Task Force on Climate-related Financial Disclosures continued

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

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

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

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

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

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

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

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

Governance

Oversight of climate-related risks and opportunities

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

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

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