimised cost, time to completion and use of management time at an important and unprecedented time for the Company. This consultation confirmed the Board's view that the placing was in the best interests of shareholders, as well as wider stakeholders in the Company. Senior management were subsequently involved in the allocation process, the principles of pre-emption were observed in the allocation process and retail shareholders were provided with an opportunity to participate in the capital raise through the separate retail offer made via the PrimaryBid platform.

The Company did not issue any shares for cash on a non-pre-emptive basis in the three years preceding the date of the capital raise.

At the 2021 AGM, the directors will ask shareholders to renew the authority last granted to them at the 2020 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 on which the resolution is passed, or at the conclusion of the Company's 2022 AGM, whichever is the sooner.

The limited power granted to the directors at the 2020 AGM to allot equity shares for cash, other than pro rata to existing shareholders, expires no later than 5 May 2021. Subject to the terms of the section 551 authority, this authority is in line with the Statement of Principles on Pre-emption Rights issued by the Pre-Emption Group and supported by the Investment Association and the Pensions and Lifetime Savings Association (the Principles). If granted, this authority will give the directors the ability (until the 2022 AGM) to issue ordinary shares for cash, other than pro rata to existing shareholders, in connection with a rights issue or up to a limit of 5% of the issued ordinary share capital (whether or not in connection with an acquisition or specified capital investment) calculated at the latest practicable date prior to the publication of the Notice of AGM. In accordance with the Principles, the directors propose to extend this by an additional 5% of the Company's issued ordinary share capital calculated at the latest practicable date prior to the publication of the Notice of AGM, provided that the additional authority would only be used for the purpose of an acquisition or a specified capital investment which is announced contemporaneously with the issue or which has taken place in the preceding six month period and is disclosed in the announcement of the issue. In line with recommended best practice, the Company has split the disapplication of pre-emption rights authority into two separate resolutions. The first resolution seeks authorisation for 5% of the issued ordinary share capital to be issued on an unrestricted basis, whilst the second resolution seeks authority for an additional 5% of the issued ordinary share capital to be used for an acquisition or a specified capital investment.

While the directors have no present intention to issue any further ordinary shares, other than pursuant to the Company's employee equity incentive share schemes, they intend to seek the renewal of the general pre-emption disapplication authority at the 2021 AGM. Such authority will maintain the Company's flexibility in relation to future share issues, including any issues to finance business opportunities, should appropriate circumstances arise.

Changes in the Company's share capital during 2020, 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 24 and 25 of the consolidated financial statements.

## SUBSTANTIAL SHAREHOLDINGS

The following major shareholdings have been notified to the Company as at 30 September 2020 and up to the date of this Report:

	% of issued capital <sup>1</sup>	% of Compass Group PLC's voting rights <sup>1</sup>
Blackrock, Inc.	9.99	9.99
Artisan Partners Limited Partnership	5.01	5.01
Invesco Limited	4.95	4.95
Massachusetts Financial Services Company	4.60	4.60

1. Notified in accordance with DTR5.1.2. Since the notification date, the shareholders' interests in the Company may have changed.

The number of shares held by the directors as at 30 September 2020 can be found on page 149 in the Directors' Remuneration Report.

## 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 and, in 2019, was adapted to allow it to source shares for all of the Company's share schemes and was renamed the Compass Group PLC All Shares Schemes Trust (ASST).

Details of employee equity incentive schemes are set out in the Directors' Remuneration Report on pages 122 to 153.

As at 30 September 2020, the trustees of the ESOP and ASST held nil (2019: nil) and 147,058 (2019: 187,455) ordinary shares of the Company respectively.

The Compass Group Executive Option Share Trust and The Compass Group Executive Share Trust were established on 15 and 22 February 2010 respectively in relation to the operation of equity incentive schemes in Australia. These trusts were formally closed on 4 June 2020.

## AWARDS UNDER EMPLOYEE SHARE SCHEMES

Details of awards made during the year and held by executive directors as at 30 September 2020 are set out in the Directors' Remuneration Report on pages 122 to 153.

Details of employee equity incentive schemes and grants made during the year ended 30 September 2020, and extant awards held by employees are disclosed in the consolidated financial statements on pages 240 to 242.

## EMPLOYEE ENGAGEMENT

The Group places particular importance on employee engagement, keeping employees regularly informed on matters of concern to them as employees, issues affecting their performance, and promoting a common awareness of the financial and economic factors affecting the performance of the Company. Employee engagement is achieved through management briefings, team meetings and town halls, bulletins and other in house publications and through the Company's internal communications channels. Group businesses in the European Economic Area (EEA) are represented on Compass Group's European Works Council (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. Employees from across the Group's EEA business have been elected to employee representative roles on the EWC. In the Group's North American business, employees can participate in Compass Community Councils, and zone meetings are held to provide a forum for employees across multiple sectors in the same geographic location to exchange best practices. Certain employees globally are eligible to participate in the Company's share schemes, details of which are published on page 242, 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 employee feedback received through employee engagement surveys. The Designated Non-executive director for workforce engagement maintains close links with colleagues tasked with global engagement, holds meetings and 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 56 and 83 to 86.

The Group continues to operate on a decentralised basis. This provides the maximum encouragement for the development of entrepreneurial flair, 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 Chairman, 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 (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 otherwise 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 Chairman, 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 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 becoming disabled would, where appropriate, be offered retraining.

### BUSINESS RELATIONSHIPS

The directors regard the Group's business relationships with its suppliers, clients, consumers and others as a pivotal component of the Company's long term success. Our culture, values and behaviours support open and honest engagement with our business counterparts. We maintain the highest standards of ethical behaviour and probity in all of our business dealings. For further information on how the Company fosters business relationships with its business partners see pages 28 and 29, and for how the directors have had regard to their interests in their principal decision making processes see pages 83 to 85.

### NON-FINANCIAL REPORTING DIRECTIVE

The EU Non-Financial Reporting Directive (the Directive) which was implemented into English law as the Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016 requires 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 Directive and has included the necessary disclosures in this Report.

Throughout this Annual Report the directors have disclosed a mix of financial and non-financial KPIs which they believe best reflect the Group's strategic priorities, and which will help to convey an understanding of the culture of the business and the drivers which contribute to the ongoing success of the Company. Please see the non-financial information statement on page 161 which sets out where stakeholders can find information relating to non-financial matters.

### DIRECTORS' EMOLUMENTS

The arrangements under which the directors of Compass Group PLC agreed to waive a proportion of their emoluments, in recognition of the impact of COVID-19, can be found in the Directors' Remuneration Report on pages 122 to 153.

### EMPLOYEE DIVERSITY AND HUMAN RIGHTS

Our Code of Ethics was developed in consultation with the EWC and the Institute of Business Ethics and sets out clear standards of behaviour that we expect all of our people to demonstrate and adhere to. The Code of Ethics, which is part of our Code of Business Conduct, underpins our social, ethical and environmental commitments and sends a clear message to our stakeholders of our commitment to responsible business practice. The 10 principles of the United Nations (UN) Global Compact, to which we are a signatory, underpin our own Code of Ethics. This UN initiative encourages companies to make human rights, labour standards, environmental responsibility and anti-corruption part of their business agenda.

Our people are instrumental in our success; we respect and value the individuality and diversity that every employee brings to the Group. We base our relationship with our employees 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](http://www.compass-group.com).

As at 30 September 2020, there were 548,143 (2019: 596,452) people employed by the Group (average number of employees including directors and part-time employees) of whom 313,765 were female (2019<sup>1</sup>: 339,978) and 234,378 were male (2019<sup>1</sup>: 256,474). 626 were senior managers, 429 male, 197 female (2019: 450 male, 170 female), which includes members of our global leadership team and statutory directors of corporate entities whose financial information is consolidated in the Group's accounts in this Annual Report.

As at 30 September 2020 there were 12 directors, eight of whom were male and four 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.

We seek to create a positive, open working environment wherever we operate. Our employee policies are set locally to comply with local law within an overall Group framework and we monitor our employee satisfaction and engagement through a number of key performance indicators.

We also consider the concerns of wider communities in which we operate, including national and local interests, utilising our relevant expertise to help contribute to the wellbeing of communities which are appropriate to our 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.

1. Restated for 2019.

## 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 any facility. Details of our emissions during the year ended 30 September 2020 are set out within the Corporate Responsibility section of the Strategic Report on page 66 and form part of the Directors' Report disclosures and are incorporated by reference. Further details of the actions which the Group is taking to reduce emissions can also be found at [www.compass-group.com](http://www.compass-group.com). This Annual Report is certified carbon neutral by sponsoring a cause to offset against the emissions arising from the production, printing and delivery of this Report. This year, the Company has participated in community based reforestation initiatives in East Africa, aimed at empowering 90,000 farmers across 4,000 villages to build sustainable livelihoods through community reforestation activity.

## DONATIONS AND POLITICAL EXPENDITURE

Charitable objectives support the Company's CR strategy and have primarily focused on improving 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
<b>2020</b>	<b>11.1</b>
2019	11.5

Since 2004, shareholders have passed an annual resolution, on a precautionary basis, to approve donations to EU political organisations and to incur EU political expenditure (as such terms were defined under the then relevant legislation) not exceeding a monetary limit approved by shareholders. Following the end of the Brexit transition period, this precautionary resolution will be limited to the UK. 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 page 100 of this Annual Report and on the Company's website [www.compass-group.com](http://www.compass-group.com).

The directors propose to renew the authority granted at the 2020 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.

## COMMUNICATING WITH SHAREHOLDERS

The Company places considerable importance on communication with its shareholders, including its private shareholders. The Group CEO and the Group CFO are closely involved in investor relations and a member of the Executive Committee has day to day responsibility for such matters. The views of the Company's major shareholders are reported to the Board by the Group CEO and the Group CFO as well as by the Chairman (who remains in contact with our largest shareholders) and are discussed at its meetings.

There is regular dialogue with institutional shareholders and private shareholders at the AGM. Contact with institutional shareholders (and with financial analysts, brokers and the media) is controlled by written guidelines in the Company's Corporate Communications Code and Market Soundings Policy, in compliance with EU Market Abuse Regulation requirements to ensure the continued protection of share price sensitive information that has not already been made generally available to the Company's shareholders. Contact is also maintained, when appropriate, to discuss overall remuneration plans and policies with shareholders.

The primary method of communicating with shareholders is by electronic means, helping to make the Company more environmentally friendly by reducing waste and pollution associated with the production and posting of its Annual Report. The Annual Report is available to all shareholders and can be accessed via the Company's website [www.compass-group.com](http://www.compass-group.com). The Group's annual and interim results are also published on the Company's website, together with all other announcements and documents issued to the market, such as statements, interviews and presentations by the Group CEO and Group CFO.

The Notice of Annual General Meeting is circulated to all shareholders at least 20 working days prior to such meeting and it is Company policy not to combine resolutions to be proposed at general meetings. Except in cases where the Company is otherwise prevented by measures introduced to safeguard the health and safety of our shareholders, for example those measures employed during the year by the UK Government to control the spread of COVID-19 by limiting public gatherings, all shareholders are invited to the Company's AGM at which they have the opportunity to put questions to the Board and it is standard practice to have the chairmen of the Audit, Corporate Responsibility, Nomination and Remuneration Committees available to answer questions. The results of proxy voting for and against each resolution, as well as abstentions, are announced to the London Stock Exchange and are published on the Company's website as soon as practicable after the meeting. Further shareholder information is available on pages 275 to 277.

#### **CREST**

The Company's ordinary shares and sterling Eurobonds are in CREST, the settlement system for stocks and shares.

#### **DISCLOSURES REQUIRED UNDER UK LISTING RULE 9.8.4**

There are no disclosures required to be made under UK Listing Rule 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 122 to 153 and details of dividends waived by shareholders can be found on page 154.

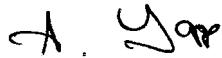
#### **SHAREHOLDER SERVICES**

Details of services provided to shareholders can be found in the Shareholder Information section on pages 275 to 277 and on the Company's website.

#### **AGM**

The Notice of Meeting setting out the resolutions to be proposed at the 2021 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](http://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 of the resolutions.



On behalf of the Board

**Alison Yapp**

Group General Counsel and Company Secretary

24 November 2020

Compass Group PLC  
Registered in England and Wales, No. 4083914

## NON-FINANCIAL 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 <sup>1</sup>	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	Corporate Responsibility report Commitment to United Nations' Sustainable Development Goals GHG Emissions	59-69 68-69 66
Employees	Code of Business Conduct Code of Ethics Workplace Health & Safety Policy Statement	Chief Executive's review – People People report Principal Risks – Health and Safety, People Safety culture	8 51-57 44-49 59-69
Human rights	Code of Business Conduct Code of Ethics Modern Slavery Act Transparency Statement Human Rights Policy Statement	Our Standards Human Rights and Modern Slavery Employee diversity and Human rights	100 108 158
Social matters	Social Purpose	Chief Executive's review – Purpose Who we create value for – Purpose Corporate Responsibility report	8 26-27 59-69
Anti-bribery and corruption	Code of Business Conduct Code of Ethics Group Speak Up Policy Sourcing Responsibly	Our values guide our actions and behaviours Principal Risks – Compliance and Fraud Our Standards Global Supply Chain Integrity standards	57 48 100 67
Business model		Our Business Model	12
Non-financial KPIs		Global Lost Time Incident Frequency Rate Global Food Safety Incident Rate Greenhouse gas intensity ratio Women in global leadership team	5, 62 5, 63 5, 66 53
Principal risks		Identifying and Managing Risk	41-49

1. The Company's policies, statements and codes are available on the Company's website [www.compass-group.com](http://www.compass-group.com).

## DIRECTORS' RESPONSIBILITIES

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 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

24 November 2020

## 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 accounting standards, including IFRS as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK accounting standards, 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 their 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 IFRS as adopted by the EU
- 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.



# Independent auditor's report to the members of Compass Group PLC

## 1. OUR OPINION IS UNMODIFIED

We have audited the financial statements of Compass Group PLC ("the Company") for the year ended 30 September 2020 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Parent Company Balance Sheet and the Parent Company Statement of Changes in Equity, and the related notes, including the accounting policies in notes A to U of the Group financial statements and A to J of the Parent Company financial statements.

### In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

### 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 is consistent with our report to the audit committee.

We were first appointed as auditor by the Directors on 14 March 2014. The period of total uninterrupted engagement is for the seven financial years ended 30 September 2020. 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. No non-audit services prohibited by that standard were provided.

### Overview

	vs 2019
<b>Materiality:</b> Group financial statements as a whole	£68m (2019: £74m) 5.2% of normalised Group profit before tax (2019: 5.0% of Group profit before tax)
<b>Coverage</b>	83% (2019: 91%) of Group profit before tax
<b>Key audit matters</b>	
<b>Event driven</b>	<b>New:</b> Going Concern including the impact of COVID-19 <span style="float: right;">▲</span>
	<b>New:</b> Recoverability of contract related non-current assets <span style="float: right;">▲</span>
	<b>New:</b> Goodwill impairment in respect of the UK cash generating unit <span style="float: right;">▲</span>
	The impact of uncertainties due to the UK exiting the European Union on our audit <span style="float: right;">◀▶</span>
<b>Recurring risks</b>	Uncertain direct tax provisions <span style="float: right;">◀▶</span>
	Recoverability of the Parent Company's investment in and amounts owed by Group undertakings <span style="float: right;">◀▶</span>

## 2. KEY AUDIT MATTERS: INCLUDING OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

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 summarise below the key audit matters, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

The impact of uncertainties due to the UK exiting the European Union on our audit	The risk	Our response
<p><i>Refer to page 41 (Principal Risks), page 39 (Viability Statement), page 92 (Audit Committee Report) and page 208 (Financial Disclosures).</i></p>	<p><b>Extreme levels of uncertainty:</b> The UK left the European Union (EU) on 31 January 2020 and entered an implementation period which is due to operate until 31 December 2020. At that point current trade agreements with the European Union terminate. The UK is in negotiations over future trading relationships with the EU and a number of other countries. Where new trade agreements are not in place World Trade Organisation (WTO) arrangements will be in force, meaning among other things import and export tariffs, quotas and border inspections, which may cause delivery delays. Different potential outcomes of these trade negotiations could have wide ranging impacts on the Group's operations and the future economic environment in the UK and EU.</p> <p>All audits assess and challenge the reasonableness of estimates, in particular as described in goodwill impairment in respect of the UK cash generating unit below, and related disclosures; and the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the Group's future prospects and performance.</p> <p>In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the directors' statement 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.</p> <p>The uncertainty over the UK's future trading relationships with the rest of the world and related economic effects give rise to extreme levels of uncertainty, with the full range of possible effects currently unknown.</p>	<p>We developed a standardised firm-wide approach to the consideration of the uncertainties arising from the UK's departure from the EU in planning and performing our audits. Our procedures included:</p> <ul style="list-style-type: none"> <li><b>Our knowledge of the business:</b> We considered the directors' assessment of risks arising from different outcomes to the trade negotiations for the Group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks.</li> <li><b>Sensitivity analysis:</b> When addressing forecasts used in the goodwill impairment assessment in respect of the UK cash generating unit and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from these uncertainties and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty.</li> <li><b>Assessing transparency:</b> As well as assessing individual disclosures as part of our procedures over goodwill impairment in respect of the UK cash generating unit we considered all of the disclosures concerning uncertainties related to the UK's future trading relationships together, including those in the strategic report, comparing the overall picture against our understanding of the risks.</li> </ul> <p><b>Our results</b> As reported under goodwill impairment in respect of the UK cash generating unit, we found the resulting estimates and related disclosures of sensitivity and disclosures in relation to going concern to be acceptable (2019: acceptable). However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to the impact of the UK's departure from EU.</p>

Going Concern including the impact of COVID-19	The risk	Our response
<p><b>Refer to page 92 (Audit Committee Report) and pages 182 and 184 (Accounting Policies).</b></p>	<p><b>Disclosure quality:</b> The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and Parent Company.</p> <p>That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements.</p> <p>Given the significant impact of the COVID-19 pandemic, the risks most likely to adversely affect the Group's and Company's available resources over the period were:</p> <ul style="list-style-type: none"> <li>• The uncertainty of the impact of COVID-19, with future range of possible effects such as further waves of global infections currently unknown to performance, given the rapidly evolving nature; and</li> <li>• The ability of the group to respond and adapt to structural changes in the industry as a result of COVID-19.</li> </ul> <p>The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast a significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• <b>Sensitivity analysis:</b> Considering sensitivities over the Group's future cash flows and the level of available financial resources indicated by the financial forecasts, including the Group's COVID-19 adjusted cash flows forecasts, taking account of reasonably possible (but not unrealistic) adverse effects that could arise as a result of the forecast decrease in sales post year end due to COVID-19.</li> <li>• <b>Historical comparison:</b> We assessed the reasonableness of the cash flow projections by considering the historical accuracy of the previous forecasts.</li> <li>• <b>Funding assessment:</b> We considered the Group's loan facilities, financing terms and loan covenants and compared them to the directors' forecasts and assumptions for ongoing covenant compliance and available headroom. We also considered the Group's ability to secure additional funding should it be required.</li> <li>• <b>Assessing transparency:</b> Evaluating management's assessment of the impact of COVID-19 and the adequacy of disclosures in relation to the specific risks these pose. Considering throughout the audit any contradictory information to management's confirmation that the company is a going concern, including evaluating whether the assumptions are realistic and achievable and consistent with the external and internal environment.</li> </ul> <p><b>Our results</b> We found the going concern disclosure without any material uncertainty to be acceptable (2019: acceptable).</p>

	The risk	Our response
<p><b>Goodwill impairment in respect of the UK cash generating unit</b></p> <p><b>UK CGU Goodwill</b> £1,456 million (2019: £1,446 million)</p> <p><i>Refer to page 92 (Audit Committee Report), pages 186 and 189 (Accounting Policies) and page 208 (Financial Disclosures).</i></p>	<p><b>Forecast-based valuation:</b></p> <p>The Group has a significant carrying amount of goodwill which is spread across a range of cash-generating units (CGUs) in different countries.</p> <p>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 operating profit growth, long-term perpetuity growth rate and discount rate).</p> <p>Estimation uncertainty has increased as a result of the impact of COVID-19 on the related markets.</p> <p>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.</p> <p>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.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• <b>Benchmarking assumptions and historical comparison:</b> Assessing and challenging the operating cash flow assumptions through retrospective review; comparison to external industry forecasts; and analysis of analysts reports.</li> <li>• <b>Our sector experience:</b> Using our valuations experts to challenge the appropriateness of discount rates by deriving our own independent range and comparing long term perpetuity growth rates to market data.</li> <li>• <b>Sensitivity analysis:</b> Estimating the value in use utilising independent and more conservative forecasts and discount rates and assessed whether this resulted in impairment.</li> <li>• <b>Historical comparisons:</b> Evaluating the track record of historical assumptions used against actual results achieved.</li> <li>• <b>Assessing transparency:</b> Assessing whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to a reasonably possible change in key assumptions reflected the risks inherent in the valuation of goodwill.</li> </ul> <p><b>Our results</b></p> <p>We found the resulting estimate of the carrying amount of the UK CGU to be acceptable (2019: acceptable) and we found the sensitivity disclosures made to be acceptable (2019: acceptable).</p>

	The risk	Our response
<p><b>Recoverability of contract related non-current assets (contract fulfilment assets and contract costs, right of use assets, property, plant &amp; equipment and intangible assets)</b></p> <p><i>Refer to page 92 (Audit Committee Report), pages 185, 188, 190 and 192 (Accounting Policies) and page 200 (Financial Disclosures).</i></p>	<p><b>Forecast-based valuation:</b></p> <p>The Group, as with other companies, is impacted by the outbreak of COVID-19 which has resulted in significant disruption to the Group's operations. This has resulted in a deterioration in the financial performance and position of the Group driven by the significant loss of revenue and profits in the Business &amp; Industry, Sports &amp; Leisure and the Education sectors.</p> <p>As a result, there is a risk that contracts with customers in these sectors may not be performing as expected. Where this is the case, there is a risk that the associated contract related non-current assets capitalised on the balance sheet are no longer recoverable.</p> <p>Assessing whether or not contract related non-current assets are recoverable requires judgement about future events which are inherently uncertain.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the carrying amount of contract related non-current assets 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. In conducting our final audit work, we reassessed the degree of estimation uncertainty to be less than materiality.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li><b>Sensitivity analysis:</b> Where a contract is loss making we assessed the degree of uncertainty in regard to the recoverability of the contract related non-current assets through sensitising the key assumptions used in the Group's impairment forecasts in respect of future revenues and contract operating margins.</li> <li><b>Test of detail:</b> Examining contract asset impairment calculations prepared by the Group and assessing key assumptions such as revenues and operating margins with reference to historic performance and other corroborative evidence.</li> <li><b>Assessing transparency:</b> Assessing the adequacy of the Group's disclosures in respect of impairment of contract related non-current assets.</li> </ul> <p><b>Our results</b></p> <p>We found the carrying value of contract related non-current assets to be acceptable (2019: acceptable).</p>

	The risk	Our response
<p><b>Uncertain direct tax provisions</b></p> <p><i>Refer to page 92 (Audit Committee Report), pages 185 and 189 (Accounting Policies) and pages 204 to 206 and page 249 (Financial Disclosures).</i></p>	<p><b>Subjective estimate:</b></p> <p>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.</p> <p>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.</p> <p>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.</p> <p>In 2020 this included evaluating the impact of the European Commission's state aid investigation into the UK CFC legislation. As explained in Note 29 of the financial statements, the maximum potential liability in respect of this matter could be up to £113 million.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• <b>Our taxation expertise:</b> With the assistance of our tax specialists, we analysed and challenged the assumptions used to determine provisions 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.</li> <li>• 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.</li> <li>• <b>Test of detail:</b> Examining the calculations prepared by the directors and agreeing key assumptions used to underly data.</li> <li>• Inspecting correspondence with relevant tax authorities and assessing third party tax advice received 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.</li> <li>• <b>Assessing transparency:</b> Assessing the adequacy of the Group's disclosures in respect of tax and uncertain direct tax positions.</li> </ul> <p><b>Our results</b></p> <p>We found the carrying value of the tax provision to be acceptable (2019: acceptable).</p>

	The risk	Our response
<b>Recoverability of the parent Company's investment in and amounts owed by Group undertakings</b>	<p><b>Low risk, high value</b></p> <p>The carrying amount of the Company's investments in subsidiaries held at cost less impairment and intercompany receivables represent 88% (2019: 98%) of the Company's total assets.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• <b>Test of details:</b> Comparing a sample of the investment and intercompany receivables' carrying value 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.</li> </ul>
<p><i>Investments</i> £1,056 million (2019: £1,061 million)</p>	<p>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 Company financial statements as a whole, this is considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our Company audit.</p>	<ul style="list-style-type: none"> <li>• <b>Assessing subsidiary net assets:</b> 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.</li> </ul>
<p><i>Intercompany receivables</i> £9,543 million (2019: £9,514 million).</p>		<ul style="list-style-type: none"> <li>• <b>Test of details:</b> Where 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.</li> </ul>
		<ul style="list-style-type: none"> <li>• <b>Assessing expected credit losses:</b> For a sample of the intercompany receivables we evaluated the expected credit losses determined by management, in particular the likely risk of default with reference to the credit worthiness of the counterparty and any recent evidence of incurred credit losses.</li> </ul>
		<ul style="list-style-type: none"> <li>• <b>Our sector experience:</b> In addition, for certain investments and receivables, we evaluated the assumptions used in the applicable impairment model, in particular those relating to forecast profit growth, using our knowledge and historic experience of the profitability of the underlying trading group.</li> </ul>
		<ul style="list-style-type: none"> <li>• <b>Benchmarking assumptions:</b> We compared the assumptions in the applicable impairment model for the investment to externally derived data in relation to projected economic growth and discount rates.</li> </ul>
		<h3>Our results</h3>
		<p>We found the carrying amounts of investments and intercompany receivables to be acceptable (2019: acceptable).</p>

We continue to perform procedures over supplier rebates and discounts. However, due to lower purchase volumes during the year and a reassessment of the risk which considered our cumulative knowledge of the likelihood of a material error, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year as a key audit matter.

### 3. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the group financial statements as a whole was set at £68m, determined with reference to a benchmark of group profit before tax (normalised to exclude cost action programme, COVID-19 resizing costs and impairment losses on contract related assets as disclosed in note 3 and the net gain on the sale of businesses as disclosed in note 26, and by averaging over the last four years due to volatility in performance caused by the COVID-19 pandemic) of £1.3 billion.

In the prior year, materiality for the Group financial statements as a whole was set at £74 million, determined with reference to a benchmark of profit before taxation of which it represented 5%.

Materiality for the Parent Company financial statements as a whole was set at £54m (2019: £59m), determined with reference to a benchmark of Company total assets, of which it represents 0.4% (2019: 0.5%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £3.4m (2019: £3.7m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 51 (2019: 52) reporting components, we subjected 15 (2019: 16) to full scope audits for group purposes.

The components within the scope of our work accounted for the percentages illustrated opposite.

The remaining 11% (2019: 10%) of total Group revenue, 17% (2019: 9%) of Group profit before tax and 9% (2019: 7%) of total Group assets is represented by 36 components of reporting components (2019: 36 components), none of which individually represented more than 3% of any of total Group revenue, Group profit before tax or total Group assets. For these residual 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 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 materialities, which ranged from £3m to £58m (2019: £2m to £59m), having regard to the mix of size and risk profile of the Group across the components. The work on 12 of the 15 components (2019: 13 of the 16 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 performed procedures on the items excluded from normalised Group profit before tax.

### NORMALISED GROUP PROFIT BEFORE TAX

£1.3 billion  
(2019: Group profit before tax £1.5 billion)



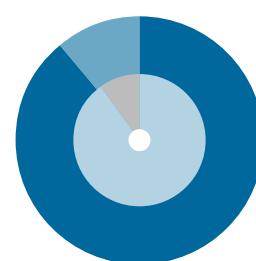
### GROUP MATERIALITY

£68 million  
(2019: £74 million)

£68 million	Whole financial statements materiality (2019: £74 million)
£58 million	Range of materiality at 15 components (£3 million to £58 million) (2019: £2 million to £59 million)
£3.4 million	Missstatements reported to the Audit Committee (2019: £3.7 million)

### GROUP REVENUE

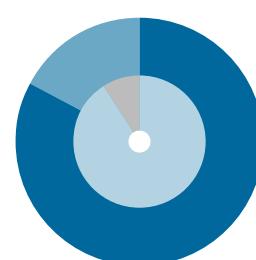
89% (2019: 90%)



Full scope for Group audit purposes 2020	89%
Residual components	11%
Full scope for Group audit purposes 2019	90%
Residual components	10%

### GROUP PROFIT BEFORE TAX

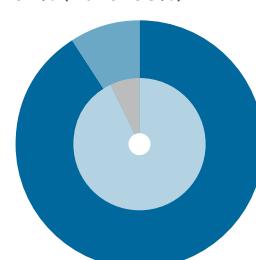
83% (2019: 91%)



Full scope for Group audit purposes 2020	83%
Residual components	17%
Full scope for Group audit purposes 2019	91%
Residual components	9%

### GROUP TOTAL ASSETS

91% (2019: 93%)



Full scope for Group audit purposes 2020	91%
Residual components	9%
Full scope for Group audit purposes 2019	93%
Residual components	7%

Due to the current restrictions on travel and social distancing measures, enacted as a response to global COVID-19 pandemic, senior members of the group engagement team used video conferencing to oversee the component auditor work and had video discussions with management of the component locations in scope of the group audit. The group engagement team assessed the audit risk and strategy and directed the audit work of component auditors. The Group audit team also evaluated the sufficiency of the audit evidence obtained through discussions with, and remote review of the audit working papers of, component teams.

In the prior year, the Group team visited 10 component locations, Brazil, Chile, Canada, France, Germany, Japan, Portugal, Turkey, United Kingdom and United States.

#### 4. WE HAVE NOTHING TO REPORT ON GOING CONCERN

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group'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 for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. 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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in Note A 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 Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 39 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

#### 5. WE HAVE NOTHING TO REPORT ON THE 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.

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 in the other information.

##### Strategic report and directors' report

Based solely on our work on the other information:

- 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

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

##### Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement on page 39 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 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.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

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 Company's longer-term viability.

#### **Corporate governance disclosures**

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit 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; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

#### **6. WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

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.

## **7. RESPECTIVE RESPONSIBILITIES**

#### **Directors' responsibilities**

As explained more fully in their statement set out on page 162, 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 other irregularities (see below), 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, other irregularities 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](http://www.frc.org.uk/auditorsresponsibilities).

#### **Irregularities – ability to detect**

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. 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 to component audit teams of relevant laws and regulations identified at group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

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.

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, anti-bribery 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. Through these procedures, we became aware of actual or suspected non-compliance and considered the effect as part of our procedures on the related financial statement items. The identified actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter.

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 (irregularities) 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 irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

## 8. 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.



**Paul Korolkiewicz (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants**

15 Canada Square, London E14 5GL

24 November 2020

CONSOLIDATED INCOME STATEMENT

For the year ended 30 September 2020

	Notes	2020 £m	2019 <sup>1,2</sup> (restated) £m
<b>Combined sales of Group and share of equity accounted joint ventures</b>	2, 35	<b>20,198</b>	25,152
Less: share of sales of equity accounted joint ventures	14	(258)	(274)
<b>Revenue</b>		<b>19,940</b>	24,878
Operating costs	3	(19,650)	(23,308)
<b>Operating profit before joint ventures and associates</b>		<b>290</b>	1,570
Share of profit after tax of joint ventures and associates	2, 14	<b>4</b>	56
<b>Operating profit</b>	2	<b>294</b>	1,626
<b>Underlying operating profit<sup>3</sup></b>	2, 35	<b>561</b>	1,882
Acquisition related costs	3	(70)	(54)
One-off pension charge	23	—	(12)
Cost action programme and COVID-19 resizing costs	3	(197)	(190)
Net gain/(loss) on sale and closure of businesses	26	<b>59</b>	(7)
Finance income	5	<b>10</b>	12
Finance costs	5	(144)	(122)
Other financing items loss	5	(9)	(15)
<b>Profit before tax</b>	6	<b>210</b>	1,494
Income tax expense	6	(75)	(351)
<b>Profit for the year</b>		<b>135</b>	1,143
<b>ATTRIBUTABLE TO</b>			
Equity shareholders of the Company	7	<b>133</b>	1,135
Non-controlling interests		<b>2</b>	8
<b>Profit for the year</b>		<b>135</b>	1,143
<b>BASIC EARNINGS PER SHARE (PENCE)</b>	7	<b>8.0p</b>	71.6p
<b>DILUTED EARNINGS PER SHARE (PENCE)</b>	7	<b>8.0p</b>	71.5p

1. Prior year comparatives have not been restated for IFRS 16 'Leases'. Additional information about the impact of IFRS 16 is included in note 1.
2. Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 14.
3. Underlying operating profit excludes acquisition related costs, one-off pension charge, cost action programme and COVID-19 resizing costs, but includes share of profit after tax of associates and operating profit before tax of joint ventures. The reconciliation between statutory and underlying results is provided in note 34.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2020

	Notes	2020 £m	2019 <sup>1,2</sup> (restated) £m
<b>Profit for the year</b>		<b>135</b>	1,143
<b>Other comprehensive income</b>			
<b>Items that are not reclassified subsequently to the income statement</b>			
Remeasurement of post employment benefit obligations – loss	23	(96)	(357)
Return on plan assets, excluding interest income – gain	23	78	425
Tax on items relating to the components of other comprehensive income	6	(4)	(10)
Change in fair value of financial assets at fair value through other comprehensive income		(9)	–
		(31)	58
<b>Items that are or may be reclassified subsequently to the income statement</b>			
Currency translation differences <sup>3</sup>		(204)	131
Reclassification adjustment for movements in foreign exchange on sale of businesses		(14)	6
Tax on items relating to the components of other comprehensive income	6	(2)	(2)
		(220)	135
<b>Total other comprehensive (loss)/income for the year</b>		<b>(251)</b>	193
<b>Total comprehensive (loss)/income for the year</b>		<b>(116)</b>	1,336
<b>ATTRIBUTABLE TO</b>			
Equity shareholders of the Company		(118)	1,328
Non-controlling interests		2	8
<b>Total comprehensive (loss)/income for the year</b>		<b>(116)</b>	1,336

1. Prior year comparatives have not been restated for IFRS 16 'Leases'. Additional information about the impact of IFRS 16 is included in note 1.  
 2. Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 14.  
 3. Includes gain of £47 million in relation to the effective portion of the net investment hedge (2019: loss of £133 million). Additional information is included in note 20.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2020

Notes	Attributable to equity shareholders of the Company							Total £m
	Share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares £m	Other reserves £m	Retained earnings £m	Non- controlling interests £m	
At 30 September 2019, as reported <sup>1,2</sup>	<b>176</b>	<b>182</b>	<b>295</b>	(4)	<b>4,362</b>	(1,676)	<b>27</b>	<b>3,362</b>
Restate equity accounting <sup>2</sup>	—	—	—	—	—	25	—	25
At 1 October 2019, restated <sup>1,2</sup>	<b>176</b>	<b>182</b>	<b>295</b>	(4)	<b>4,362</b>	(1,651)	<b>27</b>	<b>3,387</b>
<b>Profit for the year</b>	—	—	—	—	—	133	2	<b>135</b>
<b>Other comprehensive income</b>								
Currency translation differences	—	—	—	—	(204)	—	—	(204)
Remeasurement of post employment benefit obligations – loss	23	—	—	—	—	(96)	—	(96)
Return on plan assets, excluding interest income – gain	23	—	—	—	—	78	—	78
Tax on items relating to the components of other comprehensive income	6	—	—	—	(2)	(4)	—	(6)
Reclassification adjustment for movements in foreign exchange on sale of businesses	—	—	—	—	(14)	—	—	(14)
Change in fair value of financial assets at fair value through other comprehensive income	—	—	—	—	—	(9)	—	(9)
<b>Total other comprehensive loss</b>	—	—	—	—	(220)	(31)	—	(251)
<b>Total comprehensive (loss)/income for the year</b>	—	—	—	—	(220)	<b>102</b>	<b>2</b>	<b>(116)</b>
Fair value of share-based payments	25	—	—	—	(2)	—	—	(2)
Tax on items taken directly to equity	6	—	—	—	—	(2)	—	(2)
Change in the fair value of non-controlling interest put options	—	—	—	—	8	—	—	8
Purchase of own shares to satisfy employee share-based payments	—	—	—	(1)	—	—	—	(1)
Release of share awards settled in existing shares purchased in the market	—	—	—	—	(3)	—	—	(3)
Shares issued, net of expenses <sup>3</sup>	24	<b>22</b>	<b>7</b>	—	<b>1,943</b>	—	—	<b>1,972</b>
Transfer of merger reserve to retained earnings <sup>3</sup>	24	—	—	—	(1,943)	<b>1,943</b>	—	—
	<b>198</b>	<b>189</b>	<b>295</b>	(5)	<b>4,145</b>	<b>392</b>	<b>29</b>	<b>5,243</b>
Dividends paid to shareholders	8	—	—	—	—	(427)	—	(427)
Dividends paid to non-controlling interests	—	—	—	—	—	—	(6)	(6)
Own shares issued under share schemes	—	—	—	3	—	—	—	3
<b>At 30 September 2020</b>	<b>198</b>	<b>189</b>	<b>295</b>	(2)	<b>4,145</b>	(35)	<b>23</b>	<b>4,813</b>

1. Prior year comparatives have not been restated for IFRS 16 'Leases'. Additional information about the impact of IFRS 16 is included in note 1.
2. Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 14.
3. In May 2020, the Company issued 195,667,352 new ordinary shares of 11½ pence each, comprising the 'Placing shares', the 'Subscription shares' and the 'Retail offer shares'. No share premium was recorded in relation to the Placing shares and the premium over the nominal value of these shares was credited to merger reserve and subsequently recognised in retained earnings as the Company was able to rely on Section 612 of the Companies Act 2006. Additional information about the share issue is included in note 24.

OTHER RESERVES	Notes	Share-based	Merger	Revaluation	Translation	Non-	Total other
		payment reserve £m	reserve £m	reserve £m	reserve <sup>3</sup> £m	controlling interest put options reserve £m	
At 1 October 2019 <sup>1</sup>		259	4,170	7	5	(79)	4,362
<b>Other comprehensive income</b>							
Currency translation differences		–	–	–	(204)	–	(204)
Reclassification adjustment for movements in foreign exchange on sale of businesses		–	–	–	(14)	–	(14)
Tax on items relating to the components of other comprehensive income	6	–	–	–	(2)	–	(2)
<b>Total other comprehensive loss</b>		–	–	–	(220)	–	(220)
Fair value of share-based payments	25	(2)	–	–	–	–	(2)
Change in the fair value of non-controlling interest put options		–	–	–	–	8	8
Release of share awards settled in existing shares purchased in the market		(3)	–	–	–	–	(3)
Shares issued, net of expenses <sup>2</sup>	24	–	1,943	–	–	–	1,943
Transfer of merger reserve to retained earnings <sup>2</sup>	24	–	(1,943)	–	–	–	(1,943)
At 30 September 2020		254	4,170	7	(215)	(71)	4,145

- Prior year comparatives have not been restated for IFRS 16 'Leases'. Additional information about the impact of IFRS 16 is included in note 1.
- In May 2020, the Company issued 195,667,352 new ordinary shares of 11½ pence each, comprising the 'Placing shares', the 'Subscription shares' and the 'Retail offer shares'. No share premium was recorded in relation to the Placing shares and the premium over the nominal value of these shares was credited to merger reserve and subsequently recognised in retained earnings as the Company was able to rely on Section 612 of the Companies Act 2006. Additional information about the share issue is included in note 24.
- Includes loss of £621 million (2019: loss of £668 million) in relation to the balance remaining in the foreign currency translation reserve from net investment hedging relationships for which hedge accounting continues to apply. Additional information is included in note 20.

Own shares held by the Group represent 147,058 ordinary shares in Compass Group PLC (2019: 187,455 ordinary shares) and are held by the Compass Group PLC All Share Schemes Trust (ASST). These shares are listed on a recognised stock exchange and their market value at 30 September 2020 was £1.7 million (2019: £3.9 million).

The nominal value held at 30 September 2020 was £16,250 (2019: £20,714).

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.

The merger reserve arose in 2000 following the demerger from Granada Compass plc.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 30 September 2020

Notes	Attributable to equity shareholders of the Company							Non-controlling interests £m	Total £m
	Share capital £m	Share premium account £m	Capital redemption reserve £m	Own shares £m	Other reserves £m	Retained earnings £m			
At 1 October 2018 <sup>1</sup>	176	182	295	–	4,208	(2,234)	25	2,652	
<b>Profit for the year<sup>2</sup></b>	–	–	–	–	–	1,135	8	1,143	
<b>Other comprehensive income</b>									
Currency translation differences	–	–	–	–	131	–	–	131	
Remeasurement of post employment benefit obligations – loss	23	–	–	–	–	(357)	–	(357)	
Return on plan assets, excluding interest income – gain	23	–	–	–	–	425	–	425	
Tax on items relating to the components of other comprehensive income	6	–	–	–	(2)	(10)	–	(12)	
Reclassification adjustment for movements in foreign exchange on sale of businesses	–	–	–	–	6	–	–	6	
<b>Total other comprehensive income</b>	–	–	–	–	135	58	–	193	
<b>Total comprehensive income for the year<sup>2</sup></b>	–	–	–	–	135	1,193	8	1,336	
Fair value of share-based payments	25	–	–	–	27	–	–	27	
Changes to non-controlling interests due to acquisitions and disposals	–	–	–	–	–	–	(1)	(1)	
Tax on items taken directly to equity	6	–	–	–	–	4	–	4	
Change in the fair value of non-controlling interest put options	–	–	–	–	(8)	–	–	(8)	
Purchase of own shares to satisfy employee share-based payments	–	–	–	(4)	–	–	–	(4)	
Other changes	–	–	–	–	–	(3)	–	(3)	
	176	182	295	(4)	4,362	(1,040)	32	4,003	
Dividends paid to shareholders	8	–	–	–	–	(611)	–	(611)	
Dividends paid to non-controlling interests	–	–	–	–	–	–	(5)	(5)	
At 30 September 2019 <sup>2</sup>	176	182	295	(4)	4,362	(1,651)	27	3,387	
<b>OTHER RESERVES</b>		Share-based payment reserve £m	Merger reserve £m	Revaluation reserve £m	Translation reserve <sup>3</sup> £m	Non-controlling interest put options reserve £m		Total other reserves £m	
At 1 October 2018 <sup>1</sup>	232	4,170	7	(130)	–	(71)	4,208		
<b>Other comprehensive income</b>									
Currency translation differences	–	–	–	131	–	–	131		
Reclassification adjustment for movements in foreign exchange on sale of businesses	–	–	–	6	–	–	6		
Tax on items relating to the components of other comprehensive income	6	–	–	(2)	–	–	(2)		
<b>Total other comprehensive income</b>	–	–	–	135	–	–	135		
Fair value of share-based payments	25	27	–	–	–	–	–	27	
Change in fair value of non-controlling interest put options	–	–	–	–	–	(8)	(8)		
At 30 September 2019 <sup>1</sup>	259	4,170	7	5	–	(79)	4,362		

1. Prior year comparatives have not been restated for IFRS 16 'Leases'. Additional information about the impact of IFRS 16 is included in note 1.
2. Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 14.
3. Includes loss of £668 million (2018: £529 million) in relation to the balance remaining in the foreign currency translation reserve from net investment hedging relationships for which hedge accounting continues to apply. Additional information is included in note 20.

## CONSOLIDATED BALANCE SHEET

At 30 September 2020

	Notes	30 September 2020 £m	2019 <sup>1,2</sup> (restated) £m
<b>NON-CURRENT ASSETS</b>			
Goodwill	9	<b>4,669</b>	4,576
Other intangible assets	10	<b>1,678</b>	1,426
Contract fulfilment assets and contract costs	11	<b>972</b>	976
Right of use assets	12	<b>860</b>	—
Property, plant and equipment	13	<b>970</b>	1,052
Interests in joint ventures and associates	14	<b>345</b>	306
Other investments	15	<b>75</b>	96
Post employment benefit assets	23	<b>441</b>	448
Trade and other receivables	16	<b>99</b>	96
Deferred tax assets	6	<b>146</b>	76
Derivative financial instruments <sup>3</sup>	20	<b>237</b>	207
Non-current assets		<b>10,492</b>	9,259
<b>CURRENT ASSETS</b>			
Inventories	17	<b>310</b>	404
Trade and other receivables	16	<b>2,319</b>	3,051
Tax recoverable		<b>111</b>	88
Cash and cash equivalents <sup>3</sup>	18	<b>1,484</b>	398
Derivative financial instruments <sup>3</sup>	20	<b>5</b>	—
		<b>4,229</b>	3,941
Assets held for sale	26	<b>13</b>	135
Current assets		<b>4,242</b>	4,076
<b>Total assets</b>		<b>14,734</b>	13,335
<b>CURRENT LIABILITIES</b>			
Short term borrowings <sup>3</sup>	19	<b>(106)</b>	(186)
Short term lease liabilities <sup>3</sup>	12	<b>(197)</b>	—
Derivative financial instruments <sup>3</sup>	20	<b>(9)</b>	(6)
Provisions	22	<b>(337)</b>	(223)
Current tax liabilities		<b>(228)</b>	(247)
Trade and other payables	21	<b>(3,615)</b>	(4,718)
		<b>(4,492)</b>	(5,380)
Liabilities directly associated with assets held for sale	26	<b>(7)</b>	(30)
Current liabilities		<b>(4,499)</b>	(5,410)
<b>NON-CURRENT LIABILITIES</b>			
Long term borrowings <sup>3</sup>	19	<b>(3,673)</b>	(3,679)
Long term lease liabilities <sup>3</sup>	12	<b>(745)</b>	—
Derivative financial instruments <sup>3</sup>	20	<b>(2)</b>	(6)
Post employment benefit obligations	23	<b>(251)</b>	(259)
Provisions	22	<b>(300)</b>	(266)
Deferred tax liabilities	6	<b>(120)</b>	(114)
Trade and other payables	21	<b>(331)</b>	(214)
Non-current liabilities		<b>(5,422)</b>	(4,538)
<b>Total liabilities</b>		<b>(9,921)</b>	(9,948)
<b>Net assets</b>		<b>4,813</b>	3,387
<b>EQUITY</b>			
Share capital	24	<b>198</b>	176
Share premium account		<b>189</b>	182
Capital redemption reserve		<b>295</b>	295
Own shares		<b>(2)</b>	(4)
Other reserves		<b>4,145</b>	4,362
Retained earnings		<b>(35)</b>	(1,651)
<b>Total equity shareholders' funds</b>		<b>4,790</b>	3,360
<b>Non-controlling interests</b>		<b>23</b>	27
<b>Total equity</b>		<b>4,813</b>	3,387

1. Prior year comparatives have not been restated for IFRS 16 'Leases'. Additional information about the impact of IFRS 16 is included in note 1.
2. Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 14.
3. Component of net debt.

Approved by the Board of directors on 24 November 2020 and signed on their behalf by

**Dominic Blakemore**, Director  
**Karen Witts**, Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 September 2020

	Notes	2020 £m	2019 <sup>1</sup> £m
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	27	<b>1,218</b>	2,396
Interest paid		(145)	(116)
Tax received		<b>40</b>	26
Tax paid	6	(268)	(354)
<b>Net cash from operating activities</b>		<b>845</b>	1,952
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of subsidiary companies <sup>2</sup>	26	(464)	(451)
Purchase of additional interest in joint ventures and associates	14	(15)	(27)
Proceeds from sale of subsidiary companies, joint ventures and associates net of exit costs <sup>2</sup>		<b>29</b>	101
Purchase of intangible assets		(166)	(185)
Purchase of contract fulfilment assets	11	(272)	(286)
Purchase of property, plant and equipment		(271)	(352)
Proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets		<b>43</b>	47
Purchase of other investments	15	(1)	(13)
Proceeds from sale of other investments	15	<b>16</b>	3
Dividends received from joint ventures and associates	14	<b>61</b>	48
Interest received		<b>8</b>	9
<b>Net cash from investing activities</b>		<b>(1,032)</b>	(1,106)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Issue of ordinary share capital, net of expenses <sup>3</sup>	24	<b>1,972</b>	—
Purchase of own shares to satisfy employee share-based payments <sup>4</sup>		(1)	(4)
Increase in borrowings	28	<b>2,441</b>	1,830
Repayment of borrowings	28	(2,549)	(2,631)
Repayment of principal under lease liabilities	12, 28	(152)	(4)
Equity dividends paid	8	(427)	(611)
Dividends paid to non-controlling interests		(6)	(5)
<b>Net cash from financing activities</b>	28	<b>1,278</b>	(1,425)
<b>CASH AND CASH EQUIVALENTS</b>			
Net increase/(decrease) in cash and cash equivalents	28	<b>1,091</b>	(579)
Cash and cash equivalents at beginning of the year	18, 28	<b>398</b>	969
Currency translation (losses)/gains on cash and cash equivalents	28	(4)	9
<b>Total cash and cash equivalents</b>		<b>1,485</b>	399
Cash reclassified as held for sale	26, 28	(1)	(1)
<b>Cash and cash equivalents at end of the year</b>	18, 28	<b>1,484</b>	398

1. Prior year comparatives have not been restated for IFRS 16 'Leases'. Additional information about the impact of IFRS 16 is included in note 1.

2. Net of cash acquired or disposed and payments received or made under warranties and indemnities.

3. Proceeds from issue of share capital of £1,972 million are shown net of issue costs of £34 million.

4. Including stamp duty and brokers' commission.

RECONCILIATION OF FREE CASH FLOW	2020 £m	2019 <sup>1</sup> £m
<b>Net cash from operating activities</b>	<b>845</b>	1,952
Purchase of intangible assets	(166)	(185)
Purchase of contract fulfilment assets	(272)	(286)
Purchase of property, plant and equipment	(271)	(352)
Repayment of principal under lease liabilities <sup>2</sup>	(152)	–
Proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets	43	47
Purchase of other investments	(1)	(13)
Proceeds from sale of other investments	16	3
Dividends received from joint ventures and associates	61	48
Interest received	8	9
Dividends paid to non-controlling interests	(6)	(5)
<b>Free cash flow</b>	<b>105</b>	1,218
Add back: cash payments related to cost action programme and COVID-19 resizing costs	<b>108</b>	29
<b>Underlying free cash flow</b>	<b>213</b>	1,247

1. Prior year comparatives have not been restated for IFRS 16 'Leases'. Additional information about the impact of IFRS 16 is included in note 1.  
 2. Free cash flow has been redefined on adoption of IFRS 16 to include the payment of lease principal amounts, which were excluded from free cash flow in the prior year.

## INTRODUCTION

The significant accounting policies adopted in the preparation of the Group's financial statements are set out below:

## A ACCOUNTING CONVENTION AND BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union that were effective for the year ended 30 September 2020. They have been prepared under the historical cost convention as modified by the revaluation of certain financial instruments.

## 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 1 to 69. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are discussed in the Business Review on pages 32 to 40.

The uncertainty as to the future impact on the financial performance and cash flows of the Group as a result of the recent COVID-19 pandemic has been considered as part of the Group's adoption of the going concern basis in the preparation of the consolidated financial statements. The consolidated financial statements are prepared on a going concern basis which the directors believe to be appropriate for the reasons stated below.

At 30 September 2020, the Group's financing arrangements consisted of sterling and Euro bonds (£2,501 million) and USD US Private Placements (USPP) (£1,172 million). In addition, the Group has Revolving Credit Facilities of £2,800 million (£140 million committed to June 2024, £1,860 million committed to June 2025 and £800 million committed to October 2021), which were fully undrawn, an unutilised £600 million limit under the Bank of England Covid Corporate Financing Facility and £1,387 million in cash net of overdrafts. At the date of approving these consolidated financial statements the funding position of the Group has remained unchanged and the cash position is not materially different.

The next term debt maturity is a USPP of \$398 million on 1 October 2021 and there are no other debt maturities in the 18 months to 31 March 2022.

The USPPs are subject to certain financial covenants, which are usually tested on 31 March and 30 September every year. In May 2020, USPP noteholders agreed to waive the leverage covenant test as at 30 September 2020 and March 2021. The interest cover covenant test was also waived at 30 September 2020 and rebased on a six month proforma basis as at March 2021. The Group's other financing arrangements do not contain any financial covenants.

The directors have prepared projected cash flow information for 18 months from 30 September 2020. The directors have prepared various scenarios in assessing the impact of COVID-19 on future financial performance and cash flows with the key judgements applied being the likely time period of a further global wave of infections, the extent to which government enforced restrictions would impact volumes and the extent to which performance would recover subsequent to these restrictions being lifted.

In the base case scenario, consistent with current trading patterns, the business that is closed is assumed to continue reopening in a phased manner with a gradual recovery. In this base case scenario, the directors consider that the Group will continue to operate within its available committed facilities with sufficient headroom and meet its financial covenant obligations under its USPP debt agreements.

In a severe but plausible downside scenario, the directors have assumed that a further global wave of infections and government enforced restrictions occur in the financial year 2021 and will last for a full quarter, with trading patterns and subsequent recovery mirroring that experienced during the first global wave. The scenario mirrors the experience of the first severe global wave experienced in all major markets at the same time. It has also been assumed that no additional debt is raised during the assessment period. This scenario also assumes a temporary cessation of M&A activity, reduction in discretionary capital expenditure and no dividend payments as mitigating actions.

In this severe but plausible downside scenario modelled by the directors, due to the significant loss of revenue, whilst the Group continues to retain sufficient committed headroom on liquidity, the financial covenants under the Group's USPP agreements could be potentially breached over the next two testing dates (interest cover in March 2021 and leverage ratio in September 2021).

In the event that financial covenants under the Group's USPP agreements could be breached, various alternatives exist to manage this risk including repaying the loan notes from available headroom in advance of their maturity or negotiating further covenant waivers.

Additionally, a combination of strong investment grade credit ratings and a well established presence in the debt capital markets provides the directors with confidence that, if necessary, the Group could raise additional debt finance as required. The Group also has multi-year contracts with a number of clients and suppliers across different geographic areas and industries. This diversification provides the directors with the confidence that the business has long term sustainable commercial relationships that will ensure that the business will continue to generate sufficient cash flow.

Consequently, the directors are confident that the Group and Company will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

## ACCOUNTING STANDARDS ADOPTED IN THE CURRENT FINANCIAL PERIOD

In the current financial year, the Group has adopted:

- IFRS 16 'Leases'
- IFRIC 23 'Uncertainty over income tax treatments'
- Amendments to IFRS 9 'Prepayment features with negative compensation'
- Amendments to IAS 28 'Long term interests in associates and joint ventures'
- Amendments to IAS 19 'Plan amendment, curtailment or settlement'
- Annual improvements to IFRS standards 2015–2017 cycle
- Amendments to IFRS 16 'COVID-19 related rent concessions'
- Amendments to IFRS 9, IAS 39 and IFRS 7 'Interest rate benchmark reform'

The Group has updated its accounting policies to reflect the impact of IFRS 16 as described below. The Group has elected to early adopt 'interest rate benchmark reform' (IBOR reform) amendments and considered the impact of IBOR reform on its hedge accounting. In accordance with the transition provisions, the amendments have been adopted retrospectively to hedging relationships that existed at the start of the reporting period or were designated thereafter. The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform. The adoption of these amendments has not had a material impact on these financial statements; further details of the impact on the Group consolidated financial statements is given in note 20. There is no significant impact on the Group's consolidated results or balance sheet as a result of adopting new IFRS standards other than as described below.

### IFRS 16 'LEASES'

The Group has adopted IFRS 16 'Leases' on 1 October 2019 using the modified retrospective transition approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 'Leases' and IFRIC 4 'Determining whether an arrangement contains a lease'. IFRS 16 eliminates the classification of leases as either operating leases or finance leases and, instead, introduces a single lessee accounting model. Under IFRS 16, leases, other than short term leases and leases of low value assets, give rise to the recognition of lease liabilities for future lease payments and corresponding right of use assets, representing the right to use the leased item.

On transition the lease liabilities have been measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate on the date of transition for each lease. The right of use assets have been measured at an amount equal to the lease liability on adoption, adjusted for pre-existing lease prepayments, accrued lease expenses and lease provisions. As a result, on transition the Group has recognised lease liabilities of £995 million and right of use assets of £956 million. As at 30 September 2020, the right of use assets were £860 million and the lease liabilities were £942 million. Adoption of IFRS 16 has no impact on the Group's ability to comply with the covenant requirements of its borrowing facilities. The Group's lease portfolio mainly consists of offices, concessions and other assets such as catering equipment, vending machines and motor vehicles.

The Group has applied the following expedients in relation to the adoption of IFRS 16:

- reliance was placed on existing onerous lease assessments under IAS 37 to impair right of use assets recognised on adoption instead of performing a new impairment assessment for those assets on adoption
- leases with a term end date within one year of the date of initial application were not recognised on the balance sheet. Rental costs for these leases are accounted on a straight line basis in the consolidated income statement
- no reassessment was performed as to whether existing contracts are, or contain, a lease at the date of initial application

The areas that require most use of management estimation and judgement relate to the lease term and the calculation of the discount rate for future lease payments.

- Lease terms may be different to the minimum lease period and include optional lease periods where it is reasonably certain that an extension option will be exercised or that a termination option will not be exercised by the Group. Termination and extension options are negotiated to provide operational flexibility in managing the leased asset portfolio and align it with the Group's business needs. Judgement is required in assessing whether these optional periods should be included when determining the lease term. The assessment of whether the Group is reasonably certain to exercise such options is made at the lease commencement date and subsequently reassessed if there are significant events or changes in circumstances within the control of the Group. Lease terms are assessed based on the Group's business plans and historical experience

- The lease payments are discounted using the Group's incremental borrowing rates, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms and conditions. The calculation of the incremental borrowing rate for each lease contract requires judgement. The incremental borrowing rate is determined using a series of inputs including a risk free rate based on government bond rates and a credit risk adjustment based on corporate bonds in order to incorporate the credit worthiness of the Group and adjustments specific to the lease, such as term, country and currency

The Group's lease portfolio generally comprises numerous leases of relatively low value with short lease terms and none of them are considered to be individually material. As a result, the above are not considered to be critical accounting judgements and estimates as a reasonable change in lease term or discount rate is unlikely to lead to a material change in the overall lease liability of the Group. Further details of this are provided in note 12.

Further details of the change in the Group's accounting policy in respect of leases and an explanation of the impact on the Group's consolidated financial statements are disclosed in note 1.

#### ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following accounting standards, interpretations and amendments that are applicable to the Group have been issued by the IASB but had either not been adopted by the European Union or were not yet effective in the European Union at 30 September 2020.

- Amendments to references to the conceptual framework in IFRS standards
- Amendments to IFRS 3 'Definition of a business'
- Amendments to IAS 1 and IAS 8 'Definition of material'
- Amendments to IAS 1 'Classification of liabilities as current or non-current'

The Group has not yet adopted these pronouncements and does not currently believe that the adoption of these amendments would have a material effect on the consolidated results or financial position of the Group.

#### B CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates, judgements and assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The COVID-19 pandemic has resulted in significant disruption to the Group's operations and has had a significant impact on the global economy. At the date of approving these financial statements, part of the Group's business is closed due to the steps taken by different governments to contain the spread of the virus and the future impact of COVID-19 remains uncertain. As a result, management has considered the impact of COVID-19 on the financial statements when identifying areas requiring additional level of estimation uncertainty and judgement. The areas which require the most use of management estimation and judgement are set out below.

#### CRITICAL ACCOUNTING JUDGEMENTS

##### *Going concern*

The directors have considered the uncertainty that the COVID-19 pandemic has caused on the future financial performance of the Group as part of the Group's adoption of the going concern basis in the preparation of the consolidated financial statements. The consolidated financial statements are prepared on a going concern basis and management have determined that there are no material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern over the period assessed. Additional information on the judgement management has applied in adopting the going concern assumption is included in the basis of preparation of these accounts on page 182.

There are no other judgements that management consider to be critical in the preparation of these financial statements.

## KEY SOURCES OF ESTIMATION UNCERTAINTY

The major sources of estimation uncertainty are in relation to goodwill and post employment benefits as noted in previous years. In addition, management has considered the impact of COVID-19 on the consolidated financial statements as at 30 September 2020 and identified a number of COVID-19 specific related estimates. These, together with taxes, are not considered to be major sources of uncertainty as defined by IAS 1 'Presentation of financial statements' as a reasonably possible change in key assumptions is not considered likely to have a material effect on the estimate in the next 12 months.

Major sources of estimation uncertainty (goodwill and post employment benefits) and other areas of uncertainty including those arising from COVID-19 are described in more detail below:

### ***COVID-19 specific related estimates***

- ***Recoverability of contract related non-current assets (contract fulfilment assets and contract costs, right of use assets, property, plant and equipment and intangible assets)***

The Group has tested for impairment all of its contract related non-current assets where there are indicators of impairment. Impairment indicators were considered to be present when client contracts had low profitability or were loss making due to a reduction in volumes as a result of COVID-19. In these instances, management has estimated the recoverable value of these assets and compared it to their carrying value in order to estimate any impairment to be recorded. The estimate of the recoverable amount was derived from the most recent management forecasts in relation to the likely trading performance over the remaining life of the contracts, taking into account the impact of COVID-19 and likelihood of a second wave, the time period of government enforced restrictions and the extent to which performance would recover in the following year. Due to the significant uncertainty regarding the ultimate impact of COVID-19, the assumptions used in these estimates include an increased level of inherent uncertainty. Further details in relation to impairment of contract related non-current assets are provided in note 3

- ***Impairment of trade receivables***

Provisions for impairment of trade receivables are measured at an amount equal to lifetime expected credit losses in accordance with the accounting policy set out in section Q on page 191. The Group considers that, given the widespread impact that the COVID-19 pandemic is having globally with the resulting economic downturn, there is additional uncertainty when determining the assumptions used in calculating expected future credit losses. The Group has no significant credit concentration risk. The largest client constitutes only 2.7% of Group revenue and the top 10 clients account for less than 11% of Group revenue. Further details are included in note 16

- ***Provisions***

The Group has made provisions for unavoidable costs arising from certain contracts. These provisions are estimates based on expected costs and the timing of future cash flows which are dependent on future events and market conditions, which now have become more uncertain due to COVID-19. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made. Details of these provisions are set out in note 22

### ***Taxes***

The Group has operations in around 45 countries that are subject to direct and indirect taxes. The tax position is often not agreed with tax authorities until sometime 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; these include the status of any ongoing tax audits, historical experience, interpretations of tax law and the likelihood of settlement.

The changing regulatory environment affecting all multi-nationals increases the estimation uncertainty associated with calculating the Group's tax position. This is as a result of amendments to tax law at the national level, increased cooperation between tax authorities and greater cross border transparency.

The Group estimates and recognises additional tax liabilities as appropriate based on management's interpretation of country specific tax law, external advice and the likelihood of settlement. 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, calculation and recognition of temporary differences giving rise to deferred tax assets requires estimates and judgements to be made on the extent to which future taxable profits are available against which these temporary differences can be utilised.

Further details of this are provided in note 6 and note 29.

**Goodwill**

The Group tests at least annually whether goodwill has suffered any impairment in accordance with the accounting policy set out in section M on page 189. The recoverable amounts of the Group's cash-generating units (CGU) have been determined based on value in use calculations, which this year involve a higher inherent level of estimation due to the uncertainty caused by COVID-19. These calculations require the use of estimates and assumptions consistent with the most up to date budgets and plans that have been formally approved by management. Although the impact of COVID-19 is not expected to significantly impact the long term prospects of the business, the size of the short term shock of the pandemic combined with higher discount rates and lower long term growth rates have reduced the level of headroom in certain CGUs. The key assumptions used for the value in use calculations and sensitivity analysis are set out in note 9.

**Post employment benefits**

The Group's defined benefit pension schemes and similar arrangements are assessed annually in accordance with IAS 19. The present value of the defined benefit liabilities is based on assumptions determined with independent actuarial advice. The size of the net surplus/deficit is sensitive to the market value of the assets held by the schemes and to actuarial assumptions, which include price inflation, pension and salary increases, the discount rate used in assessing actuarial liabilities, mortality and other demographic assumptions.

Further details and sensitivities are included in note 23.

**C BASIS OF CONSOLIDATION**

The consolidated financial statements consist of the financial statements of the Company, entities controlled by the Company (its subsidiaries) and the Group's share of interests in joint arrangements and associates made up to 30 September each year.

**D SUBSIDIARIES, ASSOCIATES AND JOINT ARRANGEMENTS****SUBSIDIARIES**

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.

**ASSOCIATES**

Associates are undertakings that are not subsidiaries or joint arrangements over which the Group has significant influence and can participate in financial and operating policy decisions. Investments in associated undertakings are accounted for using the equity method. The consolidated income statement includes the Group's share of the profit after tax of the associated undertakings. Investments in associates include goodwill identified on acquisition and are carried in the Group 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.

**JOINT ARRANGEMENTS**

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 the joint operations. Joint ventures are accounted for using the equity method.

**ADJUSTMENTS**

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

**ACQUISITIONS AND DISPOSALS**

The results of subsidiaries, associates or joint arrangements 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.

**INTRA-GROUP TRANSACTIONS**

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Where a Group 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.

## E 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 other reserves.

## F FOREIGN CURRENCY

The consolidated financial statements are prepared in sterling, which is the functional and reporting currency of the Company.

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.

In order to hedge its exposure to certain foreign exchange risks the Group enters into forward currency contracts (see section Q for the Group's accounting policies in respect of derivative financial instruments).

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 rate.

## G REVENUE AND CONTRACT COSTS

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

The Company recognises revenue when its performance obligations are satisfied. Performance obligations are satisfied as control of the goods and services is transferred to the client and/or consumers. In certain cases, clients engage us to provide food and support services in a single multi service contract. We recognise revenue 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.

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. Performance obligations are usually clearly identified within contracts and revenue is recognised for each separate performance obligation. 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. There are also contracts under which the Group sells products directly to consumers and these performance obligations represent a transfer of a good at a point in time.

### 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 cash 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 considered not 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.

### TIMING OF REVENUE RECOGNITION

Revenue is recognised as performance obligations are satisfied as control of the goods and services is transferred to the customer. For each performance obligation within 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 by the Group as the food service and/or support service are rendered at the client site. In these circumstances, 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.

### COSTS TO OBTAIN A CONTRACT

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 a contract that would have been incurred regardless of whether the contract was obtained are recognised as an expense in the period.

### COSTS TO FULFIL A CONTRACT

Costs incurred in the fulfilment of the Group's obligations to the client under the contract are recognised in the consolidated balance sheet and include contributions towards service assets, such as kitchen and restaurant fit out costs and equipment, which are capitalised as contract fulfilment assets. 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.

### UTILISATION, DERECOGNITION AND IMPAIRMENT OF CONTRACT FULFILMENT ASSETS AND CAPITALISED COSTS TO OBTAIN A CONTRACT

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 within operating costs. Costs incurred to obtain a contract are unwound over the life of the client contract as an expense.

Capitalised costs are derecognised either when disposed of or when no further economic benefits are expected to flow from their use or disposal.

Whenever impairment indicators exist, the Group determines the recoverability of the contract fulfilment assets and capitalised costs to obtain a contract 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.

### REBATES AND OTHER AMOUNTS RECEIVED FROM SUPPLIERS

Rebates and other amounts received from suppliers include agreed discounts from suppliers' list prices, value and volume related rebates.

Income from value and volume related rebates is recognised based on actual purchases in the period as a proportion of total purchases made or forecast to be made over the rebate period.

Rebates received in respect of plant and equipment are deducted from the costs capitalised and are recognised in the consolidated income statement in line with depreciation.

Agreed discounts relating to inventories are credited to the income statement within 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.

## I BORROWING COSTS

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

## J OPERATING PROFIT

Operating profit is stated after the share of profit after tax of joint ventures and associates, and before finance costs.

## K EXCEPTIONAL ITEMS

Exceptional 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. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

## L TAX

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 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 by 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 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 interest 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.

## M INTANGIBLE ASSETS

### GOODWILL

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, associate or joint arrangement 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 CGUs for the purpose of impairment testing. A CGU is identified at the lowest aggregation of assets that generate largely independent cash inflows, and that which is looked at by management for monitoring and managing the business and relates to the total business for a country. If the recoverable amount of the CGU is less than the carrying amount, an impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment is immediately recognised in the consolidated income statement and an impairment loss recognised for goodwill is not subsequently reversed.

On disposal, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent gain or loss on disposal.

**OTHER INTANGIBLE ASSETS**

Intangible assets acquired separately are capitalised at cost or, if acquired as part of a business combination, are capitalised at fair value as at the date of the acquisition. Group investment in rights to generate significant consumer revenue under client contracts is recognised at cost as other intangible assets.

Amortisation is charged on a straight line basis over the expected useful lives of the assets. Internally generated intangible assets are not capitalised. Intangible assets are reviewed for impairment annually.

The following rates applied for the Group:

- client contract related intangible assets: the life of the contract
- computer software: 20% to 33% per annum

The typical life of contract related intangibles is 2 to 20 years.

Client contract related intangible assets arising on acquisition of a business are recognised at fair value and amortised over the life of the contract, including the renewal period where appropriate. Underlying operating profit and underlying earnings per share exclude the amortisation of contract related intangible assets arising on acquisition of a business as it is not considered to be relevant to the underlying trading performance of the Group.

**N PROPERTY, PLANT AND EQUIPMENT**

All tangible fixed assets are reviewed for impairment when there are indications that the carrying value may not be recoverable. Freehold land is not depreciated. All other property, plant and equipment assets are carried at cost less accumulated depreciation and any recognised impairment in value.

Depreciation is provided on a straight line basis over the anticipated useful lives of the assets.

The following rates applied for the Group:

- freehold buildings and long term leasehold property: 2% per annum
- short term leasehold property: the life of the lease
- plant and machinery: 8% to 33% per annum
- fixtures and fittings: 8% to 33% per annum

When assets are sold, the difference between sales proceeds and the carrying amount of the assets is dealt with in the consolidated income statement.

**O 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. 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. These assets are measured at the lower of carrying value and fair value less costs to sell.

If the non-current asset or disposal group that ceases to be classified as held for sale is a joint venture or associate, prior year comparatives are restated for the periods since classification as held for sale and accounted for using the equity method retrospectively.

**P INVENTORIES**

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.

**Q FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. 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.

**INVESTMENTS**

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 Group 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.

### TRADE RECEIVABLES

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.

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

### BORROWINGS

Borrowings are recognised initially at the proceeds received, net of direct issue costs. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of direct issue costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method, unless included in a fair value hedge.

### TRADE PAYABLES

Trade payables are not interest-bearing and are stated at their nominal value.

### EQUITY INSTRUMENTS

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### 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 of directors 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 cash flow hedges where they hedge the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction; 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.

#### *Cash flow hedges*

The Group's policy is to convert a proportion of its floating rate debt to fixed rates, using floating to fixed interest rate swaps. The Group may designate these as cash flow hedges of interest rate risk whenever the hedge accounting conditions are met. There are no hedging relationships currently designated as cash flow hedges.

***Net investment hedges***

The Group uses foreign currency denominated debt 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 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. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the consolidated income statement in the period.

**R LEASES**

At inception of a contract, the Group assesses whether a 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 lease is recognised in a contract, the Group recognises a right of use asset and a lease liability at the lease commencement date. The Group recognises a right of use asset and a corresponding lease liability 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 rentals are charged to the income statement as an operating expense on a straight line basis over the period of the lease.

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. The right of use asset is subsequently 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.

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 Group's 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 rate 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 inception 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

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.

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.

**S PROVISIONS**

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that 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. Restructuring provisions are recognised if a detailed restructuring plan is in place, a valid expectation that the plan will be implemented has been created in those impacted by

it and there is a reliable estimate of the costs involved. Restructuring provisions only include the direct costs of the restructuring and exclude future operating costs. 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.

## T EMPLOYEE BENEFITS

### 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 Group has no further payment obligations once the contributions have been paid. The contributions payable by the Group in respect of defined contribution plans are charged to the consolidated income statement when they are due. Payments made to state managed schemes are treated as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution pension scheme.

For defined benefit plans, the calculation of the defined benefit obligation is performed at least once a year by a qualified actuary using the projected unit credit method. The consolidated balance sheet reflects a net asset or net liability for each defined benefit pension plan. The 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 interest expense (if a plan is in deficit) is calculated using yields on high quality corporate bonds and recognised in the consolidated income statement. A current service cost is also recognised which represents the expected present value of the defined benefit pension entitlement earned by members in the period.

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.

### SHARE-BASED PAYMENTS

The Group issues equity-settled share-based payments to certain employees. In accordance with the requirements of IFRS 2 'Share-based payments', the Group has applied IFRS 2 to all equity-settled share options granted after 7 November 2002 that had vested before 1 January 2005.

Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured using either the binomial distribution or Black-Scholes pricing models as is most appropriate for each scheme. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of exercise restrictions and behavioural considerations.

### HOLIDAY PAY

Paid holidays and similar entitlements are regarded as an employee benefit and are charged to the consolidated income statement as the benefits are earned. An accrual is made at the balance sheet date to reflect the fair value of holidays earned but not taken.

### U GOVERNMENT GRANTS

Government grants are recognised at fair value when there is reasonable assurance that the conditions associated with the grants have been complied with and the grants will be received. Grants compensating for expenses incurred are recognised as a deduction of the related expenses in the consolidated income statement on a systematic basis in the same periods in which the expenses are incurred.

**1 IMPACT OF THE ADOPTION OF IFRS 16 'LEASES'**

The Group has adopted IFRS 16 'Leases' on 1 October 2019 using the modified retrospective transition approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 'Leases' and IFRIC 4 'Determining whether an arrangement contains a lease'. The impact of the adoption of IFRS 16 'Leases' on the Group's consolidated financial statements is included below.

**Consolidated balance sheet (extract)**

The table below sets out the opening balance sheet adjustments recognised at the date of initial application of IFRS 16. Where practical, line items which are not impacted by the adoption have been aggregated within the relevant sub-totals:

	30 September 2019 <sup>1</sup> (IAS 17 basis) £m	IFRS 16 transition adjustments £m	1 October 2019 (IFRS 16 basis) £m
<b>NON-CURRENT ASSETS</b>			
Right of use assets	–	956	<b>956</b>
Property, plant and equipment	1,052	(4)	<b>1,048</b>
Other non-current assets	8,207	–	<b>8,207</b>
Non-current assets	9,259	952	<b>10,211</b>
<b>CURRENT ASSETS</b>			
Trade and other receivables	3,051	(7)	<b>3,044</b>
Other current assets	1,025	–	<b>1,025</b>
Current assets	4,076	(7)	<b>4,069</b>
<b>Total assets</b>	<b>13,335</b>	<b>945</b>	<b>14,280</b>
<b>CURRENT LIABILITIES</b>			
Short term borrowings	(186)	1	<b>(185)</b>
Short term lease liabilities	–	(155)	<b>(155)</b>
Provisions	(223)	5	<b>(218)</b>
Trade and other payables	(4,718)	28	<b>(4,690)</b>
Other current liabilities	(283)	–	<b>(283)</b>
Current liabilities	(5,410)	(121)	<b>(5,531)</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term borrowings	(3,679)	2	<b>(3,677)</b>
Long term lease liabilities	–	(843)	<b>(843)</b>
Provisions	(266)	17	<b>(249)</b>
Other non-current liabilities	(593)	–	<b>(593)</b>
Non-current liabilities	(4,538)	(824)	<b>(5,362)</b>
<b>Total liabilities</b>	<b>(9,948)</b>	<b>(945)</b>	<b>(10,893)</b>
<b>Net assets</b>	<b>3,387</b>	<b>–</b>	<b>3,387</b>

1. Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 14.

Upon transition on 1 October 2019, the Group recognised additional lease liabilities of £995 million for the present value of the lease payments due under the lease contracts. The right of use asset of £956 million is recognised at an amount equal to the lease liability and adjusted by property, plant and equipment held under finance leases, existing prepaid or accrued lease payments, lease incentives and onerous lease provisions recognised in the consolidated balance sheet at the date of initial application. The net impact on the consolidated balance sheet is £nil.

The weighted average incremental borrowing rate applied to the Group's lease liabilities recognised on the balance sheet at 1 October 2019 was 3.8%.

## 1 IMPACT OF THE ADOPTION OF IFRS 16 'LEASES' (CONTINUED)

The table below presents a reconciliation of the minimum operating lease commitments disclosed applying IAS 17 at 30 September 2019 to the lease liabilities recognised at 1 October 2019 under IFRS 16:

	£m
Total minimum lease payments reported at 30 September 2019 under IAS 17	1,102
Impact of discounting	(237)
Short term leases	(35)
Low value leases	(27)
Leases not yet commenced	(27)
Extension and termination options reasonably certain to be exercised	219
Additional lease liabilities recognised on transition to IFRS 16 at 1 October 2019	995
Existing finance leases	3
<b>Total lease liabilities recognised as at 1 October 2019<sup>1</sup></b>	<b>998</b>

1. Of the amounts recognised as lease liabilities upon transition, £80 million was subsequently reclassified to be presented within the liabilities directly associated with assets held for sale, which related to leases held by the Japanese Highways business held for sale at 30 September 2019.

The reconciling items included in the table above are as follows:

- impact of discounting: previously disclosed lease commitments were undiscounted and under the modified retrospective transition method lease payments were discounted on transition using an incremental borrowing rate
- short term leases: the Group has applied the practical expedient to classify leases with a lease term ending within 12 months of the date of initial application of IFRS 16 as short term leases. The Group has also adopted the accounting policy recognition exemption for short term leases
- low value leases: the Group has adopted the accounting policy recognition exemption for leases of low value assets with an initial fair value less than approximately £5,000
- leases not yet commenced: lease agreements where the underlying asset is not available for use on the transition date were not recognised as lease liabilities under IFRS 16
- extension and termination options reasonably certain to be exercised: under IAS 17 lease commitments only included non cancellable periods in the lease agreements, while under IFRS 16 the lease term includes periods covered by extension and termination options. Extension and termination options are included within a number of lease agreements and provide the Group with operational flexibility. For lease contracts that include such options, the Group has applied judgement to determine the lease term, which can affect the amount of lease liabilities and right of use assets recognised

## CONSOLIDATED INCOME STATEMENT

Under IFRS 16, the operating lease expense previously reported in operating costs has been replaced by a depreciation of the right of use asset, which is lower than the operating lease expense recognised under IAS 17, and a separate interest expense on the lease liabilities, recorded in finance costs. These changes result in a higher operating profit, operating margin and finance costs and in a lower profit before tax for the period. The Group transitioned to IFRS 16 using the modified retrospective approach without restating prior period comparatives, therefore prior period comparatives reported under IAS 17 are not directly comparable.

The adoption of IFRS 16 for the year ended 30 September 2020 has resulted in a £28 million increase in the Group's operating profit compared to the operating profit had the Group continued to apply IAS 17. This increase is offset by additional finance costs of £36 million and £4 million lower gain on sale and closure of businesses, resulting in a net decrease in the Group's profit before tax of £12 million.

## CONSOLIDATED CASH FLOW STATEMENT

There has been no overall cash flow impact arising from the application of IFRS 16. Lease payments are now presented as financing cash flows, representing payments of principal, and as operating cash flows, representing payments of interest. Variable lease payments that do not depend on an index or rate are not included in the lease liability and continue to be presented as operating cash flows. In prior years, operating lease payments were presented within cash flows from operating activities. This change in presentation has resulted in a £151 million increase in net cash from operating activities (excluding £1 million in relation to repayments of obligations under finance leases which existed before the transition to IFRS 16), offset by a decline in net cash from financing activities for the same amount.

For the year ended 30 September 2020

**1 IMPACT OF THE ADOPTION OF IFRS 16 'LEASES' (CONTINUED)****UNDERLYING AND OTHER ALTERNATIVE PERFORMANCE MEASURES**

Underlying and other alternative performance measures have been amended, where necessary, to reflect the adoption of IFRS 16. The impact of IFRS 16 on the Group's alternative performance measures includes the following:

- underlying operating profit has increased by £28 million, including £18 million in North America, £6 million in Europe and £4 million in Rest of World
- underlying basic earnings per share has decreased by 0.5 pence, reflecting higher finance costs on lease liabilities of £36 million offset by the increase in underlying operating profit
- the net debt definition has been updated to include the additional lease liabilities resulting from IFRS 16. As a result, net debt as at 30 September 2020 has increased by £939 million (excluding £3 million in relation to finance lease liabilities which existed before the transition to IFRS 16)
- free cash flow has been redefined to include the payment of lease principal amounts, which were excluded from free cash flow in the prior year

To provide a meaningful comparison with prior year which is reported under IAS 17 'Leases' the underlying operating profit and growth rates for the year ended 30 September 2020 have therefore also been presented in accordance with IAS 17 as shown in note 35.

**2 SEGMENTAL REPORTING**

The management of the Group's operations, excluding Central activities, is organised within three segments: North America, Europe and our Rest of World markets. The following table presents Group revenues disaggregated by geographical segment and sector:

REVENUE <sup>1</sup>	Geographical segments			Total £m
	North America £m	Europe £m	Rest of World £m	
<b>YEAR ENDED 30 SEPTEMBER 2020</b>				
Business & Industry	<b>3,901</b>	<b>2,559</b>	<b>921</b>	<b>7,381</b>
Education	<b>2,819</b>	<b>609</b>	<b>116</b>	<b>3,544</b>
Healthcare & Seniors	<b>4,536</b>	<b>922</b>	<b>394</b>	<b>5,852</b>
Sports & Leisure	<b>1,272</b>	<b>393</b>	<b>69</b>	<b>1,734</b>
Defence, Offshore & Remote	<b>218</b>	<b>565</b>	<b>904</b>	<b>1,687</b>
Combined sales of Group and share of equity accounted joint ventures <sup>2,3</sup>	<b>12,746</b>	<b>5,048</b>	<b>2,404</b>	<b>20,198</b>
<b>YEAR ENDED 30 SEPTEMBER 2019<sup>4</sup></b>				
Business & Industry	5,077	3,383	1,211	9,671
Education	3,495	838	191	4,524
Healthcare & Seniors	4,422	976	448	5,846
Sports & Leisure	2,454	589	283	3,326
Defence, Offshore & Remote	246	605	934	1,785
Combined sales of Group and share of equity accounted joint ventures <sup>2,3</sup>	15,694	6,391	3,067	25,152

1. There is no inter-segmental trading.

2. This is the underlying revenue measure considered by the chief operating decision maker.

3. Underlying revenue from external customers arising in the UK, the Group's country of domicile, was £1,520 million (2019: £2,143 million). Underlying revenue from external customers arising in the US region was £12,005 million (2019: £14,747 million). Underlying revenue from external customers arising in all countries outside the UK from which the Group derives revenue was £18,678 million (2019: £23,009 million).

4. The revenue relating to the Group's geographical segments of Europe and Rest of World has been reclassified to reflect a change in the way those segments are managed by the chief operating decision maker: Turkey and Middle East are now part of the Europe segment. Revenue of £537 million has been reclassified from Rest of World to Europe for the year ended 30 September 2019.

## 2 SEGMENTAL REPORTING (CONTINUED)

OPERATING PROFIT	Geographical segments				Total £m
	North America £m	Europe £m	Rest of World £m	Central activities £m	
<b>YEAR ENDED 30 SEPTEMBER 2020</b>					
Underlying operating profit/(loss) before joint ventures and associates	605	(57)	94	(85)	557
Add: share of profit before tax of joint ventures	1	28	—	—	29
Regional underlying operating profit/(loss) <sup>1</sup>	606	(29)	94	(85)	586
Add: share of (loss)/profit of associates	(28)	5	(2)	—	(25)
Group underlying operating profit <sup>1</sup>	578	(24)	92	(85)	561
Less: acquisition related costs	(42)	(19)	(2)	(7)	(70)
Less: cost action programme and COVID-19 resizing costs	(48)	(122)	(24)	(3)	(197)
Total operating profit/(loss)	488	(165)	66	(95)	294
Net gain on sale and closure of businesses					59
Finance income					10
Finance costs					(144)
Other financing items loss					(9)
Profit before tax					210
Income tax expense					(75)
Profit for the year					135

OPERATING PROFIT	Geographical segments				Total £m
	North America £m	Europe £m	Rest of World £m	Central activities £m	
<b>YEAR ENDED 30 SEPTEMBER 2019<sup>2,3</sup></b>					
Underlying operating profit before joint ventures and associates	1,289	389	228	(80)	1,826
Add: share of profit before tax of joint ventures	1	32	4	—	37
Regional underlying operating profit <sup>1</sup>	1,290	421	232	(80)	1,863
Add: share of profit of associates	10	9	—	—	19
Group underlying operating profit <sup>1</sup>	1,300	430	232	(80)	1,882
Less: acquisition related costs	(32)	(17)	(2)	(3)	(54)
Less: one-off pension charge	—	(12)	—	—	(12)
Less: cost action programme and COVID-19 resizing costs	—	(141)	(45)	(4)	(190)
Total operating profit	1,268	260	185	(87)	1,626
Net loss on sale and closure of businesses					(7)
Finance income					12
Finance costs					(122)
Other financing items loss					(15)
Profit before tax					1,494
Income tax expense					(351)
Profit for the year					1,143

- Underlying operating profit is the profit measure considered by the chief operating decision maker.
- The underlying operating profit relating to the Group's geographical segments of Europe and Rest of World has been reclassified to reflect a change in the way those segments are managed by the chief operating decision maker: Turkey and Middle East are now part of the Europe segment. Regional underlying operating profit of £53 million has been reclassified from Rest of World to Europe for the year ended 30 September 2019.
- Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 14.

For the year ended 30 September 2020

**2 SEGMENTAL REPORTING (CONTINUED)**

BALANCE SHEET	Geographical segments			Unallocated			Total £m
	North America £m	Europe £m	Rest of World £m	Central activities £m	Current and deferred tax £m	Net debt £m	
<b>AT 30 SEPTEMBER 2020</b>							
Total assets	6,775	4,416	1,012	548	257	1,726	14,734
Total liabilities	(2,535)	(1,441)	(599)	(266)	(348)	(4,732)	(9,921)
Net assets/(liabilities)	4,240	2,975	413	282	(91)	(3,006)	4,813
Total assets include:							
Interests in associates and joint ventures	124	167	54	—	—	—	345
Non-current assets <sup>1</sup>	5,482	3,520	586	521	146	237	10,492
<b>AT 30 SEPTEMBER 2019<sup>2,3</sup></b>							
Total assets	7,192	3,735	1,116	523	164	605	13,335
Total liabilities	(3,282)	(1,562)	(663)	(203)	(361)	(3,877)	(9,948)
Net assets/(liabilities)	3,910	2,173	453	320	(197)	(3,272)	3,387
Total assets include:							
Interests in associates and joint ventures	126	179	1	—	—	—	306
Non-current assets <sup>1</sup>	5,253	2,654	569	500	76	207	9,259

1. Non-current assets located in the UK, the Group's country of domicile, were £1,951 million (2019: £1,767 million). Non-current assets located in the US region were £5,103 million (2019: £4,889 million). Non-current assets located in all countries outside the UK in which the Group holds assets were £8,541 million (2019: £7,492 million).
2. Total assets of £204 million, total liabilities of £77 million and non-current assets of £121 million relating to the Group's geographical segments of Europe and Rest of World have been reclassified to reflect a change in the way those segments are managed by the chief operating decision maker: Turkey and Middle East are now part of the Europe segment. As a result, total net assets of £127 million have been reclassified from Rest of World to Europe.
3. Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 14.

## 2 SEGMENTAL REPORTING (CONTINUED)

	Geographical segments				Total £m
	North America £m	Europe £m	Rest of World £m	Central activities £m	
<b>YEAR ENDED 30 SEPTEMBER 2020</b>					
Additions to other intangible assets	114	32	12	16	174
Additions to contract fulfilment assets	253	3	16	—	272
Additions to right of use assets	122	33	8	—	163
Additions to property, plant and equipment	170	82	32	1	285
Amortisation of other intangible assets <sup>1</sup>	116	44	10	2	172
Amortisation of contract fulfilment assets	189	5	1	—	195
Depreciation of right of use assets	71	80	12	1	164
Depreciation of property, plant and equipment	151	94	41	1	287
Impairment losses	53	41	—	—	94
Assets held for sale	—	—	13	—	13
Liabilities directly associated with assets held for sale	—	—	(7)	—	(7)
Total other non-cash income <sup>2</sup>	(2)	—	—	—	(2)
<b>YEAR ENDED 30 SEPTEMBER 2019<sup>3,4</sup></b>					
Additions to other intangible assets	102	38	11	29	180
Additions to contract fulfilment assets	279	5	2	—	286
Additions to property, plant and equipment <sup>5</sup>	210	93	47	2	352
Amortisation of other intangible assets <sup>1</sup>	105	32	12	1	150
Amortisation of contract fulfilment assets	177	6	1	—	184
Depreciation of property, plant and equipment	140	98	43	1	282
Impairment losses	—	51	3	—	54
Assets held for sale	86	14	35	—	135
Liabilities directly associated with assets held for sale	(12)	(15)	(3)	—	(30)
Total other non-cash expenses <sup>2</sup>	12	6	3	6	27

1. Including the amortisation of intangibles arising on acquisition.
2. Other non-cash income/expenses are mainly comprised of share-based payments.
3. Additions and depreciation charge to property, plant and equipment relating to the Group's geographical segments of Europe and Rest of World have been reclassified to reflect a change in the way those segments are managed by the chief operating decision maker. Turkey and Middle East are now part of the Europe segment. As a result, additions to property, plant and equipment of £8 million and depreciation charge of £5 million have been reclassified from Rest of World to Europe.
4. Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 14.
5. Additions for the year ended 30 September 2019 includes £1 million in respect of leased assets. Following the adoption of IFRS 16 on 1 October 2019 additions to leased assets are presented as additions to right of use assets. Additional information is included in note 1.

For the year ended 30 September 2020

**3 OPERATING COSTS**

OPERATING COSTS	Notes	2020 £m	2019 £m
<i>Cost of food and materials</i>			
Cost of inventories consumed		<b>5,388</b>	7,091
<i>Labour costs</i>			
Employee remuneration	4	<b>9,975</b>	11,370
<i>Overheads</i>			
Commissions and fees paid to clients <sup>1</sup>		<b>461</b>	1,020
Depreciation of right of use assets <sup>1</sup>	12	<b>164</b>	—
Depreciation – owned property, plant and equipment	13	<b>287</b>	280
Depreciation – leased property, plant and equipment <sup>1</sup>		—	2
Amortisation – owned intangible assets	10	<b>93</b>	88
Amortisation – contract fulfilment assets	11	<b>195</b>	184
Impairment losses – contract related non-current assets <sup>2</sup>		<b>88</b>	—
Impairment losses – other		<b>4</b>	—
Cost action programme charge <sup>2</sup>		<b>75</b>	190
COVID-19 resizing costs		<b>122</b>	—
Impairment of trade and other receivables	16	<b>109</b>	33
Property lease rentals <sup>1</sup>		—	91
Other occupancy rentals – minimum guaranteed rent <sup>1</sup>		—	71
Other occupancy rentals – rent in excess of minimum guaranteed rent <sup>1</sup>		—	12
Other asset rentals <sup>1</sup>		—	98
Expense relating to short term leases, low value assets and variable lease payments <sup>1</sup>	12	<b>105</b>	—
Audit and non-audit services (see below)		<b>6</b>	6
Other expenses		<b>2,508</b>	2,718
Operating costs before costs relating to acquisitions		<b>19,580</b>	23,254
Amortisation – intangible assets arising on acquisition	10	<b>79</b>	62
Acquisition transaction costs	26	<b>16</b>	8
Adjustment to contingent consideration on acquisition		<b>(25)</b>	(16)
<b>Total</b>		<b>19,650</b>	23,308

1. The Group has adopted IFRS 16 using the modified retrospective approach to transition and has accordingly not restated prior year comparatives, therefore the results for the year ended 30 September 2020 prepared on an IFRS 16 basis are not directly comparable with those reported in the prior year under IAS 17 'Leases'. Additional information about the impact of IFRS 16 is included in note 1.

2. Cost action programme charge includes impairment losses of £2 million (2019: £54 million).

**COST ACTION PROGRAMME**

The cost action programme, which was announced in November 2019, includes a series of actions aimed to manage the Group's cost base in light of the deteriorating economic outlook, volume weakness and decline in consumer spending observed at that time. Charges have continued to be incurred in the current year where the cost actions of the original plan had not been fully implemented in the prior year.

The Group's consolidated income statement includes a cost action programme charge of £75 million (2019: £190 million). The cost action programme charge in the current year mainly relates to redundancy costs while the 2019 charge includes £120 million in respect of losses on onerous contracts and impairment of non-current assets.

A total of £66 million (2019: £29 million) has been paid during the year in relation to this programme. Provisions under this programme are described further in note 22.

### 3 OPERATING COSTS (CONTINUED)

#### COVID-19 RESIZING COSTS

Given the trading backdrop from the impact of COVID-19, the Group is taking prompt actions to ensure there is a right sized labour model for the future and has incurred £122 million of costs. The programme will continue into 2021.

A total of £42 million (2019: £nil) has been paid during the year in relation to this programme. Provisions under this programme are described further in note 22.

#### IMPAIRMENT LOSSES

The Group has tested for impairment all of its contract related non-current assets (contract fulfilment assets and contract costs, right of use assets, property, plant and equipment and intangible assets) where there are indicators of impairment. Impairment indicators were considered to be present when client contracts had low profitability or were loss making due to a reduction in volumes as a result of COVID-19. In these instances, management has estimated the recoverable value of these assets and compared it to their carrying value in order to estimate any impairment to be recorded. As a result, the Group recorded impairment charges of £88 million.

Management has considered the impact of reasonable changes in assumptions used, including a further sustained impact of COVID-19 and a slower recovery than forecast. The Group's client base spreads across numerous countries and sectors comprising a large portfolio of client contracts individually of relative low value. As a result, a reasonable change in assumptions would not lead to a material change in the next 12 months to the impairment charge recorded.

Prior year contract related non-current asset impairment charges were included within the overall cost action programme charge, these costs were excluded from the Group's underlying results as they related to contracts that were being restructured and the overall effect of these charges would have been distortive to margins both at Group and regional level. The Group's measure of underlying performance identified the cost action programme as a specific adjusting item.

In the current year, given the pervasive impact that COVID-19 has had on the Group's business, the Group has considered that separating contract related non-current asset impairments and onerous contract provisions from the Group's underlying performance would be inappropriate as the Group's overall profitability has been materially impacted by COVID-19 and these charges are the direct consequences of lower volumes arising from COVID-19.

#### GOVERNMENT GRANTS AND OTHER COVID-19 ASSISTANCE

The Group has accessed various government support schemes aimed at mitigating the potential impact on individuals' job losses resulting from the impact of COVID-19. The most significant amounts received by the Group include the following:

- £437 million in relation to government support under temporary wage support schemes available in different countries. The Group does not have any unfulfilled obligations relating to these support programmes. This amount has been offset against employee remuneration costs
- VAT deferral of approximately £97 million under various government VAT deferral schemes
- agreement of payment plans with tax authorities to defer payments of PAYE/NI resulting in £137 million payment deferrals across the Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2020

**3 OPERATING COSTS (CONTINUED)**

	2020 £m	2019 £m
<b>AUDIT AND NON-AUDIT SERVICES</b>		
<b>AUDIT SERVICES</b>		
Fees payable for the audit of the Company and consolidated financial statements	1.2	0.9
Fees payable for the audit of the Company's subsidiaries and joint ventures	4.8	5.2
Total audit fees	6.0	6.1
<b>NON-AUDIT SERVICES</b>		
Audit related assurance	0.3	0.4
Total non-audit fees	0.3	0.4
<b>TOTAL AUDIT AND NON-AUDIT SERVICES</b>		
Total audit and non-audit services	6.3	6.5

**4 EMPLOYEES**

	2020	2019 <sup>1</sup>
North America	270,168	288,133
Europe	174,085	184,187
Rest of World	103,890	124,132
Total	548,143	596,452

1. The number of employees has been reclassified to reflect a change in the way geographical segments are managed by the chief operating decision maker. Turkey is now part of the Europe segment.

	2020 £m	2019 £m
<b>AGGREGATE REMUNERATION OF ALL EMPLOYEES INCLUDING DIRECTORS</b>		
Wages and salaries	8,233	9,637
Social security costs	1,605	1,547
Share-based payments	(2)	27
Pension costs – defined contribution plans	118	126
Pension costs – defined benefit plans	21	33
Total	9,975	11,370

In addition to the pension cost shown in operating costs above, there is a pensions related net credit to finance income of £2 million (2019: £3 million credit).

The remuneration of directors and key management personnel<sup>1</sup> 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 122 to 153 and forms part of these accounts.

	2020 £m	2019 £m
<b>REMUNERATION OF KEY MANAGEMENT PERSONNEL<sup>1</sup></b>		
Salaries	6.2	7.3
Other short term employee remuneration	0.9	6.3
Share-based payments	(1.0)	4.6
Pension salary supplement	1.2	1.3
Total	7.3	19.5

1. Key management personnel is defined as the Board of Directors 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 22 to 25.

## 5 FINANCE INCOME, COSTS AND OTHER FINANCING ITEMS

Finance income and costs are recognised in the consolidated income statement in the year in which they are earned or incurred.

FINANCE INCOME AND COSTS	2020 £m	2019 £m
<b>FINANCE INCOME</b>		
Bank interest	5	7
Interest on net post employment benefit assets (note 23)	2	3
Other finance income	3	2
Total finance income	10	12
<b>FINANCE COSTS</b>		
Interest on bank loans and overdrafts	4	13
Interest on other loans	101	101
Interest on lease liabilities <sup>1</sup>	36	—
Interest on bank loans, overdrafts, other loans and lease liabilities <sup>1</sup>	141	114
Unwinding of discount on provisions	3	8
Total finance costs	144	122
<b>ANALYSIS OF FINANCE COSTS BY DEFINED IFRS 9<sup>2</sup> CATEGORY</b>		
Fair value through profit or loss (unhedged derivatives)	6	(4)
Derivatives in a fair value hedge relationship	(19)	(11)
Derivatives in a net investment hedge relationship	—	3
Other financial liabilities	154	126
Interest on bank loans, overdrafts, other loans and lease liabilities <sup>1</sup>	141	114
Fair value through profit or loss (unwinding of discount on provisions)	3	8
Total finance costs	144	122

1. Comparative figures include interest on finance leases recognised under IAS 17.

2. IFRS 9 'Financial instruments'.

The Group uses derivative financial instruments such as forward currency contracts, cross currency swaps and interest rate swaps to hedge the risks associated with changes in foreign currency exchange rates and interest rates. As explained in section Q of the Group's accounting policies, such derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. 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.

## FAIR VALUE MEASUREMENT

All derivative financial instruments are shown at fair value in the consolidated balance sheet. All the derivatives held by the Group at fair value are considered to have fair values determined by Level 2 inputs as defined by the fair value hierarchy of IFRS 13 'Fair value measurement'. The fair values of derivative financial instruments represent the maximum credit exposure.

OTHER FINANCING RELATED LOSSES/(GAINS)	2020 £m	2019 £m
<b>HEDGE ACCOUNTING</b>		
Net losses on unhedged derivative financial instruments <sup>1</sup>	5	19
Net losses/(gains) on derivative financial instruments in a designated fair value hedge <sup>2</sup>	9	(159)
Net losses on the hedged item in a designated fair value hedge	—	159
Total hedge accounting	14	19
<b>CHANGE IN THE FAIR VALUE OF INVESTMENTS</b>		
Gain from the changes in the fair value of investments <sup>1,3</sup>	(5)	(4)
Total financing related losses	9	15

1. Categorised as 'fair value through profit or loss' (IFRS 9).

2. Categorised as derivatives that are designated and effective as hedging instruments carried at fair value (IFRS 9).

3. Life insurance policies used by overseas companies to meet the cost of unfunded post employment benefit obligations included in note 23.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2020

**6 TAX**

**RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT:**

**INCOME TAX EXPENSE**

**CURRENT TAX**

	2020 £m	2019 £m
Current year	232	387
Adjustment in respect of prior years	(38)	(29)
Current tax expense	194	358
<b>DEFERRED TAX</b>		
Current year	(124)	(8)
Impact of changes in statutory tax rates	(3)	(1)
Adjustment in respect of prior years	8	2
Deferred tax expense	(119)	(7)
<b>TOTAL INCOME TAX</b>		
Income tax expense	75	351

The income tax expense for the year is based on the effective UK statutory rate of corporation tax for the period of 19.0% (2019: 19.0%). Overseas tax is calculated at the rates prevailing in the respective jurisdictions.

The increasingly complex international corporate tax environment and an increase in audit activity from tax authorities means that the potential for tax uncertainties has increased. The Group is currently subject to a number of reviews and audits in jurisdictions around the world 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.

The income tax effects of the adjustments between statutory and underlying results are shown in note 34. There is no difference between the statutory and underlying cash tax paid of £268 million (2019: statutory and underlying £354 million).

<b>RECONCILIATION OF EFFECTIVE TAX RATE</b>	2020 £m	2019 <sup>1</sup> £m
Profit before tax	210	1,494
Notional income tax expense at the effective UK statutory rate of 19.0% (2019: 19.0%) on profit before tax	40	284
Effect of different tax rates of subsidiaries operating in other jurisdictions	35	112
Impact of changes in statutory tax rates	(3)	(1)
Permanent differences	22	(18)
Impact of share-based payments	3	—
Tax on profit of associates and equity accounted joint ventures	(1)	(5)
Losses and other temporary differences not previously recognised	2	—
Unrelieved current year tax losses	7	6
Prior year items	(30)	(27)
Income tax expense	75	351

1. Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 14.

Permanent differences includes the current year movement in our estimated liability for uncertain tax positions, the benefit of tax credits and incentives and internal financing that is in place to ensure the Group's overseas businesses are appropriately capitalised. Prior year items relate to the reassessment of prior year tax estimates and the resolution of open items.

## 6 TAX (CONTINUED)

The global nature of the Group's operations give rise to several factors which could affect the future tax rate. These include the mix of profits, changes to statutory tax rates or tax legislation and the foreign exchange rates applicable when those profits are translated into sterling. In addition, the future tax charge may be affected by the impact of acquisitions, disposals or other restructurings and the resolution of open issues with tax authorities.

Tax uncertainties and associated risks are increasing for all multi-national groups as a consequence of changes to local and international tax rules. 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 potential liabilities in respect of uncertain tax positions as described in section B of the Group accounting policies, none of which is individually material. In determining such liabilities, having regard to the specific circumstances of each tax position and external advice where appropriate, the Group assesses the range of potential outcomes and estimates whether additional tax may be due. The Group does not currently anticipate any material changes to the amounts recorded at 30 September 2020 (see also note 29).

TAX CHARGED TO OTHER COMPREHENSIVE INCOME		2020 £m	2019 £m
Current and deferred tax charge on actuarial and other movements on post employment benefits		4	10
Current and deferred tax charge on foreign exchange movements		2	2
Total tax charges on items recognised in other comprehensive income		6	12

TAX CHARGE/(CREDIT) TO EQUITY		2020 £m	2019 £m
Current and deferred tax charge/(credit) in respect of share-based payments		2	(4)
Total tax charge/(credit) on items recognised in equity		2	(4)

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 2018	(50)	(289)	85	17	60	169	(8)
(Charge)/credit to income	(30)	(6)	13	(1)	4	27	7
(Charge)/credit to equity/other comprehensive income	—	—	(10)	—	—	1	(9)
Business acquisitions	(1)	(24)	—	—	—	(2)	(27)
Reclassification between categories	—	2	—	—	—	—	2
Other movements	—	(1)	—	—	—	—	(1)
Exchange adjustment	(5)	(14)	8	—	3	6	(2)
At 30 September 2019	(86)	(332)	96	16	67	201	(38)
Credit/(charge) to income	6	(26)	10	44	12	73	119
Charge to equity/other comprehensive income	—	—	(4)	—	—	(4)	(8)
Business acquisitions	—	(54)	—	—	—	—	(54)
Other movements	—	(2)	—	—	—	6	4
Exchange adjustment	5	18	(8)	1	(3)	(10)	3
At 30 September 2020	(75)	(396)	94	61	76	266	26

Net short term temporary differences relate principally to accruals and other liabilities and provisions of overseas subsidiaries.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2020

### 6 TAX (CONTINUED)

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	2020 £m	2019 £m
Deferred tax assets	146	76
Deferred tax liabilities	(120)	(114)
Net deferred tax asset/(liability)	26	(38)

Most of the Group's tax losses and other temporary differences recognised as deferred tax assets do not have an expiry date. The recognition of net deferred tax asset is based on the most recent financial budgets and forecasts approved by management.

Deferred tax assets have not been recognised in respect of tax losses of £263 million (2019: £232 million) and other temporary differences of £28 million (2019: £24 million). Of the unrecognised tax losses, £236 million (2019: £212 million) will expire at various dates between 2021 and 2028. 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 £501 million (2019: £474 million) 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.

### 7 EARNINGS PER SHARE

The calculation of earnings per share is based on earnings after tax and the weighted average number of shares in issue during the period. The underlying earnings per share figures have been calculated based on earnings excluding the effect of acquisition related costs, one-off pension charge, cost action programme charge and COVID-19 resizing costs, gains and losses on sale and closure of businesses, hedge accounting ineffectiveness, change in fair value of investments and the tax attributable to these amounts. These items are excluded in order to show the underlying trading performance of the Group.

ATTRIBUTABLE PROFIT	2020 Attributable profit £m	2019 <sup>1</sup> Attributable profit £m
Profit for the year attributable to equity shareholders of the Company	133	1,135
<i>Adjustments stated net of tax</i>		
Acquisition related costs	50	41
One-off pension charge	—	10
Cost action programme and COVID-19 resizing costs	147	149
Net (gain)/loss on sale and closure of businesses	(28)	4
Other financing items including hedge accounting ineffectiveness and change in the fair value of investments	7	12
Underlying profit for the year from operations	309	1,351

1. Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 14.

AVERAGE NUMBER OF SHARES	2020 Ordinary shares of 11½p each millions	2019 Ordinary shares of 11½p each millions
Average number of shares for basic earnings per share	1,658	1,586
Dilutive share options	1	1
Average number of shares for diluted earnings per share	1,659	1,587

## 7 EARNINGS PER SHARE (CONTINUED)

EARNINGS PER SHARE	Basic earnings per share		Diluted earnings per share	
	2020 Earnings per share pence	2019 <sup>i</sup> Earnings per share pence	2020 Earnings per share pence	2019 <sup>i</sup> Earnings per share pence
From operations	<b>8.0</b>	71.6	<b>8.0</b>	71.5
<i>Adjustments stated net of tax</i>				
Acquisition related costs	<b>3.0</b>	2.6	<b>3.0</b>	2.6
One-off pension charge	—	0.6	—	0.6
Cost action programme and COVID-19 resizing costs	<b>8.9</b>	9.4	<b>8.9</b>	9.4
Net (gain)/loss on sale and closure of businesses	(1.7)	0.2	(1.7)	0.2
Other financing items including hedge accounting ineffectiveness and change in the fair value of investments	<b>0.4</b>	0.8	<b>0.4</b>	0.8
From underlying operations	<b>18.6</b>	85.2	<b>18.6</b>	85.1

1. Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 14.

## 8 DIVIDENDS

The Company announced on 23 April 2020 that the Board had decided not to pay an interim dividend (2019: 13.1 pence per share) or to recommend the payment of a final dividend (2019: 26.9 pence per share) in respect of the year ended 30 September 2020.

DIVIDENDS ON ORDINARY SHARES	2020		2019	
	Dividends per share pence	£m	Dividends per share pence	£m
<i>Amounts recognised as distributions to equity shareholders during the year</i>				
Final 2018	—	—	25.4	403
Interim 2019	—	—	13.1	208
Final 2019	<b>26.9</b>	<b>427</b>	—	—
Total dividends	<b>26.9</b>	<b>427</b>	38.5	611

The Board recognises the importance of dividends to the Company's shareholders and will keep future dividends under review and will restart payments when it is appropriate to do so.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2020

**9 GOODWILL**

During the year the Group made a number of acquisitions. See note 26 for more details.

	2020 £m	2019 £m
<b>GOODWILL</b>		
<b>COST</b>		
At 1 October	5,092	4,786
Additions	249	198
Reclassification to assets held for sale	(23)	(25)
Disposals	—	(13)
Currency adjustment	(129)	146
At 30 September	<b>5,189</b>	5,092
<b>IMPAIRMENT</b>		
At 1 October	516	516
Currency adjustment	4	—
At 30 September	<b>520</b>	516
<b>NET CARRYING AMOUNT</b>		
At 30 September	<b>4,669</b>	4,576

On 31 January 2020, the Group acquired 100% of the issued share capital of Fazer Food Services, a leading food service business in the Nordic region with operations in Finland, Sweden, Norway and Denmark. The preliminary goodwill in relation to the assets acquired is £198 million, including £114 million in relation to Finland, please refer to note 26 for additional details.

	2020 £m	2019 £m
<b>GOODWILL BY BUSINESS SEGMENT</b>		
USA	2,071	2,160
Canada	184	189
Total North America	<b>2,255</b>	2,349
UK	1,456	1,446
Finland	125	2
Rest of Europe <sup>1</sup>	543	446
Total Europe	<b>2,124</b>	1,894
Japan	127	142
Rest of Rest of World <sup>1</sup>	163	191
Total Rest of World	<b>290</b>	333
Total	<b>4,669</b>	4,576

1. Goodwill relating to the Group's geographical segments of Europe and Rest of World has been reclassified to reflect a change in the way those segments are managed by the chief operating decision maker. Turkey is now part of the Europe segment. Goodwill of £47 million has been reclassified from Rest of World to Europe for the year ended 30 September 2019.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amount of a cash-generating unit (CGU) is determined from value in use calculations. The key assumptions for these calculations are externally derived long term growth rates, pre-tax discount rates and operating cash flow forecasts (revenue and operating margins) derived from the most recent financial budgets and forecasts approved by management covering a five year period. Budgets and forecasts are 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 external economic factors, including the impact of COVID-19. Cash flows beyond the five year period are extrapolated using estimated growth rates based on local expected economic conditions and 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 adjusted for specific risks relating to the country in which the CGU operates.

## 9 GOODWILL (CONTINUED)

GROWTH AND DISCOUNT RATES	2020		2019	
	Residual growth rates	Pre-tax discount rates	Residual growth rates	Pre-tax discount rates
USA	<b>1.9%</b>	<b>8.3%</b>	1.9%	6.8%
Canada	<b>1.8%</b>	<b>8.8%</b>	2.1%	7.3%
UK	<b>1.7%</b>	<b>7.3%</b>	2.0%	6.7%
Finland	<b>1.6%</b>	<b>7.9%</b>	1.7%	6.5%
Rest of Europe <sup>1</sup>	<b>0.7%–10.6%</b>	<b>7.5%–25.8%</b>	1.1%–9.6%	6.1%–19.8%
Japan	<b>0.8%</b>	<b>9.8%</b>	1.2%	7.2%
Rest of World <sup>1</sup>	<b>1.1%–4.1%</b>	<b>7.3%–16.7%</b>	0.9%–4.0%	5.6%–13.0%

1. Growth and discount rates relating to the Group's geographical segments of Europe and Rest of World has been reclassified to reflect a change in the way those segments are managed by the chief operating decision maker. Turkey is now part of the Europe segment. Residual growth rates in Europe range from 0.7% to 3.8%, with the exception to Turkey which has a 10.6% growth rate.

Although the impact of COVID-19 is not expected to significantly impact the long term prospects of the different CGUs within the business, the size of the short term shock of the pandemic combined with higher discount rates and lower long term growth rates due to continued global economic uncertainty have reduced the level of headroom in certain CGUs in comparison to prior year. The Group has performed a sensitivity analysis based on changes in key assumptions considered to be reasonably possible by management leaving all other assumptions unchanged. Sensitivity analysis for the year ended 30 September 2020 has identified the UK CGU as being sensitive to reasonably possible changes in key assumptions. The Group has also considered the instability caused by the UK's decision to exit the European Union (Brexit) when assessing the future performance of the UK business. The UK goodwill principally relates to the Granada transaction in 2001. The estimated recoverable amount of the Group's operations in the UK exceed its carrying value by £285 million.

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 LESS CARRYING VALUE	UK £m
Increase in pre-tax discount rate by 0.1%	(51)
Decrease in projected operating profit by 3%	(77)
Decrease in the long term growth rate by 0.1%	(44)

In order for the recoverable amount to be equal to the carrying value, the discount rate would have to be increased by 0.6% or operating cash flow decreased by 11% or the long term growth rate decreased to 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.

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**10 OTHER INTANGIBLE ASSETS**

	Computer software £m	Client contract and other intangibles			Total £m
		Arising on acquisition <sup>1</sup> £m	Other <sup>2</sup> £m		
<b>OTHER INTANGIBLE ASSETS</b>					
<b>COST</b>					
At 1 October 2018	325	922	456	1,703	
Additions	77	1	102	180	
Disposals	(7)	–	(19)	(26)	
Business acquisitions	2	266	–	268	
Sale and closure of businesses	(1)	(6)	–	(7)	
Reclassified	(1)	(3)	(7)	(11)	
Reclassification to assets held for sale	(1)	(8)	–	(9)	
Currency adjustment	9	54	21	84	
At 30 September 2019	403	1,226	553	2,182	
Additions	<b>75</b>	–	<b>99</b>	<b>174</b>	
Disposals	(17)	–	(15)	(32)	
Business acquisitions	–	<b>302</b>	<b>2</b>	<b>304</b>	
Sale and closure of businesses	–	–	(1)	(1)	
Reclassified	<b>2</b>	(1)	<b>5</b>	<b>6</b>	
Reclassification from assets held for sale	–	<b>7</b>	<b>8</b>	<b>15</b>	
Currency adjustment	(12)	(40)	(22)	(74)	
At 30 September 2020	<b>451</b>	<b>1,494</b>	<b>629</b>	<b>2,574</b>	
<b>AMORTISATION</b>					
At 1 October	209	209	180	598	
Charge for the year	34	62	54	150	
Impairment <sup>3</sup>	–	–	18	18	
Disposals	(5)	–	(17)	(22)	
Sale and closure of businesses	–	(3)	–	(3)	
Reclassified	1	(2)	(3)	(4)	
Reclassification to assets held for sale	–	(3)	–	(3)	
Currency adjustment	5	10	7	22	
At 30 September 2019	244	273	239	756	
Charge for the year	<b>35</b>	<b>79</b>	<b>58</b>	<b>172</b>	
Impairment <sup>3</sup>	<b>10</b>	–	<b>2</b>	<b>12</b>	
Disposals	(8)	–	(10)	(18)	
Sale and closure of businesses	–	–	(1)	(1)	
Reclassified	–	–	(2)	(2)	
Reclassification from assets held for sale	–	<b>3</b>	<b>5</b>	<b>8</b>	
Currency adjustment	(5)	(17)	(9)	(31)	
At 30 September 2020	<b>276</b>	<b>338</b>	<b>282</b>	<b>896</b>	
<b>NET BOOK VALUE</b>					
At 30 September 2019	159	953	314	1,426	
At 30 September 2020	<b>175</b>	<b>1,156</b>	<b>347</b>	<b>1,678</b>	

1. The intangible assets arising on acquisition are mainly client contract related.
2. Client contract related intangible assets, other than those arising on acquisition, arise from payments made to clients to obtain the right to generate significant consumer revenue.
3. Additional information is included in note 3.

## 11 CONTRACT BALANCES

The following table provides information about contract costs, contract assets and liabilities from contracts with customers and other contract related balances.

CONTRACT BALANCES	Notes	2020 £m	2019 £m
<b>CONTRACT COSTS</b>			
Contract fulfilment assets		<b>919</b>	934
Costs to obtain contracts		<b>53</b>	42
Contract fulfilment assets and contract costs		<b>972</b>	976
<b>CONTRACT ASSETS</b>			
Accrued income	16	<b>238</b>	272
<b>CONTRACT LIABILITIES</b>			
Deferred income	21	<b>(334)</b>	(373)
<b>OTHER CONTRACT BALANCES</b>			
Contract prepayments	16	<b>93</b>	84
Trade receivables	16	<b>1,610</b>	2,211
Net contract balances		<b>2,579</b>	3,170

The Group's deferred and accrued 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.

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	2020 £m	2019 £m
At 1 October	<b>934</b>	803
Additions	<b>272</b>	286
Derecognition	<b>(24)</b>	(18)
Amortisation charge for the year	<b>(195)</b>	(184)
Reclassified	<b>(3)</b>	(2)
Reclassification to assets held for sale	—	1
Impairment	<b>(23)</b>	—
Currency adjustment	<b>(42)</b>	48
At 30 September	<b>919</b>	934

## IMPAIRMENT

Contract fulfilment assets and capitalised costs to obtain contracts are reviewed annually to identify indicators of impairment. When such indicators exist, the Group determines the recoverability by comparing their carrying amount to the remaining consideration that the Group expects to receive less the costs associated to providing services under the relevant contract. Management is required to make an assessment of the costs that relate to providing services under the relevant contract.

If any indicators of impairment are identified, judgement is applied to ascertain whether or not the future economic benefits from these contracts are sufficient to recover these assets.

Impairment losses of £23 million were recognised on contract fulfilment assets during the year (2019: £nil), reflecting reduced forecast revenue and profitability principally due to the COVID-19 pandemic. Further details of this are provided in note 3.

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**12 LEASES**

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.

Information regarding leases for which the Group is a lessee is presented below.

RIGHT OF USE ASSETS	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
At 1 October 2019	722	225	9	956
Additions	71	90	2	163
Lease amendments <sup>1</sup>	14	(3)	—	11
Depreciation expense	(108)	(52)	(4)	(164)
Impairment	(16)	(7)	—	(23)
Business acquisitions	18	4	—	22
Reclassified	(1)	(3)	1	(3)
Reclassification to assets held for sale	(80)	—	—	(80)
Currency adjustment	(13)	(8)	(1)	(22)
At 30 September 2020	607	246	7	860

1. Lease amendments include lease terminations, modifications, reassessments and extensions to existing lease agreements.

Impairment losses of £23 million were recognised on right of use assets during the year (2019: £nil), reflecting reduced forecast cash flow assumptions principally due to the COVID-19 pandemic. Further details of this are provided in note 3.

A maturity analysis of contractual undiscounted cash flows relating to lease liabilities is presented below.

LEASE LIABILITIES Maturity Analysis	2020 £m
Less than 1 year	188
Between 1 and 5 years	520
Over 5 years	438
Total undiscounted lease liabilities	1,146
Impact of discounting	(204)
Lease liabilities included in the balance sheet	942
COMPRISED OF	
Current	197
Non-current	745

## 12 LEASES (CONTINUED)

AMOUNTS RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT	2020 £m
Leases of low value assets, excluding short term leases of low value assets	27
Short term leases	67
COVID-19 lease payment reductions	(3)
Variable lease payments	14
Depreciation expense of right of use assets	164
Impairment	23
Interest on lease liabilities	36
<b>Total</b>	<b>328</b>

The Group has renegotiated certain lease agreements with lessors as a consequence of COVID-19, resulting in reductions in lease payments and deferrals of rent. The Group has elected to apply the practical expedient introduced by the amendments to IFRS 16 to all rent concessions that satisfy its criteria, except for deferrals of lease payments with a corresponding increase to lease term which are treated as lease modifications. As a result, the Group has reduced its total lease liabilities by £3 million. The effect of this reduction has been recorded in the consolidated income statement.

The Group had total cash outflows for leases of £188 million, comprising £36 million of interest and £152 million of principal. The Group has various non cancellable lease contracts that have not yet commenced as at 30 September 2020. The future lease payments for these non cancellable lease contracts are £1 million within one year, £5 million within five years and £9 million thereafter.

Some lease agreements contain variable payments that are not linked to an index or rate but are rather based on performance of the underlying asset. The variable payments depend on sales and consequently on the overall economic development over the next few years. Variable payment terms are used to link rental payments to cash flows and reduce fixed cost.

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 within 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 significant change in circumstances occurs which is in the control of the Group.

The Group does not have any material arrangements where it acts a lessor.

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**13 PROPERTY, PLANT AND EQUIPMENT**

PROPERTY, PLANT AND EQUIPMENT	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
<b>COST</b>				
At 1 October 2018	383	1,470	779	2,632
Additions <sup>1</sup>	23	239	90	352
Disposals	(28)	(124)	(46)	(198)
Sale and closure of businesses	(3)	(13)	(1)	(17)
Business acquisitions	4	8	8	20
Reclassified	45	(3)	(12)	30
Reclassification to assets held for sale	(15)	(5)	(6)	(26)
Currency adjustment	11	48	15	74
At 30 September 2019	420	1,620	827	2,867
Transfers to right of use assets <sup>1</sup>	(3)	(1)	–	(4)
Additions	12	207	66	285
Disposals	(36)	(132)	(55)	(223)
Sale and closure of businesses	(2)	(4)	–	(6)
Business acquisitions	–	19	–	19
Reclassified	(2)	26	(24)	–
Reclassification from assets held for sale	13	60	2	75
Currency adjustment	(12)	(63)	(26)	(101)
At 30 September 2020	390	1,732	790	2,912
<b>DEPRECIATION</b>				
At 1 October 2018	210	951	465	1,626
Charge for the year	28	174	80	282
Impairment <sup>2</sup>	4	14	18	36
Disposals	(27)	(105)	(41)	(173)
Sale and closure of businesses	(1)	(13)	–	(14)
Reclassified	4	3	23	30
Reclassification to assets held for sale	(10)	(1)	(5)	(16)
Currency adjustment	6	28	10	44
At 30 September 2019	214	1,051	550	1,815
Charge for the year	29	178	80	287
Impairment <sup>2</sup>	–	26	10	36
Disposals	(29)	(110)	(48)	(187)
Sale and closure of businesses	(1)	(2)	–	(3)
Reclassified	(1)	2	–	1
Reclassification from assets held for sale	5	43	2	50
Currency adjustment	(3)	(39)	(15)	(57)
At 30 September 2020	214	1,149	579	1,942
<b>NET BOOK VALUE</b>				
At 30 September 2019	206	569	277	1,052
At 30 September 2020	176	583	211	970

1. Leases previously classified as finance leases under IAS 17 are included within right of use assets following the implementation of IFRS 16 'Leases' on 1 October 2019, see note 1 for further information. Additions for the year ended 30 September 2019 include £1 million in respect of leased assets; following the adoption of IFRS 16 additions to leased assets are presented as additions to right of use assets. Carrying value of property, plant and equipment held under finance leases under IAS 17 as at 30 September 2019 has been reclassified to right of use assets following the adoption of IFRS 16.

2. Additional information is included in note 3.

## 14 INTERESTS IN ASSOCIATES AND JOINT VENTURES

Significant interests in associates are:

ASSOCIATES		2020 ownership <sup>1</sup>	2019 ownership <sup>1</sup>
Twickenham Experience Limited <sup>2</sup>	England & Wales	16%	16%
Oval Events Limited <sup>3</sup>	England & Wales	37.5%	37.5%
AEG Venue Management Holdings, LLC <sup>4</sup>	USA	38%	49%
Thompson Hospitality Services, LLC <sup>4</sup>	USA	49%	49%
Highway Royal Co., Limited	Japan	50%	—

1. % ownership is of the ordinary share capital.
2. Financial statements applied using the equity method relate to the year ended 30 June, rolled forward to 30 September.
3. Financial statements applied using the equity method relate to the year ended 30 January, rolled forward to 30 September.
4. Financial statements applied using the equity method relate to the year ended 31 December of the prior year, rolled forward to 30 September.

In October 2019, the Group completed a non cash transaction to restructure its interest in AEG Facilities LLC. In this reorganisation both partners contributed their entire equity investments to a new company, AEG Venue Management Holdings, LLC, which was subsequently contributed to form a new global facility management and venue services company owned by AEG Venue Management Holdings, LLC and a new partner. As a result, the Group has replaced its 49% interest in AEG Facilities LLC for a 38% interest in AEG Venue Management Holdings, LLC.

During the year the Group has disposed of 50% of its Japanese Highways business and the remaining share is now accounted for as an associate. The carrying value of the 50% of this business that is still owned by the Group was recognised at fair value on disposal, resulting in £31 million difference between carrying value and fair value which has been included in 'Net gain/(loss) on sale and closure of businesses' in the Group's consolidated income statement.

Significant interests in joint ventures are:

JOINT VENTURES		2020 ownership <sup>1</sup>	2019 ownership <sup>1</sup>
Quadrant Catering Ltd <sup>2</sup>	England & Wales	49%	49%
ADNH-Compass Middle East LLC	United Arab Emirates	50%	50%

1. % ownership is of the ordinary share capital.
2. 49% ownership entitles Compass Group to 50% of voting rights.

The Group has previously classified some businesses in Rest of World region, including its interest in ADNH-Compass Middle East LLC, as held for sale at 30 September 2019 and discontinued equity accounting accordingly. In the current year, the sale process has been paused and the sale is no longer considered highly probable to be completed within 12 months after the balance sheet date. As a result, these businesses are not classified as held for sale as at 30 September 2020. Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively as they cease to be classified as held for sale. As a result, the Group has restated prior year comparatives as follows:

- to reclassify the £55 million carrying value of interest in joint ventures and associates included within assets held for sale to the Group's interest in joint ventures and associates
- to recognise a £25 million share of profit of joint ventures and associates with the corresponding increase in the Group's interest in joint ventures and associates. This change has not impacted the Group's underlying results, which already included these profits

As a result, prior year interest in joint ventures and associates has increased to £306 million (£226 million previously reported), share of profit of joint ventures and associates has increased to £56 million (£31 million previously reported) and assets held for sale has decreased to £135 million (£190 million previously reported).

None of these investments are held directly by the ultimate Parent Company. All joint ventures provide food and/or support services in their respective countries of incorporation and make their accounts up to 30 September. All holdings are in the ordinary shares of the respective joint venture company.

These investments are structured through separate vehicles and the Group has a residual interest in their respective net assets. Accordingly, the Group has classified its interests as joint ventures which are equity accounted. The tables below reconcile the summarised financial information to the carrying amount of the Group's interests in its associates and joint ventures.

For the year ended 30 September 2020

**14 INTERESTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)**

	2020 £m	2019 <sup>1</sup> £m
<b>INTERESTS IN ASSOCIATES AND JOINT VENTURES</b>		
<b>NET BOOK VALUE</b>		
At 1 October	<b>306</b>	263
Additions	<b>15</b>	27
Business acquisitions	<b>1</b>	—
Interest in associate retained on disposal of subsidiary <sup>2</sup>	<b>54</b>	—
Impairment <sup>3</sup>	<b>(8)</b>	—
Sale and closure of businesses	—	(1)
Share of profits less losses (net of tax)	<b>4</b>	56
Gain on associate reorganisation <sup>4</sup>	<b>40</b>	—
Dividends received	<b>(61)</b>	(48)
Currency and other adjustments	<b>(6)</b>	9
At 30 September	<b>345</b>	306
<b>COMPRISED OF</b>		
Interests in associates	<b>273</b>	210
Interests in joint ventures	<b>72</b>	96
<b>Total</b>	<b>345</b>	306

1. Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. The impact of the restatement was to decrease assets held for sale by £55 million and increase interests in joint ventures and associates by £80 million as at 30 September 2019, and increase profit the year then ended by £25 million.
2. This represents the remaining 50% share of the Group's Japanese Highways business which is now accounted for as an associate.
3. Impairment loss of £8 million as a result of changes in the long term outlook of a joint venture in the US region.
4. This represents the gain recognised on a non cash transaction to restructure the Group's interest in AEG Facilities LLC, which resulted in the reduction of ownership from 49% to 38%.

The Group's share of revenues and profits is included below:

	2020			2019 <sup>1</sup>		
	Associates £m	Joint ventures £m	Total £m	Associates £m	Joint ventures £m	Total £m
<b>ASSOCIATES AND JOINT VENTURES</b>						
<b>SHARE OF REVENUE AND PROFITS</b>						
Revenue	<b>127</b>	<b>258</b>	<b>385</b>	111	274	385
Expenses/tax <sup>2</sup>	<b>(152)</b>	<b>(229)</b>	<b>(381)</b>	(92)	(237)	(329)
Profit after tax for the year	<b>(25)</b>	<b>29</b>	<b>4</b>	19	37	56
<b>SHARE OF NET ASSETS</b>						
Non-current assets	<b>440</b>	<b>45</b>	<b>485</b>	199	44	243
Current assets	<b>79</b>	<b>126</b>	<b>205</b>	101	137	238
Non-current liabilities	<b>(168)</b>	<b>(16)</b>	<b>(184)</b>	(12)	(14)	(26)
Current liabilities	<b>(78)</b>	<b>(83)</b>	<b>(161)</b>	(78)	(71)	(149)
Net assets	<b>273</b>	<b>72</b>	<b>345</b>	210	96	306
<b>SHARE OF CONTINGENT LIABILITIES</b>						
Contingent liabilities	—	<b>(21)</b>	<b>(21)</b>	—	(29)	(29)

1. Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale.
2. Expenses include the relevant portion of income tax recorded by associates and joint ventures.

## 15 OTHER INVESTMENTS

OTHER INVESTMENTS	2020 £m	2019 £m
<b>NET BOOK VALUE</b>		
At 1 October	<b>96</b>	73
Additions	<b>1</b>	13
Disposals	<b>(16)</b>	(3)
Changes in fair value	<b>(4)</b>	8
Currency and other adjustments	<b>(2)</b>	5
At 30 September	<b>75</b>	96
<b>COMPRISED OF<sup>1</sup></b>		
Other investments <sup>2</sup>	<b>16</b>	22
Life insurance policies and mutual fund investments <sup>3, 4</sup>	<b>59</b>	74
Total	<b>75</b>	96

1. Other investments are Level 1 and the life insurance policies are Level 2 according the fair value hierarchies defined by IFRS 13 'Fair value measurements'.

2. Categorised as 'fair value through other comprehensive income' financial assets (IFRS 9).

3. Categorised as 'fair value through profit or loss' and 'fair value through other comprehensive income' financial assets respectively (IFRS 9).

4. Life insurance policies used by overseas companies to meet the cost of unfunded post employment benefit obligations as set out in note 23.

## 16 TRADE AND OTHER RECEIVABLES

TRADE AND OTHER RECEIVABLES	2020			2019		
	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
<b>NET BOOK VALUE</b>						
At 1 October	<b>3,051</b>	<b>96</b>	<b>3,147</b>	2,852	105	2,957
Net movement	(596)	6	(590)	112	(13)	99
Currency adjustment	(136)	(3)	(139)	87	4	91
At 30 September	<b>2,319</b>	<b>99</b>	<b>2,418</b>	3,051	96	3,147
<b>COMPRISED OF</b>						
Trade receivables	<b>1,747</b>	—	<b>1,747</b>	2,283	1	2,284
Provision for impairment of trade receivables	(137)	—	(137)	(73)	—	(73)
Net trade receivables <sup>1</sup>	<b>1,610</b>	—	<b>1,610</b>	2,210	1	2,211
Other receivables <sup>2, 3</sup>	<b>382</b>	<b>115</b>	<b>497</b>	449	116	565
Provision for impairment of other receivables	(12)	(19)	(31)	(21)	(25)	(46)
Net other receivables	<b>370</b>	<b>96</b>	<b>466</b>	428	91	519
Accrued income	<b>238</b>	—	<b>238</b>	272	—	272
Prepayments	<b>101</b>	<b>3</b>	<b>104</b>	138	4	142
Amounts owed by associates, joint ventures and related parties <sup>1</sup>	—	—	—	3	—	3
Trade and other receivables	<b>2,319</b>	<b>99</b>	<b>2,418</b>	3,051	96	3,147

1. Categorised as 'amortised cost' financial assets (IFRS 9).

2. Includes net contract prepayments balance of £93 million (2019: £84 million).

3. Included within other receivables is £63 million of government grants receivable (2019: £nil). These relate to government support under temporary wage subsidy schemes available in different countries. The Group does not have any unfulfilled obligations relating to these support programmes.

The book value of trade and other receivables approximates to their fair value due to the short term nature of the majority of the receivables.

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, including increased expected credit losses as a result of COVID-19. Full provision is made for debts that are not considered to be recoverable.

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**16 TRADE AND OTHER RECEIVABLES (CONTINUED)**

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.

Trade receivable days at 30 September 2020 were 35 days (2019: 37 days) on a constant currency basis.

The ageing of gross trade receivables and of the provision for impairment is as follows:

TRADE RECEIVABLES	2020					Total £m
	Not yet due £m	0-3 months overdue £m	3-6 months overdue £m	6-12 months overdue £m	Over 12 months overdue £m	
Expected loss rate	4%	6%	48%	74%	87%	8%
Gross trade receivables	1,379	281	33	23	31	1,747
Provision for impairment of trade receivables	(61)	(16)	(16)	(17)	(27)	(137)
Net trade receivables	1,318	265	17	6	4	1,610

TRADE RECEIVABLES	2019					Total £m
	Not yet due £m	0-3 months overdue £m	3-6 months overdue £m	6-12 months overdue £m	Over 12 months overdue £m	
Expected loss rate	—	3%	25%	32%	80%	3%
Gross trade receivables	1,695	472	55	22	40	2,284
Provision for impairment of trade receivables	(8)	(12)	(14)	(7)	(32)	(73)
Net trade receivables	1,687	460	41	15	8	2,211

Movements in the provision for impairment of trade and other receivables are as follows:

PROVISION FOR IMPAIRMENT OF TRADE AND OTHER RECEIVABLES	2020			2019		
	Trade £m	Other £m	Total £m	Trade £m	Other £m	Total £m
At 1 October	73	46	119	81	31	112
Charged to income statement	98	11	109	23	10	33
Credited to income statement	(4)	(4)	(8)	(16)	(4)	(20)
Utilised	(27)	(5)	(32)	(16)	(3)	(19)
Reclassification to assets held for sale	—	—	—	(1)	—	(1)
Reclassified	—	(10)	(10)	—	9	9
Currency adjustment	(3)	(7)	(10)	2	3	5
At 30 September	137	31	168	73	46	119

At 30 September 2020, trade receivables of £292 million (2019: £524 million) were past due but not impaired. The Group has made a provision based on a number of factors, including past history of the debtor and the expected credit loss, and all amounts not provided for are considered to be recoverable. Due to the global financial uncertainty arising from COVID-19, management have reassessed and increased the expected loss rates for trade and other receivables. This increase reflects the greater likelihood of credit default by the Group's debtors in the next 12 months due to the impact of COVID-19.

Management has considered the impact of reasonable changes in the expected credit loss rates used in the estimates made and do not consider that a reasonable change would lead to a material adjustment to the estimate in the next 12 months.

## 17 INVENTORIES

INVENTORIES	2020 £m	2019 £m
<b>NET BOOK VALUE</b>		
At 1 October	<b>404</b>	353
Business acquisitions	<b>11</b>	11
Net movement	<b>(85)</b>	26
Currency adjustment	<b>(20)</b>	14
At 30 September	<b>310</b>	404

## 18 CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS	2020 £m	2019 £m
Cash at bank and in hand	<b>263</b>	345
Short term bank deposits	<b>1,221</b>	53
Cash and cash equivalents <sup>1</sup>	<b>1,484</b>	398

1. Categorised as 'amortised cost' financial assets (IFRS 9).

CASH AND CASH EQUIVALENTS BY CURRENCY	2020 £m	2019 £m
Sterling	<b>794</b>	99
US Dollar	<b>473</b>	92
Euro	<b>33</b>	38
Japanese Yen	<b>5</b>	9
Other	<b>179</b>	160
Cash and cash equivalents	<b>1,484</b>	398

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 operates a multi-currency notional pooling cash management arrangement whereby cash balances and overdrafts held with the same bank are offset to give a net balance which is included within cash and cash equivalents on the consolidated balance sheet.

These cash and bank overdraft figures before netting are shown in the table below:

	2020		
	Gross £m	Offset £m	Net £m
Cash and cash equivalents	<b>1,888</b>	<b>(404)</b>	<b>1,484</b>
Bank overdrafts	<b>(501)</b>	<b>404</b>	<b>(97)</b>
2019			
	Gross £m	Offset £m	Net £m
	412	(14)	398
Cash and cash equivalents	<b>412</b>	<b>(14)</b>	<b>398</b>
Bank overdrafts	<b>(31)</b>	<b>14</b>	<b>(17)</b>

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**19 SHORT TERM AND LONG TERM BORROWINGS**

SHORT TERM AND LONG TERM BORROWINGS	2020			2019		
	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
Bank overdrafts	97	—	97	17	—	17
Bank loans	9	—	9	5	—	5
Loan notes	—	1,172	1,172	162	1,211	1,373
Bonds	—	2,501	2,501	—	2,467	2,467
Borrowings (excluding finance leases) <sup>1</sup>	106	3,673	3,779	184	3,678	3,862
Finance leases <sup>1</sup>	—	—	—	2	1	3
Borrowings (including finance leases) <sup>1,2</sup>	106	3,673	3,779	186	3,679	3,865

1. Prior year comparatives have not been restated for IFRS 16 'Leases'. As a result of the adoption of IFRS 16 'Leases' on 1 October 2019, leases that were previously classified as finance leases under IAS 17 are now presented as 'lease liabilities' on the Group consolidated balance sheet and therefore do not form part of borrowings. See note 1 for further information.

2. Categorised as 'other financial liabilities' (IFRS 9).

Interest on bank overdrafts and commercial paper is at the relevant money market rates. During the prior year, the Group established a US\$2 billion commercial paper programme. The programme size was increased to US\$4 billion during the year. Commercial paper is issued to meet short term liquidity requirements and is supported by committed bank facilities. As at 30 September 2020, no commercial paper was outstanding under the programme (2019: £nil) and no amounts were drawn under the committed facilities (2019: £nil).

All amounts due under bonds, loan notes and bank facilities are shown net of unamortised issue costs. Additionally, the Group adjusts the carrying values of the bonds and loan notes 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.

LOAN NOTES	Nominal value	Redeemable	Interest	2020 Carrying value £m	2019 Carrying value £m
US\$ private placement	\$200m	Sep 2020	3.09%	—	162
US\$ private placement	\$398m	Oct 2021	3.98%	308	323
US\$ private placement	\$352m	Oct 2023	4.12%	294	301
US\$ private placement	\$100m	Dec 2024	3.54%	77	81
US\$ private placement	\$300m	Sep 2025	3.81%	262	263
US\$ private placement	\$300m	Dec 2026	3.64%	231	243
Total				1,172	1,373

BONDS	Nominal value	Redeemable	Interest	2020 Carrying value £m	2019 Carrying value £m
Euro Eurobond	€500m	Jan 2023	1.88%	473	469
Euro Eurobond	€750m	Jul 2024	0.63%	707	695
Sterling Eurobond	£250m	Sep 2025	2.00%	261	260
Sterling Eurobond	£250m	Jun 2026	3.85%	249	249
Euro Eurobond	€500m	Sep 2028	1.50%	494	483
Sterling Eurobond	£300m	Jul 2029	2.00%	317	311
Total				2,501	2,467

No bonds were issued during the year.

BANK LOANS	2020 Nominal value	2019 Nominal value	Facility maturity date	Interest <sup>1</sup>	2020 Carrying value £m	2019 Carrying value £m
Other bank loans	Various	Various	Various	Floating	9	5
Total					9	5

1. Interest rates are referenced to market specific benchmark rates for each currency equivalent plus a margin.

## 19 SHORT TERM AND LONG TERM BORROWINGS (CONTINUED)

Of the Group's £2,000 million committed Revolving Credit Facility (RCF) £140 million is committed to June 2024 and £1,860 million is committed to June 2025. On 3 April 2020, the Group signed an additional £800 million committed Revolving Credit Facility which matures in October 2021. In March, the Group qualified for and drew down £600 million from the Bank of England's Covid Corporate Financing Facility (CCFF) which was subsequently repaid. The £600 million CCFF limit remains available whilst the CCFF is open.

The maturity profile of borrowings is as follows:

MATURITY PROFILE OF BORROWINGS (EXCLUDING FINANCE LEASES) <sup>1</sup>	2020 £m	2019 £m
Within 1 year, or on demand	106	184
Between 1 and 2 years	308	—
Between 2 and 3 years	473	323
Between 3 and 4 years	1,001	469
Between 4 and 5 years	600	996
In more than 5 years	1,291	1,890
Borrowings (excluding finance leases) <sup>1</sup>	3,779	3,862

- Prior year comparatives have not been restated for IFRS 16 'Leases'. As a result of the adoption of IFRS 16 'Leases' on 1 October 2019, leases that were previously classified as finance leases under IAS 17 are now presented as 'lease liabilities' on the Group consolidated balance sheet and therefore do not form part of borrowings. See note 1 for further information.

The fair value of the Group's borrowings is calculated by discounting future cash flows to net present values at current market rates for similar financial instruments. The fair values have been determined by reference to Level 2 inputs as defined by the fair value hierarchy of IFRS 13 'Fair value measurements'. The table below shows the fair value of borrowings:

CARRYING VALUE AND FAIR VALUE OF BORROWINGS (EXCLUDING FINANCE LEASES) <sup>1</sup>	2020		2019	
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Bank overdrafts	97	97	17	17
Bank loans	9	9	5	5
Loan notes	1,172	1,221	1,373	1,411
Bank overdrafts, loans and loan notes	1,278	1,327	1,395	1,433
£500m Eurobond Jan 2023	473	473	469	470
€750m Eurobond Jul 2024	707	695	695	681
£250m Eurobond Sep 2025	261	262	260	263
£250m Eurobond Jun 2026	249	289	249	293
€500m Eurobond Sep 2028	494	495	483	480
£300m Eurobond Jul 2029	317	316	311	313
Bonds	2,501	2,530	2,467	2,500
Borrowings (excluding finance leases) <sup>1</sup>	3,779	3,857	3,862	3,933

- Prior year comparatives have not been restated for IFRS 16 'Leases'. As a result of the adoption of IFRS 16 'Leases' on 1 October 2019, leases that were previously classified as finance leases under IAS 17 are now presented as 'lease liabilities' on the Group consolidated balance sheet and therefore do not form part of borrowings. See note 1 for further information.

GROSS AND PRESENT VALUE OF FINANCE LEASE LIABILITIES <sup>1</sup>	2020		2019	
	Gross £m	Present value £m	Gross £m	Present value £m
Finance lease payments falling due:				
Within 1 year	—	—	2	2
In 1 to 5 years	—	—	1	1
Gross and present value of finance lease liabilities	—	—	3	3

- Prior year comparatives have not been restated for IFRS 16 'Leases'. As a result of the adoption of IFRS 16 'Leases' on 1 October 2019, leases that were previously classified as finance leases under IAS 17 are now presented as 'lease liabilities' on the Group consolidated balance sheet and therefore do not form part of borrowings. See note 1 for further information.

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**19 SHORT TERM AND LONG TERM BORROWINGS (CONTINUED)**

BORROWINGS BY CURRENCY	2020		2019	
	Borrowings £m	Total £m	Borrowings £m	Finance leases <sup>1</sup> £m
Sterling	<b>830</b>	<b>830</b>	814	—
US Dollar	<b>1,264</b>	<b>1,264</b>	1,373	—
Euro	<b>1,681</b>	<b>1,681</b>	1,649	1
Other	<b>4</b>	<b>4</b>	26	2
<b>Total</b>	<b>3,779</b>	<b>3,779</b>	3,862	3
				3,865

1. Prior year comparatives have not been restated for IFRS 16 'Leases'. As a result of the adoption of IFRS 16 'Leases' on 1 October 2019, leases that were previously classified as finance leases under IAS 17 are now presented as 'lease liabilities' on the Group consolidated balance sheet and therefore do not form part of borrowings. See note 1 for further information.

The Group had the following undrawn committed facilities available at 30 September, in respect of which all conditions precedent had then been met:

UNDRAWN COMMITTED FACILITIES	2020 £m	2019 £m
Expiring between 1 and 2 years	<b>800</b>	—
Expiring between 2 and 5 years	<b>2,000</b>	2,000
	<b>2,800</b>	2,000

The Group also continued to be eligible for the Bank of England's CCFF.

UNDRAWN BANK OF ENGLAND CCFF	2020 £m	2019 £m
Expiring between 1 and 2 years	<b>600</b>	—
	<b>600</b>	—

**20 RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS****CAPITAL RISK MANAGEMENT**

The Group manages its capital structure to ensure that it will be able to continue as a going concern. The capital structure of the Group consists of cash and cash equivalents as disclosed in note 18; debt equity attributable to equity shareholders of the Company, comprising issued share capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

**FINANCIAL MANAGEMENT**

The Group manages its interest rate and foreign currency exposure 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.

**COVID-19**

The macro economic impact of the COVID-19 pandemic is uncertain, and continues to evolve, with potential disruption to financial markets including currencies, interest rates, borrowing costs and the availability of debt financing. However, the Group's financial risk management strategies seek to reduce potential exposure in relation to these risks.

The Group has combined cash and cash equivalent and short term investments of £1,484 million, providing significant headroom to cover short term liquidity requirements. Additionally, the Group has undrawn committed facilities of £2,800 million and a £600 million limit under the Bank of England Covid Corporate Financing Facility. The Group's credit risk under financing activities is spread across a portfolio of highly rated institutions to reduce counterparty exposures.

The Group's operating activities result in customer credit risk, for which provisions for expected credit losses are recognised.

## 20 RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

### *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 the bank, 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 2020 shows that the average period to maturity is 4.6 years (2019: 5.4 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 level of undrawn facilities is set out in note 19.

### *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 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 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 the 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 after tax and 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%	2020		2019	
	Against US Dollar £m	Against Euro £m	Against US Dollar £m	Against Euro £m
Decrease in profit for the year (after tax)	(10)	(14)	(17)	(10)
Increase in total equity	85	57	114	37

For the year ended 30 September 2020

**20 RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)***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 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%–70% and 0%–40% respectively.

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 only.

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 £4 million (2019: £nil) 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	2020				
	Sterling £m	US Dollar £m	Euro £m	Other £m	Total £m
Increase in interest rate	+1%	+1%	+1%	+1%	n/a
Floating rate exposure – cash	298	19	(58)	204	463
Increase in profit for the year (after tax)	2	–	–	2	4

INTEREST RATE SENSITIVITY ANALYSIS	2019				
	Sterling £m	US Dollar £m	Euro £m	Other £m	Total £m
Increase in interest rate	+1%	+1%	+1%	+1%	n/a
Floating rate exposure – (debt)/cash	(286)	(49)	138	180	(17)
(Decrease)/increase in profit for the year (after tax)	(2)	–	1	1	–

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 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.

As at 30 September 2020, 52% of cash and cash equivalents was held with investment grade bank counterparties, 46% with AAA money market funds and 2% held with non-investment grade bank counterparties. In addition, 100% of derivative instruments was held with investment grade bank counterparties.

The Group's policy to manage the credit risk associated with trade and other receivables is set out in note 16.

## 20 RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

### HEDGING ACTIVITIES

The following section describes the derivative financial instruments the Group uses to apply the interest rate and foreign currency hedging strategies.

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*

The Group uses interest rate and cross currency interest rate 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, some of which are designated in fair value hedge relationships where appropriate.

On occasion, the Group uses forward currency contracts to hedge the fair value of significant foreign currency transactions against changes in foreign currency exchange rates. These forward currency contracts also qualify for hedge accounting as defined by IAS 39 and may be designated in fair value hedge relationships where appropriate.

#### *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 carrying value of debt and derivatives in a net investment hedge was £867 million (2019: £1,339 million). A foreign exchange gain of £47 million (2019: loss of £133 million) 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. 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 £621 million (2019: loss of £668 million) and for which hedge accounting is no longer applied is £nil (2019: £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.

The impact of the hedged items on Group's financial statements is as follows:

HEDGED ITEMS	2020				
	Carrying amount of the hedged item	Accumulated amounts of fair value adjustments on hedged item		Changes in fair value for calculating hedge ineffectiveness	
	Assets £m	Liabilities £m	Assets £m	Liabilities £m	£m
<b>FAIR VALUE HEDGES</b>					
<i>Interest rate risk</i>					
Financial liabilities – long term borrowings	–	(2,807)	–	(181)	(12)
<i>Foreign currency risk</i>					
Firm commitment – trade and other receivables	–	–	–	–	12
	–	(2,807)	–	(181)	–
<b>NET INVESTMENT HEDGES</b>					
<i>Foreign currency risk</i>					
Continued hedges	n/a	n/a	n/a	n/a	47
Discontinued hedges	n/a	n/a	n/a	n/a	–
					47

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2020

**20 RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

	2019				
	Carrying amount of the hedged item		Accumulated amounts of fair value adjustments on hedged item		Changes in fair value for calculating hedge ineffectiveness £m
	Assets £m	Liabilities £m	Assets £m	Liabilities £m	
<b>HEDGED ITEMS</b>					
<b>FAIR VALUE HEDGES</b>					
<i>Interest rate risk</i>					
Financial liabilities – long term borrowings	–	(2,782)	–	(168)	(164)
Financial liabilities – short term borrowings	–	–	–	–	3
<i>Foreign currency risk</i>					
Firm commitment – trade and other receivables	2	–	2	–	2
	2	(2,782)	2	(168)	(159)
<b>NET INVESTMENT HEDGES</b>					
<i>Foreign currency risk</i>					
Continued hedges	n/a	n/a	n/a	n/a	(133)
Discontinued hedges	n/a	n/a	n/a	n/a	–
					(133)

The Group held the following instruments to hedge exposures to changes in interest rates and foreign currency risk:

	2020		
	Carrying amount of hedging instruments £m	Change in fair value of hedging instrument used to determine hedge ineffectiveness £m	Nominal amounts of hedging instruments £m
<b>HEDGING INSTRUMENTS</b>			
<b>FAIR VALUE HEDGES</b>			
<i>Interest rate risk</i>			
Derivative financial instruments – non-current assets	237	3	2,642
<i>Foreign currency risk</i>			
Derivative financial instruments – current liabilities	–	(12)	227
	237	(9)	
<b>NET INVESTMENT HEDGES</b>			
<i>Foreign currency risk</i>			
Derivative financial instruments – current assets	3	9	(282)
Derivative financial instruments – current liabilities	–	(13)	(70)
Long term borrowing	(870)	43	(870)
Short term borrowing	–	8	(155)
	(867)	47	

## 20 RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	Carrying amount of hedging instruments £m	Change in fair value of hedging instrument used to determine hedge ineffectiveness £m	2019			
			Nominal amounts of hedging instruments £m			
<b>HEDGING INSTRUMENTS</b>						
<b>FAIR VALUE HEDGES</b>						
<i>Interest rate risk</i>						
Derivative financial instruments – non-current assets	206	131	2,628			
Derivative financial instruments – current assets	–	33	–			
Derivative financial instruments – non-current liabilities	–	(3)	–			
<i>Foreign currency risk</i>						
Derivative financial instruments – current liabilities	(2)	(2)	221			
	204	159				
<b>NET INVESTMENT HEDGES</b>						
<i>Foreign currency risk</i>						
Derivative financial instruments – current assets	–	2	(87)			
Derivative financial instruments – current liabilities	–	(44)	(121)			
Long term borrowing	(1,177)	(82)	(1,177)			
Short term borrowing	(162)	(9)	(427)			
	(1,339)	(133)				

### Amendments to IFRS 9, IAS 39 and IFRS 7 'Interest rate benchmark reform'

The Group has adopted early the 'Interest rate benchmark reform' (IBOR reform) amendments to IFRS 9 'Financial instruments', IAS 39 'Financial instruments: recognition and measurement' and IFRS 7 'Financial instruments: disclosures' that were issued by the IASB in September 2019. The amendments provide relief from applying specific hedge accounting requirements to hedge relationships directly affected by the IBOR reform and have the effect that IBOR reform should generally not cause hedge accounting to terminate. The Group believes that any resulting ineffectiveness consequent to the IBOR reform is likely to be immaterial. The Group does not believe that IBOR reform will materially adversely affect the Group or its ability to manage its borrowings or interest rate risk.

The Group has £2,800 million of committed borrowing facilities that can be drawn in a number of currencies and which reference the relevant IBOR in calculating the applicable interest rate.

The Group has a number of interest rate and cross currency interest rate swaps held to convert fixed rate debt into IBOR referenced floating rate debt and designated as fair value hedges. Nominal exposure to IBOR rates on these fair value hedges are GBP LIBOR £1,402 million, USD LIBOR £504 million and EURIBOR £680 million.

The Group also holds a number of interest rate swaps that receive IBOR referenced interest rates and pay fixed rate. These are held for interest and cash management purposes and do not meet the criteria for hedge accounting. Nominal exposure to IBOR rates on these stand alone derivatives are GBP LIBOR £2,025 million, USD LIBOR £538 million, EURIBOR £884 million and other currencies £346 million.

A Group Treasury led project is in progress to manage the transition to alternative benchmark rates.

For the year ended 30 September 2020

**20 RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)***Fair value measurement*

All derivative financial instruments are shown at fair value in the consolidated balance sheet. The fair values have been determined by reference to Level 2 inputs as defined by the fair value hierarchy of IFRS 13 'Fair value measurements'. Derivative financial instrument fair values are present values determined from future cash flows discounted at rates derived from market sourced data. There were no transfers between levels in either the year ended 30 September 2020 or 2019. The fair values of derivative financial instruments represent the maximum credit exposure.

DERIVATIVE FINANCIAL INSTRUMENTS	2020				2019			
	Current assets £m	Non-current assets £m	Current liabilities £m	Non-current liabilities £m	Current assets £m	Non-current assets £m	Current liabilities £m	Non-current liabilities £m
<i>Interest rate swaps</i>								
Fair value hedges <sup>1</sup>	—	<b>122</b>	—	—	—	99	—	—
Not in a hedging relationship <sup>2</sup>	<b>2</b>	—	(9)	(2)	—	1	(3)	(6)
<i>Cross currency swaps</i>								
Fair value hedges <sup>1</sup>	—	<b>115</b>	—	—	—	107	—	—
<i>Forward currency contracts</i>								
Fair value hedges <sup>1</sup>	—	—	—	—	—	—	(2)	—
Net investment hedges <sup>3</sup>	<b>3</b>	—	—	—	—	—	—	—
Not in a hedging relationship <sup>2</sup>	—	—	—	—	—	—	(1)	—
Total	<b>5</b>	<b>237</b>	(9)	(2)	—	207	(6)	(6)

1. Derivatives that are designated and effective as hedging instruments carried at fair value (IFRS 9).

2. Derivatives carried at 'fair value through profit or loss' (IFRS 9).

3. Derivatives that are designated and effective in net investment hedges carried at fair value (IFRS 9).

NOTIONAL AMOUNT OF DERIVATIVE FINANCIAL INSTRUMENTS BY CURRENCY	2020		2019	
	Fair value swaps £m	Cash flow swaps £m	Fair value swaps £m	Cash flow swaps £m
Sterling	<b>550</b>	<b>713</b>	550	1,342
US Dollar	<b>504</b>	<b>225</b>	529	186
Euro	<b>1,588</b>	<b>437</b>	1,548	442
Japanese Yen	—	<b>73</b>	—	92
Other	—	<b>221</b>	—	143
Total	<b>2,642</b>	<b>1,669</b>	2,627	2,205

EFFECTIVE CURRENCY DENOMINATION OF BORROWINGS AND LEASES AFTER THE EFFECT OF DERIVATIVES	2020				2019		
	Gross borrowings £m	Lease liabilities <sup>1</sup> £m	Forward currency contracts <sup>2</sup> £m	Effective currency of borrowings £m	Gross borrowings <sup>1</sup> £m	Forward currency contracts <sup>2</sup> £m	Effective currency of borrowings £m
Sterling	<b>830</b>	<b>241</b>	<b>655</b>	<b>1,726</b>	814	1,182	1,996
US Dollar	<b>1,264</b>	<b>415</b>	<b>83</b>	<b>1,762</b>	1,373	(202)	1,171
Euro	<b>1,681</b>	<b>162</b>	(1,066)	<b>777</b>	1,650	(1,207)	443
Japanese Yen	—	1	66	67	—	94	94
Other	<b>4</b>	<b>123</b>	<b>204</b>	<b>331</b>	28	104	132
Total	<b>3,779</b>	<b>942</b>	(58)	<b>4,663</b>	3,865	(29)	3,836

1. Prior year comparatives have not been restated for IFRS 16 'Leases'. As a result of the adoption of IFRS 16 'Leases' on 1 October 2019, leases that were previously classified as finance leases under IAS 17 are now presented as 'Lease liabilities' on the Group consolidated balance sheet and therefore do not form part of borrowings. See note 1 for further information.

2. Includes cross currency contracts.

## 20 RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

GROSS DEBT Maturity Analysis	2020						Total £m
	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	
<b>FIXED INTEREST</b>							
£300m Eurobond 2029	—	—	—	—	—	298	298
€500m Eurobond 2028	—	—	—	—	—	450	450
£250m Eurobond 2026	—	—	—	—	—	249	249
£250m Eurobond 2025	—	—	—	—	246	—	246
€750m Eurobond 2024	—	—	—	676	—	—	676
€500m Eurobond 2023	—	—	453	—	—	—	453
US private placements	—	308	—	272	309	231	1,120
Total fixed interest	—	308	453	948	555	1,228	3,492
Cash flow swaps (fixed leg)	(38)	959	748	—	—	—	1,669
Fair value swaps (fixed leg)	—	—	(454)	(952)	(250)	(986)	(2,642)
Fixed interest (asset)/liability	(38)	1,267	747	(4)	305	242	2,519
<b>FLOATING INTEREST</b>							
Bank loans	9	—	—	—	—	—	9
Overdrafts	97	—	—	—	—	—	97
Total floating interest	106	—	—	—	—	—	106
Cash flow swaps (floating leg)	38	(959)	(748)	—	—	—	(1,669)
Fair value swaps (floating leg)	—	—	454	952	250	986	2,642
Floating interest liability/(asset)	144	(959)	(294)	952	250	986	1,079
<b>OTHER</b>							
Lease liabilities	197	166	127	98	77	277	942
Fair value adjustments to borrowings <sup>1</sup>	—	—	20	53	45	63	181
Other liability	197	166	147	151	122	340	1,123
Gross debt excluding derivatives	303	474	600	1,099	677	1,568	4,721
<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>							
Derivative financial instruments <sup>1</sup>	7	2	(79)	(53)	(48)	(57)	(228)
Forward currency contracts <sup>2</sup>	(3)	—	—	—	—	—	(3)
Gross debt	307	476	521	1,046	629	1,511	4,490

1. Non-cash item (changes in the value of this non-cash item are included in the other non-cash movements caption in note 28).

2. Non-cash item (changes in the value of this non-cash item are included in the currency translation gains/(losses) caption in note 28).

PRINCIPAL AND INTEREST Maturity Analysis	2020						Total £m
	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	
Gross debt	307	476	521	1,046	629	1,511	4,490
Less: overdrafts	(97)	—	—	—	—	—	(97)
Less: fees and premiums capitalised on issue	4	3	3	3	1	2	16
Less: other non-cash items	(4)	(2)	59	—	3	(6)	50
Repayment of principal	210	477	583	1,049	633	1,507	4,459
Interest cash flows on debt and derivatives (settled net)	125	102	91	78	66	158	620
Repayment of principal and interest	335	579	674	1,127	699	1,665	5,079

For the year ended 30 September 2020

**20 RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

	2019						Total £m	
	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		
<b>GROSS DEBT MATURITY ANALYSIS</b>								
<b>FIXED INTEREST</b>								
£300m Eurobond 2029	—	—	—	—	—	298	298	
€500m Eurobond 2028	—	—	—	—	—	439	439	
£250m Eurobond 2026	—	—	—	—	—	249	249	
£250m Eurobond 2025	—	—	—	—	—	248	248	
€750m Eurobond 2024	—	—	—	—	659	—	659	
€500m Eurobond 2023	—	—	—	441	—	—	441	
US private placements	162	—	323	—	286	567	1,338	
Total fixed interest	162	—	323	441	945	1,801	3,672	
Cash flow swaps (fixed leg)	786	1,261	158	—	—	—	2,205	
Fair value swaps (fixed leg)	—	—	—	(442)	(950)	(1,235)	(2,627)	
Fixed interest liability/(asset)	948	1,261	481	(1)	(5)	566	3,250	
<b>FLOATING INTEREST</b>								
Bank loans	5	—	—	—	—	—	5	
Overdrafts	17	—	—	—	—	—	17	
Total floating interest	22	—	—	—	—	—	22	
Cash flow swaps (floating leg)	(786)	(1,261)	(158)	—	—	—	(2,205)	
Fair value swaps (floating leg)	—	—	—	442	950	1,235	2,627	
Floating interest (asset)/liability	(764)	(1,261)	(158)	442	950	1,235	444	
<b>OTHER</b>								
Lease liabilities <sup>1</sup>	2	1	—	—	—	—	3	
Fair value adjustments to borrowings <sup>2</sup>	—	—	—	28	51	89	168	
Other liability	2	1	—	28	51	89	171	
Gross debt excluding derivatives	186	1	323	469	996	1,890	3,865	
<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>								
Derivative financial instruments <sup>2</sup>	3	5	—	(76)	(50)	(80)	(198)	
Forward currency contracts <sup>3</sup>	3	—	—	—	—	—	3	
Gross debt	192	6	323	393	946	1,810	3,670	

1. Prior year comparatives have not been restated for IFRS 16 'Leases'. As a result of the adoption of IFRS 16 'Leases' on 1 October 2019, leases that were previously classified as finance leases under IAS 17 are now presented as 'Lease liabilities' on the Group consolidated balance sheet.

2. Non-cash item (changes in the value of this non-cash item are included in the other non-cash movements caption in note 28).

3. Non-cash item (changes in the value of this non-cash item are included in the currency translation gains/(losses) caption in note 28).

	2019						Total £m	
	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		
<b>PRINCIPALS AND INTEREST MATURITY ANALYSIS</b>								
<b>GROSS DEBT</b>								
Gross debt	192	6	323	393	946	1,810	3,670	
Less: overdrafts	(17)	—	—	—	—	—	(17)	
Less: fees and premiums capitalised on issue	3	3	3	3	3	4	19	
Less: other non-cash items	(6)	(5)	—	48	(1)	(9)	27	
Repayment of principal	172	4	326	444	948	1,805	3,699	
Interest cash flows on debt and derivatives (settled net)	84	89	77	71	60	120	501	
Settlement of forward currency contracts – payable leg	(451)	—	—	—	—	—	(451)	
Settlement of forward currency contracts – receivable leg	449	—	—	—	—	—	449	
Repayment of principal and interest	254	93	403	515	1,008	1,925	4,198	

## 21 TRADE AND OTHER PAYABLES

TRADE AND OTHER PAYABLES	2020			2019		
	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
<b>NET BOOK VALUE</b>						
At 1 October	4,718	214	4,932	4,317	220	4,537
Net movement	(977)	159	(818)	256	(25)	231
Reclassification	49	(36)	13	(5)	9	4
Currency adjustment	(175)	(6)	(181)	150	10	160
At 30 September	3,615	331	3,946	4,718	214	4,932
<b>COMPRISED OF</b>						
Trade payables <sup>1</sup>	1,113	—	1,113	2,088	—	2,088
Social security and other taxes	415	85	500	358	—	358
Other payables <sup>1,2</sup>	326	43	369	324	22	346
Contingent and deferred consideration on acquisitions <sup>1,3</sup>	131	90	221	35	174	209
Accruals <sup>4</sup>	1,377	7	1,384	1,538	18	1,556
Deferred income	228	106	334	373	—	373
Capital creditors	25	—	25	2	—	2
Trade and other payables	3,615	331	3,946	4,718	214	4,932

1. Categorised as 'financial liabilities' (IFRS 9).

2. Non-current other payables include £27 million (2019: £22 million) categorised as 'financial liabilities' (IFRS 9).

3. Level 3 according the fair value hierarchies defined by IFRS 13 'Fair value measurements'. Of this balance £137 million (2019: £147 million) relates to contingent and deferred consideration and £84 million (2019: £62 million) to non-controlling put options.

4. Of this balance £574 million (2019: £691 million) is categorised as 'other financial liabilities' (IFRS 9).

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 2020, the value of invoices sold under the SCF programmes was £319 million, with £283 million related to the Group's programme in the US (2019: £575 million and £541 million respectively). The reduction in the value of the invoices sold compared to last year reflects the reduced post COVID-19 purchasing activity. These amounts are included within trade payables and all cash flows associated with the programmes are included within operating cash flow as they continue to be part of the normal operating cycle of the Group.

TRADE AND OTHER PAYABLES	2020					
	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	52	51	1	1	19	124
<b>TRADE AND OTHER PAYABLES</b>						
TRADE AND OTHER PAYABLES	2019					
	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	163	36	3	1	11	214

The directors consider that the carrying amount of trade and other payables approximates to their fair value. The current trade and other payables are payable on demand.

Trade payable days at 30 September 2020 were 72 days (2019: 82 days) on a constant currency basis.

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**22 PROVISIONS**

PROVISIONS	Workers' compensation and similar obligations £m	Provisions in respect of discontinued and disposed businesses £m	Onerous contracts £m	Legal and other claims £m	Severance £m	Other £m	Total £m
At 1 October 2018	285	54	12	17	1	25	394
Reclassified <sup>1</sup>	—	—	—	—	—	4	4
Expenditure in the year	(87)	(41)	(18)	(2)	(11)	(6)	(165)
Charged to income statement	93	38	69	2	48	7	257
Credited to income statement	(7)	(20)	(2)	—	—	(3)	(32)
Business acquisitions	—	1	7	3	—	1	12
Sale and closure of businesses	—	(3)	—	—	—	(1)	(4)
Unwinding of discount	5	—	1	—	—	2	8
Currency adjustment	15	2	—	1	—	(3)	15
At 30 September 2019	304	31	69	21	38	26	489
Implementation of IFRS 16 <sup>2</sup>	—	(8)	(14)	—	—	—	(22)
At 1 October 2019, as adjusted <sup>2</sup>	<b>304</b>	<b>23</b>	<b>55</b>	<b>21</b>	<b>38</b>	<b>26</b>	<b>467</b>
Reclassified <sup>1</sup>	—	3	—	1	—	8	12
Expenditure in the year	(76)	(21)	(18)	(3)	(107)	(2)	(227)
Charged to income statement	127	15	37	16	198	20	413
Credited to income statement	—	—	(10)	(4)	—	—	(14)
Business acquisitions	—	—	—	—	—	1	1
Unwinding of discount	3	—	—	—	—	—	3
Currency adjustment	(15)	(1)	—	(1)	—	(1)	(18)
At 30 September 2020	<b>343</b>	<b>19</b>	<b>64</b>	<b>30</b>	<b>129</b>	<b>52</b>	<b>637</b>

1. Including items reclassified between accrued liabilities and other balance sheet captions.

2. On transition to IFRS 16 on 1 October 2019, all onerous lease provisions were either reclassified to the corresponding right of use assets as a proxy for impairment, or were otherwise released to equity as a transition adjustment. See note 1 for additional information.

PROVISIONS	2020 £m	2019 £m
Current	<b>337</b>	223
Non-current	<b>300</b>	266
Total provisions	<b>637</b>	489

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.

Provisions in respect of discontinued and disposed of 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, 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.

Provisions for onerous contracts represent the liabilities in respect of unavoidable contract losses which will be utilised over the life of each individual contract. A full analysis is performed at least annually of the future profitability of all contracts with marginal performances and of the balance sheet items directly linked to these contracts. COVID-19 has been considered when identifying and measuring contract loss provisions.

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 for severance primarily include people costs such as redundancy costs and cost of people change associated with the cost action programme and COVID-19 resizing costs. The Group expects these provisions to be substantially utilised within the next two years.

## 22 PROVISIONS (CONTINUED)

Other provisions include environmental provisions. These are in respect of potential liabilities relating to the Group's responsibility for maintaining its operating sites in accordance with statutory requirements and the Group's aim is to have a low impact on the environment. These provisions are expected to be utilised as operating sites are disposed of or as environmental matters are resolved.

Provisions are discounted to present value where the effect is material using the discount rate applicable to the liability. In estimating the provisions above management have 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.

## 23 POST EMPLOYMENT BENEFIT OBLIGATIONS

### PENSION SCHEMES OPERATED

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. The Group makes employer contributions to the various schemes in existence within the range of 2% to 57% of pensionable salaries (2019: 2% to 57%).

The contributions payable for defined contribution schemes of £118 million (2019: £126 million) have been fully expensed against profits in the current year.

### UK SCHEMES

UK employees that are in a pension arrangement are either in the Compass Retirement Income Savings Plan (CRISP) because they meet the eligibility criteria, in a GAD section of the Compass Group Pension Plan (the Plan) or have been automatically enrolled into 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. The Chairman is a former employee of the Group. The other six trustee directors are UK based employees of the Group, three of whom have been nominated by CRISP members.

The Plan is a defined benefit arrangement. Those UK employees who transfer 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 Plan, which has otherwise been closed to new entrants since 2003. Such transferees entered into the GAD sections of the Plan and are known as 'GAD members'. However, under the Government's revised guidance for 'Fair Deal for staff pensions', the expectation is and therefore the approach has been that the Group participates in the relevant public-sector pension scheme and closes the Plan to future entrants. The 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 Plan is operated on a pre-funded basis. The funding policy is to contribute such variable amounts, on the advice of the actuary, as to achieve 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 Plan is carried out every three years. The most recent valuation of the Plan took place as at 5 April 2019. At the valuation date the total market value of the assets of the Plan was £2,563 million which represented 106% of the benefits that had accrued to members after allowing for expected future increases in earnings.

By agreement with the trustees, the Group is no longer funding any deficit. The next triennial valuation is due to be completed as at 5 April 2022. The Plan is reappraised annually for accounting purposes by independent actuaries in accordance with IAS 19 'Employee benefits' requirements.

The 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 Plan members).

## 23 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

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 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.

The Lloyds Banking Group's High Court hearing on Guaranteed Minimum Pension (GMP) equalisation was published on 26 October 2018. As a result, and based on actuarial advice, the Group recognised £12 million of past service costs in the prior year consolidated income statement. This non-cash charge has been excluded from the Group's underlying operating profit.

### OVERSEAS SCHEMES

In the US, the defined benefit plans are frozen to new participants and the main vehicles for retirement are the defined contribution plans. The actuary provides Compass USA with the contributions required each year to the defined benefit plans, in order to work towards a 100% funding level on a projected salary basis.

Compass USA engages with a number of unions and is required to abide by the individual collective bargaining agreements (CBA) 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 (i) post employment benefits, including pensions and post employment healthcare, (ii) defined contribution plans, such as 401(k) and annuity and savings plans and (iii) other plans which include legal funds, training funds and education funds.

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 36 multi-employer benefit plans (2019: 37). 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 £19 million in the year (2019: £21 million) to these arrangements.

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.

### ALL 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, whose term is 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 life expectancy of members, expected salary and pension increases, and inflation. 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 liabilities of the defined benefit schemes are measured by discounting the best estimate of future cash flows to be paid using the projected unit method. This method is an accrued benefits valuation method that makes allowances for projected earnings. These calculations are performed by a qualified actuary.

## 23 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

Disclosures showing the assets and liabilities of the schemes are set out below. These have been calculated using the following assumptions:

	UK schemes		US schemes		Other schemes	
	2020	2019	2020	2019	2020	2019
Discount rate	<b>1.7%</b>	1.8%	<b>2.3%</b>	2.9%	<b>1.6%</b>	1.7%
Inflation	<b>3.2%</b>	3.3%	<b>2.1%</b>	2.2%	<b>1.7%</b>	1.8%
CPI inflation	<b>2.2%</b>	2.3%	<b>n/a</b>	n/a	<b>n/a</b>	n/a
Rate of increase in salaries	<b>3.2%</b>	3.3%	<b>3.0%</b>	3.0%	<b>2.2%</b>	2.2%
Rate of increase for pensions in payment	<b>3.1%</b>	3.2%	<b>2.1%</b>	2.2%	<b>0.2%</b>	0.2%
Rate of increase for deferred pensions <sup>1</sup>	<b>2.7%</b>	2.8%	<b>0.0%</b>	0.0%	<b>0.0%</b>	0.0%

1. This assumption is presented as a weighted average.

The mortality assumptions used to value the current year UK pension schemes are derived from the S3PA generational mortality tables (2019: S3PA generational mortality tables) with improvements in line with the projection model prepared by the 2019 Continuous Mortality Investigation of the UK actuarial profession (2019: 2018 model), with an S-kappa of 7.5, with 115% weighting for male non-pensioners, 111% for male pensioners (2019: 115% weighting for male non-pensioners, 111% for male pensioners) and 102% weighting for all females (2019: 102% weighting for all females), with a long term underpin of 1.5% p.a. (2019: 1.5% p.a.). 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 UK and US plans' liabilities to be 18 years (2019: 18 years) and ten years (2019: 9 years) respectively.

Examples of the resulting life expectancies for the UK Plan are as follows:

LIFE EXPECTANCY AT AGE 65	2020		2019	
	Male	Female	Male	Female
Member aged 65 in 2020 (2019)	<b>21.5</b>	<b>24.4</b>	21.5	24.4
Member aged 65 in 2045 (2044)	<b>23.4</b>	<b>26.6</b>	23.4	26.5

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 US schemes are derived from the mortality table Pri-2012 (2019: RP2014) and MP2018 generational scale (2019: MP2018). Examples of the resulting life expectancies for the US schemes are as follows:

LIFE EXPECTANCY AT AGE 65	2020		2019	
	Male	Female	Male	Female
Member aged 65 in 2020 (2019)	<b>22.0</b>	<b>23.4</b>	22.2	23.7
Member aged 65 in 2045 (2044)	<b>23.9</b>	<b>25.3</b>	24.1	25.6

## 23 POST EMPLOYMENT OBLIGATIONS (CONTINUED)

### 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 to scheme benefits to mitigate the risk of increase 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 some protection against inflation risk.
Investment	Asset returns are 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 so 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.

## 23 POST EMPLOYMENT OBLIGATIONS (CONTINUED)

### SENSITIVITIES OF PRINCIPAL ASSUMPTIONS

Measurement of the Group's defined benefit obligations is particularly sensitive to changes in key assumptions, including discount rate, life expectancy and inflation. The sensitivities of the principal assumptions used to measure the defined benefit obligations of the schemes are set out below:

ASSUMPTION	Change in assumption	Impact on scheme deficit 2020	Impact on scheme deficit 2019
<b>UK</b>			
Discount rate	Increase by 0.5%	Decrease by £209 million	Decrease by £212 million
	Decrease by 0.5%	Increase by £226 million	Increase by £227 million
Inflation	Increase by 0.5%	Increase by £126 million	Increase by £139 million
	Decrease by 0.5%	Decrease by £120 million	Decrease by £117 million
CPI Inflation	Increase by 0.5%	Increase by £31 million	Increase by £31 million
	Decrease by 0.5%	Decrease by £28 million	Decrease by £26 million
Life expectations from age 65	Increase by 1 year	Increase by £110 million	Increase by £105 million
<b>US AND OTHERS</b>			
Discount rate	Increase by 0.5%	Decrease by £16 million	Decrease by £15 million
	Decrease by 0.5%	Increase by £16 million	Increase by £16 million
Inflation	Increase by 0.5%	Increase by £6 million	Increase by £6 million
	Decrease by 0.5%	Decrease by £6 million	Decrease by £6 million
Life expectations from age 65	Increase by 1 year	Increase by £6 million	Increase by £6 million

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 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 liability.

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## 23 POST EMPLOYMENT OBLIGATIONS (CONTINUED)

### ANALYSIS OF THE FAIR VALUE OF PLAN ASSETS

At 30 September 2020, the assets of the various schemes were invested in a diversified portfolio that consisted primarily of equities and debt securities. The fair value of these assets is shown below by major category:

FAIR VALUE OF PLAN ASSETS BY MAJOR CATEGORY	2020				2019			
	UK £m	US £m	Other £m	Total £m	UK £m	US £m	Other £m	Total £m
<b>EQUITY TYPE ASSET</b>								
Global equities quoted	135	189	32	356	147	188	11	346
Global equities unquoted	—	—	—	—	—	—	17	17
<b>GOVERNMENT BONDS</b>								
UK fixed interest quoted	746	—	—	746	578	—	—	578
UK index linked quoted	1,273	—	—	1,273	1,346	—	—	1,346
Overseas quoted	—	—	15	15	—	—	16	16
Overseas unquoted	—	—	—	—	—	—	21	21
<b>CORPORATE BONDS</b>								
Corporate bonds quoted	470	48	—	518	551	44	—	595
Diversified securities quoted	—	—	24	24	—	—	—	—
<b>OTHER ASSETS</b>								
Property funds quoted	195	160	20	375	197	152	1	350
Property funds unquoted	—	—	—	—	—	—	15	15
Insurance policies unquoted	—	—	5	5	—	—	12	12
Other assets	—	—	15	15	—	—	11	11
Cash and cash equivalents	9	80	3	92	9	55	1	65
At 30 September	2,828	477	114	3,419	2,828	439	105	3,372

The UK Plan has holdings of diversified global equity type investments, mainly shares in listed companies. The return on these investments is variable, and they are generally considered to be 'riskier' investments. However, it is generally accepted that the yield on these investments will contain a premium to compensate investors for this additional risk. There is significant uncertainty about the likely size of this risk premium. In respect of investments held in global equities there is also a risk of unfavourable currency movements. The trustee manages these risks by holding approximately 50% of those investments in funds which are hedged against currency movements.

The UK Plan also 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 HM 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.

MOVEMENTS IN THE FAIR VALUE OF PLAN ASSETS	2020				2019			
	UK £m	US £m	Other £m	Total £m	UK £m	US £m	Other £m	Total £m
At 1 October	2,828	439	105	3,372	2,425	385	97	2,907
Currency adjustment	—	(21)	1	(20)	—	24	3	27
Interest income on plan assets	50	7	1	58	69	11	2	82
Return on plan assets, excluding interest income	38	34	6	78	425	(3)	3	425
Employee contributions	—	44	2	46	—	36	2	38
Employer contributions	3	14	12	29	3	21	12	36
Benefits paid	(87)	(40)	(13)	(140)	(94)	(35)	(14)	(143)
Administration expenses paid from plan assets <sup>1</sup>	(4)	—	—	(4)	—	—	—	—
At 30 September	2,828	477	114	3,419	2,828	439	105	3,372

1. Following the actuarial valuation as at 5 April 2019, it was agreed that with effect from 6 April 2019 the expenses of running the UK Plan would be met directly from the UK Plan rather than by the principal employer.

## 23 POST EMPLOYMENT OBLIGATIONS (CONTINUED)

MOVEMENT IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS	2020				2019			
	UK £m	US £m	Other £m	Total £m	UK £m	US £m	Other £m	Total £m
At 1 October	2,432	547	204	3,183	2,127	485	173	2,785
Currency adjustment	—	(28)	(5)	(33)	—	29	4	33
Current service cost	1	9	10	20	1	12	8	21
Past service cost <sup>1</sup>	—	—	1	1	12	—	—	12
Interest expense on benefit obligations	43	10	3	56	60	15	4	79
Remeasurements – demographic assumptions	12	(1)	1	12	(108)	—	2	(106)
Remeasurements – financial assumptions	37	42	(2)	77	439	6	19	464
Remeasurements – experience	—	—	7	7	(5)	(1)	5	(1)
Employee contributions	—	44	2	46	—	36	2	38
Benefits paid	(87)	(40)	(13)	(140)	(94)	(35)	(14)	(143)
Business combinations	—	—	—	—	—	—	1	1
At 30 September	2,438	583	208	3,229	2,432	547	204	3,183

1. The Lloyds Banking Group's High Court hearing on Guaranteed Minimum Pension (GMP) equalisation was published on 26 October 2018. As a result, and based on actuarial advice, the Group has recognised £12 million of past service costs in the prior year consolidated income statement.

PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS	2020				2019			
	UK £m	US £m	Other £m	Total £m	UK £m	US £m	Other £m	Total £m
Funded obligations	2,387	477	134	2,998	2,380	439	128	2,947
Unfunded obligations	51	106	74	231	52	108	76	236
Total obligations	2,438	583	208	3,229	2,432	547	204	3,183

POST EMPLOYMENT BENEFIT ASSETS/(OBLIGATIONS) RECOGNISED IN THE BALANCE SHEET	2020			
	UK <sup>1</sup> £m	Total £m	UK <sup>2</sup> £m	US £m
Present value of defined benefit obligations	(2,387)	(2,387)	(51)	(583)
Fair value of plan assets	2,828	2,828	—	477
Post employment benefit assets/(obligations) recognised in the balance sheet	441	441	(51)	(106)
				(94)
				(251)

1. UK funded defined benefit pension scheme.
2. UK unfunded defined benefit pension scheme.

POST EMPLOYMENT BENEFIT ASSETS/(OBLIGATIONS) RECOGNISED IN THE BALANCE SHEET	2019			
	UK <sup>1</sup> £m	Total £m	UK <sup>2</sup> £m	US £m
Present value of defined benefit obligations	(2,380)	(2,380)	(52)	(547)
Fair value of plan assets	2,828	2,828	—	439
Post employment benefit assets/(obligations) recognised in the balance sheet	448	448	(52)	(108)
				(99)
				(259)

1. UK funded defined benefit pension scheme.
2. UK unfunded defined benefit pension scheme.

Certain Group companies have taken out life insurance policies and invested in mutual funds which will be used to meet unfunded pension obligations. The current value of these policies and other assets, £59 million (2019: £74 million), may not be offset against pension obligations under IAS 19 and is reported within note 15.

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**23 POST EMPLOYMENT OBLIGATIONS (CONTINUED)**

The amounts recognised through the consolidated income statement within the various captions are as follows:

AMOUNTS RECOGNISED THROUGH THE CONSOLIDATED INCOME STATEMENT	2020				2019			
	UK £m	USA £m	Other £m	Total £m	UK £m	USA £m	Other £m	Total £m
Current service cost	1	9	10	20	1	12	8	21
Past service cost <sup>1</sup>	—	—	1	1	12	—	—	12
Charged to operating expenses	1	9	11	21	13	12	8	33
Interest expense on benefit obligations	43	10	3	56	60	15	4	79
Interest income on plan assets	(50)	(7)	(1)	(58)	(69)	(11)	(2)	(82)
Charged to finance costs	(7)	3	2	(2)	(9)	4	2	(3)
Total charged in the consolidated income statement	(6)	12	13	19	4	16	10	30

1. The Lloyds Banking Group's High Court hearing on Guaranteed Minimum Pension (GMP) equalisation was published on 26 October 2018. As a result, and based on actuarial advice, the Group has recognised £12 million of past service costs in the prior year consolidated income statement.

The Group made total contributions to defined benefit schemes of £29 million in the year (2019: £36 million) and expects to make total contributions to these schemes of £30 million in 2021, including £15 million related to the defined benefit plans in the US and £3 million in the UK.

The UK Plan is the largest scheme within the Group and was in surplus on a funding basis at the date of the most recent actuarial valuation as at 5 April 2019 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.

The amounts recognised through the consolidated statement of comprehensive income are as follows:

AMOUNTS RECOGNISED THROUGH THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	2020 £m	2019 £m
Remeasurement of post employment benefit obligations:		
Effect of changes in demographic assumptions	(12)	106
Effect of changes in financial assumptions	(77)	(464)
Effect of experience adjustments	(7)	1
Remeasurement of post employment benefit obligations – loss	(96)	(357)
Return on plan assets, excluding interest income – gain	78	425
Total recognised in the consolidated statement of comprehensive income	(18)	68

**24 SHARE CAPITAL**

On 21 May 2020, as part of a placing of shares (the 'Placing'), a total of 195,012,686 new ordinary shares (the 'Placing shares') with a nominal value of 11  $\frac{1}{20}$  pence each were issued on a non-pre-emptive basis at an issue price of £10.25 per share (the 'Placing price'), raising proceeds of £1,965 million net of issue costs of £34 million. The Company incurred other transaction costs of £2 million in connection with the Placing, which were recognised in the consolidated income statement. Concurrently with the Placing shares, directors and members of the senior management team of the Company subscribed for a further 109,266 new ordinary shares ('Subscription shares') and retail and other investors subscribed for a further 545,400 new ordinary shares ('Retail offer shares'), in each case at the Placing price. The total cash proceeds received from the issuance of the Subscription shares and Retail offer shares amounted to £7 million net of expenses.

The net proceeds of the Placing are being used to strengthen the Company's balance sheet and liquidity position, reducing leverage to deal with the challenging environment and ensure Compass remains resilient in the event of further negative developments in the pandemic. The Placing shares, Subscription shares and Retail offer shares were each issued fully paid and rank pari passu in all respects with each other and the ordinary shares of the Company in issue prior to the Placing, including the right to receive all dividends and other distributions declared, made or paid after the date of issue.

## 24 SHARE CAPITAL (CONTINUED)

The Placing shares were issued for non-cash consideration by way of a 'cash box' structure involving a newly incorporated Jersey subsidiary of the Company ('JerseyCo'). This structure involved the issue of ordinary and preference shares by JerseyCo to one of the investment banks advising the Company in respect of the Placing. These preference and ordinary shares were subsequently acquired by the Company and the preference shares were redeemed by JerseyCo. The acquisition by the Company of the ordinary shares in JerseyCo held by the investment bank resulted in the Company securing over 90% of the equity share capital of JerseyCo. The Company was therefore able to rely on Section 612 of the Companies Act 2006, which provides relief from the requirements under Section 610 of the Companies Act 2006 to create a share premium account. Therefore, no share premium was recorded in relation to the Placing shares. The premium over the nominal value of the Placing shares was credited to a merger reserve and subsequently recognised in retained earnings. The merger reserve created was determined to be distributable for the purposes of the Companies Act 2006.

During the year, 1,794,287 treasury shares were released to satisfy employee share-based payments commitments (2019: 2,341,811), leaving a balance held at 30 September 2020 of 1,535,347 (2019: 3,329,634). Proceeds received from the reissuance of treasury shares to satisfy employee share awards were £nil (2019: £0.4 million).

SHARE CAPITAL	2020		2019	
	Number of ordinary shares 11 <sup>1/20</sup> pence each	£m	Number of ordinary shares 11 <sup>1/20</sup> pence each	£m
Allotted, called up and fully paid:				
At 1 October	1,589,736,625	176	1,589,736,625	176
Shares issued	195,667,352	22	—	—
At 30 September	1,785,403,977	198	1,589,736,625	176

## 25 SHARE-BASED PAYMENTS

### INCOME STATEMENT EXPENSE

The Group recognised a credit of £2 million (2019: £27 million expense) in respect of share-based payment transactions. The share-based payment credit this year reflects management's latest view in relation to vesting conditions as a result of the COVID-19 pandemic. All share-based payment plans are equity-settled.

The income/expense is broken down by share-based payment scheme as follows:

	2020 £m	2019 £m
Long term incentive plans	(7)	24
Other share-based payment plans	5	3
	(2)	27

### LONG TERM INCENTIVE PLANS

Full details of The Compass Group PLC Long Term Incentive Plan 2018 (2018 LTIP) can be found in the Directors' Remuneration Report on pages 122 to 153.

The following table shows the movement in share awards during the year:

LONG TERM INCENTIVE PLANS	2020		2019 Number of shares
	Number of shares	Number of shares	
Outstanding at 1 October	5,791,851	5,897,389	
Awarded	1,861,342	2,191,879	
Cancelled	(193,807)	—	
Vested	(1,632,418)	(1,779,067)	
Lapsed	(138,827)	(518,350)	
Outstanding at 30 September	5,688,141	5,791,851	

The vesting conditions of the LTIP awards are included in the Directors' Remuneration Report.

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**25 SHARE-BASED PAYMENTS (CONTINUED)**

The fair value of awards subject to adjusted free cash flow (AFCF) and return on capital employed (ROCE) performance targets was calculated using the Black-Scholes option pricing model. The vesting probability of each element has been assessed based on a simulation model of the AFCF and ROCE forecasts.

The weighted average share price at the date of vesting for LTIP awards vested during 2020 (with reference to the LTIP award for 2016-2019 that vested in November 2019) was 1,915.50 pence (2019: 1,673.00 pence).

The LTIP awards outstanding at the end of the year have a weighted average remaining contractual life of 1.1 years (2019: 1.4 years).

For the year ended 30 September 2020, Board LTIP awards were made on 27 November 2019 and 18 August 2020 for which the estimated fair values were 1,378.55 pence and 1,099.80 pence respectively. Leadership LTIP awards were also made on 27 November 2019, 18 August 2020 and 24 and 25 September 2020 for which the estimated fair values were 1,530.28 pence, 1,099.80 pence, 1,182.40 pence and 1,138.77 pence respectively.

For the year ended 30 September 2019, Board LTIP awards were made on 21 November 2018 and 16 May 2019 for which the estimated fair values were 1,185.63 pence and 1,229.53 pence respectively. Leadership LTIP awards were also made on 21 November 2018 and 16 May 2019 for which the estimated fair values were 1,366.01 pence and 1,227.53 pence respectively.

These awards were all made under the terms of the 2018 LTIP. The inputs to the option pricing model are reassessed for each award. The following assumptions were used in calculating the fair value of LTIP awards made during the year:

ASSUMPTIONS – LONG TERM INCENTIVE PLANS	2020	2019
Expected volatility	<b>29.1%</b>	17.6%
Risk free interest rate	<b>0.4%</b>	1.2%
Dividend yield	<b>2.2%</b>	2.2%
Expected life	<b>2.5 years</b>	2.7 years
Weighted average share price at date of grant	<b>1,409.73p</b>	1,746.52p

**OTHER SHARE-BASED PAYMENT PLANS**

The following table shows the movements in other smaller share-based payments plans during the year:

OTHER SHARE-BASED PAYMENT PLANS	2020 Number of shares	2019 Number of shares
Outstanding at 1 October	<b>1,623,036</b>	2,175,063
Awarded	<b>551,481</b>	386,991
Vested, released and exercised	(339,170)	(617,596)
Lapsed (following net settlement)	(88,969)	(218,773)
Lapsed	(93,059)	(102,649)
Outstanding at 30 September	<b>1,653,319</b>	1,623,036

The expense relating to these plans is not significant and no further disclosure is necessary except for the general details provided below:

**1. SHARE OPTIONS**

Full details of The Compass Group Share Option Plan 2010, the Compass Group Share Option Plan, the Compass Group Management Share Option Plan and the UK Sharesave Plan are set out in prior years' annual reports which are available on the Company's website.

**2. DEFERRED ANNUAL BONUS PLAN (DAB)**

Certain senior executives participate in the DAB. A portion of the annual bonus awarded to certain executives is converted into shares. Subject to the achievement of local organic revenue growth and cumulative PBIT over the three year deferral period, the number of deferred shares may be increased. Enhancements to the deferred shares are only released to the participants subject to the performance levels being met. The last award under this plan was made in November 2018.

**3. RESTRICTED SHARES**

These are occasional 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 a service or achievement of specific performance conditions other than service.

## 26 ACQUISITION, SALE AND CLOSURE OF BUSINESSES

### ACQUISITIONS

The total cash spent on acquisitions during the year, net of cash acquired, was £464 million (2019: £451 million). The most significant acquisition during the period relates to Fazer Food Services.

On 31 January 2020, the Group acquired 100% of the issued share capital of Fazer Food Services for an initial consideration of £363 million (€414 million) net of cash acquired. The remaining contingent consideration is payable within seven years and dependent on the operation of an earn-out. The net present value of the contingent consideration payable was £56 million (€66 million) at the date of acquisition. Fazer Food Services is a leading food service business in the Nordic region with operations in Finland, Sweden, Norway and Denmark, across several sectors including Business & Industry, Education, Healthcare & Seniors and Defence. The preliminary goodwill in relation to the assets acquired is £198 million. This goodwill represents the premium the Group paid to acquire the business that complements its existing businesses and creates significant opportunities and other synergies.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition of Fazer Food Services:

	Book value £m	Fair value £m
<b>NET ASSETS ACQUIRED</b>		
Goodwill arising on acquisition	—	<b>198</b>
Contract related and other intangibles arising on acquisition	<b>1</b>	<b>273</b>
Trade and other receivables	<b>58</b>	<b>58</b>
Other assets	<b>47</b>	<b>47</b>
Cash and cash equivalents	<b>41</b>	<b>41</b>
Deferred tax	—	(51)
Trade and other payables	(82)	(82)
Other liabilities	(24)	(24)
Fair value of net assets acquired		<b>460</b>
<b>SATISFIED BY</b>		
Cash consideration		<b>404</b>
Contingent consideration		<b>56</b>
Total consideration		<b>460</b>

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**26 ACQUISITION, SALE AND CLOSURE OF BUSINESSES (CONTINUED)**

In addition to the acquisition set out above, the Group has also completed several smaller bolt-on acquisitions in several countries. A summary of all acquisitions completed during the year is included below:

	2020		2019	
	Book value £m	Fair value £m	Book value £m	Fair value £m
<b>NET ASSETS ACQUIRED</b>				
Goodwill arising on acquisition	—	<b>249</b>	—	198
Contract related and other intangibles arising on acquisition	<b>10</b>	<b>304</b>	18	268
Trade and other receivables	<b>62</b>	<b>62</b>	33	33
Other assets	<b>55</b>	<b>55</b>	30	30
Cash and cash equivalents	<b>41</b>	<b>41</b>	12	12
Deferred tax	—	(54)	—	(27)
Trade and other payables	(92)	(92)	(46)	(46)
Other liabilities	(24)	(24)	(14)	(14)
Fair value of net assets acquired		<b>541</b>		454
<b>SATISFIED BY</b>				
Cash consideration		<b>465</b>		422
Contingent consideration		<b>76</b>		32
Total consideration		<b>541</b>		454
<b>CASH FLOW</b>				
Cash consideration		<b>465</b>		422
Cash acquired		(41)		(12)
Acquisition transaction costs <sup>1</sup>		<b>16</b>		8
Net cash outflow arising on acquisition		<b>440</b>		418
Deferred consideration and other payments relating to previous acquisitions		<b>24</b>		33
Total cash outflow arising from the purchase of subsidiary companies		<b>464</b>		451

1. It is the Group's policy to include acquisition transaction costs within cash flows from investing activities as these payments are directly related to the Group's acquisition activities.

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 adjustments made in respect of acquisitions in the year to 30 September 2020 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 paid to acquire companies which complement the existing business and create significant opportunities for cross-selling and other synergies. The goodwill arising is not expected to be deductible for tax purposes.

In the period from acquisition to 30 September 2020, the acquisitions contributed revenue of £220 million to the Group's results (2019: £123 million). If the acquisitions had occurred on 1 October 2019, it is estimated that the combined sales of Group and equity accounted joint ventures for the year would have been £20,497 million. Acquisitions did not have a material impact on the Group's profits.

## 26 ACQUISITION, SALE AND CLOSURE OF BUSINESSES (CONTINUED)

### SALE AND CLOSURE OF BUSINESSES

As a result of the strategic review of the business, the Group has continued to sell or exit its operations in a number of countries, sectors or businesses in order to simplify its portfolio. Activity in the period has included the sale of 50% of our Japanese Highways business. The Group has recognised a net gain of £115 million on the sale and closure of businesses (2019: £50 million gain), offset by £56 million of exit costs and asset write downs relating to committed or completed business exits (2019: £57 million).

Due to the volatility caused by COVID-19, the decision to sell the remaining US laundries and some businesses in Rest of World region has been paused. As a result, management no longer considers these disposals are highly probable and likely to be completed within 12 months, therefore these businesses are no longer classified as held for sale.

The major classes of assets and liabilities classified as held for sale as at year end are as follows:

CARRYING AMOUNT	2020 £m	2019 <sup>1</sup> £m
Goodwill	—	21
Other intangible assets	—	6
Property, plant and equipment	—	44
Trade and other receivables	9	42
Inventories	3	20
Other	1	2
Total assets held for sale	13	135
Trade and other payables	(7)	(20)
Other	—	(10)
Total liabilities directly associated with the assets held for sale	(7)	(30)

- Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 14.

Cumulative income or expenses included in other comprehensive income relating to these businesses amount to £1 million of foreign exchange loss (2019: £38 million gain).

The non-recurring fair value measurement of the businesses held for sale is categorised as a Level 3 fair value, and is primarily based on offers received or agreed sale price for these businesses from interested parties.

For the year ended 30 September 2020

**27 RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS**

RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS	2020 £m	2019 £m
Operating profit before joint ventures and associates	<b>290</b>	1,570
<i>Adjustments for</i>		
Acquisition related costs	<b>70</b>	54
One-off pension charge	—	12
Cost action programme and COVID-19 resizing costs	<b>197</b>	190
Amortisation of intangible assets	<b>93</b>	88
Amortisation of contract fulfilment assets	<b>195</b>	184
Amortisation of contract prepayments	<b>26</b>	23
Depreciation of property, plant and equipment	<b>287</b>	282
Depreciation of right of use assets	<b>164</b>	—
Unwind of costs to obtain contracts	<b>15</b>	14
Impairment losses – contract related assets <sup>1</sup>	<b>88</b>	—
Impairment losses – other	<b>4</b>	—
Gain on disposal of property, plant and equipment/intangible assets/contract fulfilment assets	<b>31</b>	—
Other non-cash changes	(3)	(2)
Decrease in provisions	(17)	(41)
Investment in contract prepayments	(40)	(30)
Increase in costs to obtain contracts	(28)	(19)
Post employment benefit obligations net of service costs	(9)	(15)
Share-based payments – (credited)/charged to profits	(2)	27
Operating cash flows before movement in working capital	<b>1,361</b>	2,337
Decrease/(increase) in inventories	<b>102</b>	(30)
Decrease/(increase) in receivables	<b>676</b>	(121)
(Decrease)/increase in payables	(921)	210
Cash generated from operations	<b>1,218</b>	2,396

1. Cost action programme charge includes impairment losses of £2 million (2019: £54 million).

## 28 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

This table is presented as additional information to show movement in net debt, defined as overdrafts, bank and other borrowings, lease liabilities and derivative financial instruments, net of cash and cash equivalents.

NET DEBT	Gross debt							Net debt £m
	Bank overdrafts £m	Bank and other borrowings £m	Total overdrafts and borrowings £m	Lease liabilities £m	Derivative financial instruments £m	Total gross debt £m	Cash and cash equivalents £m	
At 1 October 2018	(76)	(4,342)	(4,418)	(6)	72	(4,352)	969	(3,383)
Net decrease in cash and cash equivalents	–	–	–	–	–	–	(579)	(579)
Cash outflow from repayment of bank loans	–	1,830	1,830	–	–	1,830	–	1,830
Cash inflow from borrowing of bank loans	–	(1,830)	(1,830)	–	–	(1,830)	–	(1,830)
Cash outflow from repayment of loan notes	–	195	195	–	–	195	–	195
Cash outflow from repayment of bonds	–	530	530	–	–	530	–	530
Cash outflow from other changes in gross debt	60	2	62	–	14	76	–	76
Cash outflow from repayments of obligations under finance leases	–	–	–	4	–	4	–	4
New finance leases	–	–	–	(1)	–	(1)	–	(1)
Reclassified as held for sale	–	–	–	–	–	–	(1)	(1)
Currency translation (losses)/gains	(1)	(64)	(65)	–	(30)	(95)	9	(86)
Other non-cash movements	–	(166)	(166)	–	139	(27)	–	(27)
At 30 September 2019	(17)	(3,845)	(3,862)	(3)	195	(3,670)	398	(3,272)
Implementation of IFRS 16 <sup>1</sup>	–	–	–	(995)	–	(995)	–	(995)
At 1 October 2019, as adjusted <sup>1</sup>	(17)	(3,845)	(3,862)	(998)	195	(4,665)	398	(4,267)
Net increase in cash and cash equivalents	–	–	–	–	–	–	1,091	1,091
Cash outflow from repayment of bank loans	–	1,578	1,578	–	–	1,578	–	1,578
Cash inflow from borrowing of bank loans	–	(1,578)	(1,578)	–	–	(1,578)	–	(1,578)
Cash outflow from repayment of loan notes	–	156	156	–	–	156	–	156
Cash inflow from issuance of commercial paper	–	(815)	(815)	–	–	(815)	–	(815)
Cash outflow from repayment of commercial paper	–	815	815	–	–	815	–	815
Cash inflow from other changes in gross debt	(79)	1	(78)	–	30	(48)	–	(48)
Cash outflow from repayment of principal under lease liabilities	–	–	–	152	–	152	–	152
New lease liabilities and amendments	–	–	–	(174)	–	(174)	–	(174)
Reclassified as held for sale	–	–	–	–	–	–	(1)	(1)
Currency translation (losses)/gains	(1)	23	22	22	–	44	(4)	40
Other non-cash movements	–	(17)	(17)	56	6	45	–	45
At 30 September 2020	(97)	(3,682)	(3,779)	(942)	231	(4,490)	1,484	(3,006)

1. Prior year comparatives have not been restated for IFRS 16 'Leases'. Additional information about the impact of IFRS 16 is included in note 1. Finance lease liabilities were reclassified to lease liabilities on adoption of IFRS 16.

For the year ended 30 September 2020

**28 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (CONTINUED)**

Other non-cash movements are comprised as follows:

OTHER NON-CASH MOVEMENTS IN NET DEBT	2020 £m	2019 £m
Amortisation of fees and discount on issuance	(5)	(6)
Changes in the fair value of bank and other borrowings in a designated fair value hedge	(12)	(160)
Bank and other borrowings	(17)	(166)
Leases acquired through business acquisition	(22)	—
Leases derecognised on sale and closure of businesses	75	—
COVID-19 lease payment reductions	3	—
Lease liabilities	56	—
Changes in the value of derivative financial instruments including accrued income	6	139
Other non-cash movements	45	(27)

CASH FLOWS ARISING FROM FINANCING ACTIVITIES	2020									Total
	Repayment of bank loans and commercial paper	Borrowing of bank loans and commercial paper	Repayment of loan notes	Issue of bonds	Cash (inflow)/ outflow from other	Repayment of principal under lease liabilities	Issue of ordinary share capital	Dividends	Purchase of own shares	
Debt	2,393	(2,393)	156	—	(48)	152	—	—	—	260
Equity	—	—	—	—	—	—	(1,972)	433	1	(1,538)
Total										(1,278)

CASH FLOWS ARISING FROM FINANCING ACTIVITIES	2019									Total
	Repayment of bank loans	Borrowing of bank loans	Repayment of loan notes	Issue of bonds	Cash (inflow)/ outflow from other	Repayment of principal under lease liabilities	Issue of ordinary share capital	Dividends	Purchase of own shares	
Debt	1,830	(1,830)	195	530	80	—	—	—	—	805
Equity	—	—	—	—	—	—	—	616	4	620
Total										1,425

**29 CONTINGENT LIABILITIES****PERFORMANCE BONDS, GUARANTEES AND INDEMNITIES**Performance bonds, guarantees and indemnities (including those of associated undertakings)<sup>1</sup>

2020 £m	2019 £m
358	383

1. Excludes post employment obligations, borrowings and lease liabilities.

**PERFORMANCE BONDS, GUARANTEES AND INDEMNITIES**

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 that it will fulfil its existing contractual obligations. The issue of such guarantees and indemnities does not therefore increase the Group's overall exposure and the disclosure of such performance bonds, guarantees and indemnities is given for information purposes only.

**EUREST SUPPORT SERVICES**

On 21 October 2005, the Company announced that it had instructed Freshfields Bruckhaus Deringer to conduct an investigation into the relationships between Eurest Support Services (ESS) (a member of the Group), IHC Services Inc. (IHC) and the United Nations (UN). Ernst & Young assisted Freshfields Bruckhaus Deringer in this investigation. On 1 February 2006, it was announced that the investigation had concluded.

## 29 CONTINGENT LIABILITIES (CONTINUED)

The investigation established serious irregularities in connection with contracts awarded to ESS by the UN. The work undertaken by Freshfields Bruckhaus Deringer and Ernst & Young gave no reason to believe that these issues extended beyond a few individuals within ESS to other parts of ESS or the wider Compass Group of companies.

The Group settled all outstanding civil litigation against it in relation to this matter in October 2006, but litigation continues between competitors of ESS, IHC and other parties involved in UN procurement.

IHC's relationship with the UN and ESS was part of a wider investigation into UN procurement activity being conducted by the United States Attorney's Office for the Southern District of New York, and with which the Group co-operated fully. The current status of that investigation is uncertain and a matter for the US authorities. Those investigators could have had access to sources unavailable to the Group, Freshfields Bruckhaus Deringer or Ernst & Young, and further information may yet emerge which is inconsistent with, or additional to, the findings of the Freshfields Bruckhaus Deringer investigation, which could have an adverse impact on the Group.

The Group has, however, not been contacted by, or received further requests for information from, the United States Attorney's Office for the Southern District of New York in connection with these matters since January 2006. The Group has co-operated fully with the UN throughout.

## OTHER LITIGATION AND CLAIMS

The Group is also involved in various other 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.

The increasingly complex international corporate tax environment and an increase in audit activity from tax authorities means that the potential for tax uncertainties has increased. The Group is currently subject to a number of reviews and audits in jurisdictions around the world 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.

In April 2019, the European Commission published its final decision on the Group Financing Exemption in the UK's Controlled Foreign Company legislation concluding that part of the legislation is in breach of EU State Aid rules. The UK government and UK-based multinational companies, including Compass, have appealed to the General Court of the European Union against the decision. The UK government is required to start collection proceedings in advance of the appeal results but at present it is not possible to determine the amount that the UK government will seek to collect. If the decision of the European Commission is upheld, we have calculated our maximum potential liability to be £113 million at 30 September 2020. The final impact on the Group remains uncertain and our current assessment is that no provision is required.

In addition, 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 a number of notices of deficiency relating primarily to the PIS/COFINS treatment of certain food costs and the corporate income tax treatment of goodwill deductions which we have formally objected to and which are now proceeding through the appeals process. At 30 September 2020, the total amount assessed in respect of these matters is £36 million. The possibility of further assessments 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 advisors, 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. We therefore do not currently expect any of these issues to have a material impact on the Group's financial position.

## OUTCOME

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.

## 30 CAPITAL COMMITMENTS

CAPITAL COMMITMENTS	2020 £m	2019 £m
Contracted for but not provided for	592	605

The majority of capital commitments are for intangible assets.

For the year ended 30 September 2020

**31 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**

The balances with associated undertakings are shown in note 16. 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.

**32 POST BALANCE SHEET EVENTS**

There are no material post balance sheet events.

**33 EXCHANGE RATES**

	2020	2019
<b>AVERAGE EXCHANGE RATE FOR THE YEAR<sup>1</sup></b>		
Australian Dollar	<b>1.89</b>	1.81
Brazilian Real	<b>6.21</b>	4.96
Canadian Dollar	<b>1.72</b>	1.69
Chilean Peso	<b>1,013.12</b>	875.59
Euro	<b>1.14</b>	1.13
Japanese Yen	<b>137.83</b>	140.53
New Zealand Dollar	<b>2.00</b>	1.92
Norwegian Krone	<b>12.03</b>	11.02
Turkish Lira	<b>8.34</b>	7.16
UAE Dirham	<b>4.71</b>	4.69
US Dollar	<b>1.28</b>	1.28
<b>CLOSING EXCHANGE RATE AT 30 SEPTEMBER<sup>1</sup></b>		
Australian Dollar	<b>1.80</b>	1.83
Brazilian Real	<b>7.29</b>	5.13
Canadian Dollar	<b>1.73</b>	1.63
Chilean Peso	<b>1,018.50</b>	897.37
Euro	<b>1.10</b>	1.13
Japanese Yen	<b>136.43</b>	133.18
New Zealand Dollar	<b>1.96</b>	1.97
Norwegian Krone	<b>12.10</b>	11.20
Turkish Lira	<b>9.96</b>	6.96
UAE Dirham	<b>4.75</b>	4.53
US Dollar	<b>1.29</b>	1.23

1. 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.

### 34 STATUTORY AND UNDERLYING RESULTS

	Notes	2020 Statutory £m	Adjustments					2020 Underlying £m
			1	2	3	4	5	
Operating profit	2	294	70	—	197	—	—	561
Net gain on sale and closure of businesses		59	—	—	—	(59)	—	—
Net finance cost		(143)	—	—	—	—	9	(134)
Finance income		10	—	—	—	—	—	10
Finance costs		(144)	—	—	—	—	—	(144)
Other financing items loss		(9)	—	—	—	—	9	—
<b>Profit before tax</b>		210	70	—	197	(59)	9	427
Income tax expense		(75)	(20)	—	(50)	31	(2)	(116)
Tax rate		35.7%						27.2%
<b>Profit for the year</b>		135	50	—	147	(28)	7	311
Non-controlling interests		(2)	—	—	—	—	—	(2)
<b>Profit attributable to equity shareholders of the Company</b>		133	50	—	147	(28)	7	309
Average number of shares	7	1,658						1,658
<b>BASIC EARNINGS PER SHARE (PENCE)</b>	7	8.0	3.0	—	8.9	(1.7)	0.4	18.6

	Notes	2019 <sup>1</sup> Statutory £m	Adjustments					2019 Underlying £m
			1	2	3	4	5	
Operating profit	2	1,626	54	12	190	—	—	1,882
Net loss on sale and closure of businesses		(7)	—	—	—	7	—	—
Net finance cost		(125)	—	—	—	—	15	(110)
Finance income		12	—	—	—	—	—	12
Finance costs		(122)	—	—	—	—	—	(122)
Other financing items loss		(15)	—	—	—	—	15	—
<b>Profit before tax</b>		1,494	54	12	190	7	15	1,772
Income tax expense		(351)	(13)	(2)	(41)	(3)	(3)	(413)
Tax rate		23.5%						23.3%
<b>Profit for the year</b>		1,143	41	10	149	4	12	1,359
Non-controlling interests		(8)	—	—	—	—	—	(8)
<b>Profit attributable to equity shareholders of the Company</b>		1,135	41	10	149	4	12	1,351
Average number of shares	7	1,586						1,586
<b>BASIC EARNINGS PER SHARE (PENCE)<sup>2</sup></b>	7	71.6	2.6	0.6	9.4	0.2	0.8	85.2

- Prior year comparatives have been restated as required by IFRS 5 'Non-current assets held for sale and discontinued operations' to account for joint ventures and associates using the equity method retrospectively when they cease to be classified as held for sale. Additional information is included in note 14.
- Underlying constant currency earnings per share is based on a Group constant currency profit attributable to equity shareholders of the Company and includes negative constant currency adjustment of £22 million net of £7 million positive constant currency adjustment to income tax expense.

## **34 STATUTORY AND UNDERLYING RESULTS (CONTINUED)**

The Executive Committee manages and assesses the performance of the Group using various underlying and other alternative performance measures. These measures are not recognised under EU-adopted IFRS and may not be directly comparable with alternative performance measures used by other companies. Underlying and other alternative performance measures are defined in the glossary of terms on pages 278 and 279. Underlying operating profit is considered to better reflect ongoing trading, facilitate meaningful year on year comparison and hence provides financial measures that, together with the results prepared in accordance with adopted IFRS, provide better analysis of the results of the Group. In determining the adjustments to arrive at underlying result, we use a set of established principles relating to the nature and materiality of individual items or group 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. Adjustments from statutory to underlying results are explained further below.

### **1. Acquisition related costs**

Represent charges in respect of intangible assets acquired through business combinations, direct costs incurred as part of a business combination or other strategic asset acquisitions, business integration costs and changes in consideration in relation to past acquisition activity. See note 3 for details.

### **2. One-off pension charge**

One-off pension charge in relation to GMP equalisation, see note 23 (page 234) for additional details.

### **3. Cost action programme and COVID-19 resizing costs**

Charges related to actions taken to adjust our cost base and further cost actions taken to adjust our business to the new trading environment in light of the COVID-19 pandemic, see note 3 for additional details.

### **4. Net gain/(loss) on sale and closure of businesses**

These represent profits and losses on the sale of subsidiaries, joint ventures, associates and other financial assets. See note 26 for additional details.

### **5. Other financing items**

Represent financing items including hedge accounting ineffectiveness and change in the fair value of investments. See note 5 for details.

## 35 ORGANIC REVENUE AND ORGANIC PROFIT

	Geographical segments				Central Activities £m	Group £m
	North America £m	Europe £m	Rest of World £m			
<b>2020 (as reported)</b>						
<b>Combined sales of Group and share of equity accounted joint ventures</b>	<b>12,746</b>	<b>5,048</b>	<b>2,404</b>	—	<b>20,198</b>	
% decrease reported rates	(18.8)%	(21.0)%	(21.6)%	—	—	(19.7)%
% decrease constant currency	(18.4)%	(19.9)%	(15.5)%	—	—	(18.5)%
Organic adjustments	—	(233)	(36)	—	—	(269)
Organic revenue	12,746	4,815	2,368	—	—	19,929
<b>% organic change</b>	<b>(18.5)%</b>	<b>(24.0)%</b>	<b>(7.9)%</b>	—	—	<b>(18.8)%</b>
<b>2019<sup>1</sup> (as reported)</b>						
<b>Combined sales of Group and share of equity accounted joint ventures<sup>2</sup></b>	<b>15,694</b>	<b>6,391</b>	<b>3,067</b>	—	<b>25,152</b>	
Currency adjustments	(74)	(87)	(222)	—	—	(383)
Constant currency underlying revenue	15,620	6,304	2,845	—	—	24,769
Organic adjustments	16	32	(275)	—	—	(227)
Organic revenue	15,636	6,336	2,570	—	—	24,542
<b>2020<sup>2</sup> (as reported)</b>						
<b>Regional underlying operating profit/(loss)</b>	<b>606</b>	<b>(29)</b>	<b>94</b>	(85)	586	
Share of (loss)/profit of associates	(28)	5	(2)	—	—	(25)
<b>Group underlying operating profit</b>	<b>578</b>	<b>(24)</b>	<b>92</b>	(85)	<b>561</b>	
<b>Underlying operating margin (excluding associates)</b>	<b>4.8%</b>	<b>(0.6)%</b>	<b>3.9%</b>	—	<b>2.9%</b>	
% decrease reported rates	(53.0)%	(106.9)%	(59.5)%	—	—	(70.2)%
% decrease constant currency	(52.8)%	(107.0)%	(56.1)%	—	—	(69.7)%
Organic adjustments	—	9	(5)	—	—	4
Regional underlying organic operating profit/(loss) (excluding associates)	<b>606</b>	<b>(20)</b>	<b>89</b>	(85)	590	
Group underlying organic operating profit (including associates)	578	(15)	87	(85)	<b>565</b>	
<b>% organic change</b>	<b>(53.1)%</b>	<b>(104.8)%</b>	<b>(51.1)%</b>	—	—	<b>(69.2)%</b>
<b>2020<sup>2</sup> (IAS 17 proforma)</b>						
<b>Regional underlying operating profit/(loss)</b>	<b>588</b>	<b>(35)</b>	<b>90</b>	(85)	558	
Share of (loss)/profit of associates	(28)	5	(2)	—	—	(25)
<b>Group underlying operating profit</b>	<b>560</b>	<b>(30)</b>	<b>88</b>	(85)	<b>533</b>	
<b>Underlying operating margin (excluding associates)</b>	<b>4.6%</b>	<b>(0.7)%</b>	<b>3.7%</b>	—	<b>2.8%</b>	
% decrease reported rates	(54.4)%	(108.3)%	(61.2)%	—	—	(71.7)%
% decrease constant currency	(54.2)%	(108.4)%	(57.9)%	—	—	(71.2)%
Organic adjustments	—	9	(5)	—	—	4
Regional underlying organic operating profit/(loss) (excluding associates)	<b>588</b>	<b>(26)</b>	<b>85</b>	(85)	562	
Group underlying organic operating profit (including associates)	560	(21)	83	(85)	<b>537</b>	
<b>% organic change</b>	<b>(54.5)%</b>	<b>(106.2)%</b>	<b>(53.3)%</b>	—	—	<b>(70.7)%</b>
<b>2019<sup>1</sup> (as reported)</b>						
Regional underlying operating profit	<b>1,290</b>	<b>421</b>	<b>232</b>	(80)	1,863	
Share of profit of associates	10	9	—	—	—	19
<b>Group underlying operating profit</b>	<b>1,300</b>	<b>430</b>	<b>232</b>	(80)	<b>1,882</b>	
<b>Underlying operating margin (excluding associates)</b>	<b>8.2%</b>	<b>6.6%</b>	<b>7.6%</b>	—	<b>7.4%</b>	
Currency adjustments – profit	(6)	(6)	(18)	—	—	(30)
Regional constant currency underlying profit (excluding associates)	1,284	415	214	(80)	1,833	
Group constant currency underlying operating profit (including associates)	1,294	424	214	(80)	<b>1,852</b>	
Organic adjustments	9	4	(32)	—	—	(19)
Regional underlying organic operating profit (excluding associates)	<b>1,293</b>	<b>419</b>	<b>182</b>	(80)	1,814	
Share of profit from associates – constant currency	10	9	—	—	—	19
Group underlying organic operating profit (including associates)	1,303	428	182	(80)	<b>1,833</b>	

1. Prior year comparatives have reclassified Turkey and Middle East from Rest of World region into Europe region.
2. Underlying operating results and growth rates reported under IFRS 16 'Leases' from 1 October 2019. The Group has adopted IFRS 16 using the modified retrospective approach to transition and has accordingly not restated prior year comparatives, therefore the results for the year ended 30 September 2020 prepared on an IFRS 16 basis are not directly comparable with those reported in the prior year under IAS 17 'Leases'. To provide meaningful comparatives, the results for the year ended 30 September 2020 have therefore also been presented under IAS 17. Additional information about the impact of IFRS 16 is included in note 1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2020

**36 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC**

PRINCIPAL SUBSIDIARIES	Country of incorporation	% Holding	Principal activities
<b>Ground Floor 35-51 Mitchell Street, McMahons Point, NSW 2060, Australia</b>			
Compass Group (Australia) Pty Limited	Australia	100	Food and support services
<b>Chaussée de Haecht 1179, B-1130 Bruxelles, Belgium</b>			
Compass Group Belgilux S.A.	Belgium	100	Food services
<b>Rua Tutoia, 119, Vila Mariana, São Paulo, 04007-000, Brazil</b>			
GR Serviços e Alimentação Ltda.	Brazil	100	Food and support services
<b>1 Prologis Boulevard, Suite 400, Mississauga, Ontario L5W 0G2, Canada</b>			
Compass Group Canada Ltd. Groupe Compass Canada Ltée <sup>(iii)(iv)(v)(vi)(viii)</sup>	Canada	100	Food and support services
<b>Av. del Valle 787, 5th floor, Huechuraba, Santiago, Chile</b>			
Compass Catering Y Servicios Chile Limitada	Chile	100	Food and support services
<b>Rued Langgards Vej 8, 1. sal, 2300 København S, DK, Denmark</b>			
Compass Group Denmark A/S	Denmark	100	Food services
<b>P.O. Box 210, FI-00281 Helsinki, Finland</b>			
Compass Group FS Finland Oy	Finland	100	Food services
<b>123 Avenue de la République – Hall A, 92320 Châtillon, France</b>			
Compass Group France Holdings SAS	France	100	Holding company
Compass Group France SAS	France	100	Food and support services
<b>Heffmann-Park 2, 65760, Eschborn, Germany</b>			
Compass Group Deutschland GmbH	Germany	100	Holding company
Eurest Deutschland GmbH	Germany	100	Food service to business and industry
Eurest Services GmbH	Germany	100	Support services to business and industry
Medirest GmbH & Co OHG	Germany	100	Food service to the healthcare and senior living market
<b>Via Angelo Scarsellini, 14, 20161, Milano, Italy</b>			
Compass Group Italia S.p.A.	Italy	100	Food and support services
<b>Hamarikyu Kentsetsu Plaza, 5-5-12, Tsukiji, Chuo-ku, Tokyo 104-0045, Japan</b>			
Seiyo Food-Compass Group, Inc.	Japan	100	Food and support services
<b>Laarderhoogtweg 11, 1101 DZ, Amsterdam, Netherlands</b>			
Compass Group International B.V.	Netherlands	100	Holding company
Compass Group Nederland B.V.	Netherlands	100	Food and support services
Compass Group Nederland Holding B.V.	Netherlands	100	Holding company
<b>Drengsrudbekken 12, 1383, PO Box 74, NO-1371, Asker, Norway</b>			
Compass Holding Norge A/S	Norway	100	Holding company
<b>Calle Pinar de San José 98 planta 1<sup>a</sup> 28054 Madrid, Spain</b>			
Eurest Colectividades S.L.U.	Spain	100	Food and support services
<b>Box 1222, 164 28, Kista, Sweden</b>			
Compass Group Sweden AB	Sweden	100	Holding company

### 36 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC (CONTINUED)

PRINCIPAL SUBSIDIARIES	Country of incorporation	% Holding	Principal activities
<b>Box 30170, 104 25 Stockholm, Sweden</b>			
Compass Group FS Sweden AB	Sweden	100	Food services
<b>Oberfeldstrasse 14, 8302, Kloten, Switzerland</b>			
Compass Group (Schweiz) AG	Switzerland	100	Food and support services
Restorama AG	Switzerland	100	Food service
<b>İçlerenköy Mah. Yesil vadi sokak, No: 3 D: 12-13-14, 34752 Atasehir, Istanbul, Turkey</b>			
Sofra Yemek Üretim Ve Hizmet A.Ş. <sup>(iii)</sup>	Turkey	100	Food and support services
<b>Parklands Court, 24 Parklands, Birmingham Great Park, Rubery, Birmingham, B45 9PZ, United Kingdom</b>			
Compass Contract Services (U.K.) Limited	UK	100	Food and support services
Compass Group, UK and Ireland Limited	UK	100	Holding company
Foodbuy Europe Limited <sup>(iii)(iv)</sup>	UK	100	Client procurement services management in the UK
<b>Compass House, Guildford Street, Chertsey, Surrey, KT16 9BQ, United Kingdom</b>			
Compass Group Holdings PLC <sup>(v)(vi)</sup>	UK	100	Holding company and corporate activities
Hospitality Holdings Limited <sup>(i)</sup>	UK	100	Intermediate holding company
<b>2710 Gateway Oaks Drive, Suite 150N, Sacramento, CA 95833-3505, USA</b>			
Bon Appétit Management Co. <sup>(vii)</sup>	USA	100	Food service
<b>251 Little Falls Drive, Wilmington, DE 19808, USA</b>			
Compass Group USA Investments Inc.	USA	100	Holding company
Compass Group USA, Inc. <sup>(viii)</sup>	USA	100	Food and support services
Crothall Services Group	USA	100	Support services to the healthcare market
Foodbuy, LLC	USA	100	Purchasing services in North America
Restaurant Associates Corp.	USA	100	Fine dining facilities
<b>80 State Street, Albany, NY 12207-2543, USA</b>			
Flik International Corp.	USA	100	Fine dining facilities
<b>801 Adlai Stevenson Drive, Springfield, IL 62703, USA</b>			
Levy Restaurants Limited Partnership	USA	100	Fine dining and food service at sports and entertainment facilities
<b>40 Technology Pkwy South, #300, Norcross, GA 30092, USA</b>			
Morrison Management Specialists, Inc. <sup>(viii)</sup>	USA	100	Food service to the healthcare and senior living market

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2020

**36 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC (CONTINUED)**

OTHER WHOLLY OWNED SUBSIDIARIES	Country of incorporation	% Holding
<b>Chez: Eurojapan Résidence No.23, RN n°3 BP 398, Hassi Messaoud, Algeria</b>		
Eurest Algerie SPA	Algeria	100
<b>Condominio Dolce Vita, Via S8, Edifício 1D, Fregão A &amp; B, 2º andar, Talatona, Município de Belas, Luanda, República de Angola</b>		
Express Support Services, Limitada	Angola	100
<b>Esteban Echeverría 1050, 6th floor, Vicente Lopez (1602), Buenos Aires, Argentina</b>		
Servicios Compass de Argentina S.A.	Argentina	100
<b>Ground Floor 35 – 51 Mitchell Street, McMahons Point, NSW 2060, Australia</b>		
Compass Australia PTY Ltd <sup>(ii)</sup>	Australia	100
Compass (Australia) Catering & Services PTY Ltd <sup>(iii)(iv)</sup>	Australia	100
Compass Group B&I Hospitality Services PTY Ltd	Australia	100
Compass Group Defence Hospitality Services PTY Ltd	Australia	100
Compass Group Education Hospitality Services PTY Ltd	Australia	100
Compass Group Healthcare Hospitality Services PTY Ltd	Australia	100
Compass Group Health Services Pty Ltd	Australia	100
Compass Group Management Services PTY Ltd	Australia	100
Compass Group Relief Hospitality Services PTY Ltd	Australia	100
Compass Group Remote Hospitality Services PTY Ltd	Australia	100
Delta Facilities Management PTY Ltd	Australia	100
Delta FM Australia PTY Ltd	Australia	100
Eurest (Australia) – Victoria PTY Ltd	Australia	100
Eurest (Australia) Food Services – NSW Pty Ltd	Australia	100
Eurest (Australia) Food Services – Wollongong PTY Ltd	Australia	100
Eurest (Australia) Food Services PTY Ltd	Australia	100
Eurest (Australia) Licence Holdings PTY Ltd	Australia	100
Eurest (Australia) PTY Ltd	Australia	100
Foodbuy Pty Ltd	Australia	100
LAPG Education PTY Ltd	Australia	100
LAPG PTY Ltd	Australia	100
Life's A Party Group PTY Ltd	Australia	100
Life's A Party PTY Ltd	Australia	100
Omega Security Services PTY Ltd	Australia	100
Restaurant Associates (Australia) PTY Ltd	Australia	100
Sargem PTY Ltd	Australia	100
<b>Level 22, 135 King Street, Sydney, NSW 2000, Australia</b>		
MBM Integrated Services Pty <sup>(ii)</sup>	Australia	100
<b>I2D Tower, Wagramer Strasse 19/4. Stock, 1220 Wien, Austria</b>		
Compass Group Austria Holdings One GmbH	Austria	100
Compass Group Austria Holdings Two GmbH	Austria	100
Eurest Restaurationsbetriebsgesellschaft m.b.H	Austria	100
Kunz Gebäudereinigung GmbH	Austria	100

OTHER WHOLLY OWNED SUBSIDIARIES	Country of incorporation	% Holding
<b>Chaussée de Haecht 1179, B-1130 Brussels, Belgium</b>		
Compass Group Service Solutions S.A.	Belgium	100
F.L.R. Holding S.A. <sup>(ii)</sup>	Belgium	100
Xandron Belgie BVBA	Belgium	100
<b>Rua Orissanga, 200, 1st Floor, Mirandópolis, São Paulo, 04.052-030, Brazil</b>		
Clean Mall Serviços Ltda.	Brazil	100
<b>Rua Orissanga, 200, 3rd Floor, Mirandópolis, São Paulo, 04.052-030, Brazil</b>		
GRSA Serviços LTDA.	Brazil	100
<b>Craigmuir Chambers, PO Box 71, Roadtown, Tortola, VG1110, British Virgin Islands</b>		
Compass Group Holdings (BVI) Limited	British Virgin Islands	100
<b>c/o Action Group Ltd., No.12, Street 614, Sangkat Boeung Kok II, Khan Tuol Kork, Phnom Penh City, Cambodia</b>		
Compass Group (Cambodia) Co. Ltd. <sup>(ii)</sup>	Cambodia	100
<b>100, Rue n° 1044 Hydrocarbures, Bonapriso, BP 5767, Douala, Cameroon</b>		
Eurest Cameroun SARL <sup>(ii)</sup>	Cameroon	100
Eurest Camp Logistics Cameroun SARL <sup>(ii)</sup>	Cameroon	100
<b>1 Prologis Boulevard, Suite 400, Mississauga, Ontario L5W 0G2, Canada</b>		
1912219 Ontario Inc. <sup>(iii)(iv)(v)(vi)(vii)</sup>	Canada	100
Canteen of Canada Limited <sup>(iii)</sup>	Canada	100
Compass Canada Support Services Ltd <sup>(iii)(iv)(v)(vi)(vii)(viii)</sup>	Canada	100
Compass Group Ontario Ltd. <sup>(iii)</sup>	Canada	100
<b>Suite 2300, Bentall 5, 550 Burrard Street, Vancouver, BC V6C 2B5, Canada</b>		
Tejazz Management Services Inc. <sup>(iii)</sup>	Canada	100
<b>1969 Upper Water Street, Purdy's Wharf Tower II, Suite 1300, Halifax, NS B3J 3R7, Canada</b>		
Crothall Services Canada Inc. <sup>(iii)(iv)</sup>	Canada	100
<b>1959 Upper Water Street, Suite 1100, Halifax, Nova Scotia, B3J 3E5, Canada</b>		
East Coast Catering (NS) Limited <sup>(iii)</sup>	Canada	100
<b>30 Queen's Road, St. John's, Newfoundland and Labrador, A1C 2A5, Canada</b>		
East Coast Catering Limited <sup>(iii)(iv)(viii)(v)</sup>	Canada	100
Long Harbour Catering Limited Partnership <sup>(x)</sup>	Canada	100
Long Harbour Catering Limited <sup>(iii)(viii)</sup>	Canada	100

### 36 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC (CONTINUED)

OTHER WHOLLY OWNED SUBSIDIARIES	Country of incorporation	% Holding	OTHER WHOLLY OWNED SUBSIDIARIES	Country of incorporation	% Holding
<b>421 7th Avenue SW, Suite 1600, Calgary, Alberta, T2P 4K9, Canada</b>			<b>Harju maakond, Saku vald, Jälgimäe küla, Jälgimäe tee 14, 76404, Estonia</b>		
Great West Catering Ltd. <sup>(iii)</sup>	Canada	100	Compass Group FS Estonia OÜ	Estonia	100
Tamarack Catering Ltd. <sup>(iii)</sup>	Canada	100			
<b>2580 Rue Dollard, Lasalle, Quebec, H8N 1T2, Canada</b>			<b>PO Box 210, FL-00281, Helsinki, Finland</b>		
Groupe Compass (Québec) Ltée <sup>(iii)(iv)(v)(vi)(vii)</sup>	Canada	100	Compass Group Finland OY	Finland	100
<b>550 Burrard Street, Suite 2300, Bentall 5, P.O. Box 30, Vancouver, British Columbia, V6C 2B5, Canada</b>					
Town Square Food Services Ltd. <sup>(iii)</sup>	Canada	100	<b>123 Avenue de la République – Hall A, 92320 Châtillon, France</b>		
<b>Av. del Valle 787, 5th floor, Huechuraba, Santiago, Chile</b>			7000 Set Meal SAS	France	100
Cadeisur S.A.	Chile	100	Academie Formation Groupe Compass SAS	France	100
Compass Catering S.A.	Chile	100	Caterine Restauration SAS	France	100
Compass Servicios S.A.	Chile	100	Delisaveurs SAS	France	100
Scolarest S.A.	Chile	100	Eurest Sports & Loisirs SAS	France	100
<b>No. 1999 Floor 2, Xin Zhu Road, Minhang District, 200237, China</b>			La Puyfolaise de Restauration SAS	France	100
Compass (China) Management Services Company Limited	China	100	Levy Restaurants France SAS	France	100
<b>Room 401 No.2536, Pudong Avenue, Pudong District, Shanghai 200135, China</b>			Mediance SAS	France	100
Shanghai Eurest Food Technologies Service Co., Ltd.	China	100	Memonett SAS	France	100
<b>Calle 98#11B – 29 Bogotá – Colombia</b>			Servirest SAS	France	100
Compass Group Services Colombia S.A.	Colombia	100	SHRM Angola SAS <sup>(ii)</sup>	France	100
<b>Enceinte de Brometo Centre Ville, BP 5208, Pointe-Noire, The Democratic Republic of the Congo</b>			Société De Prestations En Gestion Immobiliere SAS	France	100
Eurest Services Congo SARL <sup>(ii)</sup>	Congo	100	Société Nouvelle Lecocq SAS	France	100
<b>195, Arch. Makariou III Avenue, Neocleous House, 3030 Limassol, Cyprus</b>			Sud Est Traiteur SAS	France	100
ESS Design & Build Ltd <sup>(ii)</sup>	Cyprus	100			
Eurest Support Services (Cyprus) International Ltd	Cyprus	100	<b>Rue des Artisans, ZA de Bel Air, 12000 Rodez, France</b>		
<b>Jankovcova, 1603/47a, Holešovice 170 00, Prague 7, Czech Republic</b>			Central Restauration Martel (CRM)	France	100
Compass Group Czech Republic s.r.o.	Czech Republic	100			
SCOLAREST – zařízení školního stravování spol. s.r.o	Czech Republic	100	<b>Zone Artisanale, 40500 Bas Mauco, France</b>		
			Culinaire Des Pays de L'Adour SAS	France	100
<b>Skibusvej 52 A, 1, Postboks 49, 5000 Odense C, Denmark</b>					
Compass Group FS Denmark A/S	Denmark	100	<b>40, Bd de Dunkerque, 13002 Marseille, France</b>		
			Société International D'Assistance SA <sup>(ii)</sup>	France	100
<b>3 rue Camille Claudel Atlanparc Bat.M, Zone Kerluherne, CS 20043, 56890 Plescop, France</b>					
			Oceane de Restauration SAS	France	100
<b>Rue Eugène Sué, Zone Industrielle de Blanzat, 03100 Montluçon, France</b>					
			Sogirest SAS	France	100
<b>ZONE OPRAG, (Face à Bernabé Nouveau Port), BP 1292, Port Gentil, Gabon</b>					
			Eurest Support Services Gabon SA <sup>(ii)</sup>	Gabon	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2020

**36 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC (CONTINUED)**

OTHER WHOLLY OWNED SUBSIDIARIES	Country of incorporation	% Holding
<b>Helfmann-Park 2, 65760, Eschborn, Germany</b>		
Compass Group GmbH	Germany	100
Eurest Bremen GmbH	Germany	100
Eurest Köln GmbH	Germany	100
Eurest Süd GmbH	Germany	100
Food affairs GmbH	Germany	100
Kanne Café GmbH	Germany	100
Menke Menue GmbH	Germany	100
Royal Business Restaurants GmbH	Germany	100
S.B. Verwaltungs GmbH	Germany	100
<b>Konrad-Zuse-Platz 2, 81829 München, Germany</b>		
Leonardi EPM GmbH	Germany	100
Leonardi HPM GmbH	Germany	100
Leonardi Vermögensverwaltungs GmbH	Germany	100
Leonardi Betriebsverwaltungs GmbH	Germany	100
Leonardi GmbH & Co. KG	Germany	100
Leonardi Kaffee neu entdecken GmbH & Co. KG	Germany	100
Leonardi SVM GmbH	Germany	100
<b>Sankt-Florian-Weg 1, 30880, Laatzen, Germany</b>		
Eurest West GmbH & Co. KG	Germany	100
orgaMed Betriebsgesellschaft für Zentralsterilisationen GmbH	Germany	100
PLURAL Gebäudemanagement GmbH	Germany	100
PLURAL Personalservice GmbH	Germany	100
PLURAL servicepool GmbH	Germany	100
<b>Pfaffenwiese, 65929 Frankfurt/M., Germany</b>		
LPS Event Gastronomie GmbH	Germany	100
<b>Zum Fliegerhorst 1304, 63526 Erlensee, Germany</b>		
Foodbuy CE GmbH	Germany	100
M.S.G. Frucht GmbH	Germany	100
<b>PO Box 119, Martello Court, Admiral Park, St Peter Port, Guernsey, GY1 3HB</b>		
Compass Group Finance Ltd	Guernsey	100
<b>Room 805, 8/F, New Kowloon Plaza, 38 Tai Kok Tsui Road, Kowloon, Hong Kong</b>		
Compass Group Hong Kong Ltd	Hong Kong	100
Encore Catering Ltd	Hong Kong	100
Shing Hin Catering Group Ltd	Hong Kong	100
<b>Irinyi József u. 4-20. B épület, H-1117 Budapest, Hungary</b>		
Eurest Étteremüzemeltető Korlátolt Felelősséggű Társaság	Hungary	100

OTHER WHOLLY OWNED SUBSIDIARIES	Country of incorporation	% Holding
<b>Spaze I-Tech Park, Tower A, Sohna Road, Sector 49, Gurgaon-122018 IN, India</b>		
Compass Group (India) Support Services Private Ltd	India	100
<b>Unit #401, 4th Floor, Tower A, Spaze I – Tech Park Sohna Road, Sector 49 Gurgaon, Gurgaon HR 122018 IN, India</b>		
Compass India Support Services Private Limited	India	100
<b>3rd Floor, 43a, Yeats Way, Parkwest Business Park, Dublin 12, Ireland</b>		
Amstel Limited <sup>(ii)</sup>	Ireland	100
Catering Management Ireland Limited <sup>(ii)</sup>	Ireland	100
Cheyenne Limited <sup>(ii)</sup>	Ireland	100
Compass Catering Services, Ireland Limited	Ireland	100
COH Ireland Investments Unlimited Company <sup>(viii)(ix)</sup>	Ireland	100
Drumburgh Limited <sup>(ii)</sup>	Ireland	100
Management Catering Services Limited	Ireland	100
National Catering Limited <sup>(ii)</sup>	Ireland	100
Rushmore Investment Company Limited <sup>(ii)(viii)</sup>	Ireland	100
Sutcliffe Ireland Limited	Ireland	100
Zadca Limited <sup>(ii)</sup>	Ireland	100
<b>Tower House, Loch Promenade, Douglas, IM1 2LZ, Isle of Man</b>		
Queen's Wharf Insurance Services Limited <sup>(viii)</sup>	Isle of Man	100
<b>Shin-Hie Building 2nd Floor, 3-3-3, Hakataek-Higashi, Hakata-ku, Fukuoka-City, Fukuoka-Prefecture, 812-0013 Japan</b>		
Eishoku-Medix, Inc.	Japan	100
<b>Hamarikyu Kensetsu Plaza, 5-5-12, Tsukiji, Chuo-ku, Tokyo 104-0045, Japan</b>		
Eurest Japan, Inc.	Japan	100
Fuyo, Inc.	Japan	100
MFS, Inc.	Japan	100
Nihon Kyushoku Service, Inc.	Japan	100
Seijo Food-Compass Group Holdings, Inc.	Japan	100
<b>44 Esplanade, St Helier, Jersey, JE4 9WG</b>		
Malakand Unlimited	Jersey	100
<b>060011, Atyrauskaya Oblast, Atyrau City, Beibarys Sultan Avenue 506, Kazakhstan</b>		
Compass Kazakhstan LLP	Kazakhstan	100
Eurest Support Services Kazakhstan LLP	Kazakhstan	100
ESS Support Services LLP	Kazakhstan	100

### 36 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC (CONTINUED)

OTHER WHOLLY OWNED SUBSIDIARIES	Country of incorporation	% Holding	OTHER WHOLLY OWNED SUBSIDIARIES	Country of incorporation	% Holding
<b>209/8919 Sigma Road Off Enterprises Road, PO BOX 14 662, Nairobi, Kenya</b>			Compass Group International Finance 1 B.V.	Netherlands	100
Kenya Oilfield Services Ltd <sup>(ii)</sup>	Kenya	100	Compass Group International Finance 2 B.V.	Netherlands	100
<b>19, Rue Léon Laval, L-3372 Leudelange, Luxembourg</b>			Compass Group Shanghai Eurest B.V. <sup>(ii)</sup>	Netherlands	100
Eurest Luxembourg S.A.	Luxembourg	100	Compass Group Vending Holding B.V.	Netherlands	100
IMMO Capellen S.A.	Luxembourg	100	Compass Hotels Chertsey B.V.	Netherlands	100
Innoclean S.A.	Luxembourg	100	Eurest Services B.V.	Netherlands	100
Novelia Senior Services S.A.	Luxembourg	100	Eurest Support Services (ESS) B.V.	Netherlands	100
<b>Level 21, Suite 21.01, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia</b>			Eurest Support Services Sakhalin B.V. <sup>(ii)</sup>	Netherlands	100
Compass Group Malaysia Sdn Bhd	Malaysia	100	Stichting Forte International	Netherlands	100
Riaaxis Sdn. Bhd.	Malaysia	100	<b>Luzernestraat 57, 2153 GM, Nieuw-Vennep, Netherlands</b>		
Genviolet Sdn. Bhd.	Malaysia	100	Famous Flavours B.V. <sup>(viii)</sup>	Netherlands	100
<b>50-8-1, TKT.8, Wsima UOA Damansara, 50 Jalan. Dungun, Damansara Heights, Kuala Lumpur, 50490, Malaysia</b>			<b>Stationsweg 95, 6711 PM Ede, Netherlands</b>		
S.H.R.M. Sdn. Bhd. <sup>(ii)</sup>	Malaysia	100	Xandrion B.V.	Netherlands	100
<b>Calle Jaime Balmes 11, Oficina 101 letra D, Colonia Los Morales Polanco, Alcaldía Miguel Hidalgo, 11510 Ciudad de México, Mexico</b>			<b>85 Avenue du Général de Gaulle, Immeuble Carcopino 3000, BP 2353, 98846 Nouméa Cedex, New Caledonia</b>		
Compass México Servicios de Soporte, S.A. de C.V. <sup>(ii)(iv)</sup>	Mexico	100	Eurest Caledonie SARL <sup>(ii)</sup>	New Caledonia	100
Eurest Proper Meals de Mexico S.A. de C.V. <sup>(ii)(iv)</sup>	Mexico	100	<b>Level 3, 15 Sultan Street, Ellerslie 1051, New Zealand</b>		
Servicios Corporativos Eurest- Proper Meals de Mexico S.A. de C.V. <sup>(ii)(iv)</sup>	Mexico	100	Compass Group New Zealand Limited	New Zealand	100
<b>c/o 251 Little Falls Drive, Wilmington, DE 19808, USA</b>			Crothall Services Group Limited <sup>(ii)</sup>	New Zealand	100
Food Works of Mexico, S. de R.L. de C.V. <sup>(ii)(iii)(iv)</sup>	Mexico	100	Eurest NZ Limited <sup>(ii)</sup>	New Zealand	100
Food Works Services of Mexico, S. de R.L. de C.V. <sup>(ii)(iii)(iv)</sup>	Mexico	100	<b>Drengsrudbekken 12, 1383, PO Box 74, NO-1371, Asker, Norway</b>		
<b>Laarderhoogtweg 11, 1101 DZ, Amsterdam, Netherlands</b>			Eurest A/S <sup>(ii)</sup>	Norway	100
Aurora HoldCo B.V.	Netherlands	100	Compass Group FS Norway A/S	Norway	100
CGI Holdings (2) B.V.	Netherlands	100	<b>Forusparken 2, 4031 Stavanger, Postboks 8083 Stavanger Postterminal, 4068, Stavanger, Norway</b>		
Compass Group Holding B.V.	Netherlands	100	ESS Mobile Offshore Units A/S	Norway	100
Compass Group Finance Netherlands B.V.	Netherlands	100	ESS Support Services A/S	Norway	100
Compass Group International 10 B.V. <sup>(ii)</sup>	Netherlands	100	<b>c/o Warner Shand Lawyers Waigani, Level 1 RH Hypermarket, Allotment 1 Section 479 (off Kennedy Road), Gordons NCD, Papua New Guinea</b>		
Compass Group International 2 B.V.	Netherlands	100	Eurest (PNG) Catering & Services Ltd <sup>(ii)</sup>	Papua New Guinea	100
Compass Group International 3 B.V.	Netherlands	100	<b>Unit 2410 24th flr, City &amp; Land Mega Plaza, ADB Ave., Ortigas Ctr., San Antonio, Pasig City 1605, Philippines</b>		
Compass Group International 4 B.V.	Netherlands	100	Compass Group Philippines Inc <sup>(ii)</sup>	Philippines	100
Compass Group International 5 B.V.	Netherlands	100			
Compass Group International 6 B.V. <sup>(ii)</sup>	Netherlands	100			
Compass Group International 9 B.V.	Netherlands	100			
Compass Group International ESS Shanghai B.V. <sup>(ii)</sup>	Netherlands	100			

For the year ended 30 September 2020

**36 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC (CONTINUED)**

OTHER WHOLLY OWNED SUBSIDIARIES	Country of incorporation	% Holding
<b>Ul. Olbrachta 94, 01-102 Warszawa, Poland</b>		
Compass Group Poland Sp. Z o.o.	Poland	100
<b>Edificio Prime, Avenida da, Quinta Grande, 53-60, Alfragide 2614-521 Amadora, Portugal</b>		
Eurest (Portugal) – Sociedade Europeia de Restaurantes, Lda.	Portugal	100
Eurest Catering & Services Group Portugal, Lda.	Portugal	100
<b>Bucuresti Sectorul 4, Strada Sold., Ilie Ţerban, Nr. 8B, Romania</b>		
Eurest ROM SRL	Romania	100
<b>7 Gasheka Street, Bld. 1, 123056, Moscow, Russia</b>		
Aurora Rusco OOO	Russia	100
<b>20 Kulakova Street, Bld 1, Premises III, Floor 4, Room 2, Moscow, Russia</b>		
Compass Group Rus OOO	Russia	100
<b>11 Changi South Street 3, Builders Shop Building, #04-02/03, 486122, Singapore</b>		
Compass Group (Singapore) PTE Ltd <sup>(ii)(iv)</sup>	Singapore	100
SHRM Far East Pte Ltd <sup>(ii)</sup>	Singapore	100
<b>8 Marina Boulevard, # 05-02, Marina Bay Financial Centre, 018981, Singapore</b>		
Compass Group Asia Pacific PTE. Ltd <sup>(ii)</sup>	Singapore	100
<b>Karadžičova 2, Staré mesto, 811 09 Bratislava, Slovakia</b>		
Compass Group Slovakia s. r. o.	Slovakia	100
<b>Calle Frederic Mompou 5, planta 5a, Edificio Euro 3, 08960, San Just Desvern, Barcelona, Spain</b>		
Asistentes Escolares, S.L.	Spain	100
Eurest Catalunya, S.L.U.	Spain	100
Medirest Social Residencias, S.L.U.	Spain	100
<b>Calle Castilla 8-10 – C.P. 50.009, Zaragoza, Spain</b>		
Servicios Renovados de Alimentacion, S.A.U.	Spain	100
<b>Calle Pinar de San José 98, Planta 1a, 28054, Madrid, Spain</b>		
Eurest Club de Campo, S.L.U.	Spain	100
Eurest Servicios Feriales, S.L.U.	Spain	100
<b>Polígono Ugaldeguren 1, Parcela 7, 48160 Derio (Vizcaya), Spain</b>		
Eurest Euskadi S.L.U.	Spain	100

OTHER WHOLLY OWNED SUBSIDIARIES	Country of incorporation	% Holding
<b>Calle R, s/n, Mercapalma, 07007 Palma de Mallorca, Baleares, Spain</b>		
Compass Group Holdings Spain, S.L.U.	Spain	100
Levy Compass Group Holdings, S.L. <sup>(ii)</sup>	Spain	100
<b>Box 1222, 164 28, Kista, Sweden</b>		
Compass Group AB	Sweden	100
<b>c/o BDO AG, Industriestrasse 53 6312 Steinhausen, Switzerland</b>		
Creative New Food Dream Steam GmbH	Switzerland	100
<b>Oberfeldstrasse 14, 8302, Kloten, Switzerland</b>		
Eurest Services (Switzerland) AG	Switzerland	100
Royal Business Restaurants GmbH	Switzerland	100
<b>c/o Ueltschi Solutions GmbH, Gwattstrasse 8, CH-3185 Schmitten, Switzerland</b>		
Sevita AG <sup>(ii)</sup>	Switzerland	100
Sevita Group GmbH	Switzerland	100
<b>İçerenköy Mah. Yesil vadi sokak, No: 3 D: 9, 34752 Atasehir, Istanbul, Turkey</b>		
Euroserve Güvenlik A.Ş.	Turkey	100
<b>İçerenköy Mah. Yesil vadi sokak, No: 3 D: 10, 34752 Atasehir, Istanbul, Turkey</b>		
Euroserve Hizmet ve İşletmecilik A.Ş.	Turkey	100
<b>İçerenköy Mah. Yesil vadi sokak, No: 3 D: 13, 34752 Atasehir, Istanbul, Turkey</b>		
Turkaş Gıda Hizmet ve İşletmecilik A.Ş.	Turkey	100
<b>Dubai Airport Free Zone, Dubai, United Arab Emirates</b>		
Compass Camea FZE	UAE	100
<b>Parklands Court, 24 Parklands, Birmingham Great Park, Rubery, Birmingham, B45 9PZ, United Kingdom</b>		
14Forty Limited <sup>(ii)</sup>	UK	100
3 Gates Services Limited <sup>(ii)</sup>	UK	100
A.C.M.S. Limited <sup>(ii)</sup>	UK	100
Bateman Catering Limited <sup>(ii)(vii)</sup>	UK	100
Bateman Healthcare Services Limited <sup>(ii)</sup>	UK	100
Baxter and Platts Limited <sup>(ii)(iv)(v)</sup>	UK	100
Bromwich Catering Limited <sup>(ii)</sup>	UK	100
Business Clean Limited <sup>(ii)</sup>	UK	100
Capitol Catering Management Services Limited	UK	100
Carlton Catering Partnership Limited <sup>(ii)(iii)</sup>	UK	100

### 36 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC (CONTINUED)

OTHER WHOLLY OWNED SUBSIDIARIES	Country of incorporation	% Holding
Castle Independent Limited	UK	100
Cataforce Limited <sup>(ii)</sup>	UK	100
Caterexchange Limited <sup>(ii)</sup>	UK	100
Caterskill Group Limited <sup>(ii)</sup>	UK	100
Caterskill Management Limited <sup>(ii)</sup>	UK	100
Chalk Catering Ltd <sup>(ii)</sup>	UK	100
Chartwells Hounslow (Feeding Futures) Limited <sup>(iii)(iv)</sup>	UK	100
Chartwells Limited <sup>(ii)</sup>	UK	100
Circadia Limited <sup>(ii)</sup>	UK	100
Cleaning Support Services Limited <sup>(ii)</sup>	UK	100
Compass Accounting Services Limited <sup>(ii)</sup>	UK	100
Compass Catering Services Limited <sup>(ii)</sup>	UK	100
Compass Cleaning Services Limited <sup>(ii)</sup>	UK	100
Compass Contract Services Limited <sup>(ii)</sup>	UK	100
Compass Contracts UK Limited <sup>(ii)(viii)</sup>	UK	100
Compass Experience Limited <sup>(ii)(vi)</sup>	UK	100
Compass Food Services Limited	UK	100
Compass Group Medical Benefits Limited <sup>(ii)</sup>	UK	100
Compass Mobile Catering Limited <sup>(ii)</sup>	UK	100
Compass Office Cleaning Services Limited <sup>(ii)</sup>	UK	100
Compass Payroll Services Limited <sup>(ii)</sup>	UK	100
Compass Planning and Design Limited <sup>(ii)</sup>	UK	100
Compass Purchasing Limited	UK	100
Compass Restaurant Properties Limited <sup>(ii)(vii)</sup>	UK	100
Compass Road Services Limited <sup>(ii)</sup>	UK	100
Compass Security Limited <sup>(ii)(vii)</sup>	UK	100
Compass Security Oldco Group Limited <sup>(ii)</sup>	UK	100
Compass Security Oldco Holdings Limited <sup>(ii)</sup>	UK	100
Compass Security Oldco Investments Limited <sup>(ii)</sup>	UK	100
Compass Services (Midlands) Limited <sup>(ii)</sup>	UK	100
Compass Services for Hospitals Limited <sup>(ii)(viii)</sup>	UK	100
Compass Services Group Limited	UK	100
Compass Services Limited <sup>(ii)</sup>	UK	100
Compass Services Trading Limited <sup>(ii)</sup>	UK	100
Compass Services, UK and Ireland Limited	UK	100
Compass Services (U.K.) Limited	UK	100
Compass Staff Services Limited <sup>(ii)</sup>	UK	100
Cookie Jar Limited <sup>(ii)</sup>	UK	100
CRBS Resourcing Limited <sup>(ii)</sup>	UK	100
CRN 1990 (Four) Limited <sup>(ii)</sup>	UK	100
Customised Contract Catering Limited <sup>(ii)</sup>	UK	100
Cygnet Food Holdings Limited <sup>(ii)</sup>	UK	100
Cygnet Foods Limited	UK	100
Dine Contract Catering Limited	UK	100
DRE Developments Limited <sup>(ii)</sup>	UK	100
Eat Dot Limited <sup>(ii)(iii)</sup>	UK	100
Eaton Catering Limited <sup>(ii)</sup>	UK	100
Eaton Wine Bars Limited <sup>(ii)</sup>	UK	100
Eurest Airport Services Limited <sup>(ii)</sup>	UK	100
Eurest Defence Support Services Limited <sup>(ii)</sup>	UK	100
Eurest Offshore Support Services Limited <sup>(ii)(viii)</sup>	UK	100
Eurest Prison Support Services Limited <sup>(ii)</sup>	UK	100
OTHER WHOLLY OWNED SUBSIDIARIES	Country of incorporation	% Holding
Eurest UK Limited <sup>(ii)</sup>	UK	100
Everson Hewett Limited <sup>(ii)(vi)</sup>	UK	100
Facilities Management Catering Limited <sup>(ii)</sup>	UK	100
FADS Catering Limited <sup>(ii)</sup>	UK	100
Fairfield Catering Company Limited <sup>(ii)</sup>	UK	100
Fingerprint Managed Services Limited <sup>(ii)</sup>	UK	100
Funpark Caterers Limited <sup>(ii)(iii)</sup>	UK	100
Goodfellows Catering Management Services Limited	UK	100
Gruppo Events Limited <sup>(ii)</sup>	UK	100
Hallmark Catering Management Limited <sup>(ii)</sup>	UK	100
Hamard Catering Management Services Limited <sup>(ii)(vii)</sup>	UK	100
Hamard Group Limited <sup>(ii)</sup>	UK	100
Henry Higgins Limited <sup>(ii)</sup>	UK	100
Hospital Hygiene Services Limited <sup>(ii)</sup>	UK	100
ICM Five Star Limited <sup>(ii)</sup>	UK	100
Integrated Cleaning Management Limited	UK	100
Integrated Cleaning Management Support Services Limited	UK	100
Keith Prowse Limited <sup>(ii)</sup>	UK	100
Kennedy Brookes Finance Limited <sup>(ii)</sup>	UK	100
Knott Hotels Company of London <sup>(ii)</sup>	UK	100
Langston Scott Limited <sup>(ii)</sup>	UK	100
Leisure Support Services Limited <sup>(ii)(iv)</sup>	UK	100
Leith's Limited <sup>(ii)</sup>	UK	100
Lethaby & Christopher Limited	UK	100
Meal Service Company Limited <sup>(ii)</sup>	UK	100
Milburns Catering Contracts Limited <sup>(ii)</sup>	UK	100
Milburns Limited <sup>(ii)</sup>	UK	100
Milburns Restaurants Limited <sup>(ii)(iii)</sup>	UK	100
National Leisure Catering Limited <sup>(ii)</sup>	UK	100
NLC (Holdings) Limited <sup>(ii)</sup>	UK	100
NLC (Wembley) Limited <sup>(ii)</sup>	UK	100
P & C Morris (Catering) Ltd <sup>(ii)(vii)</sup>	UK	100
P & C Morris Catering Group Limited <sup>(ii)</sup>	UK	100
Payne & Gunter Limited	UK	100
PDM Training and Compliance Services Limited <sup>(ii)</sup>	UK	100
Pennine Services Limited <sup>(ii)</sup>	UK	100
Peter Parfitt Leisure Overseas Travel Limited	UK	100
Peter Parfitt Sport Limited <sup>(ii)(vii)</sup>	UK	100
PPP Infrastructure Management Limited	UK	100
Prideoak Limited <sup>(ii)</sup>	UK	100
QCL Limited <sup>(ii)</sup>	UK	100
Reliable Refreshments Limited	UK	100
Rhine Four Limited <sup>(ii)(vii)</sup>	UK	100
Roux Fine Dining Limited <sup>(ii)</sup>	UK	100
Scolarest Limited	UK	100
Security Office Cleaners Limited <sup>(ii)</sup>	UK	100
Selkirk House (CVH) Limited <sup>(ii)</sup>	UK	100
Selkirk House (FP) Limited <sup>(ii)(iii)(iv)(v)</sup>	UK	100
Selkirk House (GHPL) Limited <sup>(ii)(viii)</sup>	UK	100

For the year ended 30 September 2020

**36 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC (CONTINUED)**

<b>OTHER WHOLLY OWNED SUBSIDIARIES</b>	Country of incorporation	% Holding
Selkirk House (GTP) Limited <sup>(i)</sup>	UK	100
Selkirk House (WBRK) Limited	UK	100
Shaw Catering Company Limited	UK	100
Ski Class Limited <sup>(ii)</sup>	UK	100
Solutions on Systems Ltd <sup>(ii)</sup>	UK	100
Summit Catering Limited	UK	100
Sunway Contract Services Limited	UK	100
Sutcliffe Catering Midlands Limited <sup>(ii)</sup>	UK	100
Sutcliffe Catering South East Limited <sup>(ii)</sup>	UK	100
Sycamore Newco Limited	UK	100
The Bateman Catering Organization Limited <sup>(i)(viii)</sup>	UK	100
The Cuisine Centre Limited <sup>(ii)</sup>	UK	100
THF Oil Limited <sup>(ii)</sup>	UK	100
Tunco (1999) 103 Limited <sup>(ii)</sup>	UK	100
Vendepac Holdings Limited <sup>(viii)</sup>	UK	100
Waseley Fifteen Limited <sup>(ii)</sup>	UK	100
Waseley Nominees Limited <sup>(ii)</sup>	UK	100
Wembley Sports Arena Limited <sup>(ii)</sup>	UK	100
Wheeler's Restaurants Limited <sup>(ii)(vii)</sup>	UK	100
Woodin & Johns Limited	UK	100
<b>Compass House, Guildford Street, Chertsey, Surrey, KT16 9BQ, United Kingdom</b>		
Audrey (London) Limited <sup>(ii)</sup>	UK	100
Audrey Investments Limited <sup>(ii)</sup>	UK	100
Bateman Services Limited <sup>(ii)</sup>	UK	100
Compass Group Finance No.2 Limited <sup>(i)</sup>	UK	100
Compass Group Finance No.3 Limited	UK	100
Compass Group Finance No.4 Limited <sup>(i)(iii)(iv)(viii)</sup>	UK	100
Compass Group Finance No.5 Limited <sup>(ii)(xi)</sup>	UK	100
Compass Group North America Investments No.2	UK	100
Compass Group North America Investments Limited	UK	100
Compass Group Pension Trustee Company Limited <sup>(ii)</sup>	UK	100
Compass Group Procurement Limited	UK	100
Compass Group Trustees Limited <sup>(ii)</sup>	UK	100
Compass Healthcare Group Limited <sup>(ii)(viii)</sup>	UK	100
Compass Hospitality Group Holdings Limited <sup>(ii)</sup>	UK	100
Compass Hospitality Group Limited <sup>(ii)</sup>	UK	100
Compass Hotels Chertsey <sup>(ii)</sup>	UK	100
Compass Nominee Company Number Fourteen Limited <sup>(ii)</sup>	UK	100
Compass Overseas Holdings Limited	UK	100
Compass Overseas Holdings No.2 Limited	UK	100
Compass Overseas Services Limited <sup>(ii)</sup>	UK	100
Compass Pension Trustees Limited <sup>(ii)</sup>	UK	100
Compass Quest Limited <sup>(ii)</sup>	UK	100
Compass Secretaries Limited <sup>(ii)</sup>	UK	100
Compass Site Services Limited <sup>(ii)(vii)</sup>	UK	100
Compass UK Pension Trustee Co Limited <sup>(ii)</sup>	UK	100
Crisp Trustees Limited <sup>(ii)</sup>	UK	100

<b>OTHER WHOLLY OWNED SUBSIDIARIES</b>	Country of incorporation	% Holding
Gogmore <sup>(ii)</sup>	UK	100
Meritgen Limited <sup>(i)(vii)(viii)</sup>	UK	100
New Famous Foods Limited <sup>(ii)</sup>	UK	100
Nextonline Limited <sup>(iii)(iv)</sup>	UK	100
Riversdell <sup>(ii)</sup>	UK	100
Sevita (UK) Limited	UK	100
The Compass Group Foundation	UK	100
The Excelsior Insurance Company Limited	UK	100
<b>Suite D, Pavilion 7 Kingshill Park, Venture Drive, Arnhill Business Park, Westhill, Aberdeenshire, AB32 6FL, United Kingdom</b>		
CCG (UK) Ltd <sup>(ii)</sup>	UK	100
Coffee Partners Limited <sup>(ii)</sup>	UK	100
Compass Offshore Catering Limited <sup>(ii)(viii)</sup>	UK	100
Compass Scottish Site Services Limited <sup>(ii)</sup>	UK	100
Waseley (CVI) Limited <sup>(ii)</sup>	UK	100
Waseley (CVS) Limited <sup>(ii)</sup>	UK	100
<b>Wework, 119 Marylebone Road North West House, London, NW1 5PU, United Kingdom</b>		
Feedr Limited	UK	100
<b>1st Floor, 12 Cromac Quay, Cromac Wood, Belfast, Northern Ireland, BT7 2JD, United Kingdom</b>		
Lough Erne Holiday Village Limited <sup>(ii)</sup>	UK	100
<b>8040 Excelsior Drive, Suite 400, Madison, WI 53717, USA</b>		
Ace Foods, Inc.	USA	100
<b>2710 Gateway Oaks Drive, Suite 150N, Sacramento, CA 95833-3505, USA</b>		
Bon Appétit Management Company Foundation	USA	100
CulinArt of California, Inc.	USA	100
<b>211 E. 7th Street, Suite 620, Austin, TX 78701-3218, USA</b>		
Bamco Restaurants of Texas LLC	USA	100
Levy Premium Foodservice, L.L.C. <sup>(ii)</sup>	USA	100
Morrison's Health Care of Texas, Inc.	USA	100
University Food Services, Inc.	USA	100
<b>2345 Rice Street, Suite 230, Roseville, MN 55113, USA</b>		
Canteen One Company, Inc.	USA	100
Canteen One Consolidation Services, LLC	USA	100
Canteen One, LLC	USA	100
Street Eats Limited	USA	100
Visinity, LLC	USA	100

### 36 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC (CONTINUED)

OTHER WHOLLY OWNED SUBSIDIARIES	Country of incorporation	% Holding	OTHER WHOLLY OWNED SUBSIDIARIES	Country of incorporation	% Holding
<b>251 Little Falls Drive, Wilmington, DE 19808, USA</b>			<b>501 Louisiana Avenue, Baton Rouge, LA 70802-5921, USA</b>		
BenchWorks, Inc.	USA	100	Coastal Food Service, Inc.	USA	100
Canteen One, Inc.	USA	100	S.H.R.M. Catering Services, Inc.	USA	100
CLS Par, LLC	USA	100			
Compass LCS, LLC	USA	100	<b>80 State Street, Albany, NY 12207-2543, USA</b>		
Compass LV, LLC	USA	100	Coffee Distributing Corp.	USA	100
Compass Paramount, LLC	USA	100	CulinArt Group, Inc.	USA	100
Concierge Consulting Services, LLC	USA	100	CulinArt, Inc.	USA	100
Convenience Foods International, Inc.	USA	100	Mazzone Hospitality, LLC	USA	100
Crothall Healthcare Inc.	USA	100	Quality Food Management, Inc.	USA	100
Crothall Laundry Services Inc.	USA	100	RA Tennis Corp.	USA	100
Eat Cloud LLC	USA	100	RANYST, Inc.	USA	100
Eurest Services, Inc.	USA	100	Restaurant Associates LLC	USA	100
Facilities Holdings, LLC	USA	100	Restaurant Associates, Inc.	USA	100
Flik One, LLC	USA	100	Restaurant Services Inc.	USA	100
Levy Oklahoma, Inc.	USA	100			
Levy Prom Golf, LLC	USA	100	<b>2626 Glenwood Avenue, Suite 550, Raleigh, NC 27608, USA</b>		
Morrison Investment Company, Inc.	USA	100	Compass 2K12 Services, LLC	USA	100
RAC Holdings Corp. <sup>(iii)</sup>	USA	100	Compass HE Services, LLC	USA	100
Rank + Rally, LLC	USA	100	Compass One, LLC	USA	100
S-82 LLC	USA	100	Compass Two, LLC	USA	100
SpenDifference LLC	USA	100			
Touchpoint Support Services, LLC	USA	100	<b>2595 Interstate Drive, Suite 103, Harrisburg, PA 17110, USA</b>		
Unidine Lifestyles, LLC	USA	100	Crothall Facilities Management, Inc.	USA	100
Unidine Nevada, LLC	USA	100	Custom Management Corporation of Pennsylvania	USA	100
University Food Services, LLC	USA	100	Morrison's Custom Management Corporation of Pennsylvania	USA	100
Vendlink, LLC	USA	100	Newport Food Service, Inc.	USA	100
Yorkmont Four, Inc.	USA	100	Williamson Hospitality Services, Inc.	USA	100
<b>801 Adlai Stevenson Drive, Springfield, IL 62703, USA</b>			<b>50 West Broad Street, Suite 1330, Columbus, OH 43215, USA</b>		
Curiology, LLC	USA	100	Cuyahoga Dining Services, Inc.	USA	100
E15, LLC	USA	100			
Levy (Events) Limited Partnership	USA	100	<b>40 Technology Pkwy South, #300, Norcross, GA 30092, USA</b>		
Levy (IP) Limited Partnership	USA	100	Food Services Management By Mgr, LLC	USA	100
Levy Food Service Limited Partnership	USA	100	Morrison Alumni Association, Inc.	USA	100
Levy GP Corporation	USA	100	The M-Power Foundation, Inc.	USA	100
Levy Holdings GP, Inc.	USA	100			
Levy Illinois Limited Partnership	USA	100	<b>221 Bolivar Street, Jefferson City, MO 65101, USA</b>		
Levy Premium Foodservice Limited Partnership	USA	100	Dynamic Vending, Inc.	USA	100
Levy R & H Limited Partnership	USA	100			
Levy World Limited Partnership	USA	100	<b>Princeton South Corporate Ctr, Suite 160, 100 Charles Ewing Blvd, Ewing, NJ 08628, USA</b>		
Professional Sports Catering, LLC	USA	100	Gourmet Dining, LLC	USA	100
Restaurant One Limited Partnership	USA	100			
Superior Limited Partnership	USA	100			
<b>7 St. Paul Street, Suite 820, Baltimore, MD 21202, USA</b>					
Bon Appétit Maryland, LLC	USA	100			
<b>4000 Faber Place Drive STE. 300, North Charleston, SC 29405, USA</b>					
CGSC Capital, Inc.	USA	100			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2020

**36 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC (CONTINUED)**

OTHER WHOLLY OWNED SUBSIDIARIES	Country of incorporation	% Holding	OTHER SUBSIDIARIES, JOINT ARRANGEMENTS, MEMBERSHIPS, ASSOCIATES AND OTHER SIGNIFICANT HOLDINGS	Country of incorporation or establishment	% Holding
<b>300 Deschutes Way SW, Suite 304, Tumwater, WA 98501, USA</b>			2265668 Ontario Limited <sup>(iii)(iv)(v)(vi)(vii)</sup>	Canada	49
Inter Pacific Management, Inc.	USA	100	Amik Catering LP <sup>(x)</sup>	Canada	49
<b>2900 SW Wanamaker Drive, Suite 204, Topeka, KS 66614, USA</b>			Dease River – ESS Support Services <sup>(x)</sup>	Canada	49
Myron Green Corporation	USA	100	Dene West Limited Partnership <sup>(x)</sup>	Canada	49
PFM Kansas, Inc.	USA	100	ECC – Mi'kmaq Support Services <sup>(x)</sup>	Canada	49
Treat America Limited	USA	100	ESS – DNDC Support Services <sup>(x)</sup>	Canada	49
<b>8825 N. 23rd Avenue, Suite 100, Phoenix, AZ 85021, USA</b>			ESS – East Arm Camp Services <sup>(x)</sup>	Canada	49
Prodine, Inc.	USA	100	ESS – Kaatodh Camp Services <sup>(x)</sup>	Canada	49
Sacco Dining Services, Inc.	USA	100	ESS – Loon River Support Services <sup>(x)</sup>	Canada	49
<b>2908 Poston Avenue, Nashville, TN 37203, USA</b>			ESS – Missanabie Cree Support Services <sup>(x)</sup>	Canada	49
Southeast Service Corporation	USA	100	ESS – Na Cho Nyak Dun Camp Services <sup>(x)</sup>	Canada	49
<b>1400 West Benson Blvd, Suite 370, Anchorage, AK 99503, USA</b>			ESS – Ochapowace Support Services <sup>(x)</sup>	Canada	49
Statewide Services, Inc.	USA	100	ESS – Pessamit Camp Services <sup>(x)</sup>	Canada	49
<b>1709 North 19th Street, Suite 3, Bismarck, ND 58501-2121, USA</b>			ESS – Wapan Manawan Services de Soutien <sup>(x)</sup>	Canada	49
Compass ND, LLC	USA	100	ESS Haisla Support Services <sup>(x)</sup>	Canada	49
<b>OTHER SUBSIDIARIES, JOINT ARRANGEMENTS, MEMBERSHIPS, ASSOCIATES AND OTHER SIGNIFICANT HOLDINGS</b>	Country of incorporation or establishment	% Holding	ESS HLFN Support Services <sup>(x)</sup>	Canada	49
<b>Ground Floor 35 – 51 Mitchell Street, McMahons Point, NSW 2060, Australia</b>			ESS KNRA Support Services <sup>(x)</sup>	Canada	49
ESS Eastern Guruma PTY Ltd	Australia	60	ESS Komatik Support Services <sup>(x)</sup>	Canada	49
ESS NYFL PTY Ltd	Australia	60	ESS Liard First Nation Support Services <sup>(x)</sup>	Canada	49
<b>Level 3, 12 Newcastle Street, Perth 6000, Australia</b>			ESS McKenzie Support Services <sup>(x)</sup>	Canada	49
ESS Thalanyji PTY Ltd	Australia	60	ESS Okanagan Indian Band Support Services <sup>(x)</sup>	Canada	49
ESS Larrakia PTY Ltd	Australia	50	ESS Tataskweyak Camp Services <sup>(x)</sup>	Canada	49
<b>30, 205 N. Narimanov avenue, Baku, AZ1065, Azerbaijan</b>			ESS/Bushmaster Camp Services <sup>(x)</sup>	Canada	49
ESS Support Services LLC	Azerbaijan	50	ESS/Fort a la Corne Support Services <sup>(x)</sup>	Canada	49
<b>12 Kodiak Crescent, Toronto, Ontario, M3J 3G5, Canada</b>			ESS/McLeod Lake Indian Band Support Services <sup>(x)</sup>	Canada	49
Imperial Coffee and Services Inc. <sup>(iii)(iv)(v)</sup>	Canada	88	ESS/Mosakahiken Cree Nation Support Services <sup>(x)</sup>	Canada	49
<b>1 Prologis Boulevard, Suite 400, Mississauga, Ontario, L5W 0G2, Canada</b>			ESS/Nuvumiut Support Services <sup>(x)</sup>	Canada	49
Chef's Hall, Inc. <sup>(ii)</sup>	Canada	67	ESS/Takla Lake Support Services <sup>(x)</sup>	Canada	49
Compass Group Sports and Entertainment – (Quebec) <sup>(x)</sup>	Canada	67	ESS/WEDC Support Services <sup>(x)</sup>	Canada	49
ECC – ESS Support Services <sup>(x)</sup>	Canada	50	First North Catering <sup>(x)</sup>	Canada	49
<b>30 Queen's Road, St. John's, Newfoundland and Labrador, A1C 2A5, Canada</b>			KDM – ESS Support Services <sup>(x)</sup>	Canada	49
Labrador Catering Inc. <sup>(iii)</sup>	Canada	49	Mi'Kmaq-ECC Nova Scotia Support Services <sup>(x)</sup>	Canada	49
Labrador Catering LP <sup>(x)</sup>	Canada	49	Nisga'a Village – ESS Support Services <sup>(x)</sup>	Canada	49
<b>Clearwater River Dene Nation Reserve No. 222, P.O. Box 5050, Clearwater, Saskatchewan, S0M 3H0, Canada</b>			Poplar Point Camp Services <sup>(x)</sup>	Canada	49
Clearwater Catering Limited <sup>(iii)(iv)(v)(vi)</sup>	Canada	49	Songhees Nation Support Services <sup>(x)</sup>	Canada	49
<b>130 King Street West, Suite 1800, Toronto, Ontario, M5X 1E3, Canada</b>					
Umbrel Hospitality Group Inc. <sup>(iii)</sup>	Canada	49			

### 36 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC (CONTINUED)

OTHER SUBSIDIARIES, JOINT ARRANGEMENTS, MEMBERSHIPS, ASSOCIATES AND OTHER SIGNIFICANT HOLDINGS	Country of incorporation or establishment	% Holding	OTHER SUBSIDIARIES, JOINT ARRANGEMENTS, MEMBERSHIPS, ASSOCIATES AND OTHER SIGNIFICANT HOLDINGS	Country of incorporation or establishment	% Holding
77 King Street West, No. 400, Toronto, Ontario, M5K 0A1, Canada			10A Rue Henri Schnadt, L-2530, Luxembourg		
O&B Yonge Richmond LP	Canada	33.4	Geria SA	Luxembourg	25
<b>FO-110, Torshavn, Faroe Islands</b>			<b>Level 18 The Gardena North Tower, Mid Valley City, Lingkaran Syed Putra, Kuala Lumpur, 59200, Malaysia</b>		
P/F Eurest Føroyar	Denmark	51	EM-SSIS Services Sdn. Bhd. <sup>(ii)</sup>	Malaysia	42
<b>Keskussairaalantie Opinkivi 2 40600 Jyväskylä, Finland</b>			Urusan Bakti Sdn. Bhd. <sup>(ii)</sup>	Malaysia	35
Semma Oy	Finland	45	<b>Suite 1301, 13th Floor, City Plaza Jalan Tebrau, 80300 Johor Bahru Johor, Malaysia</b>		
<b>Ruukinkatu 2-4 20540 Turku, Finland</b>			Knusford Compass Sdn. Bhd.	Malaysia	49
Unica Oy	Finland	49	<b>1 Avenue Henri Dunant, Palais De La Scala, 3eme, Etage – No 1125, 98000 MC, Monaco</b>		
<b>123 Avenue de la République – Hall A, 92320 Châtillon, France</b>			Eurest Monaco S.A.	Monaco	99.99
Sopregim SAS	France	80	<b>Laarderhoogtweg 11, 1101 DZ, Amsterdam, Netherlands</b>		
<b>Le Puy Du Fou, 85590 Les Epesses, France</b>			Compass Group International Coöperatief W.A. <sup>(x)</sup>	Netherlands	100
Puy Du Fou Restauration SAS	France	99.8	Compass Group International Coöperatief 2 W.A. <sup>(x)</sup>	Netherlands	100
<b>Steenbeker Weg 25, 24106, Kiel, Germany</b>			Compass Group International Coöperatief 3 W.A. <sup>(x)</sup>	Netherlands	100
Lubinus – orgaMed Sterilgut GmbH	Germany	49	Compass Group International Finance C.V. <sup>(x)</sup>	Netherlands	100
<b>HTC Aspire, 4th Floor (401) No. 19, Ali Asker Road, Bangalore, Karnataka, 560052, India</b>			<b>Okesnoyveien 16, 1366, Lysaker, 1366, Norway</b>		
Bottle Lab Technologies Private Limited	India	75	Forplejningstjenester A/S	Norway	33.33
<b>No. 407, 2nd Floor, 7th Cross, 1st D Main Road, Domlur Layout, Old Airport Road, Bengaluru. Karnataka, 560071, India</b>			<b>Harbitzalléen 2A, 0275 Oslo, PÅ Box 4148, Sjølyst, 0217 Oslo, Norway</b>		
Nextup Technologies Private Limited	India	75	Gress-Gruppen A/S	Norway	33.33
<b>Hamarikyu Kensetsu Plaza, 5-5-12, Tsukiji, Chuo-ku, Tokyo 104-0045, Japan</b>			<b>c/o Warner Shand Lawyers Waigani, Level 1 RH Hypermarket, Allotment 1 Section 479 (off Kennedy Road), Gordons NCD, Papua New Guinea</b>		
Chiyoda Kyushoku Services Co., Ltd	Japan	90	Eurest OKAS Catering Ltd <sup>(ii)</sup>	Papua New Guinea	55
<b>5-7-5, Chiyoda, Naka-ku, Nagoya-City, Aichi-Prefecture, 460-0012, Japan</b>			Eurest Lotic (PNG) JV Ltd <sup>(ii)</sup>	Papua New Guinea	50
Seiyo General Food Co., Ltd	Japan	50	<b>2 Floor, Al Mana Commercial Tower, C-Ring road, Doha, P O BOX 22481, Qatar</b>		
<b>1-34-6, Sakura-Shinmachi, Setagaya-ku, Tokyo, 154-0015, Japan</b>			Compass Catering Services WLL	Qatar	20
Highway Royal Co., Ltd.	Japan	50	<b>PO Box 31952, Al Khobar 31685 KSA, Saudi Arabia</b>		
<b>060011, Atyrauskaya Oblast, Atyrau city, Beibarys Sultan avenue 506, Kazakhstan</b>			Compass Arabia LLC	Saudi Arabia	30
Eurest Support Services Company B LLP	Kazakhstan	50	<b>Calle Pinar de San José 98, Planta 1a, 28054, Madrid, Spain</b>		
<b>060011, Old Airport Road 64, Atyrau City, Atyrau Oblast, Republic of Kazakhstan</b>			Gourmet on Wheels, S.L.U.	Spain	99
ESS Kazakhstan LLP	Kazakhstan	60			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2020

**36 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC (CONTINUED)**

OTHER SUBSIDIARIES, JOINT ARRANGEMENTS, MEMBERSHIPS, ASSOCIATES AND OTHER SIGNIFICANT HOLDINGS	Country of incorporation or establishment	% Holding
<b>Office No. 204, Mawilah, Al Sharjah, P O Box: 1897, United Arab Emirates</b>		
Abu Dhabi National Hotels – Compass LLC	UAE	50
<b>Abu Dhabi National Hotels Company Building, Sheikh Rashid Bin Saeed Al Maktoum Street, Abu Dhabi, United Arab Emirates</b>		
Abu Dhabi National Hotels Compass Middle East LLC	UAE	50
<b>The Owner Saeed Ahmed Ghobash, Oud Metha, Street Bur Dubai, P.O. BOX 31769 Dubai, United Arab Emirates</b>		
Abu Dhabi National Hotels – Compass Emirates LLC	UAE	50
<b>Parklands Court, 24 Parklands, Birmingham Great Park, Rubery, Birmingham, B45 9PZ, United Kingdom</b>		
Quaglino's Limited	UK	99
Quadrant Catering Limited <sup>(iii)(iv)</sup>	UK	49
<b>County Ground, Edgbaston, Birmingham, B5 7QU, United Kingdom</b>		
Edgbaston Experience Limited <sup>(iii)(iv)</sup>	UK	25
<b>The Oval, Kennington, London, SE11 5SS, United Kingdom</b>		
Oval Events Holdings Limited <sup>(iv)(v)(vi)</sup>	UK	37.5
Oval Events Limited <sup>(iv)(v)(vi)</sup>	UK	37.5
<b>84 State Street, Boston, MA 02109, USA</b>		
Fame Food Management Inc.	USA	84
The Food Management Enterprise Corporation	USA	84
Levy Maryland, LLC	USA	74

OTHER SUBSIDIARIES, JOINT ARRANGEMENTS, MEMBERSHIPS, ASSOCIATES AND OTHER SIGNIFICANT HOLDINGS	Country of incorporation or establishment	% Holding
<b>251 Little Falls Drive, Wilmington, DE 19808, USA</b>		
B & I Catering, LLC	USA	90
CMCA Catering, LLC	USA	90
HHP-MMS JV1, LLC	USA	90
PCHI Catering, LLC	USA	90
Wolfgang Puck Catering and Events, LLC	USA	90
WPL, LLC	USA	90
Community Living Holdings, LLC	USA	84
Core works, LLC	USA	84
Unidine Corporation	USA	84
Levy LA Concessions, LLC	USA	62.5
Learfield Levy Foodservice, LLC	USA	50
Restaurant Services I, LLC	USA	50
Parlay Solutions, LLC	USA	50
Thompson Facilities Services LLC	USA	49
Thompson Hospitality Services, LLC	USA	49
WP Casual Catering, LLC	USA	45
Chicago Restaurant Partners, LLC	USA	42
<b>2710 Gateway Oaks Drive, Suite 150N, Sacramento, CA 95833-3505, USA</b>		
C&B Holdings, LLC	USA	90
H & H Catering, L.P.	USA	90
Cosmopolitan Catering, LLC	USA	60
<b>2626 Glenwood Avenue, Suite 550, Raleigh, NC 27608, USA</b>		
Waveguide LLC	USA	57
<b>2215-B Renaissance Drive, Las Vegas, NV 89119, USA</b>		
GLV Restaurant Management Associates, LLC	USA	90
<b>211 E. 7th Street, Suite 620, Austin, TX 78701-3218, USA</b>		
Wolfgang Puck Catering & Events of Texas, LLC	USA	90

### 36 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC (CONTINUED)

OTHER SUBSIDIARIES, JOINT ARRANGEMENTS, MEMBERSHIPS, ASSOCIATES AND OTHER SIGNIFICANT HOLDINGS	Country of incorporation or establishment	% Holding	OTHER SUBSIDIARIES, JOINT ARRANGEMENTS, MEMBERSHIPS, ASSOCIATES AND OTHER SIGNIFICANT HOLDINGS	Country of incorporation or establishment	% Holding
<b>980 N. Michigan Ave., Suite 400, Chicago, IL 60611, USA</b>			<b>80 State Street, Albany, NY 12207-2543, USA</b>		
Convention Hospitality Partners	USA	80	RA Patina, LLC	USA	50
Atlanta Sports Catering	USA	50			
Orlando Foodservice Partners	USA	50			
<b>1400 West Benson Blvd, Suite 370, Anchorage, AK 99503, USA</b>			<b>111 Eighth Avenue New York, NY 10011, USA</b>		
KIJK/ESS, LLC	USA	80	RA Patina Management LLC	USA	50
Statewide/GanaAYoo JV	USA	50			
<b>801 Adlai Stevenson Drive, Springfield, IL 62703, USA</b>			<b>Corporation Trust Centre, 1209 Orange Street, Wilmington, DE 19801, USA</b>		
Park Concession Management, LLC	USA	50	AEG Venue Management Holdings, LLC	USA	38
<b>40 Technology Pkwy South, #300, Norcross, GA 30092, USA</b>			<b>c/o Union Square Hospitality Group, LLC Attn: Chief Legal Officer, 853 Broadway, 17th Floor, New York, NY 10003 USA</b>		
Eversource LLC	USA	51	Hudson Yards Catering, LLC	USA	49
			<b>6055 Lakeside Commons Drive, Suite 440, Macon, GA 31210, USA</b>		
			Kimco Holdings, LLC <sup>(iv)</sup>	USA	24

#### NOTES

1. Unless otherwise stated, indirectly owned by Compass Group PLC, active status and ordinary shares issued.
2. In some of the jurisdictions in which we operate, share classes are not defined and in these instances, for the purposes of disclosure, we have classified these holdings as ordinary.
3. 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 2020

	Notes	2020 £m	2019 £m
<b>COMPASS GROUP PLC</b>			
<b>FIXED ASSETS</b>			
Investments	2	<b>1,056</b>	1,061
<b>CURRENT ASSETS</b>			
Debtors: amounts falling due within one year	3	<b>7,473</b>	7,521
Debtors: amounts falling due after more than one year	3	<b>2,312</b>	2,202
Cash at bank and in hand		<b>1,186</b>	39
Current assets		<b>10,971</b>	9,762
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
Creditors: amounts falling due within one year	4	<b>(4,479)</b>	(4,972)
<b>NET CURRENT ASSETS</b>			
Net current assets		<b>6,492</b>	4,790
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
Total assets less current liabilities		<b>7,548</b>	5,851
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>			
Creditors: amounts falling due after more than one year	4	<b>(3,674)</b>	(3,684)
Provisions for liabilities	5	<b>(3)</b>	(3)
<b>Net assets</b>		<b>3,871</b>	2,164
<b>EQUITY</b>			
Share capital	7	<b>198</b>	176
Share premium account		<b>189</b>	182
Capital redemption reserve		<b>295</b>	295
Share-based payment reserve		<b>254</b>	259
Profit and loss reserve		<b>2,935</b>	1,252
<b>Total equity</b>		<b>3,871</b>	2,164

Approved by the Board of Directors on 24 November 2020 and signed on their behalf by

**Dominic Blakemore**, Director  
**Karen Witts**, Director

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2020

<b>EQUITY</b>	Share capital £m	Share premium account £m	Capital redemption reserve £m	Merger reserve £m	Share-based payment reserve £m	Profit and loss reserve £m	Total £m
At 1 October 2018	176	182	295	–	232	1,436	2,321
Fair value of share-based payments	–	–	–	–	27	–	27
Dividends paid to shareholders	–	–	–	–	–	(611)	(611)
Profit for the financial year	–	–	–	–	–	427	427
At 30 September 2019	176	182	295	–	259	1,252	2,164
Fair value of share-based payments	–	–	–	–	(2)	–	(2)
Dividends paid to shareholders	–	–	–	–	–	(427)	(427)
Profit for the financial year	–	–	–	–	–	167	167
Release of share awards settled in existing shares purchased in the market	–	–	–	–	(3)	–	(3)
Shares issued, net of expenses	<b>22</b>	<b>7</b>	–	<b>1,943</b>	–	–	<b>1,972</b>
Transfer of merger reserve to retained earnings	–	–	–	(1,943)	–	<b>1,943</b>	–
At 30 September 2020	<b>198</b>	<b>189</b>	<b>295</b>	–	<b>254</b>	<b>2,935</b>	<b>3,871</b>

## INTRODUCTION

The significant accounting policies adopted in the preparation of the separate financial statements of Compass Group PLC (the Company) are set out below:

## A ACCOUNTING CONVENTION AND BASIS OF PREPARATION

These financial statements are prepared in accordance with the historical cost convention, except as described in the accounting policy on financial instruments, Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101), and in accordance with applicable United Kingdom laws. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (Adopted IFRSs), but makes amendments where necessary in order to comply with the Companies Act 2006 (CA 2006) and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. These financial statements thus present information about the Company as an individual undertaking not as a Group undertaking.

These financial statements have been prepared on a going concern basis. This is discussed in the Business Review on pages 32 to 40.

## B EXEMPTIONS

The Company's financial statements are included in the Compass Group PLC consolidated financial statements for the year ended 30 September 2020. As permitted by section 408 of the CA 2006, the Company has not presented its own profit and loss account.

In these financial statements, the Company has applied the exemptions under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes
- transactions with wholly owned subsidiaries
- capital management
- as required by IFRS 13 'Fair value measurement' and IFRS 7 'Financial instrument disclosures'
- the effect of new but not yet effective IFRSs
- disclosures in respect of compensation of key management personnel
- IFRS 2 'Share-based payments' in respect of Group settled share based payments

## C CHANGE IN ACCOUNTING POLICIES

There have been no significant changes in accounting policies during the year.

## D 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 are 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.

## E 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.

## F FINANCIAL ASSETS AND LIABILITIES

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions and derecognised when it ceases to be party to such provisions. Such assets and liabilities are classified as current if they are due to be realised or settled within 12 months of the balance sheet date. If not, they are recognised as non-current.

Financial assets and liabilities are initially recorded at fair value including, where permitted by IFRS 9, 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 and 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 the accounting policies to the consolidated financial statements.

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. Allowance losses on intra-group receivables are calculated at an amount equal to 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.

## **G DIVIDENDS**

Dividends are recognised in the Company's financial statements in the year in which they are approved in general meeting by the Company's shareholders. Interim dividends are recognised when paid.

## **H 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.

## **I SHARE-BASED PAYMENTS**

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of the non market-based vesting conditions.

Fair value is measured using either the binomial distribution or Black-Scholes option pricing models as is most appropriate for each scheme. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of exercise restrictions and behavioural considerations.

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 25 to the consolidated financial statements.

## **J 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 2020

### 1 INCOME STATEMENT DISCLOSURES

The Company's profit on ordinary activities after tax was £167 million (2019: £427 million).

The Company had no direct employees in the course of the year (2019: none).

	2020 £m	2019 £m
AUDIT SERVICES		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	1.2	0.9
Fees payable for other services	0.1	0.1

### 2 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	2020 £m	2019 £m
INVESTMENTS IN SUBSIDIARY UNDERTAKINGS		
<b>COST</b>		
At 1 October	1,062	1,036
Share-based payments to employees of subsidiaries	(2)	27
Recharged to subsidiaries during the year	(3)	(1)
At 30 September	1,057	1,062
<b>PROVISIONS</b>		
At 1 October and 30 September	(1)	(1)
<b>NET BOOK VALUE</b>		
At 30 September	1,056	1,061

The principal subsidiary undertakings are listed in note 36 to the consolidated financial statements.

### 3 DEBTORS

DEBTORS	2020			2019		
	Falling due within 1 year £m	Falling due after more than 1 year £m	Total £m	Falling due within 1 year £m	Falling due after more than 1 year £m	Total £m
Amounts owed by subsidiary undertakings	7,468	2,075	9,543	7,519	1,995	9,514
Derivative financial instruments	4	237	241	1	207	208
Deferred tax	1	—	1	1	—	1
<b>Total</b>	<b>7,473</b>	<b>2,312</b>	<b>9,785</b>	7,521	2,202	9,723

Amounts owed by 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 4.00% and 7.25%) or various floating rates with margins ranging from -0.15% to +3.00% (subject to a minimum all-in rate of 0%) and have maturities ranging from repayable on demand up to September 2030.

The book value of amounts owed by subsidiary undertakings falling due within one year approximates their 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 £2,120 million (2019: £1,995 million).

	2020 Net short term temporary differences £m	2019 Net short term temporary differences £m
MOVEMENT IN DEFERRED TAX ASSET		
At 1 October	1	—
Charge to income statement	—	1
At 30 September	1	1

The deferred tax asset arises on certain derivative financial instruments and will be recovered no later than the maturity dates of these instruments.

Details of the derivative financial instruments are shown in note 20 to the consolidated financial statements.

#### 4 CREDITORS

CREDITORS	2020			2019		
	Falling due within 1 year £m	Falling due after more than 1 year £m	Total £m	Falling due within 1 year £m	Falling due after more than 1 year £m	Total £m
Bank overdrafts	359	—	359	3	—	3
Bank overdrafts and loans (note 6)	359	—	359	3	—	3
Loan notes	—	1,172	1,172	162	1,211	1,373
Bonds	—	1,300	1,300	—	1,289	1,289
Loan notes and bonds (note 6)	—	2,472	2,472	162	2,500	2,662
Derivative financial instruments	9	2	11	7	6	13
Accruals	32	—	32	33	—	33
Current tax	47	—	47	17	—	17
Amounts owed to subsidiary undertakings (note 6)	4,032	1,200	5,232	4,750	1,178	5,928
Total	4,479	3,674	8,153	4,972	3,684	8,656

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 0.70% and 6.50%) 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 their 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 are shown below.

AMOUNTS OWED TO SUBSIDIARY UNDERTAKINGS FALLING DUE AFTER MORE THAN 1 YEAR	2020			2019			
	Nominal value	Redeemable	Interest	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Euro intra-group loan	€750m	Jul 2024	0.73%	706	697	695	686
Euro intra-group loan	€500m	Sep 2028	1.60%	494	499	483	489
Total				1,200	1,196	1,178	1,175
LOAN NOTES				2020 Carrying value £m	2019 Carrying value £m		
US\$ private placement	\$200m	Sep 2020	3.09%	—	162		
US\$ private placement	\$398m	Oct 2021	3.98%	308	323		
US\$ private placement	\$352m	Oct 2023	4.12%	294	301		
US\$ private placement	\$100m	Dec 2024	3.54%	77	81		
US\$ private placement	\$300m	Sep 2025	3.81%	262	263		
US\$ private placement	\$300m	Dec 2026	3.64%	231	243		
Total				1,172	1,373		

The Company has fixed term, fixed interest private placements denominated in US dollar.

BONDS	Nominal value	Redeemable	Interest	2020		2019 Carrying value £m
				Carrying value £m	2019 Carrying value £m	
Euro Eurobond	€500m	Jan 2023	1.88%	473	469	
Sterling Eurobond	£250m	Sep 2025	2.00%	261	260	
Sterling Eurobond	£250m	Jun 2026	3.85%	249	249	
Sterling Eurobond	£300m	Jul 2029	2.00%	317	311	
Total				1,300	1,289	

For the year ended 30 September 2020

**4 CREDITORS (CONTINUED)**

During the prior year, the Company established a \$2 billion commercial paper programme. The programme size was increased to \$4 billion during the year. Commercial paper is issued to meet short term liquidity requirements and is supported by committed bank facilities. As at 30 September 2020, no commercial paper was outstanding under the programme (2019: £nil) and no amounts were drawn under the committed facilities (2019: £nil).

Of the Company's £2,000 million committed Revolving Credit Facility (RCF) £140 million is committed to June 2024 and £1,860 million is committed to June 2025. On 3 April 2020, the Company signed an additional £800 million committed Revolving Credit Facility which matures in October 2021.

In March, the Company qualified for and drew down £600 million from the Bank of England's Covid Corporate Financing Facility (CCFF) which was subsequently repaid. The £600 million CCFF limit remains available whilst the CCFF is open.

Details of the derivative financial instruments are shown in note 20 to the consolidated financial statements.

**5 PROVISIONS FOR LIABILITIES**

PROVISIONS	Legal and other claims £m
At 1 October 2018	3
Charged to income statement	—
At 30 September 2019	3
At 1 October 2019	3
Charged to income statement	—
At 30 September 2020	3

Provisions for legal and other claims relates to provisions for the estimated cost of litigation and other sundry claims. The timing of the settlement of these claims is uncertain.

**6 MATURITY OF FINANCIAL LIABILITIES, OTHER CREDITORS AND DERIVATIVE FINANCIAL INSTRUMENTS**

The maturity of financial liabilities, other creditors and derivative financial instruments as at 30 September is as follows:

MATURITY	2020					2019				
	Bank overdrafts and loans (note 4) £m	Loan notes and bonds (note 4) £m	Amounts owed to subsidiary undertakings (note 4) £m	Other <sup>1</sup> £m	Total £m	Bank overdrafts and loans (note 4) £m	Loan notes and bonds (note 4) £m	Amounts owed to subsidiary undertakings (note 4) £m	Other <sup>1</sup> £m	Total £m
Between 1 and 2 years	—	308	—	2	310	—	—	—	5	5
Between 2 and 5 years	—	1,367	706	(180)	1,893	—	1,174	695	(126)	1,743
In more than 5 years	—	797	494	(57)	1,234	—	1,326	483	(80)	1,729
In more than 1 year	—	2,472	1,200	(235)	3,437	—	2,500	1,178	(201)	3,477
Within 1 year, or on demand	359	—	4,032	5	4,396	3	162	4,750	6	4,921
Total	359	2,472	5,232	(230)	7,833	3	2,662	5,928	(195)	8,398

1. Other includes the debtor and creditor amounts associated with derivative financial instruments.

**7 SHARE CAPITAL**

Details of the share capital, share option schemes and share-based payments of Compass Group PLC are shown in notes 24 and 25 to the consolidated financial statements.

**8 GUARANTEES AND INDEMNITIES**

GUARANTEES AND INDEMNITIES	2020 £m	2019 £m
Guarantees and indemnities (including subsidiary undertakings' overdrafts)	430	399
Total	430	399

Details regarding certain contingent guarantees and indemnities which involve the Company are set out in note 29 to the consolidated financial statements.

# Shareholder Information

## REGISTRAR

All matters relating to the administration of shareholdings in the Company should be directed to Link Asset Services (the registrar), The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; email: [enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk); telephone within the UK: Freephone 0800 029 4520 and from overseas: +44 333 300 1568.

Shareholders can register online to view their Compass Group PLC shareholding details using the Share Portal, a service offered by the registrar, [www.signalshares.com](http://www.signalshares.com). Shareholders registering for the Share Portal will require their investor code which is shown on share certificates. 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 valuation and payment instruction details
- appoint a proxy to attend general meetings of Compass Group PLC

## ELECTRONIC COMMUNICATIONS

The Company's Annual Report and all other shareholder communications can be found on our website [www.compass-group.com](http://www.compass-group.com).

We would encourage all shareholders to receive an email notification of when shareholder documents become available online as this helps to reduce our impact on the environment. By electing to receive shareholder communications in this way you will:

- be able to read and/or download the information at your leisure
- help the Company to save money by reducing the number of paper documents we produce and post
- promote more effective communications with shareholders
- support our efforts to be environmentally responsible

You can register to receive email communications: [www.signalshares.com](http://www.signalshares.com).

The provision of a facility to communicate with shareholders electronically does not discriminate between registered shareholders of the same class. The facility is available to all registered shareholders on equal terms and participation is made as simple as possible. Please note that it is the shareholder's responsibility to notify the registrar (through [www.signalshares.com](http://www.signalshares.com), by post or email: [enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk)) of any change to their email address. Before electing for electronic communication, shareholders should ensure that they have the appropriate computer capabilities. The Company takes all reasonable precautions to ensure no viruses are present in any communication it sends out but cannot accept any responsibility for loss or damage arising from the opening or use of any email or attachments from the Company and recommends that shareholders subject all messages to virus checking procedures prior to use. Please note that any electronic communication sent by a shareholder to the Company or the registrar containing a computer virus will not be accepted.

The Company's obligation is satisfied when it transmits an electronic message. It cannot be held responsible for a failure in transmission beyond its control. In the event that the Company becomes aware that an electronic transmission is not successful, a paper notification will be sent to the shareholder at their registered address. Shareholders wishing to continue to receive shareholder information in the traditional paper format should confirm this via [www.signalshares.com](http://www.signalshares.com) or write to Link Asset Services.

## PUBLISHED INFORMATION

If you would like to receive a hard copy of this Annual Report and/or a copy of the Notice of Annual General Meeting in another format such as large print, Braille or an audio version on CD, please contact the Group Company Secretariat at Compass Group PLC, Compass House, Guildford Street, Chertsey, Surrey KT16 9BQ. Our 2020 Annual Report and the Notice of Meeting are available on our website [www.compass-group.com](http://www.compass-group.com).

## CASH DIVIDENDS

The Company normally pays a dividend twice each year. As announced by the Company on 23 April 2020, whilst recognising the importance of a dividend to the Company's shareholders, it was concluded that there was a need to balance this with the impact of the COVID-19 pandemic on the Group's businesses. The Board therefore decided not to pay an interim or a final dividend for the financial year ended 30 September 2020. The Board will keep future dividends under review and will restart payments when it is appropriate to do so.

We encourage UK resident ordinary shareholders to elect to have their dividends paid directly into their bank or building society account. This is a more secure method of payment and avoids delays or cheques being lost. Most ordinary shareholders resident outside the UK can also have any dividends in excess of £10 paid into their bank account directly via Link Asset Services' global payments service. Details and terms and conditions may be viewed at <http://ips.linkassetservices.com>.

## DIVIDEND REINVESTMENT PLAN (DRIP)

A DRIP service is provided by Link Market Services Trustees Limited. The DRIP allows eligible shareholders to use the whole of their cash dividend to buy additional shares in the Company, thereby increasing their shareholding. Additional information, including details of how to sign up, can be obtained from the Company's website [www.compass-group.com](http://www.compass-group.com), and from Link Market Services Trustees Limited; email: [shares@linkgroup.co.uk](mailto:shares@linkgroup.co.uk); telephone within the UK: Freephone 0800 029 4520 and from overseas: +44 333 300 1568.

## SHARE PRICE INFORMATION

The price of the Company's shares is available on the Company's website [www.compass-group.com](http://www.compass-group.com). This is supplied with a 15 minute delay to real time.

## SHARE DEALING

The Company's shares can be traded through most banks, building societies, stockbrokers or 'share shops'. In addition, the Company's registrar offers online and telephone dealing services to buy or sell Compass Group PLC shares. The service is only available to eligible private shareholders aged 18 or over. Full details can be obtained from [www.linksharedeal.com](http://www.linksharedeal.com) or by telephoning within the UK: Freephone 0800 029 4520.

## SHAREGIFT

ShareGift, the charity share donation scheme, is a free service for shareholders wishing to give shares to charitable causes. It is particularly useful for those shareholders who may wish 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](http://www.sharegift.org); telephone within the UK: 020 7930 3737 and from overseas: +44 20 7930 3737; email: [help@sharegift.org](mailto:help@sharegift.org), or from the registrar.

## AMERICAN DEPOSITORY RECEIPTS

Compass Group PLC operates an American Depository Receipts programme (ADR) which are traded on the over-the-counter market under the symbol CMPGY. One ADR represents one ordinary Compass share. BNY Mellon (BNY) maintains the Company's American Depository Receipt register. If you have any enquiries about your holding of Compass American Depository Shares, you should contact BNY Mellon by regular mail: BNY Mellon, PO Box 505000, Louisville, KY 40233-5000, USA or by overnight or certified registered mail: BNY Mellon, 462 South 4th Street, Suite 1600, Louisville, KY 40202, USA. Alternatively, you can email Computershare at [shrrelations@cpushareownerservices.com](mailto:shrrelations@cpushareownerservices.com). Further information can be found on BNY's website at [www.mybnymdr.com](http://www.mybnymdr.com) using the symbol CMPGY.

## UNSOLICITED MAIL

We are legally obliged to make our register of members available to the public, subject to a proper purpose test. As a consequence of this, some shareholders might receive unsolicited mail. Shareholders wishing to limit the amount of such mail should write to the Mailing Preference Service, MPS FREEPOST 29 LON20771, London W1E 0ZT. Shareholders can also register online at [www.mpsonline.org.uk](http://www.mpsonline.org.uk) or request an application form by calling from within the UK: 020 7291 3310 or by email: [mps@dma.org.uk](mailto:mps@dma.org.uk).

## IDENTITY THEFT

Advice on protecting your Compass Group PLC shares:

- keep all Compass correspondence in a safe place, or destroy correspondence by shredding
- when changing address, inform the registrar, Link Asset Services. If a letter from Link Asset Services is received regarding a change of address and you have not moved, contact the registrar immediately
- consider having your dividends paid directly into your bank or building society account. This will reduce the risk of the cheque being intercepted or lost in the post. You can complete a Request for Payment of Interest or Dividends form which are available from and should be returned to the registrar. Alternatively, register online at [www.signalshares.com](http://www.signalshares.com) using the Share Portal service. If you require further information please contact the registrar on changing your bank or building society account, inform the registrar of the details of the new account and respond to any letters Link Asset Services send you about this
- when buying or selling shares, deal only with brokers registered in your country of residence or the UK

## WARNING ABOUT SHARE FRAUD

Investment scams are often sophisticated and difficult to spot. Fraudsters use persuasive and 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 upfront payment.

Whilst high profits are promised, if you buy or sell shares in this way, you will probably lose your money.

## HOW TO PROTECT YOURSELF FROM SHARE FRAUD

- Financial Conduct Authority (FCA) authorised firms are unlikely to contact you out of the blue with an offer to buy or sell shares
- you should only deal with financial services firms that are authorised by the FCA, and check the Register at <https://register.fca.org.uk> to ensure that they are. You can also check the FCA's Warning List of firms to avoid at <https://www.fca.org.uk/scamsmart/warning-list>
- you should check the firm isn't a clone firm by asking for their firm reference number (FRN) and contact details and then calling them back on the switchboard number on the FCA's Register – never use a link in an email or website from the firm offering you an investment
- if you use an unauthorised firm, you won't have access to the Financial Ombudsman Service (<https://www.financial-ombudsman.org.uk>) or Financial Services Compensation Scheme (<https://www.fscs.org.uk>) if things go wrong – and you are unlikely to get your money back
- always be wary if you are contacted out of the blue, pressured to invest quickly or promised returns that sound too good to be true. Generally, the higher the return promised, the more likely it's a high risk investment or a scam
- you should seriously consider seeking financial advice or guidance before investing. You should make sure that any firm you deal with is regulated by the FCA and never take investment advice from the company that contacted you, as this may be part of the scam
- The Money Advice Service ([www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk)) has information on investing and about how to find a financial advisor

## REPORT A SCAM

You can report a firm or scam by contacting the FCA's Consumer Helpline on 0800 111 6768 or using the FCA's reporting form at [www.fca.org.uk/scamsmart](https://www.fca.org.uk/scamsmart). If you have already invested in a scam, fraudsters are likely to target you again or sell your details to other criminals. The follow up scam may be completely separate or related to the previous fraud, such as an offer to get your money back or to buy back the investment after you pay a fee. If you have any concerns at all about a potential scam, contact the FCA immediately.

# Glossary of terms

<b>Capital employed</b>	Total equity shareholders' funds adjusted for net debt, post employment benefit obligations net of associated deferred tax, amortised intangibles arising on acquisition, impaired goodwill and excluding the Group's non-controlling partners' share of net assets and net assets of discontinued operations.
<b>Constant currency</b>	Restates the prior year results to the current year's average exchange rates.
<b>EM &amp; OR restructuring</b>	Emerging Markets and Offshore & Remote restructuring.
<b>Free cash flow<sup>1</sup></b>	Calculated by adjusting operating profit for non-cash items in profit, cash movements in provisions, contract prepayments and costs to obtain client contracts, post employment benefit obligations and working capital, cash purchases and proceeds from disposal of non-current assets, net cash interest, net cash tax, payment of lease principal amounts, dividends received from joint ventures and associated undertakings and dividends paid to non-controlling interests.
<b>Free cash flow conversion</b>	Underlying free cash flow expressed as a percentage of underlying operating profit.
<b>Gross capital expenditure</b>	Includes the purchase of intangible assets, contract fulfilment assets, property, plant and equipment and investment in contract prepayments. Assets purchased under finance leases were included in gross capital expenditure until 2019.
<b>Like for like revenue growth</b>	Calculated by adjusting organic revenue growth for new business wins and lost business.
<b>Net capital expenditure</b>	Gross capital expenditure less proceeds from sale of property, plant and equipment, intangible assets and cash proceeds from derecognition of contract fulfilment assets and contract prepayments.
<b>Net debt<sup>1</sup></b>	Bank overdrafts, bank and other borrowings, lease liabilities and derivative financial instruments, net of cash and cash equivalents.
<b>Net debt to EBITDA</b>	Net debt divided by underlying EBITDA.
<b>NOPAT</b>	Net operating profit after tax (NOPAT) is calculated as underlying operating profit from continuing operations less operating profit of non-controlling interests before tax, net of income tax at the underlying rate of the year.
<b>Organic profit growth</b>	Calculated by adjusting underlying operating profit for acquisitions (excluding current year acquisitions and including a full period in respect of prior year acquisitions), sale and closure of businesses (excluded from both periods) and exchange rate movements (translating the prior period at current year exchange rates) and compares the current year results against the prior year. In addition, where applicable, a 53rd week has been excluded from the prior year's underlying operating profit.
<b>Organic profit</b>	Calculated by adjusting underlying operating profit for acquisitions (excluding current year acquisitions and including a full period in respect of prior year acquisitions), sale and closure of businesses (excluded from both periods) and exchange rate movements (translating the prior period at current year exchange rates).
<b>Organic revenue</b>	Calculated by adjusting underlying revenue for acquisitions (excluding current year acquisitions and including a full period in respect of prior year acquisitions), sale and closure of businesses (excluded from both periods) and exchange rate movements (translating the prior period at current year exchange rates).
<b>Organic revenue growth</b>	Calculated by adjusting underlying revenue for acquisitions (excluding current year acquisitions and including a full period in respect of prior year acquisitions), sale and closure of businesses (excluded from both periods) and exchange rate movements (translating the prior period at current year exchange rates) and compares the current year results against the prior year. In addition, where applicable, a 53rd week has been excluded from the prior year's underlying revenue.
<b>ROCE</b>	Return on capital employed (ROCE) divides NOPAT by the 12 month average capital employed.

<b>Specific adjusting items</b>	acquisition related costs one-off pension charge cost action programme and COVID-19 resizing costs tax on share of profit of joint ventures gain/(loss) on sale and closure of businesses other financing items including hedge accounting ineffectiveness and change in the fair value of investments
<b>Underlying basic earnings per share</b>	Excludes specific adjusting items and the tax attributable to those items.
<b>Underlying cash tax rate</b>	Based on underlying cash tax and underlying profit before tax.
<b>Underlying depreciation and amortisation</b>	Excludes specific adjusting items.
<b>Underlying EBITDA</b>	Based on underlying operating profit, adding back underlying impairment, depreciation and amortisation of intangible assets and contract prepayments.
<b>Underlying effective tax rate</b>	Based on underlying tax charge and underlying profit before tax.
<b>Underlying free cash flow</b>	Free cash flow adjusted for cash restructuring costs in the year relating to the cost action programme and COVID-19 resizing costs.
<b>Underlying net finance cost</b>	Excludes specific adjusting items.
<b>Underlying operating margin – Group</b>	Based on underlying revenue and underlying operating profit excluding share of profit after tax of associates.
<b>Underlying operating margin – Region</b>	Based on underlying revenue and underlying operating profit excluding share of profit after tax of associates, EM & OR restructuring.
<b>Underlying operating profit – Group</b>	Includes share of profit after tax of associates and profit before tax of equity accounted joint ventures but excludes the specific adjusting items.
<b>Underlying operating profit – Region</b>	Includes share of profit before tax of equity accounted joint ventures but excludes the specific adjusting items, profit after tax of associates, EM & OR restructuring.
<b>Underlying profit before tax</b>	Excludes specific adjusting items.
<b>Underlying revenue</b>	Combined sales of Group and share of equity accounted joint ventures.
<b>Underlying tax charge</b>	Excludes tax attributable to specific adjusting items.

1. Following the adoption of IFRS 16 on a modified retrospective basis on 1 October 2019 the definitions of these alternative performance measures have been updated. Additional information about the impact of IFRS 16 is included in note 1 to the consolidated financial statements.

## FORWARD LOOKING STATEMENTS

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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, 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, expected expenditures and divestments, risks associated with changes in economic conditions, 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 prices and changes in exchange and interest rates. 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, which speak only at their respective dates.

Additionally, forward looking statements regarding past trends or activities should not be taken as a representation 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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The images in the Annual Report and Accounts are representative of the services provided by Compass Group PLC and its subsidiaries and partners. Some of the photography used in the Report has been taken prior to the COVID-19 pandemic.

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