

*Passionate  
about food*



## Strategic report

- 2 2019 performance at a glance
- 4 Our business at a glance
- 6 Our market position
- 7 Our sectors
- 8 Chairman's statement
- 12 Our business model and strategy
- 14 How we create value
- 16 Our stakeholders
- 18 Chief Executive's review
- 22 Executive Committee
- 26 Key performance indicators
- 28 Regional review
  - 28 North America
  - 30 Europe
  - 32 Rest of World
- 34 Business review
- 41 Risk management
  - 42 Principal risks
- 46 People report
- 54 Corporate Responsibility report

## Corporate governance

- 64 Governance and Directors' report
  - 66 Chairman's letter
  - 68 Board of Directors
  - 72 Corporate Governance
  - 82 Audit Committee report
  - 90 Corporate Responsibility Committee report
  - 94 Nomination Committee report
  - 98 Directors' Remuneration report
  - 122 Other statutory disclosures

## Financial statements

- 130 Directors' responsibilities
- 131 Independent auditor's report
- 138 Consolidated financial statements
- 144 Group accounting policies
- 154 Notes to the consolidated financial statements
- 225 Parent Company financial statements
- 227 Parent Company accounting policies
- 229 Notes to the Parent Company financial statements

## Shareholder information

- 232 Shareholder information
- 235 Notice of Annual General Meeting

## Glossary

- 246 Glossary of terms

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Visit our website for related information  
[www.compass-group.com](http://www.compass-group.com)

Our 2019 Sustainability Report will be  
available online in early 2020



# Passionate about food



At Compass we are passionate about food.

This passion drives us to ensure we are at the forefront of our industry.

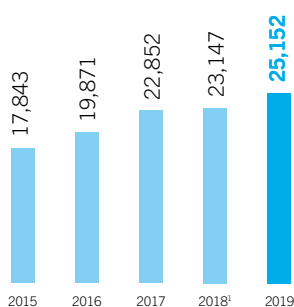
Our global scale allows us to identify market trends and to innovate accordingly – ensuring we provide great quality food services to millions of people around the world.

Through our **Performance**, **People** and **Purpose** strategy we are focused on delivering value to all our stakeholders.

# Consistent performance

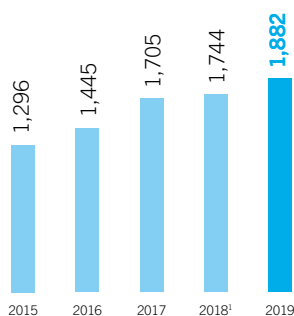
## UNDERLYING REVENUE

£25,152m



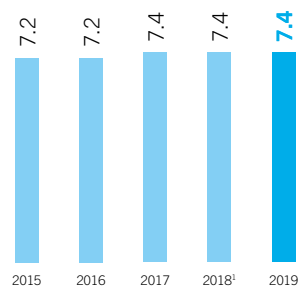
## UNDERLYING OPERATING PROFIT

£1,882m



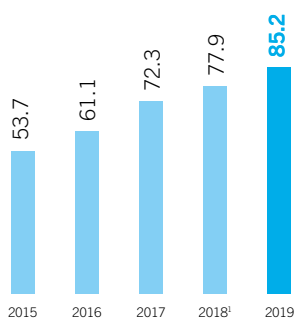
## UNDERLYING OPERATING MARGIN

7.4%



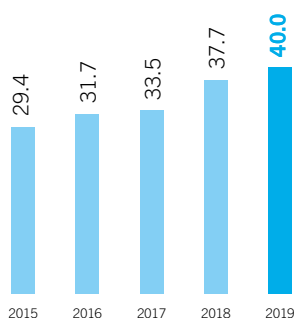
## UNDERLYING BASIC EARNINGS PER SHARE

85.2p



## DIVIDEND PER SHARE

40.0p

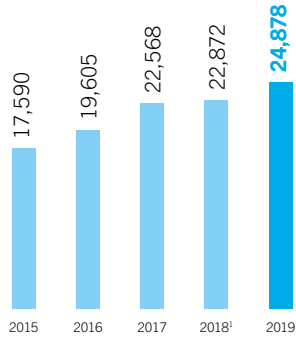


Throughout the Strategic Report, and consistent with prior years, underlying and other alternative performance measures are used to describe the Group's performance. These are not recognised under IFRS or other generally accepted accounting principles (GAAP). The Executive Committee of the Group manages and assesses the performance of the business on these measures and believes they are more representative of ongoing trading, facilitate meaningful year on year comparisons and hence provide more useful information to shareholders. Underlying and other alternative performance measures are defined in the glossary of terms on pages 246 and 247. A summary of the adjustments from statutory to underlying results is shown in note 34 on page 208 and further detailed in the consolidated income statement (page 138), reconciliation of free cash flow (page 143), note 2 segmental reporting (pages 161 to 164) and note 35 organic revenue and organic profit (page 210).

1. Restated upon adoption of IFRS 15.

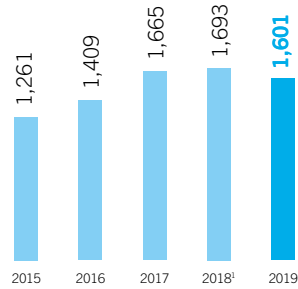
### STATUTORY REVENUE

£24,878m



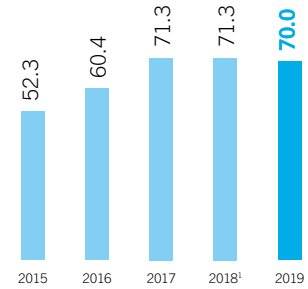
### STATUTORY OPERATING PROFIT

£1,601m



### STATUTORY BASIC EARNINGS PER SHARE

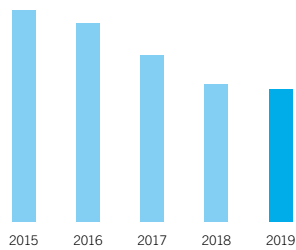
70.0p



### GLOBAL LOST TIME INCIDENT FREQUENCY RATE

-38%

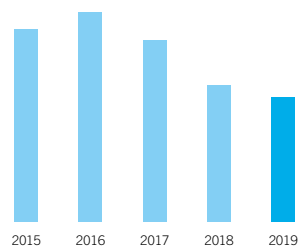
(since 2015)



### GLOBAL FOOD SAFETY INCIDENT RATE

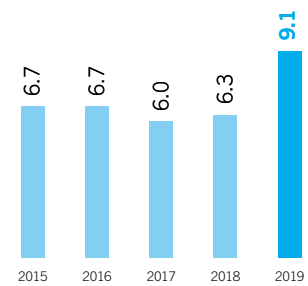
-35%

(since 2015)



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

9.1



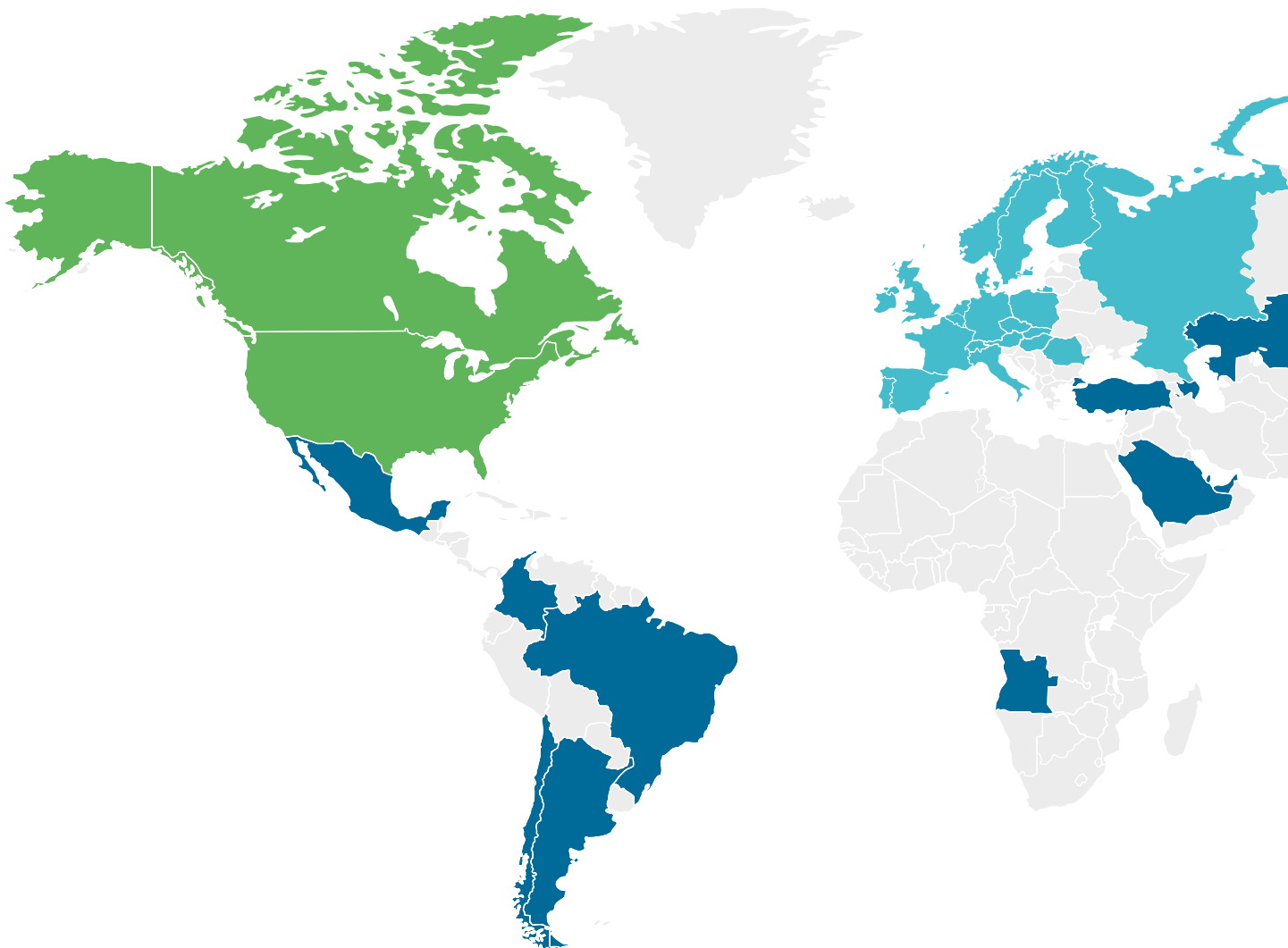
2. The scope and methodology of our reporting has changed this year; therefore data is not comparable on a like for like basis. For more information about our disclosure on global GHG emissions for the financial year ended 30 September 2019, see page 60.

# We are the industry leader with a strategic focus on food

Food service is our core competence. We are the industry leader and create value for our clients and consumers by providing them with a range of dining solutions that are innovative, healthy and sustainable.

Our scale and focus on execution mean that we can provide our clients and consumers with the best value in terms of quality and cost as well as the most exciting and innovative solutions.

We have a global footprint and manage the business in three geographic regions. This gives us balanced exposure to developed markets in North America and Europe as well as emerging markets with exciting long term growth prospects.





**45**

Number of countries we operate in



**55,000**

Number of client locations we work in



**600,000**

Number of colleagues



**5.5 billion**

Number of meals served per year

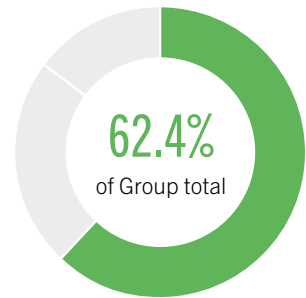


**NORTH AMERICA**

Underlying revenue

**£15,694m**

(2018<sup>1</sup>: £13,718m)

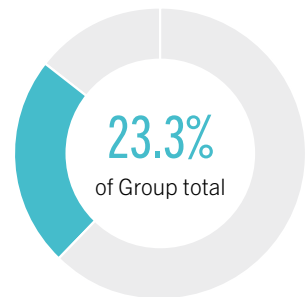


**EUROPE**

Underlying revenue

**£5,854m**

(2018<sup>1</sup>: £5,762m)

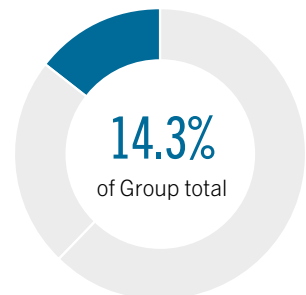


**REST OF WORLD**

Underlying revenue

**£3,604m**

(2018<sup>1</sup>: £3,667m)



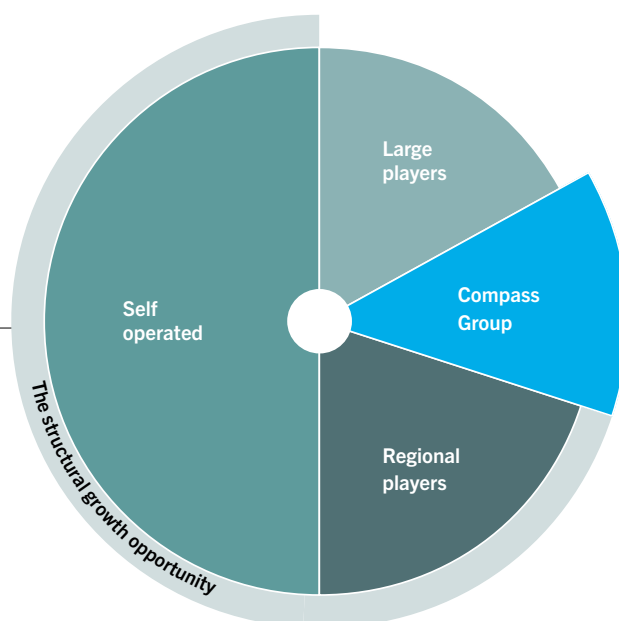
1. Restated upon adoption of IFRS 15.

# Significant structural growth opportunity remains

We estimate that the addressable global food services market is currently worth in excess of £200 billion. We are the leading global food provider with around a 10% market share by sales. Approximately 75% of the market is serviced by regional players or in-house providers, which means there is a significant structural growth opportunity for us.

## GLOBAL FOOD SERVICES MARKET C. £200BN

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



The market for food services continues to offer significant growth potential as we deliver a strong proposition across our core sectors and regions.

Compass provides outsourced food services around the world in a market worth over £200 billion. The five sectors in which we operate continue to offer substantial opportunities for growth.

Food service remains at the core of the Compass offer. Business & Industry accounts for around 40% of this value, and this important sector continues to offer attractive growth opportunities. In more developed markets, where outsourcing rates are routinely in excess of 60%, our combination of scale, efficiencies and best-in-class service delivery supports continued revenue growth. In emerging markets, outsourcing rates are still only around 10%, providing a significant opportunity for future growth.

The Healthcare & Seniors and Education sectors also continue to grow, with less than half of the addressable global market currently outsourced. In Education, our expertise in nutrition means we are able to provide delicious food which supports learning at every stage of the education journey. In Healthcare, we work directly with healthcare providers to improve patient

experiences and outcomes. At the same time, our hospital retail proposition makes life more comfortable for visitors.

Sports & Leisure is a highly outsourced sector in which we benefit from our strong reputation across key markets.

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

Supplementing our core food offer with targeted support services is attractive in certain markets and sectors, such as Healthcare & Seniors and Defence, Offshore & Remote. In these sectors, we are recognised for fulfilling the needs of clients who require services with uncompromising quality.

In the markets and regions in which Compass operates, we continue to build our business and reputation by focusing on our key strategic pillars of Performance, People and Purpose.



OUR SECTORS

# 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.

## DEFENCE, OFFSHORE & REMOTE

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.



## BUSINESS & INDUSTRY

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.



## SPORTS & LEISURE

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.



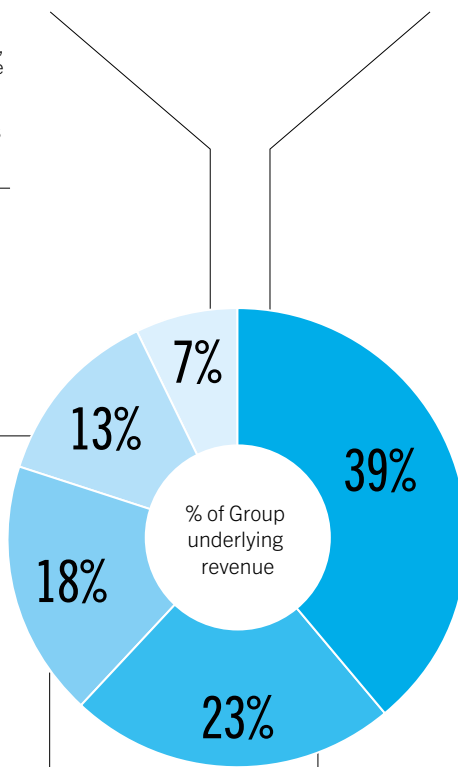
## EDUCATION

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.



## HEALTHCARE & SENIORS

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.



# Continued strong performance



**Paul Walsh**  
Chairman

## A YEAR OF STRONG ORGANIC GROWTH

In 2019, Compass has continued to create value and delivered strong organic revenue growth of 6.4%, ahead of our target range of 4-6%. This was driven by a strong performance in North America and an acceleration in growth in Rest of World. Europe growth was good, although the first half performance was diluted by the more challenging macro environment in the second half. We maintained our strong Group margin at 7.4%. Details of our operational and financial performance can be found on pages 2 to 40.

I would like to take this opportunity to thank our colleagues throughout Compass for their continued hard work and commitment over the last year. Once again, we owe our success to them. It is their passion for food and excellent customer service that drive the business forward.

## SHAREHOLDER RETURNS

As a result of our strong performance, the Board is recommending a 5.9% increase in the final dividend for the year to 26.9 pence per share (2018: 25.4 pence per share). This results in a total dividend for the year of 40.0 pence per share (2018: 37.7 pence per share), an increase of 6.1%. The final dividend will be paid on 24 February 2020 to shareholders on the register on 17 January 2020.

## STRATEGY

The Group has a clear and successful strategy which is focused on our core competence – food. We continue to drive our financial performance by delivering great food to clients and consumers combined with a rigorous focus on execution. Our strategy places Performance, People and Purpose as our main priorities as we continue to seek to create long term value for all our stakeholders by improving the quality and sustainability of our business.

Our 2019 performance reaffirms the Board's confidence in our strategy and business model which are central to our long term success (see pages 12 to 15).

## CORPORATE RESPONSIBILITY

We have a strong commitment to corporate responsibility and continue to build on this strength by working more proactively with our clients and consumers. For example, on this year's Stop Food Waste Day, thousands of our people in 38 countries engaged with our customers to raise awareness of ways to minimise food waste.

Our people are critical to our ability to achieve our goals in a responsible and sustainable manner. We recognise that they are key to delivering excellent food service and we are focused on developing career paths and providing flexibility for those who want to work in different roles across different sectors or countries. We have exceptional leaders and are proud of what we have achieved to date in our gender diversity. Although there is more to do, as at the year end we had 36% female representation on the Compass Group Board and 38% on the Executive Committee.

See pages 48 to 63 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 by their integrity and trustworthiness as much as by their financial performance. One of my key responsibilities as Chairman is to set the tone for Compass and ensure good governance (see pages 64 to 127). In this 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. As part of our ongoing review of Board membership, we 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.

In April 2019, Karen Witts was appointed to the Compass Board as Group Chief Financial Officer. Karen, who joined us from Kingfisher PLC, has financial and operational expertise that is highly complementary to our team and brings with her a wealth of experience in retail and technology.

I would like to thank all Board members for their 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.

### SUMMARY AND OUTLOOK

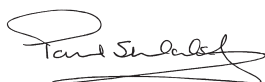
Compass has had another strong year. Organic revenue growth was 6.4%, ahead of our target range, thanks to excellent growth in North America and an improving performance in Rest of World. There was good growth in our European business with strong performances in UK Defence and Sports & Leisure offsetting weak volumes in Business & Industry. The Group margin during 2019 was maintained despite this more challenging trading environment in Europe.

We are making good strategic progress through disciplined focus on our Performance, People and Purpose priorities and have continued to reshape our portfolio. Disposal proceeds have been reinvested in bolt-on acquisitions to further strengthen our food service offer and subsector approach, and in June we announced the proposed acquisition of Fazer Food Services, a leading food service business in the Nordics, which is a strong strategic fit with Compass.

Despite this good performance, we are not immune to the macro environment. Deteriorating business and consumer confidence in Europe has impacted our Business & Industry volumes, new business activity and margin. Given these trends, we are taking prompt action in Europe and certain Rest of World markets to adjust our cost base. As well as offsetting short term margin pressures, by taking this action from a position of strength, we will be better placed to capitalise on future growth opportunities.

Our expectations for the Group in 2020 are positive although we remain cautious on the macro environment in Europe. The pipeline of new contracts in North America is strong and Rest of World is growing well, although we are seeing some hesitation in decision making in Europe. Thanks to the Group's geographic and sectoral diversity, we are nevertheless confident of continued progress. As such, we expect organic growth to be around the mid-point of our 4-6% range whilst maintaining our strong margin<sup>1</sup> as we mitigate the expected volume pressures through our cost actions.

In the longer term, we remain excited about the significant structural growth opportunities globally, the potential for further revenue and profit growth, combined with further returns to shareholders.



**Paul Walsh**  
Chairman

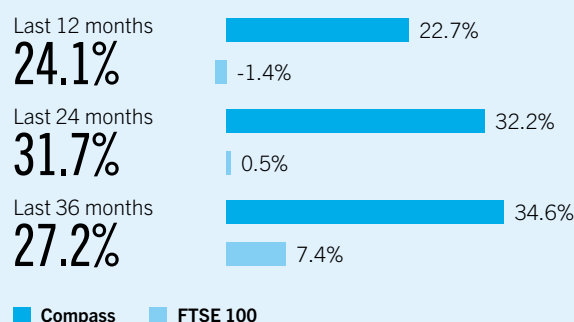
26 November 2019

### POSITION IN FTSE 100 INDEX AS AT 30 SEPTEMBER 2019

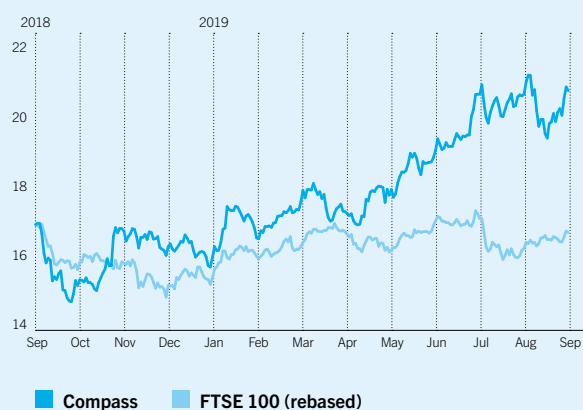
**16**

(2018: 20)

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



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



1. Pre IFRS 16 'Leases'. IFRS 16 will be adopted by the Group on 1 October 2019.



*Passionate  
about Performance*

## INNOVATION IN OUR FOOD OFFER

Food service is a dynamic business that must continually evolve to keep pace with shifting behaviours, tastes and needs. Consumer habits are changing fast; we stay tuned in via our trends and insights platform and we are focused on delivering the best experience for our clients and consumers through technology, the use of artificial intelligence and innovative food offers.

One of the key trends currently shaping our industry is plant-based diets. Inspired by improving their health as well as doing something positive for the planet, consumers are increasingly embracing plant-based meals. Our culinary teams develop delicious and nutritious dishes that will appeal to both meat eaters and vegetarians, without compromising flavour or texture. Oat protein is an alternative protein source we are using across our recipe portfolio. Its versatility, taste and texture allows us to develop new flexitarian and vegan dishes influenced by on trend cuisines whilst offering a sustainable choice for our consumers.



# A differentiated approach

## A BUSINESS MODEL FOR GROWTH



We drive growth by focusing on our clients. We sectorise and sub-sectorise our business to better understand the client’s needs which allows us to create bespoke and innovative solutions. We supplement our organic growth by making small and medium sized acquisitions that add innovation, capability and sector or market expertise in our existing markets.

We focus on operational execution and generate efficiencies by utilising our scale as a market leader, optimising our supply chain and diligently managing our food and labour costs through our Management and Performance (MAP) framework.

Strong cash generation enables us to reinvest in the customer proposition and capitalise on the significant growth opportunities in the market.

Our organic revenue growth, the scale it creates and our focus on cost and efficiencies give us a clear competitive advantage. We can provide our clients and consumers with the best value in terms of quality and cost and this, combined with sectorisation, helps drive long term sustainable organic revenue growth.

Our people 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 an exceptional experience to our clients and consumers.

## A STRATEGY FOR COMPETITIVE ADVANTAGE



### Our priorities

Food is our focus and our core competence. We take a pragmatic and targeted approach to other support services, developing strategies on a country by country basis.

The desire for focus means we are also willing to exit countries which do not fit our long term aspirations.

### To drive growth

Our preference is to grow organically given that it yields the highest returns and leverages the significant structural growth opportunity in the global food services market.

However, we also seek to invest in small to medium sized acquisitions, but only if they are attractive targets that have the right cultural fit and further strengthen our portfolio.

### And deliver for clients

We are committed to providing the best quality and value to our clients with best-in-class execution. We have increased our focus on innovation in our core food business to bring more variety and excitement to our offer as well as to improve our operations.



**Clare Hunt**  
Group Director of Strategy and M&A

**WHAT AREAS OF THE BUSINESS DO YOU FOCUS ON?**

We focus on how we can optimise our business model to be more efficient and drive growth. In particular, we look at how we can implement a more systematic approach to the '3 little Ps' of pricing, purchasing and productivity across the Group.

**WHAT OTHER OPPORTUNITIES DO YOU SEE?**

There's so much going on in the food industry – it's fascinating. For example, we're looking a lot at online delivery at the moment, as well as working with some really innovative suppliers on ingredients and food preparation.

**WHERE DOES M&A FIT?**

We're always on the lookout for acquisitions that can bring us great management teams and new capabilities. That could be presence in a new sub-sector, for example, or something that enhances our current offer.



# Long term stakeholder value

**Our strategy is to focus on food, and our model for creating value remains unchanged. Its longevity is down to its simplicity and proven success.**

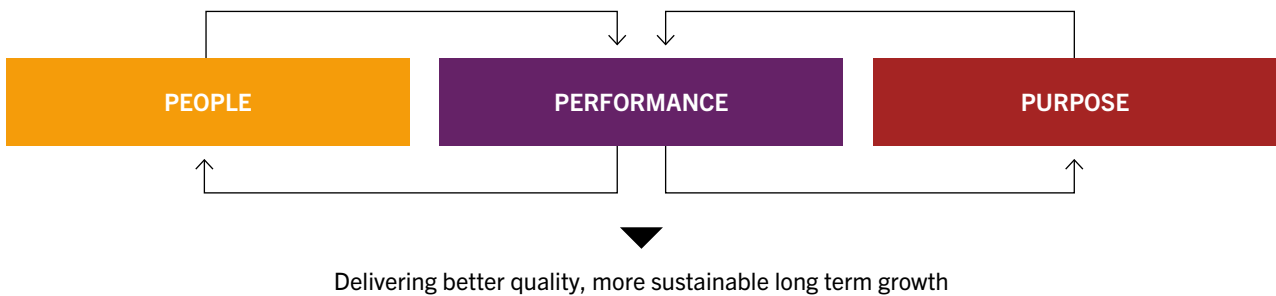
Food is our focus and our core competence. We believe we can capture the longer term opportunities across the industry whilst delivering value to all our stakeholders. We do this by focusing on our three key strategic pillars.

The Performance pillar is focused on ensuring best-in-class execution across the entire Group. Our Management and Performance (MAP) framework remains the foundation of Compass' performance. We are now codifying and sharing best practices across all our countries – with particular focus on

pricing and customer experience (MAPs 1&2), purchasing (MAP 3) and productivity (MAPs 4&5) initiatives.

Our People pillar is focused on ensuring we have a dedicated and motivated workforce. Our 600,000 colleagues around the world are at the heart of our business and we believe the way we organise, engage and develop them is a critical competitive advantage (see pages 46 to 51 for more detail).

Finally, we believe that leading with purpose is the way to fulfil the true potential of the organisation. Under our Purpose pillar we support initiatives across the Group which improve the health and wellbeing of our people and consumers, are beneficial for the environment and are better for the communities with whom we engage (see pages 52 to 63 for more detail).



We use the Management and Performance (MAP) framework across the business.

#### 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

Having reduced the percentage of above unit overheads considerably since MAP was first introduced in 2006 by creating a simpler organisational model with fewer layers of management and less bureaucracy, we now strive to leverage those gains by maintaining overheads low whilst we continue to grow revenue.



## 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 operate. We seek to create value for all our stakeholders and aim to engage with them and take into account their feedback to ensure (where possible) that we all benefit from Compass' success.

## 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 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.

Having invested to support the long term growth prospects of the business (through capital expenditure up to 3.5% of sales and bolt-on M&A which achieve our returns criteria), we reward our shareholders with an ordinary dividend that grows in line with constant currency earnings. In addition, we seek to maintain net debt/EBITDA around 1.5x<sup>1</sup> over time, and consequently return any surplus capital to shareholders via share buybacks or special dividends.

## People

### OUR PEOPLE

We are a people-powered business. Our 600,000 colleagues are fundamental to delivering high quality food and service and to maintaining our reputation.

Through our People initiatives we are seeking to provide our colleagues with an inclusive and stimulating work environment – one where they can develop and progress, have a good work-life balance and realise job satisfaction.

During 2019, we launched our set of three Compass Commitments – Respect, Growth, Teamwork – which define what our people can expect when they work for us.

We also launched a global development programme for unit managers, Leadership in Action, which focuses on creating positive working environments in units and helping managers lead their teams more effectively.

See our People report on pages 46 to 51 for more information about these initiatives.

## Purpose

Our Purpose pillar and the initiatives we pursue are focused on two cornerstones: safety as care and a renewed commitment to sustainability.

### CONSUMERS & COLLEAGUES

Caring for each other allows us to strengthen our performance in occupational and food safety. This caring attitude, coupled with internal and external initiatives to tackle issues such as mental health awareness, increasingly deliver value to both our colleagues and our consumers. We also have an opportunity to support these stakeholders in achieving healthier, more balanced lifestyles. The depth of expertise in the business allows us to educate our consumers about health and wellness and, through healthy menu offerings, encourage them to make better nutritional choices.

### SUPPLIERS

Our supply chain integrity requirements ensure we are supporting suppliers who share our values. We collaborate with our partners throughout the entire supply chain to deliver sustainable, scalable and secure solutions for food and its production. We source our food and non-food products in a sustainable manner.

### ENVIRONMENT

We are championing initiatives that help the environment. In 2017, Compass founded Stop Food Waste Day – an annual global awareness programme which in 2019 reached 89 million on social media and an estimated 10 million people through food waste engagement activities. We are considering other new initiatives around packaging and plastics that are better for the environment and are seeking to persuade our consumers to adopt more sustainable behaviours, including plant-forward meals which are not only good from a nutritional perspective but are better for the environment.

### COMMUNITIES

Our success depends on the support and inclusion of the vibrant local communities which surround us. We look to give back by getting involved with community projects and initiatives that benefit the local area.

See our CR report on pages 52 to 63 for more information about our Purpose initiatives.





1. Pre IFRS 16 'Leases'. IFRS 16 will be adopted by the Group on 1 October 2019. The Group expects between £950 million–£1,050 million of additional debt on its balance sheet on adoption.

# Engaging with our stakeholders

As a geographically and culturally diverse business with around 600,000 colleagues in 45 countries, we have a global and diverse community of stakeholders, each with their own interests in and expectations of the Company.

The success of our strategy is reliant on the support and commitment of all our stakeholders. Having stakeholders who believe in our brand and share our values is therefore very important to us. We believe that together we are stronger, and that by working together we can achieve our common goal. That is why we are committed to maintaining strong, positive relationships with our stakeholders, built on a foundation of mutual respect, trust and understanding.

More detail about how we engage with our stakeholders can be found throughout the Report.

	 <b>Our people</b>	 <b>Our communities</b>	 <b>Our clients</b>	 <b>Our consumers</b>
<b>Description</b>	Colleagues who work in our business.	The people who live in the local communities around our sites and operations.	The businesses and organisations for which we provide services around the world.	The people to whom we serve food and drink and provide support services.
<b>Areas of focus</b>	<ul style="list-style-type: none"> <li>engagement and teamwork</li> <li>providing opportunities for development and growth</li> <li>creating a respectful environment</li> <li>health and wellbeing</li> </ul>	<ul style="list-style-type: none"> <li>fair employment and equal opportunities</li> <li>local causes and issues</li> </ul>	<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>	<ul style="list-style-type: none"> <li>delicious, safe 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> </ul>
<b>Why we engage</b>	Our people are at the heart of our business and key to our ongoing success. We want our people to thrive in a fair and inclusive work environment.	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.	By understanding what is important to our clients, we ensure that our solutions are tailored to support their individual business objectives.	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.
<b>How we engage</b>	There are many ways we engage, including engagement surveys, town hall meetings, Speak Up reports, internal social media channels and consultative bodies.	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.	We aim to have open and transparent relationships which 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 hold independent client surveys which measure satisfaction levels.	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.







**Sapna Sood**  
Group Director International Clients & Market Development

**WHAT MAKES COMPASS DIFFERENT IN THE EYES OF CLIENTS?**

We are unique in the marketplace in terms of our focus on food and multi sector operations. We are fortunate to serve a wide range of clients in our Business & Industry, Healthcare & Seniors, Education, Sports & Leisure and Defence, Offshore & Remote sectors. This means that we get valuable insight into consumer needs at multiple different life stages, seeing first hand what food habits each generation will take into the workplace. This helps us partner with our clients to build future-proof solutions. It also means we can translate insights and best practice between sectors, for example taking learnings from our work on mental health with Offshore clients and applying these to our Business & Industry clients who are increasingly focused on health and wellbeing in the workplace.

**WHAT EMERGING TRENDS DO YOU SEE AMONGST YOUR INTERNATIONAL CLIENTS?**

A key trend for our clients is the focus on enhancing the employee experience, delivering value to their employees and guests on a daily basis with growing emphasis on supporting their health and wellbeing. The other key focus is the use of technology to enhance the daily consumer journey and support operational excellence.

 <b>Our suppliers</b>	 <b>Our shareholders</b>	 <b>NGOs</b>	 <b>Governments &amp; regulators</b>
<p>Our trusted partners who source, produce and deliver products and services.</p>	<p>Individuals or institutions that own shares in Compass Group PLC.</p>	<p>Non-governmental organisations (NGOs) which support us with knowledge and expertise on key social, environmental and economic issues.</p>	<p>Regional and national government bodies and agencies who implement and enforce applicable laws across our industry.</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>	<ul style="list-style-type: none"> <li>• financial performance and strategy</li> <li>• competitive positioning</li> <li>• outlook</li> <li>• ethical business practice</li> <li>• sound governance and leadership</li> </ul>	<ul style="list-style-type: none"> <li>• human rights</li> <li>• climate change</li> <li>• animal welfare</li> <li>• social issues</li> </ul>	<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 and climate change</li> <li>• compliance with laws and regulations</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>As owners of the business we rely on the support of our shareholders, and their opinions are extremely important to us. The views of our major shareholders are reported to, and discussed by, the Compass Group Board on a regular basis.</p>	<p>To develop meaningful and robust action plans on the key social, environmental and economic issues that we can positively impact.</p>	<p>To communicate our views to those who have the responsibility for implementing policy, laws and regulations relevant to our business.</p>
<p>Through a series of communications, interactions and formal reviews. In some of our larger markets we also host regular multi-stakeholder supplier conferences.</p>	<p>We have ongoing dialogue with our investors through one-to-one and group meetings, webcasts, conference calls and at our AGM. The Group Investor Relations and Corporate Affairs Director has day to day responsibility for investor relations and the Group CEO and Group CFO dedicate significant time to engaging with our major shareholders. During 2019 we also conducted an investor survey.</p>	<p>Through a series of communications, interactions and regular meetings, industry forums and conferences.</p>	<p>Through a series of industry consultations, forums and conferences.</p>

# Optimising our performance



**Dominic Blakemore**  
Group Chief Executive Officer

## 2019 RESULTS

I am pleased to report that Compass had another strong year. My priority continues to be to drive the business forward and deliver the financial performance and value creation that our stakeholders have come to expect from Compass.

Revenue for the Group grew by 6.4% on an organic basis, as we continue to expand within the £200 billion global food services market. New business wins were 7.9% driven by strong MAP 1 (client sales and marketing) performance in all regions. Our retention rate was maintained at 94.8% as a result of our ongoing focus and investment in service and quality. Like for like revenue grew by 3.7% reflecting sensible price increases and strong volume growth in Sports & Leisure, partially offset by weak Business & Industry volumes in Europe. On a statutory basis, revenue increased by 8.8%, including the positive impact from foreign currency translation.

Underlying operating profit increased by 4.7% (£84 million) on a constant currency basis. Operating profit margin remained at 7.4% despite the more challenging trading environment in Europe. We continue to work hard to drive efficiencies across the business to offset cost pressures including the higher mobilisation costs from increased new business wins. We have maintained our focus on MAP 3 (cost of food) with ongoing initiatives such as supplier and product rationalisation, improved menu planning and food waste reduction programmes.

Optimising MAP 4 (labour and in unit costs) and MAP 5 (above unit overheads) with initiatives around better labour scheduling, workforce management, work design, training and retention have become ever more important, particularly in markets such as Europe and the USA where labour inflation persists.

On a statutory basis, operating profit decreased by 5.4% as the impact of cost action charges offset higher profits and benefits of foreign exchange.

As a result of the business' continued strong earnings growth and cash flow generation, we propose an annual dividend of 40.0 pence per share, up 6.1% on the prior year.

## Taking appropriate cost actions

We are seeing good performances across most of the Group, however we are not immune to macroeconomic challenges. Although our European business is in good shape, delivering organic revenue growth of 4.1%, as previously indicated we have been seeing pressures in the region, particularly in some of our largest markets. These pressures have been increasing during the year, impacting volumes in our Business & Industry sector, and consequently are having a significant impact on our European margin. Consumer confidence continues to decline and a number of key clients, notably in manufacturing, automotive and financial services, have reduced their headcount in recent months.

Given this trading backdrop, we are taking prompt action to ensure we have the right sized labour model for the future. This will protect the profitability of the business and further strengthen our strong operational position, enabling us to continue to capitalise on the attractive growth opportunities we see in Europe. Although the vast majority of these actions are focused on Europe, they have also been extended to a limited number of countries in Rest of World.

These cost actions will result in a total non-underlying charge for the Group of around £300 million, of which £190 million has been incurred in FY19, with the remainder expected to be incurred in FY20. Approximately £160 million of the total charge is cash, with £29 million having been spent in FY19. This mostly relates to removing some MAP 4 (in unit labour) and some MAP 5 (overhead) costs, and has around a two year payback. The FY19 charge also includes a one-off non-cash charge of £120 million in respect of a change in the expected profitability of some of those contracts that have been affected by the recent deterioration in business and consumer confidence and that are now considered to be structurally loss making and where asset impairments have been taken. The run-rate for annual savings resulting from the cost actions is expected to be c. £90 million as we exit this year and have already been factored into the 2020 guidance.

## GROUP STRATEGY

Our refreshed strategy, announced 18 months ago, ensures that we further improve the long term quality and sustainability of our financial results.

We remain focused on food, our core competency. The global food services market is estimated to be more than £200 billion. We see a large and exciting structural growth opportunity, with only about 50% of the market currently outsourced, of which approximately one third is in the hands of small and regional players. We have a good track record in winning first time outsourcing contracts.

The large and disparate nature of the food services market makes it challenging to offer clients a one size fits all solution. Therefore, we segment the market into various sectors and subsectors using our portfolio of B2B brands. This allows us to get close to our clients, understand their needs and create different and exciting offers that meet their requirements and differentiate us from the competition.

We are the largest player in the global market. As we continue to grow and increase our scale, we further extend our competitive advantage and our position as the most efficient provider. This allows us to offer our clients and consumers the most exciting and innovative solutions, as well as the best value. The ability to innovate is important to ensure we meet our clients' and consumers' rapidly evolving tastes and needs, and our decentralised structure means we are well placed to pilot concepts in local markets before expanding across the Group where appropriate.

By stepping up the intensity with which we manage the business and with a disciplined focus on Performance, People and Purpose as our main strategic priorities, we are well placed to continue to create sustainable long term value for all of our stakeholders.

## PERFORMANCE

### Portfolio

To continue to drive our performance we are actively managing our portfolio of businesses. Targeted and disciplined bolt-on acquisitions are an effective way to strengthen our capabilities, broaden our offering and increase our scale. M&A has also proven to be an extraordinary source of talent. During 2019 we invested £478 million, principally in North America. There remains a good pipeline of bolt-on opportunities across the Group.

We have continued to make progress on our disposal programme and during the year completed several disposals that bring cumulative revenues now disposed or exited to c. 3% of Group revenue at an average margin of c. 4%. As previously indicated, the overall programme of up to £1.2 billion revenues is expected to be margin neutral. The programme will complete during 2020.

### MAP culture

For over 10 years, we have used our Management and Performance (MAP) framework to drive performance across the business. It is a simple framework that we all use to help us focus on a common set of business drivers, whether it is winning new business in the right sectors with the right terms (MAP 1), increasing our consumer participation and spend (MAP 2), reducing our food costs (MAP 3), our labour costs (MAP 4) or our overheads (MAP 5).

Under the refreshed strategy we are codifying best practices and developing tools and templates to help us execute with more intensity and consistency across the Group. Our areas of focus are pricing, purchasing and productivity. We have begun with our larger markets and are rolling out initiatives depending on the maturity of their functions. We will continue to use MAP to ensure we have a disciplined focus on execution.

These initiatives are often supported through technology and digital capability – both in terms of driving efficiencies and optimising performance and also in developing products and services which improve the consumer experience. Our digital strategy is implemented locally in the most cost effective and relevant way for each market. We are making investment into systems and processes that will ultimately unlock more efficiencies and leverage scale across the business in the long term.

## PEOPLE

People are our biggest source of competitive advantage. They are the key to delivering excellent food service to our clients and consumers together with strong financial results. We are in the process of further enhancing our employee proposition to ensure we have an engaged, high performing, and fulfilled workforce that truly reflects the diversity of the societies we live in and the communities we serve.

Our objective is to create an exceptional people business that is inclusive, engaged and committed to developing our people and providing them with the safest and fairest environment in which to work. We are launching initiatives and improving our processes to ensure we can:

- attract and develop the best leaders
- recruit, retain and develop the highest quality unit managers in the industry
- have the best and most inclusive work places in the world with a fully engaged workforce, and
- have a diverse workforce that mirrors the communities in which we operate

For example, in May we launched our unit manager development programme and to date around 2,000 unit managers have participated in the tailored offsite programme. We also launched the Compass Commitments of Respect, Growth and Teamwork – what people can expect when they are part of our business. In October, we conducted a global engagement survey to help us to identify areas where we need to take action to ensure people are experiencing our Commitments.

## CHIEF EXECUTIVE'S REVIEW (CONTINUED)

### PURPOSE

Our 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 – delivering personal and food safety. We are integrating our sustainability strategy into the business focused on:

- increasing the role of health and wellbeing in our value proposition
- taking targeted actions where we can make the greatest environmental difference, and
- driving positive outcomes beyond our business to make the world a better place, such as our continued work with our suppliers to source products responsibly and our commitment to enrich local communities

We already have a strong commitment to corporate responsibility. We are now building on this existing strength and working more proactively with our clients and consumers in those areas. For example, this year's Stop Food Waste Day, which Compass USA founded in 2017, extended across 38 countries with awareness about the campaign reaching 89 million people on social media.

### CASH, BALANCE SHEET AND RETURNS TO SHAREHOLDERS

Excellent cash flow generation, a strong balance sheet and returns to shareholders continue to be an integral part of our business model. Our priorities for how we use our cash remain unchanged. We will continue to: (i) invest in the business to support organic growth where we see opportunities with good returns; (ii) grow the dividend in line with underlying constant currency earnings per share; (iii) pursue M&A opportunities; our preference is for small to medium sized bolt-on acquisitions, where we look for returns greater than the cost of capital by the end of year two; (iv) maintain strong investment grade credit ratings by returning any surplus cash to shareholders to target net debt to EBITDA of around 1.5x<sup>1</sup>.

### SUMMARY AND OUTLOOK

Compass has had another strong year. Organic revenue growth was 6.4%, ahead of our target range, thanks to excellent growth in North America and an improving performance in Rest of World. There was good growth in our European business with strong performances in UK Defence and Sports & Leisure offsetting weak volumes in Business & Industry. The Group margin during 2019 was maintained despite this more challenging trading environment in Europe.

We are making good strategic progress through disciplined focus on our Performance, People and Purpose priorities and have continued to reshape our portfolio. Disposal proceeds have been reinvested in bolt-on acquisitions to further strengthen our food service offer and subsector approach, and in June we announced the proposed acquisition of Fazer Food Services, a leading food service business in the Nordics, which is a strong strategic fit with Compass.

Despite this good performance, we are not immune to the macro environment. Deteriorating business and consumer confidence in Europe has impacted our Business & Industry volumes, new business activity and margin. Given these trends, we are taking prompt action in Europe and certain Rest of World markets to adjust our cost base. As well as offsetting short term margin pressures, by taking this action from a position of strength, we will be better placed to capitalise on future growth opportunities.

Our expectations for the Group in 2020 are positive although we remain cautious on the macro environment in Europe. The pipeline of new contracts in North America is strong and Rest of World is growing well, although we are seeing some hesitation in decision making in Europe. Thanks to the Group's geographic and sectoral diversity, we are nevertheless confident of continued progress. As such, we expect organic growth to be around the mid-point of our 4-6% range whilst maintaining our strong margin<sup>1</sup> as we mitigate the expected volume pressures through our cost actions.

In the longer term, we remain excited about the significant structural growth opportunities globally, the potential for further revenue and profit growth, combined with further returns to shareholders.



**Dominic Blakemore**  
Group Chief Executive Officer

26 November 2019

1. Pre IFRS 16 'Leases'. IFRS 16 will be adopted by the Group on 1 October 2019. The Group expects between £950 million–£1,050 million of additional debt on its balance sheet on adoption.



# 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 meets regularly, and 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 **Clare Hunt**, Group Director of Strategy and M&A
- 5 **Federico Tonetti**, Group Safety and Sustainability Director
- 6 **Venkie Shantaram**, Regional Managing Director, Continental Europe



The Executive Committee 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.



- 7 **Mark van Dyck**, Regional Managing Director, Asia Pacific
- 8 **Sandra Moura**, Group Investor Relations & Corporate Affairs Director
- 9 **Robin Mills**, Managing Director, UK and Ireland
- 10 **Sapna Sood**, Group Director International Clients & Market Development
- 11 **James Meaney**, Regional Managing Director, Latin America
- 12 **Alison Yapp**, Group General Counsel and Company Secretary

## EXECUTIVE COMMITTEE (CONTINUED)

### **DOMINIC BLAKEMORE**

#### **Group Chief Executive Officer**

Joined the Board and Executive Committee in February 2012. Dominic previously held the roles of Group Finance Director and Group Chief Operating Officer, Europe. In October 2017, Dominic was appointed 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 his role at Cadbury Plc, he was a director at PricewaterhouseCoopers LLP.

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### **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 joined Compass from Kingfisher PLC where she was Group Chief Financial Officer and a member of the board of directors for over six years. Prior to working at Kingfisher, Karen held senior finance positions at Vodafone Group PLC and BT PLC and was a former non-executive director of Wolseley plc. Karen's early career included finance roles at Mars, Paribas, Grand Metropolitan and Ernst & Whinney.

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### **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 the education business in the UK, Chartwells and then Group Chief People Officer. Robin stood down as Group Chief People Officer on 25 November 2019 and was appointed Managing Director, UK & Ireland on the same day. Robin's career in human resources includes roles at Scottish and Newcastle Breweries, Diageo plc and Woolworth's (part of the Kingfisher PLC).

### **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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### **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 the last 20+ years based in Brazil and led a number of communications and service based organisations in the region, most recently as Interim CEO at Aceco TI.

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### **VENKIE SHANTARAM**

#### **Regional Managing Director, Continental Europe**

Appointed to the Executive Committee in January 2018, having joined Compass 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.

**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.

**CLARE HUNT****Group Director of Strategy and M&A**

Appointed to the Executive Committee in December 2018, having joined the Group in July 2011.

**Key skills and competencies**

Through her varied career, Clare has developed a range of skills across strategy, corporate finance and communications. She attended the Corporate Affairs Academy at Said Business School, University of Oxford and has a BA in Modern History from The University of Bristol.

**Previous experience**

Before joining Compass, Clare was Co-Head of the Industrials practice at Finsbury, the strategic communications agency, and previously worked in corporate finance with J.P. Morgan Cazenove. Within Compass Clare held the role of Director of Communications before being promoted to Group Director of Strategy and M&A in January 2017.

**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.

**SAPNA SOOD****Group Director of International Clients & Market Development**

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 BOC, 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.

**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 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 multi-national manufacturing organisations across eight different countries. Federico also spent four years at Bain & Company in Strategy Consulting.

**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 and holds an LLB (Hons) from The University of Bristol.

**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.

# 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 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 to 15 and 41 to 45 respectively.

## STRATEGIC FINANCIAL

### Organic revenue growth

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

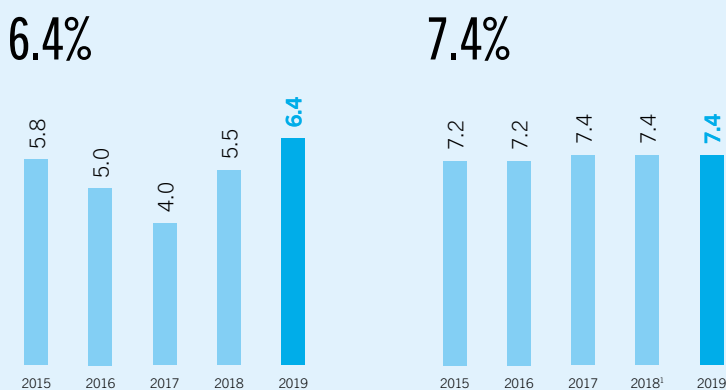
Our organic revenue performance embodies our success in growing and retaining our customer base, as well as our ability to drive volumes in our existing business and maintain appropriate pricing levels in light of input cost inflation.

### 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.



1. Restated upon adoption of IFRS 15.

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 more representative of ongoing trading, facilitate meaningful year on year comparisons and hence provide more useful information to shareholders. Underlying and other alternative performance measures are defined in the glossary of terms on pages 246 and 247. A summary of the adjustments from statutory to underlying results is shown in note 34 on page 208 and further detailed in the consolidated income statement (page 138), reconciliation of free cash flow (page 143), note 2 segmental reporting (pages 161 to 164) and note 35 organic revenue and organic profit (page 210).

**FINANCIAL**

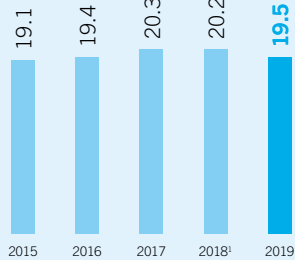
*Return on capital employed (ROCE)*

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.

**19.5%**



1. Restated upon adoption of IFRS 15.

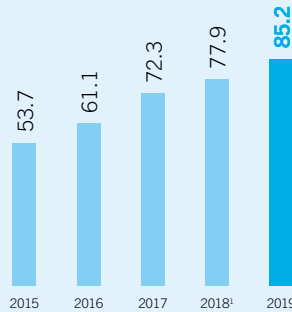
*Underlying basic earnings per share*

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.

**85.2p**



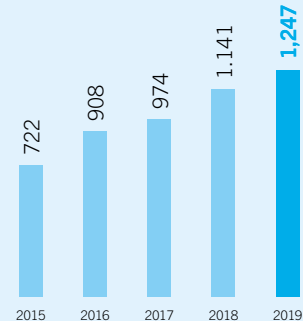
*Underlying free cash flow*

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.

**£1,247m**



**NON-FINANCIAL**

*Health and safety*

*Global Lost Time Incident Frequency Rate*

*Frequency Rate*

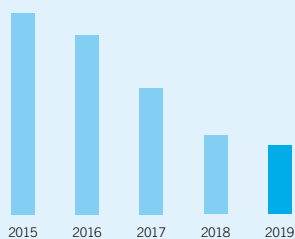
Cases where one of our colleagues is away from work for one or more shifts as a result of a work related injury or illness.

**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.

**-38%**

(since 2015)



*Food safety*

*Global Food Safety Incident Rate*

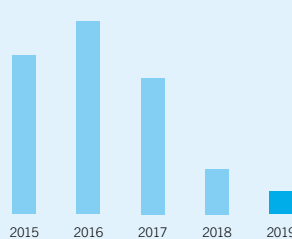
Cases of substantiated food safety incidents, including food borne illnesses.

**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.

**-35%**

(since 2015)



*Environment*

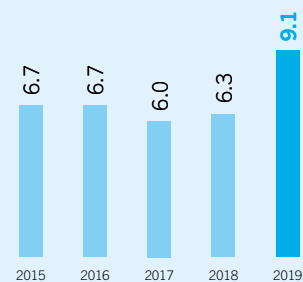
*GHG intensity ratio*

GHG intensity ratio relating to the top 25 countries, which represent 96% of Group revenue. The scope and methodology of our reporting has changed this year, therefore the data is not comparable on a like for like basis. See page 60 for more details.

**Why we measure**

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

**9.1**



# North America

Our North American business, which now accounts for over 60% of Group revenue, delivered an excellent performance, with organic revenue growth of 7.7%. Growth was driven by good levels of new business and a strong retention rate across all sectors. As in previous years, around 40% of new business was from first time outsourcing, underlining the strong structural growth opportunities within our largest market. Like for like revenue growth benefited from pricing and positive trading volumes from our Sports & Leisure sector.

Strong growth in our Business & Industry sector was driven by continued good net new business and some like for like growth. New contract wins include the Canadian Imperial Bank of Commerce, American Airlines headquarters and Humana Inc.

Solid organic revenue growth in our Healthcare & Seniors sector reflected good levels of new business. New contract wins include

the Atrium Health and Lexington Health Network, as well as significant additional business with Tenet Healthcare.

Our Education sector reported strong net new business including contract wins with New York University, Butler University and the Florence County Schools District.

Our Sports & Leisure sector delivered a good organic performance with an excellent retention rate and like for like volume growth. Contract wins include Allegiant Stadium, home to the Las Vegas Raiders, and the Lexington Convention Center.

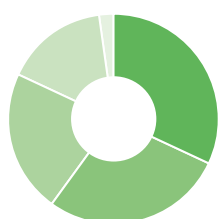
Underlying operating profit of £1,290 million increased by 9.0% (£106 million) on a constant currency basis. Ongoing efficiency initiatives resulted in modest underlying margin progression for the year.

<b>UNDERLYING REVENUE</b>	<b>ORGANIC REVENUE GROWTH</b>	<b>UNDERLYING OPERATING PROFIT</b>	<b>UNDERLYING OPERATING MARGIN</b>	<b>CONTRIBUTION TO GROUP REVENUE</b>
<b>£15,694m</b>	<b>+7.7%</b>	<b>£1,290m</b>	<b>8.2%</b>	<b>62.4%</b>
(2018 <sup>1</sup> : £13,718m)	(2018: +7.8%)	(2018 <sup>1</sup> : £1,123m)	(2018 <sup>1</sup> : 8.2%)	(2018 <sup>1</sup> : 59.3%)

## FINANCIAL SUMMARY

	Underlying		Change		
	2019	2018 <sup>1</sup>	Reported rates	Constant currency	Organic
Revenue	<b>£15,694m</b>	£13,718m	14.4%	8.5%	7.7%
Operating profit	<b>£1,290m</b>	£1,123m	14.9%	9.0%	7.9%
Operating margin	<b>8.2%</b>	8.2%	—		
Region as a % of Group revenue	<b>62.4%</b>	59.3%			

## UNDERLYING REVENUE BY SECTOR



- Business & Industry – 32%
- Healthcare & Seniors – 28%
- Education – 22%
- Sports & Leisure – 16%
- Defence, Offshore & Remote – 2%

1. Restated upon adoption of IFRS 15.

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



We have a passion for great food and creating inspiring dining choices for all our customers throughout our companies in North America. Innovation is a key driver across our business and is in everything we do, whether it's technology, culinary or initiatives in sustainability and supply chain management. We don't stand still and that's the way we keep ahead of the competition.

We recognise that every client has unique food demands and that it will vary significantly across the different sectors in which we operate. We provide them with warm hospitality and excellent service, together with a wide variety of choice. Our scale as the leading player in the market enables us to offer this at the lowest cost.



# Europe

Organic revenue growth in Europe was 4.1% for the full year, although growth slowed in the second half. This included strong growth from new business, notably the UK Defence contracts in the first half and Puy du Fou in France in the fourth quarter, in addition to strong trading in the Sports & Leisure sector. This was partially offset by lower volumes in Business & Industry across key markets where we have seen reduced participation and lower consumer spend.

Our new contract wins during the period include Landsec in the UK, Cercle National des Armées in Paris and Hôpitaux Robert Schuman in Luxembourg. Contract extensions include Chelsea Football Club in the UK.

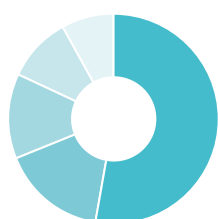
Underlying operating profit declined on a constant currency basis by £26 million or 6.6%. The region delivered a good level of organic revenue growth overall, supported by a strong performance in Sports & Leisure, where increased revenues tend to have a lower drop through to profit. Our focus on efficiencies, pricing and portfolio management has only partially offset the weakness in Business & Industry volumes (which declined significantly in the fourth quarter), cost inflation, and the higher mobilisation costs (associated with the strong growth). In aggregate, the underlying operating margin declined by 60 basis points to 6.3%.

<b>UNDERLYING REVENUE</b>	<b>ORGANIC REVENUE GROWTH</b>	<b>UNDERLYING OPERATING PROFIT</b>	<b>UNDERLYING OPERATING MARGIN</b>	<b>CONTRIBUTION TO GROUP REVENUE</b>
<b>£5,854m</b>	<b>+4.1%</b>	<b>£368m</b>	<b>6.3%</b>	<b>23.3%</b>
(2018 <sup>1</sup> : £5,762m)	(2018: +2.1%)	(2018 <sup>1</sup> : £395m)	(2018 <sup>1</sup> : 6.9%)	(2018 <sup>1</sup> : 24.9%)

## FINANCIAL SUMMARY

	Underlying		Change		
	2019	2018 <sup>1</sup>	Reported rates	Constant currency	Organic
Revenue	<b>£5,854m</b>	£5,762m	1.6%	1.6%	4.1%
Operating profit	<b>£368m</b>	£395m	(6.8)%	(6.6)%	(8.0)%
Operating margin	<b>6.3%</b>	6.9%	(60)bps		
Region as a % of Group revenue	<b>23.3%</b>	24.9%			

## UNDERLYING REVENUE BY SECTOR



- Business & Industry – 53%
- Healthcare & Seniors – 16%
- Education – 13%
- Sports & Leisure – 10%
- Defence, Offshore & Remote – 8%

1. Restated upon adoption of IFRS 15.



**Venkie Shantaram**  
Regional Managing Director,  
Continental Europe



Despite macro headwinds in Europe, I believe that there are good opportunities to step up our performance in Continental Europe. The region has one of the most experienced leadership teams in Compass Group, with around 100,000 colleagues covering 21 countries.

As a team, we will be focusing equally on driving growth, improving operating performance, and putting the best people in place in leadership roles and in client units. I am confident that we can deliver strong and sustainable results.

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



The UK is the Group's second largest market, after the USA, and has had a good year in terms of growth, having particularly benefited from increased volumes in our excellent Sports & Leisure business. This included an extension of our contract at Wimbledon, and operations at Tottenham Hotspurs' new stadium and Twickenham's redeveloped East Stand.

Although Business & Industry has been more challenging due to recent macro and political uncertainty, this is a key area of focus for us going forward. Based on our market leading position, talented people and clear strategy of delivering tasty and healthy food for our clients, we have a strong platform for future success.



# Rest of World

Organic revenue in our Rest of World region grew by 4.3%, including a strong performance in Turkey, India, Spanish speaking LATAM and our Offshore & Remote business outside Australia, notably Kazakhstan.

The Business & Industry and Education sectors of the region continue to perform well and experienced good growth. New business wins include Bloomberg in Hong Kong, Mercedes Benz in Brazil and Bursa City Hospital in Turkey. We continue to retain contracts including Victoria Zoos in Australia, Mondelez in Argentina and Amazon in India.

As expected, our Offshore & Remote business returned to growth in the second half of the year as we lapped the large Australian construction project that moved to production towards the end of 2018. Across the region we have continued to win and retain contracts.

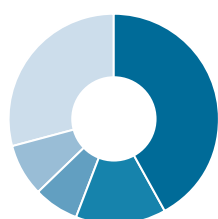
Underlying operating profit improved by 5.9% (£16 million) on a constant currency basis, with the underlying operating margin improving in part due to portfolio management and implementation of pricing, purchasing and productivity initiatives. We remain focused on best practice sharing and driving efficiencies across the business.

<b>UNDERLYING REVENUE</b>	<b>ORGANIC REVENUE GROWTH</b>	<b>UNDERLYING OPERATING PROFIT</b>	<b>UNDERLYING OPERATING MARGIN</b>	<b>CONTRIBUTION TO GROUP REVENUE</b>
<b>£3,604m</b>	<b>+4.3%</b>	<b>£285m</b>	<b>7.9%</b>	<b>14.3%</b>
(2018 <sup>1</sup> : £3,667m)	(2018: +2.9%)	(2018 <sup>1</sup> : £276m)	(2018 <sup>1</sup> : 7.5%)	(2018 <sup>1</sup> : 15.8%)

## FINANCIAL SUMMARY

	Underlying		Change		
	2019	2018 <sup>1</sup>	Reported rates	Constant currency	Organic
Revenue	<b>£3,604m</b>	£3,667m	(1.7)%	0.8%	4.3%
Operating profit	<b>£285m</b>	£276m	3.3%	5.9%	7.4%
Operating margin	<b>7.9%</b>	7.5%	40bps		
Region as a % of Group revenue	<b>14.3%</b>	15.8%			

## UNDERLYING REVENUE BY SECTOR



- Business & Industry – 42%
- Healthcare & Seniors – 14%
- Education – 7%
- Sports & Leisure – 8%
- Defence, Offshore & Remote – 29%

1. Restated upon adoption of IFRS 15.

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



Asia Pacific is a hugely exciting market for us, as it includes the more developed markets of countries like Australia and Japan, where we have a very strong presence, and the high growth economies of the emerging markets such as India and China.

As these economies mature and the demand for outsourced quality food service propositions increases, we're extremely well placed to capitalise on the huge growth opportunities available in these markets based on our depth of expertise and market positioning.

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



We have made good progress advancing our strategic priorities of Performance, People and Purpose and are starting to see the benefits of this focus in our region. For example, in Argentina we delivered strong growth and a good profit margin despite the challenging macroeconomic environment. In Chile, where our mining sector is particularly strong, we are encouraged by significant wins in this sector.

With regard to People, we welcomed eight new members to our leadership team and put 700 of our unit managers through leadership training. We have made important advances in our Purpose agenda with all safety KPIs improving, largely due to a commitment to preventative safety walks, and we partnered with clients and local suppliers in Colombia and Brazil for award-winning sustainable local sourcing programmes.



# Strong organic revenue growth



2019 has been another strong year with organic revenue growth of 6.4%, underlying margin of 7.4% and an increase in free cash flow of 9.3%.

**Karen Witts**  
Group Chief Financial Officer

## FINANCIAL SUMMARY

	2019	2018 <sup>1</sup>	Increase/ (decrease)
<b>Revenue</b>			
Underlying at constant currency	25,152	23,795	5.7%
Underlying at reported rates	25,152	23,147	8.7%
Statutory	24,878	22,872	8.8%
Organic growth	6.4%	5.5%	
<b>Total operating profit</b>			
Underlying at constant currency	1,882	1,798	4.7%
Underlying at reported rates	1,882	1,744	7.9%
Statutory	1,601	1,693	(5.4)%
<b>Operating margin</b>			
Underlying at reported rates	7.4%	7.4%	–
<b>Profit before tax</b>			
Underlying at constant currency	1,772	1,681	5.4%
Underlying at reported rates	1,772	1,630	8.7%
Statutory	1,469	1,523	(3.5)%
<b>Basic earnings per share</b>			
Underlying at constant currency	85.2p	80.4p	6.0%
Underlying at reported rates	85.2p	77.9p	9.4%
Statutory	70.0p	71.3p	(1.8)%
<b>Free cash flow</b>			
Underlying at reported rates	1,247	1,141	9.3%
<b>Full year dividend per ordinary share</b>	40.0p	37.7p	6.1%

1. Prior year comparatives have been restated upon adoption of IFRS 15.

Definitions of underlying measures of performance can be found in the glossary on pages 246 and 247.

## SEGMENTAL PERFORMANCE

	Underlying revenue <sup>1</sup>		Underlying revenue growth <sup>2</sup>		
	2019 £m	2018 <sup>3</sup> £m	Reported rates	Constant currency	Organic
North America	15,694	13,718	14.4%	8.5%	7.7%
Europe	5,854	5,762	1.6%	1.6%	4.1%
Rest of World	3,604	3,667	(1.7)%	0.8%	4.3%
Total	25,152	23,147	8.7%	5.7%	6.4%

	Underlying operating profit <sup>1</sup>		Underlying operating margin <sup>1</sup>	
	2019 £m	2018 <sup>3</sup> £m	2019 £m	2018 <sup>3</sup> £m
North America	1,290	1,123	8.2%	8.2%
Europe	368	395	6.3%	6.9%
Rest of World	285	276	7.9%	7.5%
Unallocated overheads	(80)	(70)		
Total before associates	1,863	1,724	7.4%	7.4%
Associates	19	20		
Total	1,882	1,744		

## STATUTORY AND UNDERLYING RESULTS

	2019			2018 <sup>3</sup>		
	Statutory £m	Adjustments £m	Underlying £m	Statutory £m	Adjustments £m	Underlying £m
Revenue	24,878	274	25,152	22,872	275	23,147
Operating profit	1,601	281	1,882	1,693	51	1,744
Net loss on sale and closure of businesses	(7)	7	–	(58)	58	–
Net finance costs	(125)	15	(110)	(112)	(2)	(114)
Profit before tax	1,469	303	1,772	1,523	107	1,630
Tax	(351)	(62)	(413)	(385)	(3)	(388)
Profit after tax	1,118	241	1,359	1,138	104	1,242
Non-controlling interest	(8)	–	(8)	(8)	–	(8)
Attributable profit	1,110	241	1,351	1,130	104	1,234
Average number of shares (millions)	1,586	–	1,586	1,584	–	1,584
Basic earnings per share (pence)	70.0p	15.2p	85.2p	71.3p	6.6p	77.9p
EBITDA			2,459			2,265
Gross capex			853			813
Free cash flow			1,247			1,141

1. Definitions of underlying measures of performance can be found in the glossary on pages 246 and 247.

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

3. Prior year comparatives have been restated upon adoption of IFRS 15.

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

## BUSINESS REVIEW (CONTINUED)

### ADOPTION OF NEW ACCOUNTING STANDARDS

The Group has applied the new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial instruments' in the current year. Comparatives for 2018 have been restated to reflect the impact of IFRS 15, resulting in a net increase in operating profit and decrease in revenue of less than 1%. The adoption of IFRS 9 has not had a material impact and the Group has adjusted opening retained earnings to reflect an additional provision for impairment of trade receivables using the expected credit loss model.

The Group will adopt IFRS 16 'Leases' from 1 October 2019. The Group's estimate of the financial impact of these changes on the consolidated balance sheet is the recognition of an additional lease liability between £950 million and £1,050 million. Under our chosen transition option, the results for the 2019 financial year will not be restated. The net impact of IFRS 16 on the consolidated income statement is expected to be immaterial.

### STATUTORY RESULTS

#### Revenue

On a statutory basis, revenue was £24,878 million (2018<sup>1</sup>: £22,872 million), representing growth of 8.8%, mainly driven by organic growth and partially by foreign exchange benefits.

#### Operating profit

Operating profit was £1,601 million (2018<sup>1</sup>: £1,693 million), a decrease of 5.4% over the prior year as the impact of the cost action programme offset higher profits and foreign exchange benefits.

Statutory operating profit includes non-underlying items of £281 million (2018: £51 million). The most significant non-underlying items are explained further below; for a full list refer to note 34.

Deteriorating business and consumer confidence in Europe has impacted our Business & Industry volumes, new business activity and margin. Given these trends, we are taking prompt action in Europe and certain Rest of World markets to adjust our cost base. As a result, the Group's income statement includes a cost action programme charge of £190 million. Included within this amount, there is a one-off non-cash charge of £120 million in respect of a change in the expected profitability of some of those contracts that have been affected by the recent deterioration in business and consumer confidence and that are now considered to be structurally loss making and where asset impairments have been taken. Of the £190 million non-underlying charges, £29 million has been paid in the year to 30 September 2019.

#### Net loss on sale and closure of businesses

As a result of the strategic review of the business, the Group is in the process of selling or exiting its operations in a number of countries, sectors or businesses in order to simplify its portfolio. The Group has successfully completed the sale of several businesses, including its operations in South Africa, Vision Security Group in the UK, Sports & Leisure in Japan and part of its US laundries business. As a result, the Group has recognised a net gain of £50 million on the sale and closure of businesses (2018: £3 million loss), including price adjustments to disposals completed in prior years. This gain was offset by £57 million exit costs and asset write downs relating to committed or completed business exits (2018: £55 million).

As at the balance sheet date, the Group has further classified certain businesses as held for sale as these disposals are highly probable and expected to be completed within 12 months.

#### Finance costs

Net finance costs increased to £125 million (2018: £112 million), mainly due to the change in fair value of certain derivatives.

#### Tax charge

Profit before tax was £1,469 million (2018<sup>1</sup>: £1,523 million) giving rise to an income tax expense of £351 million (2018<sup>1</sup>: £385 million), equivalent to an effective tax rate of 23.9% (2018<sup>1</sup>: 25.3%).

#### Earnings per share

Basic earnings per share were 70.0 pence (2018<sup>1</sup>: 71.3 pence), a decrease of 1.8% as the impact of the cost action programme offset higher profits and foreign exchange benefits.

### UNDERLYING RESULTS

We track our performance against underlying and other alternative performance measures, which we believe best 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 208 and 209 and further detailed in the consolidated income statement (page 138), reconciliation of free cash flow (page 143), note 2 segmental reporting (pages 161 to 164) and note 35 organic revenue and organic profit (page 210).

#### Revenue

On an organic basis, revenue increased by 6.4%. New business wins were 7.9%, driven by strong performance across the regions. Our retention rate was 94.8% as a result of our ongoing focus and investment in service and quality. Like for like revenue growth was 3.7%, reflecting sensible price increases and strong volume growth in Sports & Leisure, partially offset by weak Business & Industry volumes in Europe.

#### Operating profit

Underlying operating profit was £1,882 million (2018<sup>1</sup>: £1,744 million), an increase of 7.9%. If we restate 2018's profit at the 2019 average exchange rates, it would increase by £54 million to £1,798 million. On a constant currency basis, underlying operating profit has therefore increased by £84 million, or 4.7%.

#### Operating margin

With very strong revenue growth the operating profit margin remained unchanged from the prior year at 7.4% as we continue to work hard to drive efficiencies across the business through our MAP framework.

#### Finance costs

The underlying net finance cost was £110 million (2018: £114 million). For 2020, we expect an underlying net finance cost of around £110 million.

1. Prior year comparatives have been restated upon adoption of IFRS 15.

### Tax charge

On an underlying basis, the tax charge was £413 million (2018<sup>1</sup>: £388 million), equivalent to an effective tax rate of 23.3% (2018<sup>1</sup>: 23.8%). The rate reduction primarily reflects the full year impact of the reduction in the US federal tax rate introduced by the Tax Cuts and Jobs Act, whilst the prior year comparative only includes nine months of benefit. The tax environment continues to be very uncertain, with more challenging tax authority positions and investigations globally. Our current expectations are that the 2020 effective tax rate will increase to around 24%.

### Earnings per share

On a constant currency basis, the underlying basic earnings per share increased by 6.0% to 85.2 pence (2018<sup>1</sup>: 80.4 pence).

## SHAREHOLDER RETURNS

### Dividends

Our dividend policy is to grow the dividend in line with growth in underlying constant currency earnings per share.

In determining the level of dividend in any year in accordance with the policy, the Board also considers a number of other factors that influence the proposed dividend, which include but are not limited to:

- the level of available distributable reserves in the Parent Company
- future cash commitments and investment needs 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, are 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 2019 amounted to £1,252 million.

The Group is currently in a strong position to continue to fund its dividend, which continues to be well covered by cash generated by the business. Details of the Group's going concern assessment can be found on page 40.

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 45 that could adversely impact the performance of the Group, although we believe we have the ability to mitigate those risks as outlined on pages 42 to 45.

It is proposed that a final dividend of 26.9 pence per share be paid on 24 February 2020 to shareholders on the register on 17 January 2020. This will result in a total dividend for the year of 40.0 pence per share (2018: 37.7 pence per share), a year on year increase of 6.1%. The dividend is covered 2.1 times on an underlying earnings basis and 2.0 times on a cash basis.

The final dividend of 26.9 pence will be paid gross and a Dividend Reinvestment Plan (DRIP) will be available. The last date for receipt of elections for the DRIP will be 3 February 2020.

### Share buyback programme

The Group did not buy any shares during the period under the share buyback programme (2018: £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 7 February 2019.

### Share price

The market price of the Group's ordinary shares at the close of the financial year was 2,093.00 pence per share (2018: 1,706.00 pence per share).

## UNDERLYING FREE CASH FLOW

Underlying free cash flow totalled £1,247 million (2018: £1,141 million), an increase of 9.3%, which includes the benefit of approximately 3.8% from currency translation. Underlying free cash flow conversion was 66% (2018<sup>1</sup>: 65%).

Gross capital expenditure of £853 million (2018: £813 million) is equivalent to 3.4% (2018<sup>1</sup>: 3.5%) of underlying revenues. We continue to deliver strong returns on our capital expenditure across all regions. In 2020, we expect capital expenditure to be up to 3.5% of revenue.

The working capital inflow, excluding provisions and pensions, was £59 million (2018<sup>1</sup>: £126 million inflow). This inflow was better than expected due to favourable timing.

The outflow related to post employment benefit obligations net of service costs was £15 million (2018: £8 million). Following the completion of the triennial valuation of the Compass Group Pension Plan (UK), which continues to have a funding surplus, we expect a total outflow for the Group of around £20 million in 2020.

The net interest outflow was £107 million (2018: £95 million).

The underlying cash tax rate was 19% (2018<sup>1</sup>: 20%).

## ACQUISITIONS

The total cash spent on acquisitions in the year, net of cash acquired, was £478 million (2018: £452 million), comprising £449 million of bolt-on acquisitions and investments in associates, £33 million of contingent consideration relating to prior years' acquisitions, offset by £4 million of cash acquired net of acquisition transaction costs.

The Group made several bolt-on acquisitions during the year, including the purchase of Client Rewards for an initial consideration of £164 million (\$209 million). Client Rewards is an Iowa based company, that provides procurement and supply chain management services.

## BUSINESS REVIEW (CONTINUED)

### DISPOSALS

As a result of the strategic review of the business, the Group is in the process of selling or exiting its operations in a number of countries, sectors or businesses in order to simplify its portfolio. The Group has successfully completed the sale of several businesses, including its operations in South Africa, Vision Security Group in the UK, Sports & Leisure in Japan and part of its US laundries business. As at the balance sheet date, the Group has further classified certain businesses as held for sale, as these disposals are highly probable and are expected to be completed within 12 months. The Group received £101 million (2018: £39 million) in respect of disposal proceeds net of exit costs.

### FINANCIAL POSITION

#### Net debt

The ratio of net debt to market capitalisation of £33,273 million as at 30 September 2019 was 9.8% (2018: 12.5%). Net debt decreased slightly to £3,272 million (2018: £3,383 million). The ratio of net debt to EBITDA was 1.3x. This is lower than our target as we are waiting for EU competition clearance for the proposed acquisition of Fazer Food Services. Our leverage policy is to maintain strong investment grade credit ratings, returning any surplus cash to shareholders to target net debt to EBITDA of around 1.5x<sup>2</sup>.

The Group generated £1,247 million of underlying free cash flow (2018: £1,141 million), including investing £806 million in net capital expenditure, and spent £377 million on acquisitions net of disposal proceeds. £403 million was paid in respect of the final dividend for the financial year 2018 and £208 million was paid for the interim 2019 dividend.

The remaining £148 million movement in net debt related predominantly to foreign currency translation and other non-cash movements.

### Return on capital employed

Return on capital employed was 19.5% (2018<sup>1</sup>: 20.2%) based on net underlying operating profit after tax at the underlying effective tax rate of 23.3% (2018<sup>1</sup>: 23.8%). This decrease reflects the short term impact of the recent acquisition activity of the Group. The average capital employed was £7,380 million (2018<sup>1</sup>: £6,539 million).

### Post employment benefit obligations

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

During the year we completed the triennial actuarial valuation for the Compass Group Pension Plan (UK). This valuation showed a net surplus of £142 million on the scheme's funding basis. As a result, there is no requirement to agree a recovery plan with the trustees.

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 pre-tax past service costs in the consolidated income statement. This non-cash charge has been excluded from the Group's underlying operating profit.

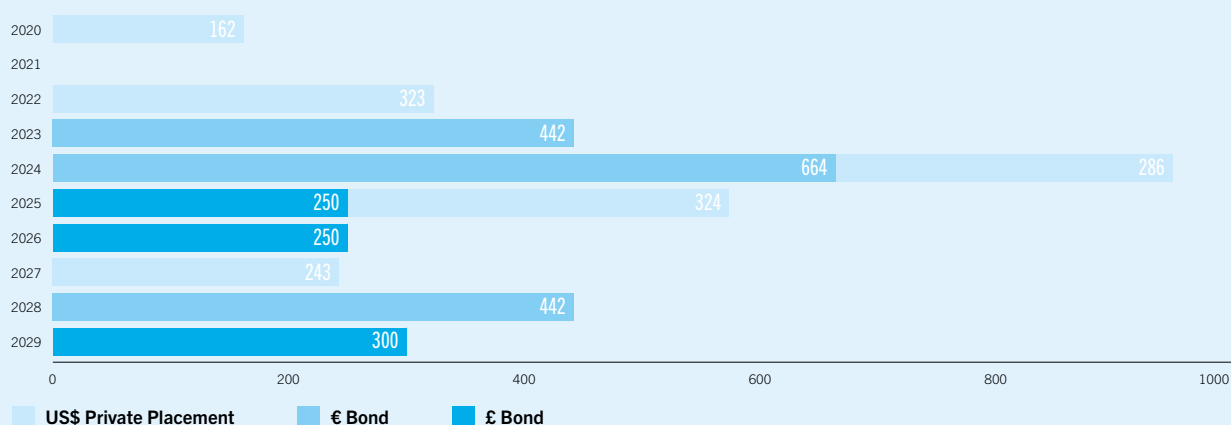
The Compass Group Pension Plan (UK) surplus of £448 million (2018: £346 million) and the £259 million (2018: £224 million) deficit in the rest of the Group's defined benefit pension schemes reflect the results of the triennial valuation of the UK plan and the actuarial gains and losses that have occurred since the prior year IAS 19 actuarial valuation.

The total pensions charge for defined benefit contribution schemes in the year was £126 million (2018: £110 million) and £33 million (2018: £24 million) for defined benefit schemes.

1. Prior year comparatives have been restated upon adoption of IFRS 15.
2. Pre IFRS 16 'Leases'. IFRS 16 will be adopted by the Group on 1 October 2019. The Group expects between £950 million–£1,050 million of additional debt on its balance sheet on adoption.

### FINANCING – MATURITY PROFILE OF PRINCIPAL BORROWINGS

#### AS AT 30 SEPTEMBER 2019 (£m)



1. Based on nominal value of borrowings in place as at 30 September 2019, 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 5.4 years (2018: 5.4 years).



## 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.

### Liquidity risk

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.

In August 2019 the Group completed the refinancing of its Syndicated Revolving Credit Facility (SRCF). The new £2 billion SRCF matures in August 2024 and replaces the £1 billion SRCF and £690 million bilateral loans due to mature in June 2021 and December 2020 respectively. The new SRCF contains no financial covenants.

The maturity profile of the Group's principal borrowings at 30 September 2019 shows that the average period to maturity is 5.4 years (2018: 5.4 years). The Group's undrawn committed bank facilities at 30 September 2019 were £2,000 million (2018: £1,690 million).

### 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 equate 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.

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 all 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 45.

## 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.

## BUSINESS REVIEW (CONTINUED)

### 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 Business Review, as is the financial position of the Group, its cash flows, liquidity position, and borrowing facilities.

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

After making enquiries, 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 Annual Report. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

### VIABILITY STATEMENT

In accordance with provision C.2.2 of the UK Corporate Governance Code 2016, the directors have assessed the viability of the Group over a three year period, taking into account the Group's current position and the potential impact of the principal risks documented on pages 42 to 45 of the Annual Report. Based on this assessment, the directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 30 September 2022.

The directors have determined that a three year period to 30 September 2022 is an appropriate period over which to provide its viability statement. This is the period reviewed by the Board in our strategic planning process and is also aligned to our typical contract length (three to five years). We believe that this presents the Board and readers of the Annual Report with a reasonable degree of confidence over this longer term outlook.

In making this statement, the Board carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The Board considers annually and on a rolling basis a three year, bottom up strategic plan. The output of this plan is used to perform central debt and headroom profile analysis, which includes a review of sensitivity to 'business as usual' risks, such as profit growth and working capital variances and severe but plausible events. It also considers the ability of the Group to raise finance and deploy capital. The results take into account 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, the following were focused on for enhanced stress testing: health and safety, economic and political environment, and clients and consumers. 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, our business model is structured so that the Group is not reliant on one particular group of clients or sector. Our largest client constitutes only 2% of Group revenue and our top 10 clients account for less than 8.5% of Group revenue. We are, as part of our strategy, always focussed on productivity and purchasing initiatives which help us to manage our cost base. In more adverse conditions, we can if necessary take further radical action to reduce labour cost.

While this review does not consider all of the risks that the Group may face, the directors consider that this stress testing based assessment of the Group's prospects is reasonable in the circumstances of the inherent uncertainty involved.

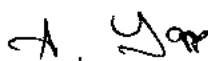


**Karen Witts**  
Group Chief Financial Officer

26 November 2019

The Strategic Report, as set out on pages 1 to 63, has been approved by the Board.

On behalf of the Board



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

26 November 2019

## RISK MANAGEMENT

# Identifying and managing risk

The Board continues to take a proactive approach to recognising, assessing and mitigating risk with the aim of protecting its employees and consumers and safeguarding the interests of the Company and its shareholders.

Risk management is an essential element of business governance and, as set out in the Corporate Governance section, the Group has policies and procedures in place 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.

## RISK GOVERNANCE FRAMEWORK

The Group runs a formal risk management process, as part of which the Group's Principal Risks (highlighted on pages 42 to 45) 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 and the Group's Risk and 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.

The Board reviews a Major Risk Assessment report, including principal risks and areas of emerging risks, which is formally reviewed twice a year.

## OUR PRINCIPAL RISKS

The tables on pages 42 to 45 set out the principal risks and uncertainties facing the business at the date of this Report and any changes to the status of the risks since 2018. 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 deemed to be less material at the date of this Report, may also have an adverse effect on the Group.

As a global business operating in countries and regions with diverse economic and political conditions, the Group's operations and earnings may be adversely affected by political or economic instability, including instability caused by the implementation of the UK's decision to exit the European Union (EU) (Brexit).

There is still significant uncertainty about the potential withdrawal from the EU, the timeframe, the outcome of negotiations about future arrangements between the UK and the EU, and the period for which existing EU laws for member states continue to apply to the UK. The Board views the potential impact of Brexit as an integral part of its principal risks rather than as a stand-alone risk.

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 in the way of staff shortages and salary cost pressures.

In addition, whilst significant changes to produce standards and legislative requirements more generally are not anticipated in the short term, they could impact the Group if introduced in future. 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 are experiencing a challenging macroeconomic environment in some of our regions and as a result, we are taking prompt action to ensure that we have the right sized labour model for the future.

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. Additionally, there are risks (such as those relating to the eurozone economy, pensions, and acquisitions and investments) which vary in importance depending on changing conditions.

In accordance with the provisions of the UK Corporate Governance Code 2016, the Board has taken into consideration the principal risks in the context of determining whether to adopt the going concern basis of accounting and when assessing the prospects of the Company for the purpose of preparing the viability statement. The going concern and viability statements can be found on page 40 of the Strategic Report.

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 review. However, we have focused the disclosures on pages 42 to 45 on those risks that are currently considered to be more significant to the Group.

## PRINCIPAL RISKS

Risk and Trend	Description	Mitigation
<b>HEALTH AND SAFETY</b>		
<b>Health and Safety</b> 2019 ▶ 2018 ▶	<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>All 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>A substantial refresh of the Group's global safety standards and Supply Chain Integrity standards is ongoing and new Allergen Management Plans based on good practice are expected to be launched in 2020.</p>
<b>PEOPLE</b>		
<b>Recruitment</b> 2019 ▲ 2018 ▲	<p>Failure to attract and recruit people with the right skills at all levels could limit the success of the Group.</p> <p>The Group faces resourcing challenges in some of its businesses due to a lack of industry experience amongst candidates and appropriately qualified people, and the seasonal nature of some of our business.</p> <p>The risk in this area has increased due to the continued economic and political conditions where a combination of high employment and a shortage in the resource pool has made the labour market more competitive.</p>	<p>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 offering training and development programmes.</p>
<b>Retention and Motivation</b> 2019 ▶ 2018 ▶	<p>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.</p>	<p>The Group has established training, development, performance management and reward programmes to help retain, develop and motivate our best people.</p> <p>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.</p>

### KEY

- Purpose
- People
- Performance
- ▲ Increased risk
- ▶ Static risk

Risk and Trend	Description	Mitigation
<b>CLIENTS AND CONSUMERS</b>		
<b>Sales and Retention</b>	Our business relies on securing and retaining a diverse range of clients.	We have strategies which strengthen our long term relationships with our clients and consumers based on quality, value and innovation.
2019 ▶ 2018 ▶	The potential loss of material client contracts in an increasingly competitive market is a risk to the business.	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>Bidding</b>	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.
2019 ▶ 2018 ▶		
<b>Service Delivery and Contractual Compliance</b>	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.
2019 ▶ 2018 ▶		
<b>Competition and Disruption</b>	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.
2019 ▶ 2018 ▶	Aggressive pricing from our competitors could cause a reduction in our revenues and margins.	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.	

## PRINCIPAL RISKS (CONTINUED)

Risk and Trend	Description	Mitigation
<b>ECONOMIC AND POLITICAL ENVIRONMENT</b>		
<b>Economy</b> 2019 ▲ 2018 ▲	<p>Some sectors of our business could be susceptible to adverse changes in economic conditions and employment levels.</p> <p>Continued worsening of economic conditions has increased the risk to the business in some jurisdictions, notably in Europe.</p>	<p>We are, as part of our strategy, always focused on productivity and purchasing initiatives which help us to manage our cost base.</p> <p>In more adverse conditions, we can, if necessary, take further radical action to reduce labour costs.</p>
<b>Cost Inflation</b> 2019 ► 2018 ▲	<p>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, especially in countries such as Brazil, could constitute a risk to our ability to do this.</p> <p>Increases in inflation continue to intensify cost pressures in some locations.</p>	<p>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.</p>
<b>Political Stability</b> 2019 ▲ 2018 ►	<p>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.</p> <p>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 in the way of staff shortages and salary cost pressures.</p> <p>Political instability around the world remains a risk as a result of geopolitical tensions.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>We are also working on our recruitment and retention strategies to mitigate any impact on our labour supply.</p>

Risk and Trend	Description	Mitigation
<b>COMPLIANCE AND FRAUD</b>		
<b>Compliance and Fraud</b> 2019 ▶ 2018 ▶	<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. All alleged breaches of the Codes, including any allegations of fraud, are investigated.</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 Speak Up helpline. All alleged breaches of our 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>International Tax</b> 2019 ▲ 2018 ▲	<p>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.</p>	<p>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.</p> <p>We manage and control these risks in a proactive manner and in doing so exercise our judgement and seek appropriate advice from reputable professional firms. Tax risks are assessed as part of the Group's formal governance process and are reviewed by the Board and the Audit Committee on a regular basis.</p>
<b>Information Systems and Technology</b> 2019 ▲ 2018 ▲	<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 has risen over the last year 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 IT platforms to manage and deliver services and communicate with our clients, consumers, suppliers and employees. Our decentralised model and infrastructure helps 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>



*Passionate  
about People*



## OPPORTUNITIES TO DEVELOP

Our people feel proud to work for Compass and want to do the best job they can. They know their contribution will be recognised and they will get opportunities to learn and grow through apprenticeships, on the job training, culinary sessions and leadership development programmes.

We have undertaken many initiatives in our markets to gain valuable insights into employee engagement and satisfaction. As a result, we have shared our commitment to help our people and offer even more opportunities for them to develop and progress their careers with us.



# Strengthening our people commitment



**Robin Mills**  
Group Chief People Officer (to 25 November 2019)

During the last year we placed increasing focus and resources on those parts of our People agenda which we believe create the culture and leadership which gives us our competitive edge.

Our areas of focus remain recruiting and developing the very best leaders, having the most talented unit managers in our sector, and building engaging and inclusive environments in which every member of our team can be their best by being themselves at work.

We have continued to improve the quality of leadership in the business by raising the standards of assessment and onboarding of new entrants and promotees to our global leadership team. This ensures that only individuals of the highest calibre join our most senior leadership population.

We remain committed to developing our teams and supporting their career progression through the business. We continue to enhance the diversity balance of our most senior teams, and have increased year on year the proportion of roles being filled by women.



At Compass, our people are fundamental to the continued success of our business, and our desire to support and encourage them through global initiatives and investment is greater than ever.

## DEVELOPING OUR UNIT MANAGERS

To provide the best service for our customers, we need to help our unit managers develop their own skills and grow the skills of their teams. This year, we launched our global unit manager development programme, Leadership in Action, which focuses on creating positive working environments in units and helping managers lead their teams even more effectively.

This is a global programme which is being delivered in every country in the Group. Since its launch in May 2019, around 2,000 unit managers have participated in the two day face to face training programme in their home country and local language. By the end of next year, we anticipate that approximately 10,000 unit managers will have attended the course, which represents around a quarter of the unit managers in Compass.

This programme makes a major contribution to the development of one of our key populations and further underpins our focus on people at all levels.



### THE COMPASS COMMITMENTS

As the competition for talent increases, particularly for the real heroes of our business, our front line teams, chefs and back of house colleagues, the experience our people have when working for us is vital. We wanted to make a commitment to every person in the business so that they understand what they can expect when working for Compass – a base line that guarantees them a positive experience.

Last year, we spent time understanding what was important to our people and what helped them to feel engaged and to give of their best. We compiled over 1,000 hours of conversation with our colleagues, their leaders and even family members speaking about the experiences which helped them to feel engaged and committed to Compass and those experiences which challenged them. We brought together the common themes and messages in order to create an engagement framework that would reflect what our people need and value.

This resulted in the launch of our three Compass Commitments:

**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

We have launched the Commitments in each country, translated into local languages, supported by local initiatives to bring them alive. To embed them in the business, the heart of the Leadership in Action programme is focused on enabling and empowering the attendees to create plans to bring these sentiments to life in their own units.

### GLOBAL ENGAGEMENT SURVEY

We recognise that if we really want to make the Commitments a daily reality everywhere, we need to know where to focus and which parts of the business require more support. To provide us with this insight we launched our first global engagement survey for three years.

The survey is designed to track our people’s experience against the Commitments. Their responses enable us to create an action planning framework which will help us to deliver on the Commitments and ensure all our colleagues have a positive experience.

The results will be shared with all colleagues, and our managers will receive anonymised reports for their teams right down to unit level.

#### Survey statistics



## PEOPLE REPORT (CONTINUED)

### DIVERSITY AND INCLUSION

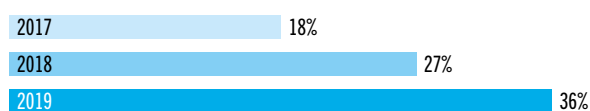
Our work on diversity and inclusion goes from strength to strength. Our Group CEO, Dominic Blakemore, has set the tone from the top by incorporating diversity and inclusion as key priorities within our People agenda. Our diversity and inclusion strategy is set around a framework of three pillars: People, 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 our communities.

We have an ambition to achieve an improved diversity balance at senior leadership levels. In terms of gender balance, our progress continues to track positively as our statistics on gender balance set out below demonstrate.

Improving the balance of our leadership requires close attention to succession planning so we can build a balanced pipeline of talent for the future. Since the introduction of a policy which requires a more equal weighting of participants in our development curriculum, we have further increased the number of potential female leaders participating in programmes such as SPOTlights, our global programme for emerging talent.

In March 2019, we signed the Women in Hospitality, Travel and Leisure 2020 charter and we are delighted to become a lead supporter of this initiative.

#### COMPASS GROUP BOARD: FEMALE



#### EXECUTIVE COMMITTEE: FEMALE



#### GLOBAL LEADERSHIP TEAM: FEMALE



#### SENIOR MANAGEMENT<sup>2</sup>: FEMALE



1. The percentages disclosed for 2019 are stated as at 30 September 2019.
2. Senior management is defined as our global leadership team and statutory directors of corporate entities whose financial information is consolidated in the Group's accounts in this Annual Report. See page 125 for more details.

### PEOPLE

Our UK business has teamed up with Mumsnet, the UK's largest network for parents, to launch a groundbreaking 'Leadership Accelerator Programme' for maternity returners, focused on advancing women into leadership positions.

### CULTURE

In a number of our markets, such as Australia, Japan and the USA, we are proud of the employee action councils on diversity and inclusion (DIACs). These are groups of colleagues working together to advance our inclusion agenda.

### COMMUNITY

We are passionate about our work in local communities. In Australia, we have partnered with local employment service providers to actively recruit people who identify as having a disability to support their development into careers in hospitality.

We have been recognised for the progress we have made in diversity and inclusion this year. We became global diversity champions for Stonewall as we work to create an LGBT-inclusive workplace. And we are delighted that our business in the USA has been recognised in the Forbes 2019 list of Best Employers for Diversity.



Under our Culture pillar, we have continued to focus on creating an inclusive and welcoming environment for all. We began our rollout of an unconscious bias training workshop, starting with the Executive Committee and cascading the session through a number of country leadership teams. During 2020, we will continue to roll out this training across the business. The importance of inclusion is also a core component of our Leadership in Action programme so we ensure a consistent message is heard across our business.

Incorporating a set of inclusion related questions into the engagement survey gives us the data to track our progress towards an ever more inclusive workplace. By combining core biographical details and answers to key questions related to inclusion, we will be able to identify locations where colleagues require more support to create more inclusive environments as well as those with great practices to share.

There is still much more to do, but as we continue to embed our strategy, we are confident that we are heading in the right direction.



### Ireena Vittal

Non-Executive Director  
Designated NED for workforce engagement

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

Our people are essential to the continued success of our business and we want them to have the opportunity to develop their careers and grow with us. Their day to day experience and understanding of the needs of our clients and consumers mean they are uniquely placed to help us identify opportunities and issues. Knowing how our workforce feels about key topics helps the Board remain connected to what's important to them and to understand how we can best support their personal growth.

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

Contributing to decisions is important for an individual's wellbeing and motivation, especially if it can mean improving their experience at work. Having a voice also gives people the opportunity to make sure we know what matters most to them, use their skills and develop their experience to support job satisfaction. Everyone is a part of the business and it makes sense that everyone can contribute their views.

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

By making sure we engage with our people and ask them to give us feedback on the areas we know are key to our strategy. Knowing how our people feel and what they think about what we are doing will help us determine what adjustments we should consider making. We will do this in a structured way and in consideration of what our people care about most.

#### HOW DOES YOUR EXPERIENCE HELP YOU IN THIS NEW ROLE?

I have worked across many industry sectors and with global workforces and have been involved in solving a cross section of business and societal challenges. I'm delighted to be able to bring this experience to develop the engagement agenda at Compass.

### 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.

### LOOKING AHEAD

Our organisational model remains unchanged. We keep roles clear and focus authority and accountability as close to the front line as possible, enabling and empowering our people to take responsibility for their own outcomes.

We use some simple and common systems and a strong focus on values to help people to do the right things.

We continue to believe that our people and our culture provide our competitive edge, and that we must continue to invest and focus our energy on our colleagues, their leadership, skills and levels of engagement. By doing so, we will continue to create workplaces that people are attracted to join and love to be part of.



*Passionate  
about Purpose*

## SOURCING RESPONSIBLY

Serving safe and nutritious meals for our clients and consumers requires a robust supply chain of trusted partners to source, produce and deliver ingredients and products against the exacting standards we set.

Our Global Supply Chain Integrity Standards provide us with a robust framework which drives consistency in the procurement of safe, legal and authentic food. In 2019, we simplified the standards to make them more user-friendly for our procurement teams.

We are working towards increasing the transparency of our supply chain, to identify potential risks and opportunities and thereby create more positive impacts for people, animals and the planet we share.



# Our approach to corporate responsibility and sustainability



Last year, we launched our new sustainability strategy focusing around three key pillars: Health and wellbeing, Environmental game changers and Better for the world.

**Federico Tonetti**  
Group Safety and Sustainability Director

During 2019, we have worked closely with our clients, consumers and partners to deliver healthy, nutritious food, reduce food waste, raise awareness of healthy eating, advocate more responsible sourcing and much more.

Compass Group supports the United Nations' Sustainable Development Goals (UNSDGs) and our sustainability strategy is aligned with several of the goals. See pages 62 and 63 for further details on our commitment to the UNSDGs.

We report to a number of sustainability indices including the Dow Jones Sustainability Indices and the Carbon Disclosure Project.



## STAKEHOLDER ENGAGEMENT

As a responsible business, we regularly engage with our stakeholders. We ensure that we stay up-to-date on issues that matter most to our different stakeholder groups, to us as a business, and to our industry. Our stakeholder groups include our clients, consumers, colleagues, suppliers and shareholders, as well as the communities in which we operate. We also engage with a number of not-for-profit organisations with expertise in different segments of the food supply chain.

We respect feedback from all our stakeholder groups and take their views into consideration in our decision-making processes.

For more information about our engagement with our stakeholders, please see pages 16 and 17.



Visit our website at [www.compass-group.com](http://www.compass-group.com) for more information about our approach to CR and sustainability. Our 2019 Sustainability Report will be available online in early 2020.



**MATERIALITY ANALYSIS**

In 2019, we undertook a materiality assessment to establish which sustainability issues matter most to our stakeholders and the business. Through this assessment, we considered the importance of all environmental and social topics that could impact our business, directly or indirectly, and affect our ability to create value over the short, medium and long term. We also assessed material issues based on their relevance to our strategic plans and objectives. Assessing their importance and impact provides a guide to strategically managing the risks and opportunities they represent.

We engaged third party experts to support our assessment, analysing internal and external information and gathering thousands of data points. The data used was wide ranging and included:

- a review of key client and supplier sustainability strategies
- study of relevant NGO and academic reports
- analysis of various relevant responsible business benchmarks
- engaging with hundreds of our colleagues, including senior leadership
- reviewing our existing policies, programmes and practices

As a result of this process, we identified our most important issues, as shown in the materiality matrix below.

The top seven priority issues identified are:

- the safety of the food we serve and of our people
- the communities in which we operate, charities we work with and partnerships we form
- food waste
- single-use plastics
- the treatment and wellbeing of our people
- talent attraction and development
- nutrition and healthy lifestyle

Some issues like food waste, safety and talent attraction were universally recognised as being of the highest importance. Other topics, like single-use plastics and promoting fruit and vegetable consumption, were more important in some markets than others. You will find more information in the following pages and in our 2019 Sustainability Report, at [www.compass-group.com](http://www.compass-group.com).



# Our sustainability strategy

Knowing where our business can have the biggest impact and taking account of what matters most to our stakeholders, alongside industry trends, is important to us. Last year, we formulated our sustainability strategy. In 2019, we reviewed and confirmed this using our materiality analysis.

We centre our strategy on three key pillars:

- Health and Wellbeing – helping people to make better nutrition choices, follow healthier lifestyles and support good mental health

- Environmental Game Changers – reducing food waste and single-use plastics, and promoting plant-forward meals
- Better for the World – sourcing responsibly, enriching local communities and collaborating for big change

None of this work would be possible without our people and prioritising safety. That is why Safety and People come first, underpinning the foundations of our strategy.

For our People report, see pages 46 to 51.

## SUSTAINABILITY PRIORITIES



### HEALTH AND WELLBEING

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



Better nutrition choices



Mental health



Healthy lifestyle



### ENVIRONMENTAL GAME CHANGERS

Targeted action where we can make an enhanced impact



Food waste



Single-use plastics



Plant-forward meals



### BETTER FOR THE WORLD

Driving positive impact far beyond our business



Sourcing responsibly



Enriching local communities



Collaborating for big change



### SAFETY CULTURE

Turning safety from compliance to caring for each other

Safety leadership

Sharing learning

Simplification



**SAFETY CULTURE**

Having a culture where safety is treated as a value is fundamental to our success. Our people serve millions of consumers every day, and we work hard to keep everyone safe

We believe that caring for ourselves and each other is what will drive us to further improve our global performance in both personal and food safety.

We take the utmost care to reduce the risk of incidents and injuries in the working environment, and to make sure that we maintain the highest standards of food hygiene and safety.

**Personal safety**

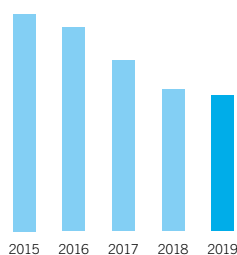
Over the last year, we have moved further towards a collaborative model, creating a stronger safety culture. We wanted to remind our people of the reasons why it is important to stay safe: that their family, friends, colleagues and community rely on them.

Our new See, Care, Share programme encourages interdependence (as defined by the Bradley curve), meaning our people are genuinely invested in keeping themselves and others safe. We also encouraged our leaders to share the lessons learned from any safety incidents. Using real examples, our leaders can help to make a human connection and remind people of just how important safety is. Our people are taking greater personal accountability for worker safety and food safety practices, not because someone else is telling them to but because they care about each other.

Sadly, during the year there were two fatalities in the Group, an incident in our South African business and a road traffic accident in our USA business. In each instance, a full investigation was conducted and the outcome reported to the directors and senior executives.

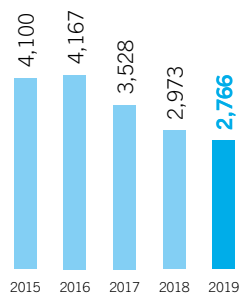
**GLOBAL LOST TIME INCIDENT FREQUENCY RATE**

**-38%**  
(since 2015)



**GLOBAL LOST TIME INCIDENTS**

**-33%**  
(since 2015)



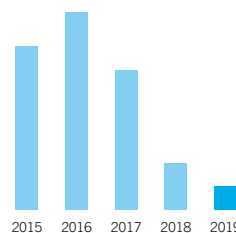
**Food safety**

Over the last year, we have further developed and simplified our processes, making it easier for our procurement and front line teams to understand the standards we expect them to meet. In 2020, we will be launching a newly updated and more user-friendly version of our Global Supply Chain Integrity Standards, as well as launching our first Global Allergen Management Plan, which will detail minimum standards for all our countries to adopt from farm to fork, to reduce the risk of consumer allergic reactions.

By embracing partnerships and technology solutions, we have continued to invest in both simplifying and improving our operational food safety management systems around the world. For example, through our Primary Authority partnership arrangement in the UK with Luton Borough Council Environmental Health Department, we have redesigned our food safety management and upgraded the key policies and procedures that underpin it. In Canada, we have partnered with Food Allergy Canada (a non-profit consumer advocate) to ensure our allergen management programme continues to embrace industry leading practices. Our Canadian business has also introduced several new technology based systems including automated monitoring and alarms for cold chain management, electronic HACCP monitoring, improved associate education programmes, product recall effectiveness tracking, internal self-audits, incident investigations and crisis management.

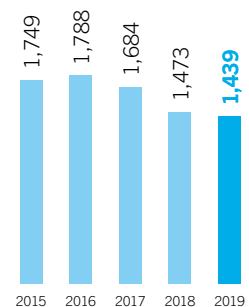
**GLOBAL FOOD SAFETY INCIDENT RATE**

**-35%**  
(since 2015)



**GLOBAL FOOD SAFETY INCIDENTS**

**-18%**  
(since 2015)



**Sharing learning**

Our health and safety experts all around the world are often dealing with similar issues. During the year we held two safety summits for our leaders to come together to collaborate and support each other. Key priorities for our safety agenda were discussed and the strategic direction set alongside the creation of a library of resources.

We also leverage technology to make our knowledge management more effective across the Group.

## CORPORATE RESPONSIBILITY (CONTINUED)



### HEALTH AND WELLBEING

#### Helping our consumers eat and live well is key to our social purpose

With our scale and scope we can help consumers make healthier choices. We have a large team of nutritionists and dieticians who continually work with clients and consumers across various geographies to ensure we serve healthy options and encourage healthier lifestyles.

#### Better nutrition choices

Our teams work hard to improve the culinary offer by responding to consumer feedback as well as running pilots, ad hoc research and teaching kitchens on nutrition. For example, we conducted a study in a school in the UK to improve take up of healthy options through messaging and investigated the use of choice architecture or 'nudges' of behaviour to encourage students to make the healthier choice. Raising awareness of healthy eating resulted in a 25% increase in the uptake of oily fish.

In India, our Stealth Health programme has replaced over 70 customers' favourites with healthier – yet still delicious – alternatives (for example using complex carbohydrates instead of white rice). In Germany, we introduced a new range of no sugar and no sweetener desserts, using natural ingredients like fresh fruit, Greek yoghurt and vegan alternatives, and superfoods like chia, quinoa and goji berries. Similarly, in Denmark we introduced small, plated portions in our unrestricted buffets, which in some cases led to a 50% decrease in quantities consumed.

#### Healthy lifestyle

In 2019, we introduced further initiatives to promote healthy lifestyles.

For example, in the UK, our Nourished Life website ([www.nourishedlife.co.uk](http://www.nourishedlife.co.uk)) and related social media channels offer tips for healthier living, including better sleep, recipes, and an 'ask our experts' column. This website won Footprint Media's Health & Vitality Honours Award for Communication and Engagement.



In the Netherlands, our 360 Lifestyle digital platform provides advice from experts in the fields of nutrition, lifestyle, mind and sport. This helps people to understand the nutritional values of the products in our restaurants, as well as how to prepare healthy meals at home, and live healthier lives.

We also help our clients to introduce healthy living programmes into their operations. For example, in January 2019, at a large insurance company client in North America, Eurest launched its first certified Wellness Center for Excellence. The team promote wellness programmes and new, healthy food options each month.

#### Mental health

We believe that protecting the mental health of employees should be a priority for all responsible businesses. Our goal is to provide supportive and understanding work environments for our people, helping them to identify and address stress, anxiety and depression.

In 2019, we launched four pilots (three in the UK and one in Australia) with Medibio, the first data driven, biometric, mental health monitoring and management programme in the world. The results so far have been encouraging in helping our people manage their mental health proactively and we are planning more pilots during 2020.

In the UK, we sponsor a mental health awareness magazine called MindSet, which is available in print and online, offering advice, signposting and support covering a range of mental health issues.

## MindSet

Compass Australia won the Mines and Metals Association Mental Health Award 2019 for its continuing efforts in mental health, such as its awareness and listening campaign #gotyourback.



In Canada, we launched Just Now, a mental health programme designed to raise awareness and help break the stigma of talking about mental illness. The initiative includes mental health first aid training, comprising a toolkit of resources, and a support programme for our people and their families who may be impacted. In addition, our Thinking Ahead, Giving Back programme in Canada provides 10,000 hours of community support, helping students to deal with mental health issues, depression and bullying.



## ENVIRONMENTAL GAME CHANGERS

As a leading food service business, we focus on where we can have the biggest positive impact on the global food system and the environment

### Food waste

According to the United Nations, each year, an estimated one third of all food produced ends up going to waste. That is equivalent to 1.3 billion tonnes, worth around \$1 trillion. We fully support UNSDG 12.3 to reduce food waste by 50% by 2030.

We work with a number of food waste measurement and reduction systems around the world to raise awareness, change behaviour and monitor our ability to reduce food waste. We have a three-pronged approach to reducing food waste:

- reducing the amount of unsold/uneaten food
- inspiring consumers to waste less (through Stop Food Waste Day)
- diverting food waste from landfill, for example through repurposing or donating surplus food to people in need

We are cutting waste in our restaurants by improving the efficiency of how we order food, making use of every bit of an ingredient in the kitchen and repurposing unused food into new dishes. We challenge our teams to plan, forecast and purchase effectively to prevent wastage.

In Norway, we undertook a study to analyse hospitality waste, the results of which have been used across the Nordics to further reduce food waste. In Germany, we are working with United Against Waste to assess and analyse sites' food waste to reduce it on a site by site basis. Across a number of our countries, including the UK, Netherlands and China, we use Winnow technology to measure, monitor and reduce food waste across large sites. In Turkey, we have found that by giving consumers the ability to choose portion sizes we have been able to cut food waste by between 6% and 20% at some restaurants.

### Stop Food Waste Day

In 2017, in the USA we sought to raise awareness of the food waste crisis by creating a day of action, Stop Food Waste Day. It has now become an annual global event.



The aim is to inspire our people and consumers to reduce waste in both professional and home kitchens by raising awareness and providing straight-forward solutions. In 2019, millions of zero-food-waste meals were served on the day throughout Compass cafés in hospitals, schools, arenas, corporations, museums, and senior living communities in 38 countries. Live cooking demonstrations and interactive educational campaigns inspired millions more to join in. Our social media campaign,

using the hashtag #stopfoodwasteday, reached an audience of 89 million in 100 countries. Media coverage reached a potential audience of a further 140 million.

### Food recovery and repurpose

We engage with food redistribution groups, including online communities and via apps as well as local charities, to help our sites donate surplus food. In the UK, for example, our distribution centres have been donating surplus food that is within date and fit for consumption to FareShare since 2014. In the USA, we work with Chefs to End Hunger, donating surplus food across a number of sites to those in need. Furthermore, across some of our European countries we use technology driven solutions such as the app Too Good to Go, to sell surplus food that would otherwise be thrown away directly to consumers at a discount.

Our brands take steps to recover and avoid food waste. For example, in Argentina, our Outtakes convenience stores and coffee carts offer consumers free coffee grounds for use in their gardens.

### Single-use plastics

Effective packaging is crucial for our industry. It enables us to store food safely, keep it fresh and reduce food waste. However, we recognise that the prevalence of single-use plastics is a huge, global issue and one which our stakeholders care very deeply about. This is why we are taking steps to reduce its use in our operations.

We are working directly with our clients, procurement teams and suppliers to help reduce our use of disposable plastic items. This is helping to ensure that fewer single-use plastics are being used, replacing them with reusable or biodegradable alternatives.

In some sites, we distribute reusable containers such as coffee mugs and lunch boxes, thus reducing plastic cups and boxes from sites. In Brazil, for example, giving our people their own mug led to a 60% reduction in disposable cup use; similarly, Compass Turkey replaced 95% of non-recyclable cardboard cups with reusable glassware in only seven months.

The UK & Ireland business is a key partner of the charity The Waste and Resources Action Programme and, together with multinational businesses, governments and charities, has committed to the UK Plastics Pact to reduce plastics use in the UK. Commitments include eliminating unnecessary single-use packaging, increasing recycling and improving reusability of packaging.

In October 2019, the UK Business won the Best Waste Prevention Project Award (Food) at Footprint's waste2zero Awards for our work raising awareness of how to tackle single-use plastics.

## CORPORATE RESPONSIBILITY (CONTINUED)

### Plant-forward meals

Eating less meat is good for our bodies and the planet. Over the last year we have responded to the growing consumer demand for flexitarian and vegan lifestyles with many plant-based options in our restaurants.



In January 2019, the scientific journal The Lancet published a report in conjunction with the EAT Forum about a recommended diet for a sustainable planet.

With analysis and recommendations on how to eat for a sustainable planet which aligns with our plant-forward focus, Compass has partnered with the EAT Forum to promote the sustainable planet diet across our business. Many of our chefs and kitchens provide a multitude of plant-forward meals, and have witnessed increasing consumer satisfaction and high uptake of plant-based options.

In Canada, we have announced an exclusive national partnership with a popular vegan restaurant chain, Copper Branch. We plan to open up to 50 Copper Branch locations across the country over the next 10 years.

We are helping clients to incorporate plant-forward meals into their menus. Argentina joined the 'Veg Revolution' for example, and a new menu has been added once a week at the majority of our client sites. In Portugal, our award-winning Choose Beans campaign in Eurest restaurants led to a 27% increase in legumes consumption in only one year.

### Climate change and environmental impact

In addition to seeking to lower greenhouse gas emissions by reducing food waste and encouraging people to eat plant-based meals, in February 2019, we committed to setting a Science Based Target to reduce the carbon footprint of our direct operations, in line with the 2015 Paris Agreement to limit global warming to 1.5 degrees. Building on work done in previous years, we will be setting these targets across the Group over the coming year.

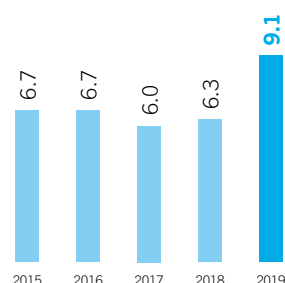
As well as monitoring energy usage in our offices and working closely with clients to improve energy efficiency at their sites, we implement environmental management systems to reduce our impact on the environment, including water conservation.

One such tool used in our US business is Carbon Footprint, helping our units reduce their carbon emissions, water use and wastage. The tool works through smart analysis and recommending switches such as swapping in ingredients with lower carbon footprints and changing taps from high flow to low flow, to save water. 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.

2019 was the first year of collecting sustainability data in a newly launched system from countries which constitute 96% of the Group's revenue. This data gives us greater visibility on our sustainability performance, including carbon emissions; we will be communicating our targets and actions in due course. Over 2019, we expanded significantly the number and type of sites reporting greenhouse gas emissions to more closely reflect our operations. This means our emissions from 2018 and 2019 are not on a like-for-like basis. The majority of our Scope 1 emissions are from vehicles within our operating fleets. The change in our Scope 1 and 2 greenhouse gas emissions from 2018 to 2019 can be explained by:

- a significant increase in the number of sites reporting to now include all head and regional offices as well as new site types of warehouses, central processing kitchens and laundries within the reporting countries. These sites were previously out of scope and typically have higher carbon emissions than offices, the only site type previously reported
- an increase in the number of countries reporting on their emissions from 20 to 25

### GREENHOUSE GAS INTENSITY RATIO



Compass Group's disclosure in accordance with the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013 is stated in the table below and is incorporated in the Directors' Report by reference on pages 78 and 125:

Global GHG emissions for the period 1 October 2018 to 30 September 2019	Unit	<b>2018-2019 Current reporting year*</b>	2017-2018 Previous year
Combustion of fuel & operation of facilities (Scope 1)	Tonnes (t) CO <sub>2</sub> e	<b>174,627</b>	129,516
Electricity, heat, steam and cooling purchased for own use (Scope 2 – location based)	tCO <sub>2</sub> e	<b>45,875</b>	8,095
Total Scope 1+2	tCO <sub>2</sub> e	<b>220,502</b>	137,611
Emissions intensity per £M revenue	tCO <sub>2</sub> e/£M	<b>9.1</b>	6.3

\* In 2019, we increased the scope and changed the data collection and estimation methodology of reporting.

This year, we conducted a thorough review of our Scope 1 and 2 carbon footprint following our commitment to set best-in-class Science Based carbon reduction targets aligned to the Science Based Target initiative criteria. This has led us to expand our reporting boundary of greenhouse gas emissions to more closely reflect our operations. Our GHG emissions calculations are based on the GHG Protocol Corporate Accounting and Reporting Standard (revised edition). Applying an operational control approach, we have identified relevant activity data for Scope 1 and 2 emissions and have used the location based Scope 2 calculation method. The majority of our Scope 1 emissions are from vehicles within our operating fleets. Our Scope 1 and 2 emissions have been verified by an independent carbon consultant.



## BETTER FOR THE WORLD

We leverage our scale and scope to make a positive contribution on a global level, working with thousands of local communities and suppliers, and hundreds of partners around the world

Our priority is to ensure we partner with known suppliers who meet our high standards of food quality, animal welfare, sustainability and ethical trade. Our global supply chain integrity requirements ensure that we work only with suppliers who share our values. Our Code of Business Conduct, available on our website, outlines what we expect of all of our partners.

### Animal welfare

All of our operations around the world are aiming to source 100% cage-free shell eggs and liquid egg products by 2025. In our US business over the last year, 40% of our total egg purchase (both shell and liquid) was certified cage free.

We have been assessed by the Business Benchmark on Farm Animal Welfare (BBFAW) since its inception in 2012. In 2019, we are pleased to have maintained our Tier 3 ranking.



In 2019, we signed up to the 2026 European Chicken Commitment of higher welfare standards for 100% of the chicken meat we source for Europe, following a similar commitment by our US business in 2016.

### Deforestation

We know that sourcing particular foods can impact on deforestation and desertification of the planet. We are committed to preventing this and actively seek to reduce our sourcing of products such as soy or beef that contribute to this, such as those from the Amazon biome. We are active members of the Roundtable on Sustainable Palm Oil and the Round Table on Responsible Soy.



Our goal is for palm oil used to prepare food in our kitchens to be 100% certified sustainable from physical sources by 2022.

### Marine conservation

We want to play our part in improving the health of the oceans and are increasingly buying more responsibly sourced fish. Our commitment is to buy 50% certified sustainable seafood by 2020. For 17 years, our business in the USA has partnered with Monterey Bay Aquarium on Seafood Watch to increase our serving of sustainable seafood. In the last financial year, 42% of seafood purchased within our top 25 countries was certified from sustainable sources. In Sweden, all our restaurants are certified to Marine Stewardship Council standards.



### Enriching local communities

Our business success would not be possible without the support we receive from our local communities across the world. We want to continue giving back to these communities. We do this by partnering with market-based charities and getting involved with projects and initiatives that benefit the local area.

For example, in Australia we work with indigenous owned and operated businesses, and have been actively increasing the number of these suppliers and the amount we purchase from them; in 2018, we increased spend by 30%. In Canada, we launched our Buy Local programme in 650 education campuses and schools across the country. The programme offers quality-assured, fresh, locally sourced food from community-based, local vendors.

Compass Colombia has been promoting prosperity in post-conflict zones by partnering with charities including Prodeco and Vital Corporation to work closely with local producers. Buying more locally and through cooperatives allows the farms to produce on demand rather than with seasonality, reducing food waste and enabling access to collaborative tools to improve their operations, as well as helping enhance the local economy.

In Denmark, our cafeterias have been cooking hot meals for homeless people. We partner with the Disability Employment Service in Australia to offer jobs to those less able bodied. Working with a large financial services client we launched a Redemption Roasters unit in the UK, to help rehabilitate ex-offenders.

For several years, Eurest in Norway have collaborated with The Norwegian Labour and Welfare Administration to hire people who have been left out of the labour market. Through a trainee programme, the candidates get to test and develop their skills in several different professions to find the right job match for their future.

### Collaborating for big change




As the biggest player in our industry, we have the expertise to help shape positive change on food focused issues. And, as a global business, we recognise the vital importance of working together with our clients, suppliers and other stakeholders to find solutions to these challenges.

We have been active for a number of years in helping to raise animal welfare standards. With the Global Coalition for Animal Welfare (GCAW), of which we are a founding member, we are meeting consumer demand for better care for animals. With Compassion in World Farming, we are playing a role in protecting and improving farm animal welfare standards across the globe.

We are also signing up to innovative partnerships like the Ellen MacArthur Foundation's Food Initiative. Launched in June 2019, this aims to ignite a global shift towards a regenerative food system based on the principles of a circular economy. Starting with the flagship cities of New York, London and São Paulo, we will be piloting circular principles in select locations and working with suppliers to help move towards a more circular food system.

As a core partner of the EAT Forum which is helping to transition to a sustainable food system, we are launching pilots to assess, analyse and improve the carbon footprint of the dishes served to consumers in some of our sites.



Sustainable Development Goal & 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>Every year, we spend around £6 billion on food. Where we have surplus food, we can play a role in helping the wider community to tackle food insecurity through donation programmes. Through initiatives like Farm to Fork in the USA, and Buy Social Corporate in the UK, we promote local sourcing and positive agricultural practices.</p>
 <p>3.4 Reduce premature mortality through prevention and treatment and promote mental health and wellbeing</p>	<p>By pursuing our passion for wellbeing and nutrition, through projects around healthy eating and mental health such as teaching kitchens, awareness raising and mental health first-aid training, we are committed to helping and supporting our consumers and colleagues to adopt and enjoy a balanced lifestyle.</p>
 <p>5.5 Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision making</p>	<p>Women are a driving force in our business. We aim to empower all our female colleagues, promote women-led suppliers and run many women’s development and training schemes. We are a lead supporter of WiH2020, 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 fundamental to our great service and reputation. Around the world we are working with local communities to offer fair and safe employment and great career opportunities. We run diversity and inclusion action councils and many programmes to promote work for all. We work with our operations and suppliers to address human rights and modern slavery risks and conduct audits and provide training.</p>



Sustainable Development Goal & Indicator	Our Contribution
 <p>12.3 Halve per capita global food waste by 2030</p> <p>12.5 Reduce waste generation through prevention, reduction, recycling and reuse</p> <p>12.6 Adopt sustainable practices and integrate sustainability information into reporting</p>	<p>We are committed to halving food waste by 2030 and are actively reducing waste through measurement and targeted actions across all regions.</p> <p>Through environmental management systems at client sites, as well as education and toolkits, we encourage environmental stewardship and waste reduction through prevention, recycling and reuse. In 2019, we launched a comprehensive sustainability reporting system gathering thousands of data points across our business to measure and report on our sustainability efforts.</p>
 <p>13.3 Improve capacity on climate change mitigation, adaptation and impact reduction</p>	<p>In 2019, we committed to setting Science Based Targets to do our part in limiting global warming to 1.5 degrees.</p> <p>Through reducing food waste and increasing plant-based diets we are helping reduce our indirect (Scope 3) greenhouse gas emissions to help limit global warming and address climate change.</p>
 <p>14.1 Prevent and reduce marine pollution</p> <p>14.C Enhance the conservation and sustainable use of oceans and their resources</p>	<p>We are committed to reducing single-use plastics across our business which can end up in waterways. We have taken great strides in this area, already removing millions of plastic straws, cutlery and more.</p> <p>We continue to promote sustainable and responsibly sourced seafood and have a growing 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>
 <p>15.1 Ensure the sustainable use of terrestrial and inland freshwater ecosystems</p> <p>15.2 Promote the implementation of sustainable management of all types of forests, halt deforestation</p>	<p>We are working across our global supply chain to ensure we source our food and non-food products in a sustainable manner with the least possible impact on the environment.</p> <p>Through our membership of the Round Table on Responsible Soy and the Roundtable on Sustainable Palm Oil and increasing our purchase of certified sustainable palm oil, we aim to halt deforestation and promote responsible environmental practices throughout our supply chain.</p>
 <p>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>	<p>As a global business, we recognise the importance of working in partnership with our clients, suppliers, NGOs and other stakeholders to improve the positive contribution that we can make to help address some of the biggest issues that we face in the 21<sup>st</sup> century. In 2019, we signed a global partnership with the EAT Forum and we are working with the Ellen MacArthur Foundation to help promote sustainable diets and a circular economy for food.</p>





# Governance and Directors' Report

66	Chairman's letter
68	Board of Directors
72	Corporate Governance
82	Audit Committee report
90	Corporate Responsibility Committee report
94	Nomination Committee report
98	Directors' Remuneration report
122	Other statutory disclosures

# 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 74. However, the Board's primary role remains to provide entrepreneurial leadership and to review the overall strategic development of the Group. It has delegated day to day operational decisions to the Executive Committee, that is supported by country and regional management teams which 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	6	6
Carol Arrowsmith	Jun 2014	6	6
John Bason	Jun 2011	6	6
Dominic Blakemore	Feb 2012	6	6
Stefan Bomhard	May 2016	6	6
John Bryant	Sep 2018	6	6
Gary Green	Jan 2007	6	6
Anne-Francoise Nesmes	Jul 2018	6	6
Nelson Silva	Jul 2015	6	6
Johnny Thomson <sup>2</sup>	Dec 2015	1	1
Ireena Vittal	Jul 2015	6	6
Karen Witts <sup>3</sup>	Apr 2019	3	3

1. The maximum number of meetings that a member was eligible to attend.
2. Stepped down from the Board and its committees on 31 December 2018.
3. Appointed to the Board and its committees on 8 April 2019.

## 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 2019.

## THE YEAR IN REVIEW

It has been a year of wide ranging change for UK corporate governance. There is a renewed focus on corporate culture which is evidenced by the breadth and complexity of reporting requirements. The purpose of companies and their place in society is being redefined with a clear mandate for boards to be more transparent about how companies conduct their business, interact with their stakeholders and take their views into consideration when formulating strategy.

## Governance review

During the year, a governance review working group, headed by the Group General Counsel and Company Secretary, was established. The purpose of this multi-disciplinary team was to consider the regulatory and other governance changes being introduced, including those set out in the 2018 UK Corporate Governance Code (the 2018 Code) which will apply to Compass from the financial year ending 30 September 2020, and to make recommendations to the Board for adoption, in order to ensure that the Company is compliant at the appropriate time.

As part of this exercise, brief details of which can be found on page 79, we refreshed the schedule of matters reserved for the Board and the terms of reference of the principal committees. In doing so, we consulted with internal and external stakeholders, taking care to ensure the documents were aligned with the 2018 Code and the directors' duties under Section 172 of the Companies Act 2006 (CA 2006).

As a Board, we are responsible for setting the 'tone from the top' and for championing a healthy, responsible corporate culture which promotes the long term sustainable success of the Company for the benefit of all of our stakeholders.

## Culture and values

Our corporate culture defines who we are, what we stand for and how we do business. Compass' history and its culture have been 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 services business, our people are our greatest asset and we recognise and understand the value of recruiting and developing the best people. By living our values, our people differentiate us from our competitors, helping us to attract new business and retain our existing clients. It is therefore important that all of our people understand the importance of our values and the role they play in our distinctive, delivery focused culture.

Throughout the year, we continued to invest time and resources communicating with our people, designing programmes to educate and encourage the highest standards of conduct. This reflects our vision to be a world class provider of food services, renowned for our great people, great service and great results. These efforts are underpinned by our Codes of Business Conduct and Ethics.

### Stakeholder engagement

We remain committed to building on our existing legacy of strong governance in support of our corporate performance and social purpose so that we continue to benefit from the confidence and support of our shareholders.

We have a global and diverse community of stakeholders that includes clients, consumers, employees, suppliers and shareholders as well as the communities in which we operate. We respect the views of all our stakeholders and seek to engage with them and take their feedback into account, incorporating it where we can, to help inform our decision making processes. More details of how we engage with our stakeholders can be found on pages 16 and 17 and page 80.

During the year, we actively sought to engage with a number of our shareholders who had voted against the re-election of Ireena Vittal at the Company's AGM on 7 February 2019. The dialogue was initiated to better understand voting decisions around perceived overboarding in respect of Mrs Vittal's other non-executive directorships.

The Board carefully considered their views; however we strongly believe that Mrs Vittal has been, and continues to be, an effective independent non-executive director for Compass Group PLC, who brings a breadth of knowledge, skills, cultural and personal experiences combined with a unique perspective, which is beneficial in boardroom debates. We believe that Ireena's other mandates on four Indian boards are significantly less onerous than those of UK companies on the basis that they hold fewer meetings in each case and the majority of meeting sets are concluded within a single day. We are satisfied with her attendance and believe that she devotes appropriate time to her role at Compass, bringing valuable insights to our debates and contributing to Board diversity.

As a measure of our confidence in Mrs Vittal, she has been chosen to perform the role of designated Non-Executive Director for workforce engagement to help us better understand the views of our workforce. Ireena will undertake the role for a period of two years from 1 October 2019 and, at the end of that term, will be succeeded by one of her non-executive colleagues. More details of this initiative can be found on page 51.

### Board changes

There were a number of changes made to the composition of the Board during the year. On 31 December 2018, Johnny Thomson stepped down as a director of the Company. He was succeeded

by Karen Witts who joined the Company as Group Chief Financial Officer (Group CFO) on 8 April 2019. During the intervening period, Palmer Brown, a seasoned executive in the Group's North American business, acted on an interim basis, but was not appointed to the Board. On behalf of my colleagues, I would like to thank Palmer for his support and to welcome Karen in her new role at Compass.

### Succession Planning and diversity

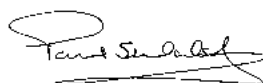
Succession planning continues to be an area of focus for the Board and the Nomination Committee and we are pleased with the progress of the Group's diversity and inclusion agenda. We recognise that the Board sets the tone for diversity across the Group and that it is important that we should have a diverse leadership to support good decision making. The appointment of Karen Witts during the year increased female representation on the Board to 36%. The Board supports the targets set by the Hampton-Alexander Review with regard to gender diversity. These will continue to be considered in the succession planning process and we are confident that initiatives taking place across Compass to help identify the leaders of the future will lead to greater diversity within our senior management. We have continued to strengthen our approach to talent management and succession planning at a senior level, more details of which can be found in the People Report on pages 46 to 51. This is a subject which continues to command the Board's full attention and it is reflected in the appointments that were made to the Executive Committee during the course of the year. Biographies of the Executive Committee members can be found on pages 24 and 25.

We will continue to assess Board and senior executive succession planning to ensure we maintain an appropriate combination of skills, experience and knowledge to deliver our strategy, and to ensure that plans are in place for orderly succession to the Board and senior management positions.

### THE YEAR AHEAD

We are committed to doing things in the right way and will continue to strengthen our governance processes over the coming year to ensure that we are aligned with best practice and the 2018 Code and that our approach to disclosure remains understandable and transparent.

We look forward to meeting with you at our upcoming AGM, which will be held at Twickenham Stadium at 10.30am on Thursday 6 February 2020.

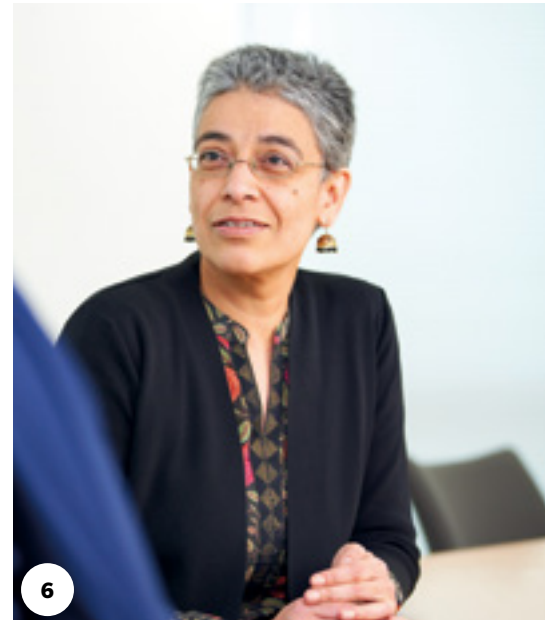


**Paul Walsh**  
Chairman

26 November 2019

# Strong, effective and experienced leadership

As at 30 September 2019, and as at the date of this Report, the Board of Directors was made up of 11 members, comprising the non-executive Chairman, three executive directors and seven non-executive directors. The roles of Chairman and Group Chief Executive Officer (Group CEO) are separate and clearly defined, with the division of responsibilities set out in writing and agreed by the Board.



- 1 **Paul Walsh**, Chairman
- 2 **Dominic Blakemore**, Group Chief Executive Officer
- 3 **Anne-Francoise Nesmes**, Non-Executive Director
- 4 **Stefan Bomhard**, Non-Executive Director
- 5 **John Bason**, Senior Independent Director
- 6 **Ireena Vittal**, Non-Executive Director, and designated NED for workforce engagement

All of the non-executive directors are considered by the Board (and by the definition contained in the UK Corporate Code 2016) 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 98 to 121.



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- 7 **Karen Witts**, Group Chief Financial Officer
- 8 **Gary Green**, Group Chief Operating Officer, North America
- 9 **Nelson Silva**, Non-Executive Director
- 10 **Carol Arrowsmith**, Non-Executive Director
- 11 **John Bryant**, Non-Executive Director
- 12 **Alison Yapp**, Group General Counsel and Company Secretary

## BOARD OF DIRECTORS (CONTINUED)

### PAUL WALSH

Chairman



Joined as a non-executive director in January 2014. Appointed Chairman in February 2014.

#### Key skills and competencies

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

#### 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, at times, a nominee director of various companies, as required by TPG. Chairman of Chime Communications 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.

### GARY GREEN

Group Chief Operating Officer, North America



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.

### JOHN BASON

Senior Independent Director



Appointed to the Board in June 2011. Appointed SID in June 2018.

#### 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 a former trustee of Voluntary Service Overseas.

### DOMINIC BLAKEMORE

Group Chief Executive Officer



Joined the Board in February 2012. Dominic previously held the roles of Group Finance Director and Group Chief Operating Officer, Europe. In October 2017, Dominic was appointed 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.

#### Current external appointments

Dominic will join the board of London Stock Exchange Group (LSEG) as a non-executive director with effect from 1 January 2020 and will become the chairman of the audit committee of LSEG following the conclusion of LSEG's 2020 AGM. 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 his role at Cadbury Plc, Dominic was a director at PricewaterhouseCoopers LLP.

### KAREN WITTS

Group Chief Financial Officer



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

Non-executive director and chairman of the audit committee of Imperial Brands plc.

#### Previous experience

Karen joined Compass from Kingfisher PLC where she was Group Chief Financial Officer and a member of the board of directors for over six years. Prior to working at Kingfisher, Karen held senior finance positions at Vodafone Group PLC and BT PLC and was a former non-executive director of Wolseley plc. Karen's early career included finance roles at Mars, Paribas, Grand Metropolitan and Ernst & Whinney.

### 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

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

#### 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.

## Board committee membership

<b>A</b> Audit Committee	p. 82	<b>G</b> General Business Committee	p. 73	<b>●</b> Chairman
<b>C</b> Corporate Responsibility Committee	p. 90	<b>N</b> Nomination Committee	p. 94	<b>●</b> Secretary
<b>D</b> Disclosure Committee	p. 73	<b>R</b> Remuneration Committee	p. 98	<b>●</b> Designated NED for workforce engagement
<b>E</b> Executive Committee	p. 22			



**STEFAN BOMHARD**

Non-Executive Director

**A C N R**

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 Inchcape plc.

**Previous experience**

Stefan was previously 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

**A C N R**

Appointed to the Board in September 2018.

**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.

**Previous experience**

John was the former Executive 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

**A C N R**

Appointed to the Board in July 2018.

**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, Merlin Entertainments plc and a director of Merlin Entertainments plc's subsidiary companies: Sea Life Trust Limited, Merlin Entertainments Share Plan Nominee Limited, Merlin's Magic Wand Trustees Limited and Sea Life Trustees Limited.

**Previous experience**

Prior to joining Merlin, Anne-Francoise was the Chief Financial Officer of Dechra Pharmaceuticals PLC and also held a number of senior finance roles during her 16 year tenure at GlaxoSmithKline.

**NELSON SILVA**

Non-Executive Director

**A C N R**

Appointed to the Board in July 2015.

**Key skills and competencies**

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

**Current external appointments**

Non-executive director of Cosan Limited and an advisor to Appian Capital Advisory LLP and HSB Solomon Associates LLP.

**Previous experience**

Nelson was formerly an executive director of Petróleo Brasileiro S.A. and President of the Aluminium business unit at BHP Billiton, based in the UK. Prior to joining BHP Billiton, Nelson held a number of senior positions at Vale, including Sales and Marketing Director based in Belgium, Japan and Brazil. Nelson was also Managing Director of Embraer for Europe and Africa, based in France, and Chief Executive Officer of All Logística in Argentina.

Nelson previously held the position of Senior Vice President of BG Group plc responsible for Brazil, Bolivia and Uruguay. He is a former board member of the Brazilian Institute of Oil and Gas, the Brazilian Association of Petroleum Companies and of the Social and Development Council of Brazil's Presidency. Nelson was formerly a senior consultant to BHP Billiton Brazil and a board member of the Brazilian Symphonic Orchestra.

**IREENA VITTAL**

Non-Executive Director

**A C N R**

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 Godrej Consumer Products Limited, WIPRO Limited, Titan Company Limited and Housing Development Finance Corporation Limited.

**Previous experience**

Ireena was formerly a non-executive director of 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

**A C D E G N R**

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**

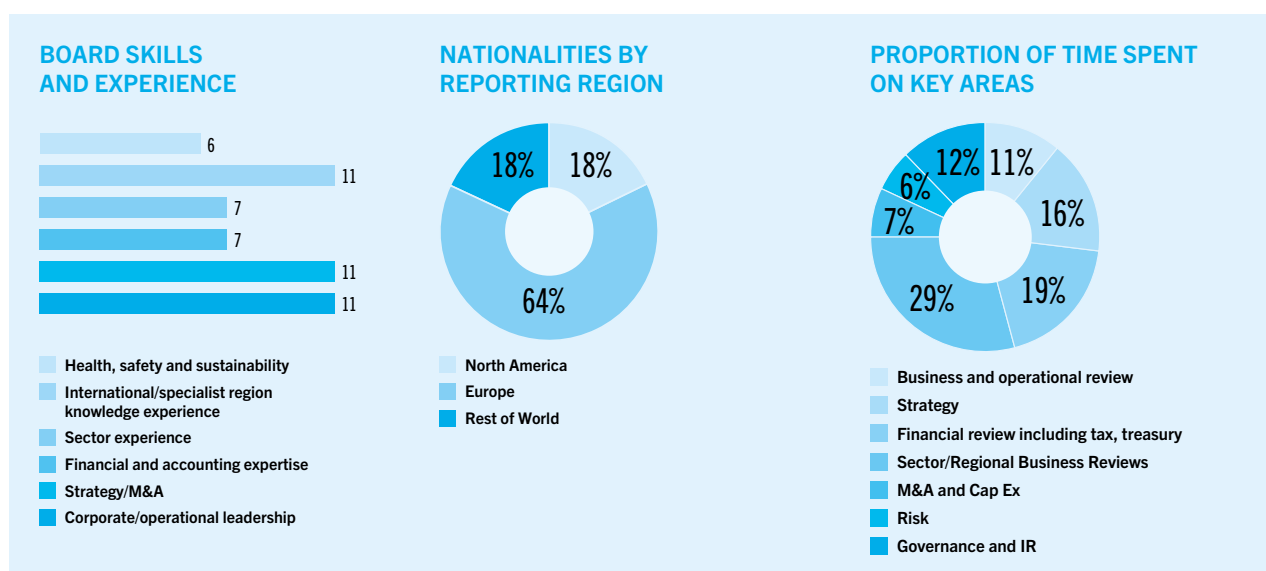
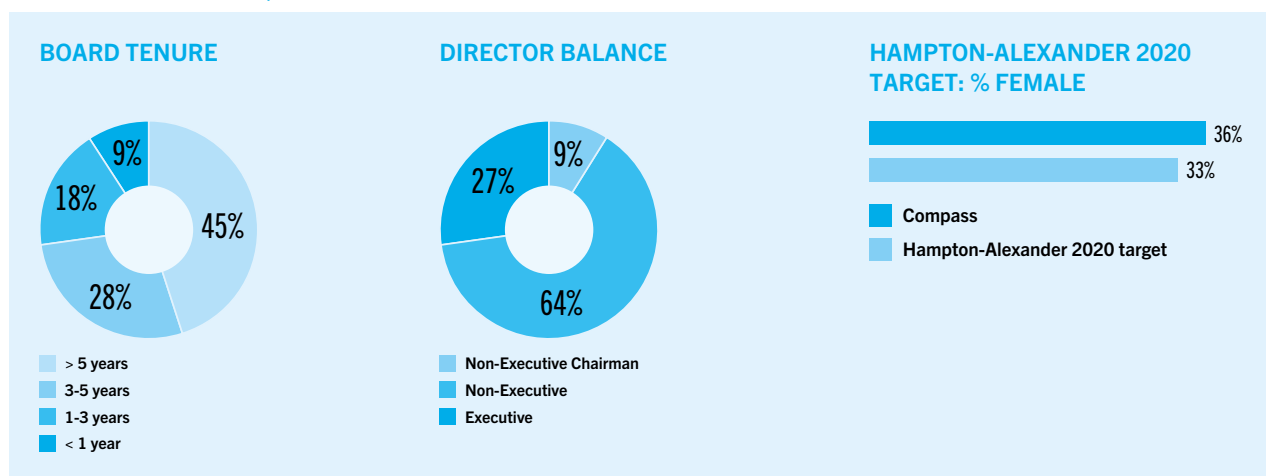
None.

**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.

# Corporate governance

## BOARD COMPOSITION, DIVERSITY AND ACTIVITIES<sup>1</sup>



### HOW THE BOARD GOVERNS THE COMPANY

The Board leads the Group's governance structure. It is responsible for setting the strategic targets for the Group, monitoring progress made, 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 and General Business). 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 at [www.compass-group.com](http://www.compass-group.com). Terms of reference are reviewed annually by their respective committees and updated when necessary to reflect changes in legislation or best practice. The matters reserved for the Board and the terms of reference of the principal committees were thoroughly reviewed and updated in the year under review and can be found at [www.compass-group.com](http://www.compass-group.com).

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.

1. Information as at 30 September 2019.

## GOVERNANCE STRUCTURE

### SHAREHOLDERS

We have a geographically diverse shareholder base of 39,494, comprising 4,146 institutional investors and 35,348 private investors (as at 30 September 2019).

### AGM

The Company's Annual General Meeting provides an ideal opportunity for the Board to meet with investors. At the 2020 AGM, shareholders will vote on 23 resolutions dealing with key governance matters, including payment of

the final dividend, appointment/reappointment of directors and the reappointment of the auditor.

### INVESTOR RELATIONS

We have an active Investor Relations engagement programme. During the year, the Company held around 335 meetings with investors through a combination of one to one meetings, group meetings and telephone calls, around 71 of which were attended by the Group CEO and Group CFO. The Chairman, SID and Remuneration Committee Chairman also held meetings with investors.

### OPERATIONAL GOVERNANCE

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 24 and 25.

### THE BOARD

The Board 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 is responsible for the leadership of the Board and for ensuring there is effective debate and challenge.

### GROUP CHIEF EXECUTIVE OFFICER

The Group CEO's role entails being ultimately responsible for day to day operational management decisions and for implementing the

Company's long and short term plans. 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.

### COMPANY SECRETARY

The Company Secretary is responsible for ensuring good information flow to the Board and its committees and between senior management and the non-executive directors; and for advising the Board, through the Chairman, on governance matters.

### BOARD COMMITTEES

Audit Committee	Corporate Responsibility Committee	Nomination Committee	Remuneration Committee	Executive Committee
Responsible for the Group's financial reporting and effectiveness of the internal and external audit functions. <b>See page 82</b>	Advises the Board on broad CR policy taking into account the overall strategic plan and other factors. <b>See page 90</b>	Ensures the Board has the necessary balance of skills, experience and diversity to oversee the delivery of strategy. <b>See page 94</b>	Determines the reward strategy for executive directors and senior managers to ensure reward is aligned to shareholders' interests. <b>See page 98</b>	Day to day operational management and implementation of strategy. <b>See page 22</b>
<b>Disclosure Committee</b> Oversees the disclosure of market sensitive information and other public announcements (as necessary).  The Disclosure Committee comprises the Group CFO, the Group General Counsel and Company Secretary, Group Financial Controller, Group Internal Audit Director, Group Director of Strategy and M&A and Group Investor Relations and 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.		<b>General Business Committee</b> 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.		

## BOARD ACTIVITIES DURING THE YEAR

### INSIGHT INTO THE BOARDROOM

The following is a summary of the key matters considered by the Board throughout the year:

November (UK)	February (UK)	March (USA)
<ul style="list-style-type: none"> <li>• HSE performance</li> <li>• Group CEO's review</li> <li>• M&amp;A and strategy update</li> <li>• capital expenditure and contracts</li> <li>• financial performance</li> <li>• draft final results announcement</li> <li>• final dividend parameters</li> <li>• draft Annual Report and Accounts</li> <li>• succession planning update</li> <li>• DOR sector update</li> <li>• changes to composition of Executive Committee</li> <li>• approved formation of Treasury Management Committee and approval of Group Treasury policies</li> <li>• Chairman/Group CEO/NEDs private meeting</li> </ul>	<ul style="list-style-type: none"> <li>• HSE performance and safety share video – Living with allergens</li> <li>• Group CEO's review</li> <li>• M&amp;A and strategy update</li> <li>• capital expenditure and contracts</li> <li>• financial performance</li> <li>• AGM</li> <li>• trading update</li> <li>• Healthcare &amp; Seniors sector update</li> <li>• Treasury approvals and approval of Treasury Management Committee terms of reference</li> <li>• review of Nomination Committee membership – Group CEO stepping down from Committee</li> <li>• Chairman/Group CEO/NEDs private meeting (including Group CEO evaluation)</li> </ul>	<ul style="list-style-type: none"> <li>• HSE performance</li> <li>• Group CEO's review</li> <li>• Education sector update</li> <li>• capital expenditure and contracts</li> <li>• financial performance</li> <li>• North America business review including: Performance, People and Purpose update</li> <li>• meetings with local management including attending Envision Summit</li> <li>• Group strategy review including: Performance, People and Purpose update (which included an initiative by the Group's Australian business to promote mental health support: #gotyourback)</li> <li>• review of International Clients and Market Development and M&amp;A strategies</li> <li>• review of IT/cyber risk strategy</li> <li>• stakeholder engagement update</li> <li>• Chairman/Group CEO/NEDs private meeting</li> </ul>
May (UK)	July (Japan)	September (UK)
<ul style="list-style-type: none"> <li>• HSE performance</li> <li>• Group CEO's review</li> <li>• M&amp;A and strategy update</li> <li>• capital expenditure and contracts</li> <li>• financial performance</li> <li>• draft interim results announcement</li> <li>• interim dividend parameters</li> <li>• UK&amp;I business review</li> <li>• appointment of committee to deal with interim results matters</li> <li>• Treasury/insurance update</li> <li>• Tax update</li> <li>• biannual major risk assessment</li> <li>• succession planning</li> <li>• Chairman/Group CEO/NEDs private meeting</li> </ul>	<ul style="list-style-type: none"> <li>• HSE performance</li> <li>• Group CEO's review</li> <li>• M&amp;A and strategy update</li> <li>• capital expenditure and contracts</li> <li>• financial performance</li> <li>• draft Q3 trading update</li> <li>• conflicts of interest</li> <li>• APAC business review</li> <li>• Japanese and Indian business reviews</li> <li>• CAMEAT &amp; DOR business reviews</li> <li>• shareholder engagement</li> <li>• stakeholder engagement including appointment of designated NED for workforce engagement</li> <li>• town hall for Japanese operations hosted by the Chairman, Group CEO, Regional MD, APAC, and MD, Japan</li> <li>• Chairman/Group CEO/NEDs private meeting</li> </ul>	<ul style="list-style-type: none"> <li>• HSE performance</li> <li>• Group CEO's review</li> <li>• M&amp;A and strategy update</li> <li>• capital expenditure and contracts</li> <li>• financial performance</li> <li>• 2019-2020 budget and three year plan</li> <li>• annual litigation update</li> <li>• Investor Relations update</li> <li>• biannual major risk assessment</li> <li>• review findings of external Board evaluation</li> <li>• approve matters reserved for the Board, Committee terms of reference and role descriptions (Chairman, Group CEO and SID)</li> </ul>

### BOARD EFFECTIVENESS AND TRAINING

The Board meets regularly during the year as well as on an ad hoc basis, as required by business needs. The Board met six times during the year and attendance is shown in the table on page 66.

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. Each director also attends the AGM to answer shareholder questions.

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.

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.

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 met regularly without the presence of the executives, typically around each Board meeting. These meetings 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.

This year, the overseas Board meetings were held in the USA and Japan. The Board received presentations on the North American and APAC regions from local management. During the visit to Japan, the Board also received detailed reviews of the Japanese and Indian operations and the Chairman hosted a town hall event for local employees with the Group CEO, Regional MD, APAC, and MD, Japan. The Board also attended a number of evening receptions and dinners in both the USA and Japan to enable the directors to meet with senior management and high potential employees in a more relaxed, informal setting.

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.

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, structures and business, including details of the risks and operating issues facing the Group. Details of Karen Witts' induction can be found on page 96.

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 discussed and refined throughout the year, the Board takes time out of its regular schedule every year to debate and reflect on broader strategic issues. This is supported by strategy updates at every Board meeting. The Board held a strategy day in the USA in March when it discussed the Group's strategy at length. More information about the Group's strategy can be found on pages 1 to 63.

Succession planning is a key area of focus for the Board and it undertook a detailed succession planning review twice in the year with the Group Chief People Officer.

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.

## BOARD ACTIVITIES DURING THE YEAR (CONTINUED)

### 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.

#### Internal review: progress made during the year

In 2018, the performance and effectiveness of the Board and its committees was assessed by way of an internal evaluation. As a result of the assessment, it was concluded that the performance of each director continued to be effective and that both the Board and its committees continued to provide effective leadership and exert the required levels of governance and control, which aligned with observations made by the Chairman, committee chairmen and other non-executive directors as part of the evaluation process and throughout the year.

The agreed actions from the internal evaluation included providing support for the Group CEO as he transitioned into the role as well as the appointment and induction of two new non-executive directors, who were expected to join the Company in 2018. These matters were progressed with the appointments of Anne-Francoise Nesmes and John Bryant.

#### External 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. The selection process for the external provider was led by the Chairman and the Group General Counsel and Company Secretary. The credentials of three providers were assessed including their experience and independence. All were considered to be independent and experienced in board evaluation. Particular emphasis was placed on the ability of the chosen firm to assist the Board on an ongoing basis over the longer term. This was to ensure year on year performance could be measured and learnings captured, taking into account strategic and regulatory context, culture and the Board's cycle. The firm chosen to perform the evaluation was Lintstock Limited (Lintstock). Lintstock is independent of and has no other links with the Company or its directors in connection with the brief.

## FINDINGS OF BOARD EVALUATION

Board composition	Stakeholder oversight	Board dynamics	Management and focus of meetings	Board support
<p>The composition of the Board was highly rated. No pressing gaps were identified in the skillset of the Board.</p> <p>A number of suggestions were made regarding desirable attributes in future potential candidates, including technology and sector/market and ESG expertise.</p> <p>Maintaining sufficient experience of the UK PLC environment was also considered to be important, including familiarity with corporate governance demands and reporting requirements.</p>	<p>The Board's understanding of the Company's stakeholders was rated positively. The importance of selecting the mechanisms by which the Board would engage with employees was considered to be key, taking into account the number of employees and their dispersion internationally.</p> <p>Devoting time at Board meetings to the topic of culture as a business driver was also identified as an area of focus.</p>	<p>The dynamic between the non-executives and senior management was considered to be constructive with an open and inclusive dialogue with the Group CEO.</p> <p>Non-executives provided effective support and challenge whilst fostering a supportive atmosphere for senior managers below Board level who attended Board meetings.</p>	<p>The management of meetings was rated highly.</p> <p>It was agreed that the duration of some committee meetings should be lengthened in conjunction with a more disciplined approach to agenda management to ensure efficient use of time.</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 circulation of analyst and broker reports was valued.</p> <p>The induction, training, advice and Company Secretariat support provided to the Board received a high rating.</p>

### Scope, timing and nature of review

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 approach that would be adopted to ensure that the evaluation process was challenging and comprehensive. The following key themes were agreed:

- Board composition, dynamics and support
- stakeholder oversight
- strategic oversight
- Board committees
- management and focus of meetings
- risk management and internal control
- succession planning and people management
- priorities going forward

Initial information gathering took place in April 2019 following which participants, including Palmer Brown, who acted as interim Group CFO in the period leading up to Karen Witts' appointment, completed online Board and committee surveys that had been tailored as appropriate. Based on agreed themes, the surveys were designed to be objective, thought provoking and to encourage candid responses. The information acquired from the completed surveys was used by the evaluation team at Lintstock to structure their approach in advance of one on one interviews with members of the Board and the Group General Counsel and Company Secretary.

In May and June 2019, Lintstock ran detailed interviews with Board members (except Karen Witts who had only recently joined the Company) and the Group General Counsel and Company Secretary. All Board members were interviewed to a clear agenda, unique to Compass, taking into account the interviewees' observations contained in the survey results. During each session, the three members of the evaluation team were assigned a specific task to ensure that any responses by participants meriting further attention could be fully addressed.

Between May and July 2019, Lintstock collated and analysed responses with a view to summarising their findings for presentation to the Board for discussion at its meeting in September 2019.

### Findings of review

Reports on the performance of the Board, the Chairman and its committees were compiled by the Lintstock evaluation team based on information and views supplied by those interviewed and all recommendations made by Lintstock were based on best practice. Lintstock's conclusions were initially shared with the Chairman and Group General Counsel and Company Secretary. The reports were circulated to participants in mid-August so as to give participants time to digest the contents of the reports in advance of the September Board meeting when Lintstock reviewed its findings with the Board.

Strategic oversight	Risk management and internal control	Succession planning and people management	Priorities
<p>The March strategy session held in the USA was considered to represent continued improvement on similar such sessions held in the past with an open dialogue and communication.</p> <p>The KPIs provided to inform the Board's analysis of business performance received high ratings, as did the understanding of the Group's performance relative to its main competitors, and the awareness of the markets in which the Group operates.</p> <p>Key strategic issues for the Group were identified as: i) accelerating growth outside the USA; ii) technology and disruption; iii) maintaining sustainable growth; iv) succession planning and acquisition and development of talent; and v) responding to developing trends and expectations.</p>	<p>Health and safety is included at the start of every agenda of the Corporate Responsibility Committee, recognising its importance.</p> <p>The Board's focus on risk was considered to be appropriate. It was suggested that the focus on CR risk should be broadened and in this regard the Corporate Responsibility Committee's remit has been enhanced and its terms of reference revised to increase focus in the areas of health and safety (including food safety), sustainability, people (including workforce engagement and employee voice), ethics and compliance.</p> <p>The opportunity for further enhancement of the organisation's approach to risk and risk appetite was noted.</p>	<p>The structure of the Group at senior levels was rated highly. The careful balance between central oversight and local accountability was noted with the need to carefully prioritise investment in central functions, based on supporting the businesses.</p> <p>The effectiveness of the process of selecting and appointing the new Group CFO was commented on favourably.</p> <p>The Board's oversight of succession of the Board and Executive Committee received a high rating as well as the transition of the new Group CEO into role. The processes for managing and developing talent had improved and there was an increased emphasis on people. Employee engagement and culture were identified as continued areas of focus.</p>	<ul style="list-style-type: none"> <li>• continued implementation and development of the Group strategy</li> <li>• succession planning and talent acquisition and development</li> <li>• continued oversight of risk</li> <li>• furthering the Corporate Responsibility strategy</li> <li>• supporting senior management</li> </ul> <p>The areas for attention identified in this year's review and how they have been addressed will be reported in the 2020 Annual Report and Accounts.</p>

The content of Lintstock's report and the conclusion of the Board discussion were recorded by the Group General Counsel and Company Secretary in the minutes of the September meeting.

## BOARD ACTIVITIES DURING THE YEAR (CONTINUED)

### 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 (CA 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 2019 Board meeting and considers any changes on an ad hoc basis throughout the year.

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.

### UK CORPORATE GOVERNANCE CODE COMPLIANCE

Responsibility for good governance lies with the Board.

The Board is accountable to shareholders and is committed to the highest standards of corporate governance as set out in the UK Corporate Governance Code 2016 (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 98 to 121, 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.

### COMPLIANCE STATEMENT

It is the Board's view that for the year ended 30 September 2019 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 year ended 30 September 2019.

This Corporate Governance Report on pages 64 to 121 and the Other Statutory Disclosures on pages 122 to 127 together with the Directors' Responsibilities statement on page 130 and the Strategic Report on pages 1 to 63 which have been incorporated into this Report by reference, make up the Directors' Report.



# Moving towards the new code



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

Compass will report against the 2018 UK Corporate Governance Code (the 2018 Code) from the financial year ending 30 September 2020.

Over the past year, we have been reviewing our governance framework and reflecting on how we engage with our key stakeholders in preparation for the change in emphasis brought about by the 2018 Code.

## Culture and values

A board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.

This year, there was a renewed focus on ethics and compliance to further embed a culture of integrity and to empower employees to continue to speak up and raise concerns. We appointed a Group Head of Ethics and Compliance as we continue to improve our key policies and procedures in this area.

Various initiatives are taking place across the Group to reinforce the values and behaviours that support the Group's strategy, some of which are set out below.

- we launched our set of three Compass commitments – Respect, Growth and Teamwork – that define what our people can expect when they work for us
- we are reviewing our Ethics and Compliance programme which is aligned to our culture and values and informed by best practice. The programme will focus efforts on culture and ethics to strengthen controls. It will incorporate regulatory and stakeholder requirements to manage our risks appropriately
- an ethical leadership programme is being developed in conjunction with the People function
- preparations are underway to launch a refreshed Code of Business Conduct and awareness campaign in 2020, including the creation of an ethics champion network, briefings, webinars and an engagement pack

## Remuneration

Remuneration policies and practices should be designed to support strategy and promote long term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long term strategy.

A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.

Our remuneration policies and practices are designed to support our strategy and promote long term sustainable success. Executive remuneration is aligned to Company purpose and values and is clearly linked to the successful delivery of the Company's long term strategy.

Details of some of the actions taken during the year are set out below.

- the terms of reference of the Remuneration Committee were refreshed to align with the provisions of the 2018 Code and other sources of best practice and regulation
- the Committee received a detailed update on the wider workforce policies and practices in place in the business for review, in preparation for requirements of the 2018 Code

## Workforce and stakeholder engagement

In order for a company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.

To succeed in the long term, companies need to build and sustain relationships with a wide range of stakeholders and, in particular, employees. These relationships work well if they are based on trust and respect and are mutually beneficial.

We know how important our employees are to our continued success and we welcome the emphasis that the 2018 Code places on promoting effective engagement with stakeholders and, in particular, workforce engagement and employee voice.

Details of some of the actions taken during the year are set out below.

- elected a designated NED for workforce engagement who, together with the Group Chief People Officer and the Group Engagement Director, will ensure that the voice of our workforce is clearly heard at Board level
- conducted a global engagement survey to enable us to track people's experience against our Commitments
- initiatives are underway to improve existing processes which are in place for engaging with other stakeholder groups









# Stakeholder oversight

The Chairman ensures that the Board maintains an appropriate dialogue with shareholders. The Group CEO, Group CFO and the Group Investor Relations and Corporate Affairs Director regularly meet with institutional investors to discuss strategic issues and to make presentations on the Company's results. Non-executive directors develop an understanding of the views of major shareholders through regular updates from the Group Investor Relations and 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 the 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 chairmen. It also provides shareholders with an opportunity to meet with directors and other senior executives on a more informal basis at the meeting.

## OUR STAKEHOLDERS

## HOW THE BOARD IS KEPT INFORMED

 <b>Our people</b>	<p>The Board receives regular People strategy updates from the Group Chief People Officer, including details of our employee engagement survey results, updates on diversity and inclusion and cultural awareness initiatives, measurement and performance, and our succession planning and talent development initiatives.</p>
 <b>Our communities</b>	<p>The Board is kept informed of initiatives taking place within the communities in which Compass operates principally through the activities of the CR Committee, which receives regular reports on CR progress across the Group from the Group Safety and Sustainability Director.</p>
 <b>Our clients</b>	<p>The Group Director International Clients &amp; Market Development keeps the Board informed of new and evolving trends and the aspirations and requirements of our international client base. She is supported in providing a comprehensive overview of the international client landscape by regional client and market development teams and executive management at country and Group level.</p>
 <b>Our consumers</b>	<p>The Board receives updates on sector trends from our sector heads including opportunities, challenges and developments in consumer food services trends including innovation of product and experience and consumer interest in brand responsibility and sustainability.</p>
 <b>Our suppliers</b>	<p>The Board is kept informed on supply chain initiatives through the CR Committee, which receives reports from the Group Safety and Sustainability Director and from the Group Head of Ethics and Compliance, including our work to prevent modern slavery and human trafficking in our business and supply chain.</p>
 <b>Our shareholders</b>	<p><b>Annual Report and Accounts:</b> this provides an opportunity to communicate to our shareholders and other stakeholders the Group's financial performance, its strategy, risks and opportunities with content that is fair, balanced and understandable and is accessible to a wide range of audiences.</p> <p><b>Investor Relations:</b> more details of our AGM and Investor Relations programme can be found on pages 73 and 81.</p> <p><b>Website:</b> the Company's website provides an excellent means of communicating with and receiving communications from shareholders, potential investors and the wider stakeholder community. It contains an archive of information on the Company's history, leadership, governance, policies, financial results, dividend history and up to date share price information.</p>
 <b>NGOs</b>	<p>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 CR Committee which receives reports on key areas of focus such as human rights, climate change and animal welfare from the Group Safety and Sustainability Director.</p>
 <b>Governments and regulators</b>	<p>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.</p>

**CONSIDERING STAKEHOLDERS IN DECISION-MAKING**

When making its decisions, the Board considers the impact on stakeholders. Examples include:

Digital innovation	Investing in our people	Reducing waste
<p>Technology is changing the way in which consumers engage with products and services. As a business, Compass is taking a more proactive approach to identifying and investing in technology, in particular to enhance the consumer experience. One example is cashierless and cashless payment options which are in use across the Group. This technology provides a better consumer experience by improving speed of service and also by driving efficiencies and reducing the risks from cash handling. Some countries are taking the lead in developing next generation tools. For example, our French business has started using Smart Checkout. This award winning concept uses camera based technology and artificial intelligence to recognise the precise dishes on the tray, map them to the Electronic Point of Sale System and price them for the consumer. Smart Checkout also has the potential to increase consumer sales by promoting complementary products such as beverages or desserts, tailored to the individual consumer’s buying habits.</p>	<p>As a Group, we are proud of our gender diversity. As at 30 September 2019, women represented 36% of our Board members, 38% of our Executive Committee members, and 31% of our global leadership team. However, there is still more to do and we are focusing on a number of initiatives to further promote diversity and inclusion as part of our People strategy. Our unit managers are absolutely critical to the success of our business. They set the tone for the unit, hire people, buy food, are responsible for health and safety and deal with daily operational issues. We want to make our unit managers’ lives easier by reducing their administrative burden so that they can focus more attention on our clients, our consumers and our employees. Following the successful completion of pilots in our two largest markets, a development programme is being rolled out to all of our unit managers globally – around 40,000 people in 45 countries.</p>	<p>As a Group, we are championing initiatives that help the environment. In 2017, Compass founded Stop Food Waste Day – a global awareness programme which in 2019 reached 89 million people on social media and more than 10 million people through food waste engagement activities. We continue to explore the most effective and practical ways to measure waste through various food waste management systems. In the UK, technology is being trialled which will allow the business to more accurately record and reduce waste. We are also considering other new initiatives around packaging and plastics that are better for the environment and are seeking to persuade our consumers to adopt more sustainable behaviours. Good progress is being made, but there is more to do. Investing in the business for the future is important. It helps the Company to build on its competitive advantage and to capitalise on our structural growth opportunities with the aim of delivering better quality, sustainable long term growth.</p>

**PROMOTING THE SUCCESS OF THE COMPANY**

The Company’s success is the driving factor behind all decisions made by the Board. Decision making processes are 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. The Board carefully considers the impact of the business on the communities and environments in which the Group operates. Due consideration is paid to Compass’ stakeholders, including but not limited to our customers, suppliers, business partners, employees and shareholders.

In all of its activities, and those of the Group, the Board requires that our employees and partners conduct business to the highest ethical and professional standards. The CR Committee oversees Compass’ commitment to make a positive contribution to the health and wellbeing of our consumers, the communities where we work and the world in which we live.



**Kate Postans**  
Interim Group Investor Relations and Corporate Affairs Director

**HOW WOULD YOU DESCRIBE THE IR FUNCTION?**  
The IR function is very 'client' focused and during 2019, we met with over 400 buy-side institutions. The team is quick to respond to any investor interest and they devote a lot of time to producing high quality collateral to effectively sell our investment case.

**HOW DOES COMPASS SEEK FEEDBACK FROM ITS INVESTORS?**  
In addition to having a very open dialogue with investors at meetings, in July we conducted an investor survey. This provided detailed feedback from shareholders, non-shareholders and some of the sell-side population from around the world. Our Chairman, our SID and Remuneration Committee Chairman also engage with major shareholders.

# Audit Committee Report



**John Bason**  
Chairman of the Audit Committee

## MAIN RESPONSIBILITIES

- monitors the integrity of the Company's and 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 made in connection with the preparation of the Company's and 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	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 <sup>2</sup>	Jul 2018	3	2
Nelson Silva	Jul 2015	3	3
Ireena Vittal	Jul 2015	3	3

1. The maximum number of meetings that a member was eligible to attend.
2. Ms Nesmes was unable to attend the November meeting due to an unavoidable prior commitment and provided her feedback on the papers in advance.

## DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present the Audit Committee's Report for the financial year ended 30 September 2019.

## THE YEAR IN REVIEW

The Audit Committee (the Committee) works to a structured agenda linked to events in the Group's financial reporting calendar. Throughout the year, the Committee continued to support the Board, playing a key role in overseeing the integrity of the Company's financial statements and the robustness of the Group's systems of internal control and financial and regulatory risk management.

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 2019, the Committee concentrated on accounting and disclosures related to the process of selling or exiting operations in a number of countries and sectors, the Group's cost action programme, the quality of profits, supplier rebates and discounts, post employment benefit obligations, the carrying value of assets, goodwill recognition and the Group's tax position. The Committee concluded that executive management had adopted an appropriate approach in all significant areas.

During the year, the Committee was updated on the Group's IT strategy including an overview of the IT controls framework and infrastructure and the ability to quickly detect and defend against cyber attack. The Committee also spent time reviewing the disclosures made by management in respect of the new accounting standards IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial instruments', both of which were implemented at the start of the financial year under review, and IFRS 16 'Leases' which will be adopted by the Group on 1 October 2019. Time was dedicated to considering management's response to the UK's withdrawal from the EU, the continued uncertainty about the full impact and timeframes of a withdrawal and the impact of the risk for the Group as a whole. The Committee is satisfied that the statements made by executive management on pages 41 and 44 of the Risk Management and Principal Risks sections of this Annual Report are appropriate based on what is currently known to management as at the date of this Report.

During the year, the Committee reviewed its terms of reference to ensure that they continue to be fit for purpose. The review was undertaken, with guidance from the Group General Counsel and Company Secretary, in the context of changes to regulations and the UK Corporate Governance Code 2018 (the 2018 Code), which the Company will report against from the financial year ended 30 September 2020. Consideration was also given to the Financial Reporting Council's (FRC) guidance for audit committees and other sources of best practice.

The new terms of reference were adopted by the Committee at its meeting on 18 September 2019 and approved by the Board on the same day.

A copy of the terms of reference can be found on the Company's website [www.compass-group.com](http://www.compass-group.com).

### Committee evaluation

Each year, the Audit Committee critically reviews its own performance and considers where improvements can be made and 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 is underpinned by the annual performance evaluation of the Board and its committees, referred to on pages 76 and 77.

This year's external Board and Committee evaluation was conducted by Lintstock.

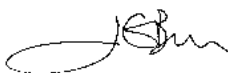
Overall, the performance of the Audit Committee was rated highly, with an appropriately balanced and engaged membership. In its findings, Lintstock identified a number of areas to assist the Committee in support of its continuous improvement, including:

- allocating more time to meetings to reflect the increasing responsibilities of the Committee
- greater use of the external auditor to keep the Committee up to date on key topics in light of the continuously changing regulatory environment
- undertaking deep dives into specific risk topics in order to further develop the non-executive directors' understanding of the controls and risk mitigation plans that are in place

As a result, appropriate arrangements have been made within the Committee schedule for the coming year and I look forward to reporting on our progress in next year's Audit Committee Report.

### THE YEAR AHEAD

In the coming year, the Committee will continue to work together with the Board and the other committees to monitor and review the effectiveness of the Group's financial reporting and risk management and internal control framework. In addition, we will continue to focus on the resilience of our cyber security and IT controls and on ensuring that all new accounting standards, relevant legislation and guidance, including the provisions of the 2018 Code, are being met.



**John Bason**  
Chairman of the Audit Committee

26 November 2019

## AUDIT COMMITTEE REPORT (CONTINUED)

### 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.

We continue to develop and grow our business but, of course, in some of the territories where we operate, the concept of corporate governance is still underdeveloped. In these regions in particular, it is important to have a clear, well-established system of risk management and internal control to ensure that growth is underpinned by solid business practice. In this regard, we have further strengthened our Regional Governance Committees (RGCs) with the aim of further embedding the Group's risk management culture within the business.

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 Committee is the Group CFO and the membership comprises the Group General Counsel and Company Secretary, the Director of Group Internal Audit, the Group Financial Controller, the Group Investor Relations and Corporate Affairs Director, the Group Chief People Officer and the Group Director of Strategy and M&A. 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 and business risks, and related compliance activities.

The Committee had oversight of a robust annual review and assessment of the principal risks and uncertainties of the Group. The review was conducted internally by a multi-disciplinary team.

The purpose of the review was to determine in the context of the macro environment and Group strategy:

- i. if the principal risks and uncertainties disclosed in the 2018 Annual Report and Accounts applied to the current financial year
- ii. whether there had been any year on year variance in the status of each risk
- iii. what should be removed or added

As set out in the Principal Risks section on pages 41 to 45, last year's risks continue to be pertinent, albeit our perception of how these risks have, as appropriate, remained static, increased or diminished, may have changed.

### FAIR, BALANCED AND UNDERSTANDABLE

The UK Corporate Governance Code 2016 (the Code) provides that, through its financial reporting, the Board should provide a fair, balanced and understandable assessment of the Company's prospects. At the Board's request, the Committee has reviewed the 2019 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 our strategic priorities. The Committee has considered these KPIs and is satisfied that the information that has been selected by the Board and the executive management will help to convey an understanding of the culture of the business and the drivers which contribute to its ongoing success and will be of interest to stakeholders.

## 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 (including the announcements thereof to the London Stock Exchange) with both management and the external auditor, 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
  - discussing the critical accounting policies and use of assumptions and estimates, as noted in section B of the accounting policies on page 146 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 Company's accounting policies. This included, for example, the consideration of any goodwill impairment assessments and how these were addressed
- the material areas to which the Committee dedicated the most time:
  - considering the nature and quantum of the purchasing income earned by the Group during the financial year. It also assessed the extent to which the amounts recognised required estimation and reviewed the recoverability of amounts accrued at the year end with reference to aged analyses and subsequent cash receipts. Nothing arose during the course of this review to indicate that anything but limited judgement was required, or that purchasing income had not been accounted for in accordance with the Group's accounting policies
  - the level of provisioning for liabilities (including tax) where management, accounting and legal judgements are important. The Committee discussed with management the key judgements made, 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
- the adoption in the year of IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial instruments' and the appropriateness of disclosures included in the Annual Report and Accounts
- preparation for the adoption of IFRS 16 'Leases' in the financial year ending 30 September 2020 and the disclosures included in the Annual Report and Accounts
- the going concern and viability statements
- non-financial information

In addition to its key role in the financial reporting process, the Committee considered the following at its meetings:

2018	2019	September
<b>November</b>	<b>May</b>	<b>September</b>
<ul style="list-style-type: none"> <li>• full year results               <ul style="list-style-type: none"> <li>– summary of 2018 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>• KPMG report to the Audit Committee on the 2017-2018 audit and key issues</li> <li>• Internal Audit update</li> <li>• Regional Governance Committees update</li> <li>• use of auditor for non-audit services</li> <li>• private discussion with auditor</li> </ul>	<ul style="list-style-type: none"> <li>• KPMG External Audit Plan 2018-2019</li> <li>• 2019 interim results review</li> <li>• key accounting and reporting matters and tax update</li> <li>• feedback from country interim certificates of assurance</li> <li>• going concern</li> <li>• KPMG report on interim results review</li> <li>• Internal Audit activity report</li> <li>• GDPR update</li> <li>• Regional Governance Committees update</li> <li>• use of auditor for non-audit services</li> <li>• private discussion with auditor</li> </ul>	<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               <ul style="list-style-type: none"> <li>– activity report (including key financial controls update) (May-July 2019)</li> <li>– approval of 2019–2020 Internal Audit Plan</li> </ul> </li> <li>• Regional Governance Committees update</li> <li>• 2019 Annual Report and Accounts               <ul style="list-style-type: none"> <li>– draft Audit Committee Report, Principal Risks and Internal Controls report</li> </ul> </li> <li>• Digital &amp; Technology Solutions update</li> <li>• GDPR 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>

## AUDIT COMMITTEE REPORT (CONTINUED)

### GOVERNANCE

The Audit Committee comprises John Bason, Chairman, and all of the non-executive directors 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 Internal Audit Director 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 109.

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 70 and 71. 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. 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.

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 82.

In addition to Committee members, the Chairman, the Group CEO, Group CFO, Group Financial Controller and the Group Internal Audit Director, 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.

In line with applicable legislation and best practice, at the end of a five year tenure, Mr Anthony Sykes ceased to be the Senior Statutory Auditor on completion of the external audit of the Company's financial statements for the year ended 30 September 2018. He was succeeded by Mr Paul Korolkiewicz.

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. In line with the Group's policy on non-audit services, the external auditor is, in general, excluded from providing the Company with general consultancy and all other non-audit services, unless there is no other competent and available provider. 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 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. There were no services for the Audit Committee to approve during the year. As set out in note 3 on page 165, fees paid for non-audit services were below the threshold requiring approval by the Audit Committee related to non-statutory audit and review work.

During the year, the Committee reviewed KPMG's fees for its services performed to 30 September 2019, 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 2019 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. 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 2019 were £6.5 million, of which £0.4 million related to non-audit work (2018: £7.0 million of which £0.7 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 165.

## 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 took into account, 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 2020 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.

## AUDIT COMMITTEE REPORT (CONTINUED)

### 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 saw more than 3,014 key employees of influence confirm their continued compliance with the CBC and the Code of Ethics in the year ended 30 September 2019. 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 by the local People function or finance 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, for example, be by a member of the local People function 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 each year's 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 interim 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 business. Certain internal audit assignments (such as those requiring specialist expertise) continue to be outsourced by the Group Internal Audit Director 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.

The 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 45. 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 2019 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 so as 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 visits to Group businesses by the Group CEO, Group CFO, Group General Counsel and Company Secretary, Group Chief People Officer, Group Director of Strategy and M&A and the Group Director International Clients & Market Development.

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 52 to 63. 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 Internal Audit Director attend Audit Committee meetings and receive its papers. Committee members meet regularly with the external auditor and with the Group Internal Audit Director, without the presence of executive management.

There were no changes to the Company's internal control over financial reporting that occurred during the year ended 30 September 2019 that have affected materially, or are reasonably likely to affect materially, the Company's internal control over financial reporting.

# Corporate Responsibility Committee Report



**Nelson Silva**  
Chairman of the Corporate Responsibility Committee

## MAIN RESPONSIBILITIES

- reviewing and monitoring the implementation and effectiveness of the Group's Safety and Sustainability and People strategies, policies and practices
- receiving updates on non-financial related reports from the whistleblowing helpline Speak Up
- reviewing/recommending for approval the Company's annual Modern Slavery Act statement
- monitoring the implementation of the Group's governance, ethics and compliance strategy and policies and alignment to our culture, purpose and values
- overseeing implementation of the Group's ethics and compliance programme/controls for prevention of unethical business practices and misconduct
- 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
Robin Mills <sup>2</sup>	Nov 2015	3	3
Anne-Francoise Nesmes <sup>3</sup>	Jul 2018	3	2
Johnny Thomson <sup>4</sup>	Dec 2015	1	1
Ireena Vittal	Jul 2015	3	3
Paul Walsh	Jan 2014	3	3
Karen Witts <sup>5</sup>	Apr 2019	2	2
Alison Yapp <sup>6</sup>	Oct 2018	3	3

1. The maximum number of meetings that a member was eligible to attend.
2. Ceased to be a member of the Committee on 25 November 2019.
3. Ms Nesmes was unable to attend the November meeting due to an unavoidable prior commitment and provided her feedback on the papers in advance.
4. Ceased to be a director on 31 December 2018.
5. Appointed to the Committee on 8 April 2019.
6. Ceased to be a member of the Committee on 1 October 2019.

## DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present the Corporate Responsibility Committee's (the CR Committee) Report for the financial year ended 30 September 2019.

## THE YEAR IN REVIEW

Corporate responsibility is a key area of focus for both the Company and its stakeholders. As the Company increases its focus on the impact of its operations, the oversight, remit and responsibilities of the CR Committee increase proportionately. During the year, we conducted an extensive review of the role and responsibilities of the Committee. This exercise was undertaken as part of a wider governance review in the context of changes to regulations and best practice, including the UK Corporate Governance Code 2018 (the 2018 Code), as more fully described on page 79, and enables the Committee to support the delivery of the Company's evolving CR strategy. The CR Committee's terms of reference have been substantially refreshed in the year as a result of this review. The updated terms of reference can be viewed on our website [www.compass-group.com](http://www.compass-group.com).

In light of the CR Committee's evolving responsibilities, we have increased the frequency of Committee meetings and, going forward, a minimum of three meetings of the CR Committee will be held each year.

In May 2019, the Company undertook an external evaluation of the Board and its committees. As part of this review, the performance of the CR Committee was assessed and the outcome can be found on page 93.

In the pages which follow, we provide an insight into the Committee's activities during the year.

**Nelson Silva**  
Chairman of the Corporate Responsibility Committee

26 November 2019

## CR STRATEGY AND KPIS

In 2019, the Company delivered on its corporate responsibility (CR) initiatives against its three sustainability strategy pillars which are underpinned by our People strategy and the Company's safety culture:

- Health and Wellbeing
- Environmental Game Changers
- Better for the World

## HEALTH, SAFETY AND SUSTAINABILITY

The safety of employees, clients and consumers remains a top priority for Compass and our safety culture continues to be strengthened throughout the business. In this regard, the CR Committee supports the Group's ambition of zero harm and creating a culture of interdependence where caring for each other is second nature. The health and safety and food safety performance is considered by the CR Committee at each meeting against agreed KPIs. Both our global lost time incident rate and our global food safety incident rate have improved since 2015 by 38% and 35% respectively. Whilst these results suggest progress in the right direction, we recognise that there is no room for complacency.

At the start of each meeting, the CR Committee considers a safety moment. This helps the Committee to develop a deeper understanding of the health and safety risks facing the business and to consider how the lessons learned from specific incidents can be applied to help prevent similar incidents from recurring. Safety walks have also been introduced as a leading indicator for all leaders above unit manager. This encourages conversations about safety within our businesses and helps to support a strong safety culture.

Sadly, during the year there were two fatalities in the Group, an incident in our South African business and a road traffic accident in our USA business. In each instance, a full investigation was conducted and the outcome reported to the directors and senior executives. Support was provided by our local operations to the families of the deceased. In the USA, the road traffic accident investigation was conducted by the police. In South Africa an investigation was conducted by our local business, in conjunction with the client on whose site the accident took place. Mr Blakemore and Ms Witts' entitlements to bonus relating to the achievement of LTIFR related targets were reduced to zero to recognise that the Group had suffered a fatality in South Africa during the year which occurred whilst the employee had been at work, albeit that management were not considered to be culpable. This recognises the seriousness with which the Company takes HSE outcomes.

During the year, the Committee received an update on the Group's Global Safety Standards, including the Group's Allergen Management Plan which focuses, amongst other things, on improving labelling, food preparation, training and communication to help safeguard our consumers. Consideration was also given to further improving our supply chain standards and practices.

In the course of its work to review and monitor the implementation and effectiveness of the Group's Safety and Sustainability and People strategies, policies and practices, the Committee received updates from a number of senior executives including the Group Safety and Sustainability Director. The updates included details of work and initiatives taking place throughout the Group, aligned to the Company's sustainability strategy pillars, aimed at improving health, safety and sustainability performance in support of the Company's Social Purpose, a number of examples of which are set in the CR report on pages 52 to 63.

The Company seeks to ensure that its CR strategy remains aligned to the Company's values and goals and more details of performance during the year can be found in our CR report on pages 52 to 63. The Committee will review the KPIs for the coming year to ensure that they continue to be aligned to the Company's social purpose and demonstrate our commitment to continuous improvement.

## ETHICS AND COMPLIANCE

During the year, the Board continued to focus on continuous improvements in the Group's ethics and compliance programmes and, in support of this aim, the Company appointed a Group Head of Ethics and Compliance who reports to the Group General Counsel and Company Secretary. The Group Head of Ethics and Compliance attends each meeting of the CR Committee by invitation to provide updates on ethics and governance matters.

The Group Head of Ethics and Compliance is reviewing the ethics and compliance framework with relevant stakeholders to ensure that our practices, policies and procedures are up to date and reflect best practice. He is also taking a leading role in ensuring compliance with the various data privacy controls that are in place across the Group.

## HUMAN RIGHTS AND MODERN SLAVERY

The Company will publish its fourth Modern Slavery Act (MSA) statement in December. This year's statement, which was reviewed by the Committee on behalf of the Board, has been refreshed to create a more insightful document with a perspective of the challenges and opportunities a group the scale of Compass faces when assessing the human rights and modern slavery risks across its businesses and supply chain. A copy of this document can be found on our website [www.compass-group.com](http://www.compass-group.com). In the coming year, the Company will proceed with a comprehensive human rights impact assessment. The project will be supported by a Human Rights Working Group which is sponsored by the Group Chief People Officer. The assessment will be conducted across the Group's businesses and global supply chain in conjunction with independent consultants. This assessment will give the Company a much clearer and transparent understanding of human rights and related risks in our supply chain and with third parties. This work will support a review of the Company's third party due diligence process as part of an update to our policies and procedures to ensure it remains effective.

## CORPORATE RESPONSIBILITY COMMITTEE REPORT (CONTINUED)

### Activity during the year

The key matters considered and discussed by the Committee during the year are set out below:

#### 2018

##### November

- safety moment
- health and safety performance
- CR strategy and KPIs for inclusion in the 2018 Annual Report
- Modern Slavery Act statement
- CR – social purpose
- review final draft content for inclusion in the 2018 Annual Report CR Report/ CR Committee Report
- governance and regulatory update

#### 2019

##### May

- safety moment
- health and safety performance and sustainability update
- governance update
- ethics and compliance update
- annual review of Charitable Donations Policy

##### September

- safety moment
- terms of reference review
- health and safety performance and sustainability update
- social purpose strategy update
- human rights impact assessment
- ethics and compliance update
- governance and regulatory update

Below are examples of some of the governance and regulatory matters considered by the Committee during the course of the year:

- the provisions of the 2018 Code and The Companies (Miscellaneous Reporting) Regulations 2018
- reporting requirements such as the obligation to produce a statement in accordance with Section 172 of the Companies Act 2006 (CA 2006)
- the Company's arrangements for workforce engagement and the methodology to be used for providing feedback to the Board
- proposed reform of the UK audit framework including proposed changes to the UK audit market and how it is structured and regulated
- the Streamlined Energy and Carbon Reporting Regulations 2018
- the Wates Corporate Governance Principles for Large Private Companies 2018

The Committee will continue to keep the Board informed about the developments in governance and regulatory matters and to ensure that the Company is compliant with regulatory and best practice guidelines, including the 2018 Code, which the Company will report against from the financial year ending 30 September 2020.

### GOVERNANCE

The CR Committee comprises Nelson Silva, Chairman, and all of the non-executive directors in office at the date of this Report. Other members include Paul Walsh, Chairman of the Board; Dominic Blakemore, Group CEO and Karen Witts, Group CFO.

Only members of the CR Committee have the right to attend CR Committee meetings. Other individuals, such as the Group Safety and 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 90.

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 Global Safety and Sustainability Director, Group General Counsel and Company Secretary, Group Head of Ethics and Compliance, Group Chief People Officer 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. During the year, the CR Committee thoroughly reviewed its terms of reference to align them more closely to the Company's strategy, including its Performance, People and Purpose strategic initiatives, the provisions of the 2018 Code and best practice. Going forward, the CR Committee will also oversee compliance with the 2018 Code requirements in relation to stakeholder engagement from 1 October 2019, including workforce engagement and employee voice.

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.

## PERFORMANCE

The CR Committee's performance was assessed as part of the independent external evaluation of the Board and its committees undertaken by Lintstock during the year.

The CR Committee's performance and composition were rated positively, as was the effectiveness of the Chairman. Its monitoring of corporate governance developments relating to the Group also received high ratings. The corporate responsibility KPIs were positively rated and it was noted that these were in the process of being developed to align with the Company's strategy.

In order to reflect the broader scope of matters falling within the CR Committee's remit, it was agreed that the number of meetings would increase from two to a minimum of three each year and that the duration of the meetings should also be increased. It was noted that the terms of reference of the CR Committee had been revised in the year to ensure alignment with the Company's strategy and to reflect the provisions of the 2018 Code, regulations and best practice.

Other priorities identified for improvement in the CR Committee's performance in the coming year included enhanced focus on food safety and sustainability.

An update on progress will be provided in the 2020 Annual Report and Accounts.

# Nomination Committee Report



**Paul Walsh**  
Chairman of the Nomination Committee

## MAIN RESPONSIBILITIES

- reviews the structure, size and composition of the Board and its committees, making recommendations to the Board regarding any changes considered necessary in the identification/nomination of new directors, the reappointment of existing directors and Committee appointments
- ensures there continues to be an appropriate balance of skills, knowledge, experience and diversity
- reviews the senior leadership needs of the Group to enable the Group to compete effectively in the marketplace
- advises the Board on succession planning for executive director appointments
- oversees a formal and rigorous annual evaluation of the performance of the Board, its committees and individual directors
- oversees the Company's policy, objectives and strategy on diversity and inclusion
- the Committee also has standing items that it considers regularly, e.g. the annual review of its own terms of reference

## MEMBERSHIP AND ATTENDANCE

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

1. The maximum number of meetings that a member was eligible to attend.
2. Stepped down from the Committee on 1 February 2019.

## DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present the Nomination Committee's (the Committee) Report for the financial year ended 30 September 2019.

## YEAR IN REVIEW

Succession planning continues to be the primary focus of the Committee's work.

During the year, the Committee considered the appointment of Karen Witts as Group Chief Financial Officer (Group CFO), the reappointment of Stefan Bomhard and the extension of my own tenure for a further three years. I am very happy to report that in each case, the Committee's recommendations were subsequently endorsed by the Board. I have gained much in terms of challenge and development during my two terms as Chairman at Compass and I look forward to working with the Board and executive management in steering the Company to continued success over the coming years.

A key component of work for the Committee this year was the annual review of the Committee's terms of reference in the context of the UK Corporate Governance Code 2018 (the 2018 Code). The new terms of reference have been updated to reflect the 2018 Code and have been in use since 1 October 2019. The Committee will report against the 2018 Code in next year's Annual Report.

The Committee assessed the time commitment needed from non-executive directors and from me in my capacity as Chairman of the Board, to ensure that each individual has sufficient time to devote to their duties, together with any training and development needs. To enable Karen Witts to embrace her new role as Group CFO as speedily as possible, the Committee ensured that an appropriate induction programme was prepared for her and details can be found on page 96.

Over the next 12 months, with support from my colleagues, we will continue to focus on the need to refresh the membership of the Board and its committees to help the Company achieve its strategic objectives.

**Paul Walsh**  
Chairman of the Nomination Committee

26 November 2019



## GOVERNANCE

The Nomination Committee's key objective is to review and monitor the Board's composition and to ensure that the Board comprises individuals with the right blend of skills, knowledge and experience to maintain a high degree of effectiveness in discharging its responsibilities. 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 must not chair the meeting when it is dealing with the appointment of his or her successor. 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.

## TERMS OF REFERENCE

The terms of reference of the Committee are reviewed annually to ensure that they continue to be fit for purpose.

A cross-functional working group was established in the year under the stewardship of the Group General Counsel and Company Secretary to consider and implement the changes required under the 2018 Code. As a result, the Committee's terms of reference have been substantially updated and the Committee will report against the 2018 Code in next year's Annual Report. The terms of reference are available on the Company's website [www.compass-group.com](http://www.compass-group.com).

## BOARD APPOINTMENT PROCESS

The process for making new appointments to the Board is led by the Chairman. The Nomination Committee has procedures for appointing a non-executive or an executive director which are set out in its terms of reference. For example, when appointing a chairman, this includes an assessment of the time commitment expected, recognising the need for availability 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, with a view to ensuring that the best placed individual for the role is recommended to the Board for appointment. The Board promotes an environment which is supportive of all individuals from diverse backgrounds and thus, in identifying suitable candidates, the Nomination Committee normally:

- uses open advertising or the services of external advisors to facilitate the search

- considers candidates from different genders and a wide range of backgrounds such as ethnicity, race, religion and education
- considers candidates on merit and against objective criteria, ensuring that appointees have enough time to devote to the position, considering other potentially significant commitments

## INDUCTION OF GROUP CFO

Karen Witts has been in role since 8 April 2019 and is bringing a fresh perspective to the Board and its committees. As set out on page 75, 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.

## REAPPOINTMENT OF DIRECTORS

The Board's policy is to ensure that the Board is made up of members with a range of skills and qualities 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 promoted and protected. 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. The Nomination Committee considers the selection and reappointment of directors carefully before making a recommendation to the Board.

Stefan Bomhard completed his first three year term in May 2019. In making its recommendation for his reappointment, the Committee considered the composition of the Board and the skills, experience and expertise of its membership to ensure that it had the variety of perspectives and skills needed to help the Company achieve its strategic aims. Stefan's performance and ability to contribute effectively to Board discussion and to challenge the performance of management were considered. The Committee is satisfied that Stefan continues to be able to devote enough time to his duties at Compass, taking into account his position as CEO of Inchcape plc.

In February 2020, the Chairman's second term in office will come to an end. John Bason chaired that part of the relevant Nomination Committee meeting which considered the Chairman's reappointment.

In recommending his reappointment, the Committee considered the Chairman's relationship and communications with Board members, his management of Board meetings and his ability, taking into account the responsibilities of his other mandates, to devote sufficient time to Compass recognising the need for availability in the event of crises.

The Committee concluded that the Chairman's contribution to Board leadership and Stefan's contribution to Board and committee discussion and debate remained both desirable and valuable to the Company, resulting in the extension of both of their tenures for a further term of three years.

## NOMINATION COMMITTEE REPORT (CONTINUED)

### GROUP CFO INDUCTION

A comprehensive induction programme was arranged for Karen Witts to help her settle into her new role. This included meetings with senior management and operational and functional teams around the Group and was structured to help Karen 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, Karen has attended business and budget reviews in the Asia Pacific, Continental Europe, Latin America, North America and UK & Ireland regions. Site visits were arranged which included key locations in the Group. These visits gave Karen an opportunity to meet with local management teams and other colleagues and to speak with them first hand and to listen to their views.

Karen participated in the annual investor roadshow which was held in New York following the release of our half year results and spent time meeting with investors. She has also had one to one meetings with her Board colleagues and has met with sector heads, senior management and members of the Company's governance and control functions.

Details of some of the activities undertaken by Karen are set out below:

Area	Provided by	Subjects covered and discussed
Global Business	Senior Management Sector Heads	<ul style="list-style-type: none"> <li>• APAC, Continental Europe, North America and UK &amp; Ireland business reviews</li> <li>• APAC, Continental Europe, Latin America, North America and UK &amp; Ireland business budget reviews</li> <li>• half year results roadshow</li> <li>• various site visits, including the US operations based in Charlotte, USA</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>
Health, safety and sustainability	Group Safety and Sustainability Director	<ul style="list-style-type: none"> <li>• execution of safety and sustainability strategies, priorities and initiatives and their alignment to the Performance, People and Purpose strategy</li> </ul>
Strategic plan and business model	Group CEO Group Director of Strategy and M&A	<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>
Finance	Group Financial Controller	<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> </ul>
Tax	Head of Group Tax	<ul style="list-style-type: none"> <li>• review of the Group's tax strategy and profile, principal uncertain tax positions and areas requiring the exercise of judgement</li> <li>• tax governance procedures and control framework</li> </ul>
People	Group Chief People Officer	<ul style="list-style-type: none"> <li>• review of the Group's People strategy including succession planning, diversity and inclusion and engagement initiatives</li> </ul>
Group Reward	Group Reward & Diversity Director	<ul style="list-style-type: none"> <li>• Group remuneration philosophy, executive remuneration and annual cycle</li> <li>• long term incentive plan</li> </ul>
International Clients and Market Development	Group Director International Clients & Market Development	<ul style="list-style-type: none"> <li>• overview of International Clients portfolio and pipeline</li> <li>• growth and innovation strategy and digital structure for Rest of World</li> <li>• sales and retention excellence programmes</li> </ul>
Investor Relations	Interim Group Investor Relations and Corporate Affairs Director	<ul style="list-style-type: none"> <li>• Compass' investment case, key areas of investor focus and IR annual programme</li> </ul>
Treasury	Group Treasurer	<ul style="list-style-type: none"> <li>• overview of the Group's treasury operations, governance, funding, credit ratings, liquidity management, foreign exchange and interest rate risk management</li> </ul>
IT	Group Chief Information Officer	<ul style="list-style-type: none"> <li>• overview of the digital and technology function including in-depth reviews on strategy, operating model, initiatives and cyber security</li> </ul>
Internal Audit	Group Internal Audit Director	<ul style="list-style-type: none"> <li>• review of Group Internal Audit plan, internal control framework, key financial controls, Speak Up programme and the biannual major risk assessment process</li> </ul>

### Activity during the year

The key matters considered and discussed by the Committee during the year are set out below:

2018	2019	
<b>October</b>	<b>March</b>	<b>September</b>
<ul style="list-style-type: none"> <li>considered appointment of Karen Witts as Group CFO</li> </ul>	<ul style="list-style-type: none"> <li>considered renewal of Stefan Bomhard's tenure for a further three year term</li> </ul>	<ul style="list-style-type: none"> <li>annual review of terms of reference</li> <li>considered renewal of Paul Walsh's tenure for a further three year term</li> <li>reviewed time required from the Chairman, SID and non-executive directors</li> <li>considered training requirements for the directors as part of the annual performance evaluation</li> </ul>

### 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 outside regular working hours, to discuss matters that required a prompt decision, for example the approval of various acquisitions and disposals and contract approvals that did not fit with scheduled meetings.

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 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.

### 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. At Board level, our approach to the appointment of new directors and senior executives reflects our drive to develop people and value diversity, to ensure the optimal balance of experience and backgrounds on our Board and committees.

When recruiting new directors, we instruct the external recruitment consultants to ensure that a balance of male and female candidates is put forward for consideration by the Nomination Committee. Following Karen Witts' appointment to the Board in April 2019, female representation on our Board at 36% now exceeds the Hampton-Alexander target of 33% female representation at Board level by 2020. This positive trend is also reflected in the membership of the Executive Committee where the percentage of female members increased in the year to 38%.

### HAMPTON-ALEXANDER 2020 TARGET: % FEMALE



### PERFORMANCE

The Committee is required to conduct a review of its own performance, constitution and terms of reference to ensure that it is operating at maximum effectiveness and to recommend any changes it considers necessary to the Board for its approval. During the year, an external evaluation of the Board and its Committees took place and the outcome of this review can be found on pages 76 and 77.

In the context of the external evaluation by Lintstock, the performance of the Nomination Committee was very highly rated and seen to benefit from an appropriate blend of expertise. The ongoing support of the Group Chief People Officer, who takes an active role in the appointment process of new Board members, was also considered to be of particular importance.

The process by which Board appointments were made was rated highly and was seen to have improved. The proactive approach of the Chairman in keeping the Board up to date on progress during the recruitment process was considered to be constructive and inclusive.

It was agreed that, in the coming year, the Committee would maintain its focus on management succession plans, including the pipeline of new non-executive directors. Further priorities identified to assist the Nomination Committee to further improve its performance included:

- providing ongoing support to the new Group CFO
- following up on the agreed development plans for potential succession candidates
- keeping abreast of fast-paced, disruptive changes affecting the Group's stakeholders, including wider society
- agreeing the Committee's annual cycle of work to ensure that the Committee has sufficient time for meetings in light of its workload and increasing governance requirements

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 (the 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 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

## MEMBERSHIP AND ATTENDANCE

Member	Member since	Eligible to attend <sup>1</sup>	Meetings attended
Carol Arrowsmith	Jun 2014	5	5
John Bason	Jun 2011	5	5
Stefan Bomhard	May 2016	5	5
John Bryant	Sep 2018	5	5
Anne-Francoise Nesmes <sup>2</sup>	Jul 2018	5	4
Nelson Silva	Jul 2015	5	5
Ireena Vittal	Jul 2015	5	5

1. The maximum number of meetings that a member was eligible to attend.
2. Ms Nesmes was unable to attend the November meeting due to an unavoidable prior commitment but provided her feedback on the papers in advance.

## DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present the Remuneration Committee's Report for the financial year ended 30 September 2019 which is split into:

- i. this Annual Statement with an 'at a glance' summary of the remuneration decisions made during the year
- ii. the summary of activities during the year
- iii. the 2018-2021 Remuneration Policy (the Policy) (the Policy Period)
- iv. the Annual Remuneration Report on the implementation of the Policy in the year ended 30 September 2019 and proposed implementation for the next financial year

## CONTEXT FOR EXECUTIVE REMUNERATION

The last year has seen Compass perform well. The business achieved strong growth in organic revenue and operating profit through excellent performance in North America and improvements in Rest of World. Although Europe's revenue increased, its operating profit declined, reflecting a more uncertain macro environment. We have maintained a strong Group margin by focusing on productivity and pricing to offset inflation. Across the Group, we continue to focus on delivering efficiencies through our management and performance (MAP) framework. The Group has continued to strengthen and simplify the portfolio and invested in bolt-on acquisitions and made several disposals of non-core businesses. The business has also made good progress with its focus on Performance, People and Purpose. Increasingly, these initiatives have been supported through technology and digital solutions designed to drive efficiencies, optimise performance and improve consumer experience.

## REWARDING PERFORMANCE

The incentive outcomes for 2018-2019 were in line with our approved Policy. Following strong overall performance, we determined the outcomes of the annual bonus for Group and North American performance as 78.3% and 98.3% respectively. The Committee believes the bonus outcomes appropriately reflect the overall performance in 2018-2019 and more details are set out in the Annual Remuneration Report on pages 113 and 114.

For the Long Term Incentive Plan (LTIP) which vested in 2019, the TSR element vested in full because Compass ranked 16<sup>th</sup> against other FTSE 100 companies (excluding the financial services sector) over the performance period. The targets we set based on growth in ROCE and cumulative ACF were demanding and were also met in full. The Committee considers this result to be an appropriate outcome given the performance. This has led to an overall outcome for the LTIP of 100% of the maximum opportunity. Further details are set out in the Remuneration Report on page 116.

Salary adjustments for executive directors are aligned with increases paid to employees within their region. Accordingly, Dominic Blakemore, Gary Green and Karen Witts will receive salary increases of 2.6%, 3.1% and 2.1% respectively, which will take effect from 1 January 2020.

### DIRECTOR CHANGES

Johnny Thomson stepped down from the Board on 31 December 2018. His leaving terms were within the approved Policy, consisting of remuneration until the end of his employment. Payments in lieu of notice were subject to mitigation and were reduced accordingly. All LTIP awards which would have vested following his departure were forfeit. The shares from Mr Thomson's 2015-2016 LTIP award which vested in November 2018 remain subject to a two year post vest holding period. Mr Thomson was not eligible for an annual bonus payment in respect of 2018-2019. These terms are set out in more detail on page 119 and are in line with those previously announced.

Karen Witts was appointed to the role of Group CFO in October 2018 and commenced employment on 8 April 2019. Details of her terms set out on page 119 are in line with the announcement made on 11 October 2018 and on page 91 of the 2018 Annual Report and Accounts.

### CORPORATE GOVERNANCE DEVELOPMENTS

The Committee has reviewed the legislative and best practice developments in respect of director remuneration and welcomes change to raise the bar in this area. The introduction of the UK Corporate Governance Code 2018 (the 2018 Code) which seeks to broaden the role of the Committee, as well as to introduce additional measures concerning director pay, has been carefully considered by the Committee during the year. In July, the Committee received a detailed update on the wider workforce policies and practices. This supplements other regular updates; for example, at the time decisions are taken in respect of salary review for executive directors and the Executive Committee, the Remuneration Committee is updated on our global salary review budgets and trends.

Over the course of the year, preparations have been undertaken to ensure that the Committee is well placed to fully comply with the 2018 Code, as well as with the Shareholders' Rights Directive II, both of which will be effective for Compass from the financial year ending 30 September 2020. The Company will report against the new regulations in next year's Directors' Remuneration Report.

The Committee also reviewed its terms of reference to ensure that they continue to be fit for purpose and in line with best practice. The review was undertaken with guidance from the Group General Counsel and Company Secretary.

The new terms of reference were adopted by the Committee at its meeting on 18 September 2019 and approved by the Board on the same day. A copy of the terms of reference can be found on the Company's website [www.compass-group.com](http://www.compass-group.com).

During 2020, the Committee will be undertaking a full review of its Policy ahead of a vote at the 2021 AGM and will take account of these governance developments as well as the wider executive remuneration landscape. We are aware of changing expectations and the drive for equalisation of terms across the wider workforce over the next Policy Period. Further consideration will also be given to aligning management incentives to the Group's strategic focus on Performance, People and Purpose. These matters will be given careful thought during the Policy review process. Engagement with our key investors during our last Policy review in 2017 was constructive and helpful. We look forward to engaging with them on the Policy again in the coming year.

### COMMITTEE EVALUATION

The findings of this year's external evaluation of the performance of the Remuneration Committee can be found on page 101.

### OTHER MATTERS

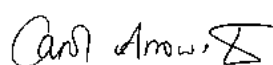
At our 2019 AGM, shareholders supported the resolution seeking approval to pay the full fee to each non-executive director in respect of each non-executive role they perform for the Company without regard to the annual cap of £125,000 as set out in the Policy. The Board has reviewed this element of how we operate our Policy following changes to the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 which apply to companies reporting on financial years starting on or after 10 June 2019. As a result of the review, the Board concluded it would be more appropriate to set the cap on directors' fees by reference to the aggregate cap in the Company's articles of association of £2.25 million which was approved by shareholders at the Company's AGM in February 2017. This allows the Company to allocate appropriately compensated duties to individual directors as required whilst retaining current limits on the total non-executive director fees payable. Although this is not a matter for the Remuneration Committee, as the non-executive director fees must be included in the Remuneration Report, it is pertinent to draw shareholder attention to the proposal.

More details of the proposed resolution can be found in the 2019 Notice of Meeting on pages 235 and 238.

### CONCLUSION

The voting outcome at the 2019 AGM in respect of the Annual Remuneration Report for the year ended 30 September 2018 together with the results of voting on the Policy at the 2018 AGM are set out on page 121.

I look forward to welcoming you and receiving your support at the upcoming AGM.



**Carol Arrowsmith**  
Chairman of the Remuneration Committee

26 November 2019

# At a glance

## REMUNERATION IN 2018-2019 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%	33.3%
Delivery against investments	Return on Capital Employed (ROCE)	–	33.3%
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)	–	33.3%

1. Based on Group performance measures and LTIP based on the Plan vesting in year.

## REMUNERATION OUTCOMES AS AT 30 SEPTEMBER 2019

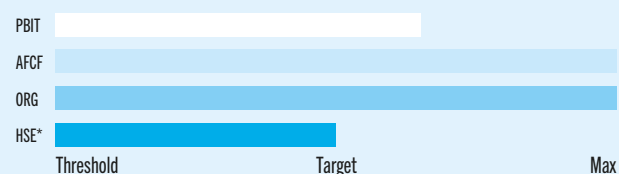
Element	Dominic Blakemore	Gary Green	Karen Witts
Base salary at 30 September 2019	£975,000	US\$1,442,000	£660,000
Pension (% of base salary)	20%	35%	20%
Benefits	£34,000	US\$76,000	£7,000
Annual bonus (% of max)	78.3%	98.3%	78.3%
LTIP (% of max)	100%	100%	n/a

### 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. One third of the bonus is deferred into shares for executive directors who have not achieved the pro-rata share ownership guideline, with all other payouts in cash. All cash bonus and Deferred Bonus Shares are subject to malus and clawback. Performance measures and weightings are set out in more detail on page 114.

The results below represent the Group's results for 2018-2019. Gary Green's bonus outcome relates to regional performance as shown on page 114.

#### Group results



\* Health Safety and Environment (HSE) is the combined outcome of the LTIFR and FSIR.

- Group payout at 78.3% of maximum bonus
- North America payout at 98.3% of maximum bonus
- subject to malus and clawback

#### 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 vs the guidelines are on page 120.

### LTIP OUTCOME

An award of 200% of base salary granted to Dominic Blakemore and Gary Green vested in respect of the three year performance period ended on 30 September 2019. The results below represent the Group's results and are applicable to both executive directors. Karen Witts did not have any awards under the LTIP vesting in 2019.



- performance measured over the period 1 October 2016 to 30 September 2019
- payout of 100% of maximum performance
- two year holding period applies to vested shares
- subject to malus and clawback

# Committee summary

## GOVERNANCE

The Committee consists entirely of independent non-executive directors, as defined in the UK Corporate Governance Code 2016 (the Code).

The membership comprises Carol Arrowsmith, Chairman, and all other non-executive directors 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 70 and 71. 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 & Diversity Director attend Committee meetings by invitation to advise the Committee on Group policies and practice. Details of advisors to the Committee can be found on page 121.

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

This year's external Board and Committee evaluation was conducted by independent board effectiveness advisors Lintstock. Overall the performance of the Remuneration Committee was rated highly.

As part of the review, participants were asked to consider the alignment of the Policy with the Company's strategy. A number of suggestions were made relating to the development of management incentives and the Committee agreed that these should be considered in the coming year in the context of the next Policy review. To further enhance the effectiveness of the Committee, the priorities identified going forward were:

- continuing to work with the executive team to evaluate remuneration against the Company's strategy and the evolving external environment
- continuing to receive external input on key trends and developments in remuneration
- maintaining an ongoing dialogue with investors and proxy advisory firms
- devoting more time to understanding compensation for the wider workforce beyond executive management

As a result of these findings, appropriate arrangements have been made within the Committee's schedule for the coming year and an update on progress will be provided in next year's report.

## Committee summary (continued)

### Activity during the year

The key activities of the Committee during the year ended 30 September 2019 are set out below. In addition, the Committee also reviews performance in relation to the Group wide share plans, approves any discretionary matters applied for individuals below executive director level and considers other governance matters on a regular basis.

2018	2019	
<p><b>November</b></p> <ul style="list-style-type: none"> <li>reviewed salaries for the Executive Committee effective 1 January 2019</li> <li>determined 2017-2018 performance outcomes for the LTIP and bonus plans</li> <li>approved draft DRR for 2017-2018</li> <li>set targets under the LTIP and other incentive plans below Executive Committee for 2018-2019</li> <li>set targets for 2018-2019 bonus plans</li> </ul>	<p><b>March</b></p> <ul style="list-style-type: none"> <li>received an overview of total remuneration for the global leadership team</li> <li>approved the Karen Witts Restricted Share Award Plan</li> </ul>	<p><b>July</b></p> <ul style="list-style-type: none"> <li>received an update on wider employee remuneration and employment practice</li> <li>received an update on corporate governance from advisors</li> </ul>
	<p><b>May</b></p> <ul style="list-style-type: none"> <li>approved grant of LTIP and Restricted Share awards for Ms Witts</li> <li>reviewed LTIP awards for the global leadership team</li> <li>received an update on external remuneration trends from advisors</li> </ul>	<p><b>September</b></p> <ul style="list-style-type: none"> <li>reviewed updated terms of reference for the Committee</li> <li>reviewed the Chairman's fee</li> <li>considered the draft DRR for 2018-2019</li> </ul>

### STRUCTURE AND CONTENT OF THE DIRECTORS' REMUNERATION REPORT (DRR)

This DRR has been prepared on behalf of the Board by the Committee in accordance with the requirements of the Companies Act (CA 2006) and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the 2013 Regulations). The policy on remuneration of directors (the Policy) is set out on pages 103 to 109. The next two sections of the DRR cover the following matters:

- the Company's Remuneration Policy effective from 8 February 2018 and for three years thereafter, including each of the components of directors' remuneration (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 of existing and new directors

- how the Policy approved by shareholders at the 2018 AGM was implemented in the year ended 30 September 2019 (the Annual Remuneration Report), the proposed approval of an amendment to the operation of the Policy 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 and how the Policy will be implemented in the next financial year

Auditable disclosures are the:

- executive directors' single total figure of remuneration (page 112)
- long term incentive awards (page 115)
- extant equity incentive awards held by executive directors (page 118)
- director changes during the year (page 119)
- non-executive directors' remuneration (page 120)
- directors' interests (page 120)



# Remuneration Policy

This DRR sets out our Remuneration Policy. We consulted with shareholders extensively during 2017 when the Policy was being formulated for shareholders' approval. This Policy applied with effect from 8 February 2018 when it was approved by shareholders at the Company's Annual General Meeting and, save in respect of the proposed amendment to the operation of the Policy to replace the £125,000 individual annual fee cap for each non-executive director, will, in all other respects, continue to apply until 2021.

For unvested share awards only, made prior to 8 February 2018, the provisions of the Remuneration Policy approved by shareholders in 2015 will continue to apply until all long term incentive awards granted under that Policy have vested or lapsed.

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 that they make to the business. In doing this, we have regard to the size and complexity of the Group's operations and the need to motivate and attract employees of the highest calibre.

Our Policy is designed to maintain stability in the executive team and to ensure appropriate positioning against our comparator groups. We believe our approach to be balanced and that it will stand the test of time.

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.

Remuneration links corporate and individual performance with an appropriate balance between short and long term elements, and fixed and variable components. The Policy is designed to incentivise executives to meet the Company's key objectives. A significant portion of total remuneration is performance related, based on a mixture of internal targets linked to the Company's key business drivers which can be measured, understood and accepted 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 which the Group faces as well as complying with the provisions of the Code.

The Committee has the discretion to amend certain aspects of the Policy in exceptional circumstances when considered to be in the best interests of shareholders. Should such discretion be used, this will be explained and reported in the DRR for the following year.

## Remuneration Policy (continued)

### COMPONENT PARTS OF THE REMUNERATION PACKAGE

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

Component and link to strategy	Operation of component	Maximum opportunity	Performance measures
<p><b>BASE SALARY</b></p> <p>Reflects the individual's role, experience and contribution.</p> <p>Set at levels to attract and retain individuals of the calibre required to lead the business.</p>	<p>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.</p>	<p>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.</p> <p>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.</p>	None.
<p><b>BENEFITS AND PENSION</b></p> <p>To provide a competitive level of benefits.</p>	<p>Benefits include, but are not limited to, healthcare insurance for executive directors and their dependants, limited financial advice, life assurance and car benefit.</p> <p>These are offered to executive directors as part of a competitive remuneration package.</p> <p>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.</p>	<p>The cost of providing these benefits can vary in accordance with market conditions, which will, therefore, determine the maximum value.</p> <p>For the Company's pension cash allowance (or pension contribution as appropriate), from 8 February 2018 the annual maximum will be 20% of base salary for new UK appointees and 35% phasing down to 20% of base salary for current UK based executive directors. The reduction will take place over a three year period commencing in January 2019. Dominic Blakemore voluntarily elected to adopt the 20% rate of contribution from 1 January 2018. The annual maximum cash allowance for Gary Green remains at 35% of base salary.</p>	None.
<p><b>ANNUAL BONUS</b></p> <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 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.</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 below threshold performance but increases on a straight line basis to target payout and from target to maximum.</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 below threshold performance but increases on a straight line basis to target payout and from target to maximum.</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 may also be chosen. However, the overall metrics would always be substantially 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>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>Details of the specific measures and targets applying to each element of the bonus for the year being reported on are shown in the Annual Remuneration Report on page 114.</p>

Component and link to strategy	Operation of component	Maximum opportunity	Performance measures
<p><b>LONG TERM INCENTIVE PLAN (LTIP)</b> 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><b>Return on capital employed (ROCE)</b> ROCE supports the strategic focus on growth and margin through ensuring that cash is reinvested to generate strong returns with capital discipline.</p> <p><b>Adjusted free cash flow (AFCF)</b> 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><b>Relative total shareholder return (TSR)</b> The third performance measure of TSR provides direct alignment between the interests of executive directors and shareholders.</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>Calculations of the achievement of the targets are independently performed 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>Dividend equivalents may be accrued on the shares earned from LTIP awards.</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.</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>In the event of a change of control, any unvested awards will vest immediately, subject to satisfaction of performance conditions and reduction on a time apportioned basis.</p>	<p>Awards may be made at the following levels of salary:</p> <ul style="list-style-type: none"> <li>• Group Chief Executive: 300%</li> <li>• Other executive directors: 250%</li> </ul> <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>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>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>Performance is measured over three financial years.</p> <p>Performance measures are AFCF, ROCE and TSR, with each applying 40%, 40% and 20% respectively.</p> <p>Relative TSR is measured relative to the companies comprising the TSR comparator group at the start of the period.</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> <p>Details of the targets for LTIP awards vesting and granted are set out as required in the Annual Remuneration Report on page 116.</p> <p>For awards made prior to 8 February 2018, the awards were based on AFCF over the three year performance period, growth in ROCE and the Company's TSR over the performance period relative to the companies comprising the TSR comparator group at the start of the relevant period. Each measure being equivalent to one third of the total award.</p>

## NOTES TO THE REMUNERATION POLICY TABLE

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

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.

## Remuneration Policy (continued)

### CLOSED INCENTIVE PLANS

The LTIP described in the table on page 105 (known as The Compass Group PLC Long Term Incentive Plan 2018) is the primary form of equity incentive for executive directors. At the date of this DRR, there are outstanding awards over 233,799 shares which have been made to executive directors under the previous long term incentive plan, The Compass Group PLC Long Term Incentive Plan 2010.

### 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 the making of any 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 2019, the Company held 3,329,634 treasury shares. During the financial year ended 30 September 2019, 242,307 shares were purchased in the market by the trustees of The Compass Group PLC All Share Schemes Trust. 2,341,811 treasury shares and 54,852 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 2019, the Company's headroom position, which remains within the current IA Guidelines, was as shown in the charts below:

### 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.

As a result of the Remuneration Policy review, and to bring the share ownership guidelines (the guidelines) into line with prevailing best practice, and as part of a rebalanced overall remuneration package, with effect from 8 February 2018, the requirement for the Group CEO was increased to a personal shareholding of 300% of base salary and 250% for all other executive directors. No changes were made to the level of shareholding required for non-executive directors which remains as a personal shareholding equal to the value of their base fee.

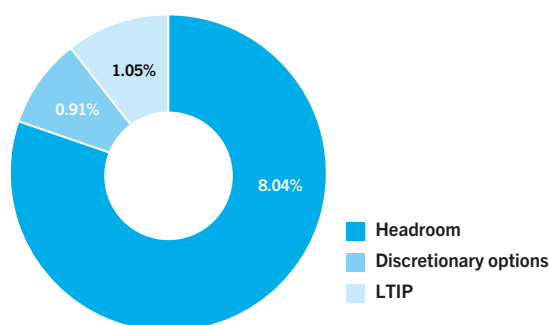
The guideline shareholding may be achieved by executive directors retaining shares received as a result of participating in the Company's share plans. The guidelines specifically exclude the need to make a personal investment should awards not vest. Non-executive directors are generally expected to purchase shares equating to a minimum value of one third of their net of tax fee each year until the guideline is met. 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.

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.

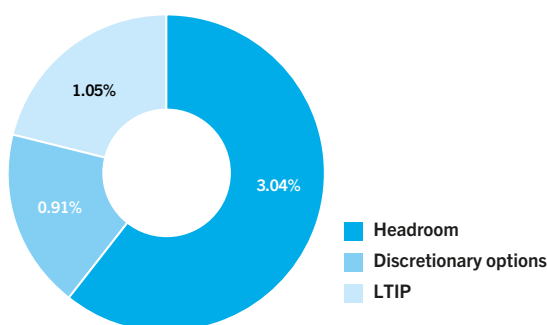
Details of the interests of directors in shares and equity incentives are set out on page 120, together with the extent to which each of the directors has complied with the current guidelines as at 30 September 2019.

### Headroom as at 30 September 2019

#### 10% IN 10 YEARS



#### 5% IN 10 YEARS

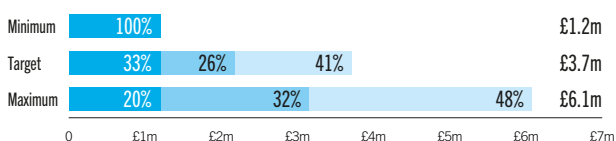


### ILLUSTRATIONS OF APPLICATION OF THE REMUNERATION POLICY

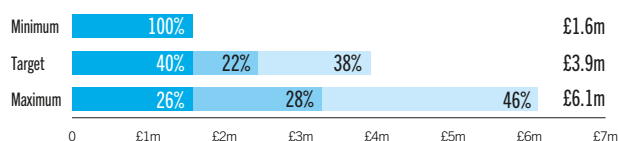
The graphs below show an estimate of the remuneration that could be received by executive directors in office at 1 October 2019 under the Policy set out in this DRR for 2019-2020. Each bar gives an indication of the minimum amount of remuneration payable, remuneration payable at target and at maximum performance to each director under the Policy.

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 and the LTIP.

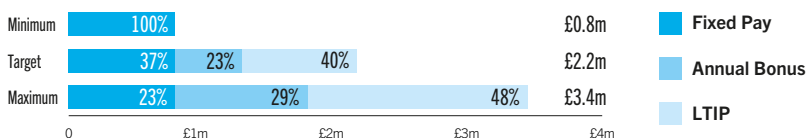
#### Dominic Blakemore ILLUSTRATION OF PACKAGE



#### Gary Green<sup>1</sup> ILLUSTRATION OF PACKAGE



#### Karen Witts ILLUSTRATION OF PACKAGE



The scenarios in the above graphs are defined as follows:

#### FIXED ELEMENTS OF REMUNERATION

Fixed pay includes annual base salary, pension and benefits:

- annual base salary as at 1 October 2019
- value of benefits as noted in the single figure table on page 112
- pension cash allowance as at 1 October 2019

	Minimum performance	Target performance	Maximum performance
<b>ANNUAL BONUS</b> (payout as a % of maximum opportunity)	0%	50%	100%
<b>LONG TERM INCENTIVE PLAN</b> (vesting as a % of maximum opportunity)	0%	52.5% <sup>2</sup>	100%

1. Gary Green is paid in US dollars. For reporting purposes, this pay is converted into sterling at an exchange rate of US\$1.2762/£1 as used elsewhere in the Annual Report.
2. Based on ACFE 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).

No share price growth or dividend accrual has been incorporated in the values relating to the LTIP.

## Remuneration Policy (continued)

### APPROACH TO RECRUITMENT REMUNERATION

The Committee will apply the same Remuneration Policy during the Policy Period as that which applies to existing executive directors when considering the recruitment of a new executive director in respect of most elements of remuneration, that is: base salary, pension and benefits, and short and long term incentives. New UK executive directors will, however, be provided with a pension cash allowance (or contribution) of 20% of base salary, in line with the level of pension provided to Compass UK management. 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 identical to the 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 one third of their annual bonus deferred into shares when the share ownership guideline is not achieved. 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 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, pensions 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 previous 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.

The policy on the recruitment of new non-executive directors during the Policy Period would be to apply the same remuneration elements as 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 Policy as utilised during the 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>• 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>	<ul style="list-style-type: none"> <li>• no special contractual provisions apply in the event of a change of control</li> </ul>
<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:</p> <ul style="list-style-type: none"> <li>• 12 months' base salary</li> <li>• pension supplement</li> <li>• 10% of base salary in respect of benefits</li> </ul> <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>
<b>RESTRICTIVE COVENANTS</b>	<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 Messrs Blakemore and Thomson and Ms 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 has not been modified or 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 be satisfied or to be accelerated (for example on death), subject to achievement of the attendant performance conditions. In such circumstances, awards vesting will normally be prorated on a time apportioned basis, unless the Committee determines otherwise. Any such discretion in respect of leavers would only be applied by the Committee to 'good leavers' where it considers that continued participation is justified, for example, by reference to performance prior to the date of leaving. The malus and clawback provisions would continue to apply in the event that any such discretion was exercised.

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 166, 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 2019
Dominic Blakemore	12 Dec 2011 7 Nov 2017 <sup>1</sup>	7 years, 7 months
Gary Green	29 Dec 2006 27 Nov 2007 <sup>2</sup>	12 years, 9 months
Karen Witts	10 Oct 2018 <sup>3</sup>	5 months

1. Appointment was formally revised from 1 October 2017.
2. Appointment was formally revised from 1 November 2007.
3. Ms Witts was appointed to the Board as Group CFO with effect from 8 April 2019.

## 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 will be reimbursed. The Chairman's appointment is terminable without compensation on six months' notice from either side. Following a market review and consideration by the Committee, from 1 October 2019 the Chairman's fee was increased from £560,000 to £575,000 per annum.

The Chairman 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. Mr Walsh will complete his second three year term as Chairman on 6 February 2020. At the recommendation of the Nomination Committee, his term was extended on 18 September 2019 for a further three year term until February 2023.

## 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 of £86,000 per annum, which includes membership of the Audit, Corporate Responsibility, Nomination and Remuneration Committees. From 1 October 2019, following a market review, the base fee was increased to £88,000.

Subject to a cap on the maximum amount of fees payable to any non-executive director of £125,000 per annum, an additional fee of £30,000 per annum was payable where a non-executive director acted as Chairman of the Audit, Remuneration or Corporate Responsibility Committee and an additional fee of £30,000 per annum was also payable to the director nominated as Senior Independent Director (SID). These fees remain unchanged for the coming year. Non-executive directors are not eligible for pension scheme membership, bonus, incentive arrangements or other benefits, save reimbursement of travel costs.

As more fully described in the Notice of Meeting on pages 235 and 238, at our 2019 AGM, we received shareholder approval to pay the full fee to each non-executive director in respect of each non-executive role they perform for the Company without regard to the annual cap of £125,000 as set out in the Policy. We have reviewed this element of how we operate our Policy and, as a result of that review, we concluded that it would be more appropriate to set the cap on directors' fees by reference to the aggregate cap in the Company's articles of association approved by shareholders in 2017. No other changes are proposed to the Company's overall approach to the payment of fees to non-executive directors, as set out in the shareholder approved Policy.

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 2019
Carol Arrowsmith	1 Jun 2014	14 May 2014 8 Mar 2017*	5 years, 4 months
John Bason	21 Jun 2011	10 May 2011 8 May 2014* 8 Mar 2017*	8 years, 3 months
Stefan Bomhard	5 May 2016	5 May 2016 13 Mar 2019*	3 years, 4 months
John Bryant	1 Sep 2018	17 May 2018	1 year, 1 month
Anne-Francoise Nesmes	1 Jul 2018	17 May 2018	1 year, 3 months
Nelson Silva	16 Jul 2015	16 Jul 2015 8 Mar 2018*	4 years, 2 months
Ireena Vittal	16 Jul 2015	16 Jul 2015 8 Mar 2018*	4 years, 2 months

\* Date on which appointment was formally revised.

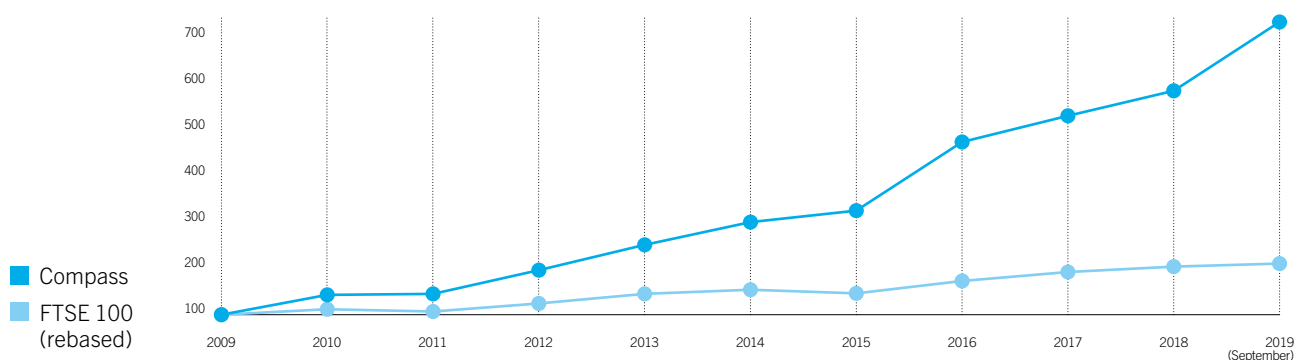
# Annual Remuneration Report

## REMUNERATION IN DETAIL FOR THE YEAR ENDED 30 SEPTEMBER 2019

### 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 2019. 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 maxima. The values disclosed for the years ended 30 September 2018 and 2019 relate to Mr Blakemore and in earlier years to Mr Cousins.

	2010	2011	2012	2013	2014	2015	2016	2017	2018 <sup>1</sup>	2019 <sup>2</sup>
Single total figure of remuneration £000	5,614	4,410	4,867	5,532	6,298	5,325	5,822	5,617	4,568 <sup>3</sup>	<b>4,659</b>
Annual variable element: award payout against maximum opportunity %	96.0	75.0	71.8	84.5	87.3	88.7	85.8	68.9	95.9	<b>78.3</b>
LTIP vesting rates against maximum opportunity %	100	100	100	98.0	100	79.0	84.5	74.5	95.0	<b>100</b>

1. Mr Blakemore was Deputy Group CEO from 1 October 2017 to 31 December 2017 and Group CEO from 1 January 2018 to 30 September 2018.
2. Includes indicative LTIP vesting of £1.951 million calculated by reference to the average market price of Compass Group PLC shares over the three months from 1 July 2019 to 30 September 2019 of £20.21.
3. LTIP indicative vesting amount of £1.853 million was disclosed in the 2018 Annual Report and Accounts. Actual amount was £1.898 million.



### PERCENTAGE CHANGE IN REMUNERATION OF GROUP CHIEF EXECUTIVE OFFICER

For the year ended 30 September 2019, the Group CEO received 10.8% more in salary, 5.6% less in bonus and the same level of taxable benefits than the equivalent amounts for the year ended 30 September 2018. This is as a result of the 2018-2019 year being the first full year Mr Blakemore was in the role of Group CEO.

For the year ended 30 September 2019, all full-time equivalent employees based in the UK received 3.5% more in salary, 5.8% less in bonus and 4.9% less in taxable benefits compared to the equivalent amounts for the year ended 30 September 2018. The UK employee workforce was chosen as the most suitable comparator group as the individual undertaking the Group CEO role has been based in the UK during each relevant year and pay changes across the Group vary widely depending on local market conditions. The nature of the Group CEO's global role and responsibilities makes meaningful comparisons with any group of employees difficult and due caution should be exercised in this regard.

The CEO pay ratio will be published in next year's report in line with the timing of the regulatory requirement to do so. This timing aligns to the next Policy review and the year in which we will report on regulatory-driven changes on broader considerations of the wider workforce employment.

### 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 2018 and 2019.

	2019 £'000	2018 <sup>1</sup> £'000	Change %
Dispersals			
Share buybacks <sup>2</sup>	—	—	—
Dividends paid <sup>3</sup>	611	548	11.4
Total employee costs <sup>4</sup>	11,370	10,556	7.7

1. Prior year comparatives have been restated upon adoption of IFRS 15.
2. At the AGM on 7 February 2019, shareholders approved resolution 21 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 2019. 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 2018 was £548 million. The total share capital in issue on 30 September 2018 was 1,589 million ordinary shares of 11½<sub>20</sub> pence. At the date of this report there were 1,589,736,625 ordinary shares of 11½<sub>20</sub> pence in issue of which 3,301,961 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 year ended 30 September 2019 was £611 million and the share capital in issue on 30 September 2019 was 1,589 million ordinary shares of 11½<sub>20</sub> pence each. The total dividend per ordinary share for the year ended 30 September 2019 increased by 6.1%.
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 2019, was 596,452 (2018: 595,841).

## Annual Remuneration Report (continued)

### 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 2019.

	Dominic Blakemore		Gary Green		Karen Witts		Johnny Thomson	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
<b>Fixed pay</b>								
Base salary <sup>1,2,3,4,10</sup>	956	863	1,121	1,027	318	–	164	649
Taxable benefits <sup>2,3,4,5,10</sup>	34	34	59	55	7	–	19	32
Pension <sup>2,3,4,6,10</sup>	191	201	392	360	64	–	58	227
Total fixed pay	1,181	1,098	1,572	1,442	389	–	241	908
<b>Performance related pay</b>								
Bonus <sup>2,3,4,7,10</sup>	1,527	1,617	1,665	1,552	374	–	–	947
LTIP: Performance Shares <sup>2,3,7,8,10</sup>								
Value delivered through corporate performance	1,301	1,203	1,849	1,506	–	–	–	1,081
Value delivered through share price growth	650	650	925	815	–	–	–	584
LTIP: Restricted Shares <sup>9</sup>	–	–	–	–	394	–	–	–
Total long term incentives	1,951	1,853	2,774	2,321	394	–	–	1,665
<b>Single total figure of remuneration</b>	<b>4,659</b>	<b>4,568</b>	<b>6,011</b>	<b>5,315</b>	<b>1,157</b>	<b>–</b>	<b>241</b>	<b>3,520</b>

- Dominic Blakemore's base salary was increased from £750,000 to £900,000 with effect from 1 January 2018 following his appointment as Group CEO on 1 January 2018, and subsequently increased from £900,000 to £975,000 on 1 January 2019.
- Gary Green's base salary of US\$1,442,000 and his other emoluments are shown in sterling at an exchange rate of US\$1.2762/£1 (2018: US\$1.3479/£1). In US\$ terms Mr Green's base salary was paid at the annual rate of US\$1,399,590 from 1 January 2018 and \$1,442,000 from 1 January 2019, being an increase of 3%.
- Johnny Thomson ceased to be a director on 31 December 2018. As set out in his Section 430(2B) Companies Act 2006 Statement published on the Company's website, in line with the current Policy, Mr Thomson received his current base salary of £658,000, 35% pension cash allowance and benefits to this date. For the period from 1 January 2019 to 24 February 2019 he received a payment in lieu of notice (comprising salary, pension allowance and 10% of his base salary in lieu of benefits) subject to an obligation to mitigate. From 25 February 2019 to 30 June 2019, a reduced payment was paid following Mr Thomson mitigating his remuneration. The amounts shown in relation to 2019 in respect of salary and benefits are amounts paid during the year, pro-rated by reference to the period during which he was an executive director of the Company. All of Mr Thomson's extant LTIP awards lapsed when he ceased to be a director on 31 December 2018. Mr Thomson was not eligible for an annual bonus payment in respect of 2018-2019.
- Karen Witts commenced employment as Group CFO on 8 April 2019. On joining, Ms Witts received an annual remuneration package which included a base salary of £660,000, bonus opportunity of up to 150% of base salary, prorated from her joining date for the first financial year and standard contractual benefits including pension payments (cash allowance or contribution) equal to 20% of base salary. Ms Witts' compensation is in line with the arrangements announced on 11 October 2018.
- Taxable benefits comprise healthcare insurance, limited financial advice, life assurance and car benefit.
- In accordance with the Policy, a pension cash allowance of 35% of base salary was paid in monthly instalments in lieu of pension participation for Messrs Green and Thomson. From 1 October 2017 to 31 December 2017, Mr Blakemore received a pension cash allowance of 35%. Mr Blakemore voluntarily elected to adopt the 20% rate of contribution from 1 January 2018 following his promotion to Group CEO.
- Details of the performance measures and weighting as well as the achieved results for the bonus and LTIP components are shown on pages 114 to 116.
- The amount shown for the award vesting in 2019 is the indicative value based on the average market price of Compass Group PLC shares over the three month period from 1 July 2019 to 30 September 2019 (£20.21) of LTIP awards that have become receivable as a result of the achievement of performance conditions relating to the three year performance period to 30 September 2019. The amount shown for the comparative figure in 2018 is the indicative value based on the average market price of Compass Group PLC shares over the three month period from 1 July to 30 September 2018 (£16.46). On 21 November 2018, Messrs Blakemore, Green and Thomson sold 52,612, 63,035 and 47,009 shares to settle tax and social security obligations for which they received £887,222, £1,062,990 and £792,736 respectively, based on a sale price of £16.86 on that date. Theoretically, if they had sold all of their vested awards, they would have received in aggregate £5,981,009, approximately £142,000 more than the indicative value reported in the comparative table in last year's report.
- Ms Witts was granted an award over 62,973 shares under the Karen Witts Restricted Share Award Plan on 16 May 2019 in recognition of awards forfeited at her previous employer. 15,181 shares subject only to employment and 5,622 shares subject to financial underpins relating to net debt to underlying EBITDA ratio and the ordinary dividend being at least in line with constant currency underlying basic earnings per share, vested on 1 July 2019. On the same day, Ms Witts sold 9,808 shares for £18.94 per share to cover resultant tax and social security obligations. The remaining shares are not subject to a further holding period, but will count towards her achievement of the share ownership guideline. The balance of the Award will vest, subject to continued employment and financial underpins, in two further tranches on 1 July 2020 and 1 July 2021.
- Richard Cousins was Group CEO until 31 December 2017. Total remuneration for 2018-2019 was nil (2018: £4,269 million)

## BASE SALARY

The annual rate of base salaries of the executive directors in office for the year ended 30 September 2019 was:

Director	Base salary	Effective date	Increase	Reason
Dominic Blakemore <sup>1</sup>	£975,000	1 January 2019	8.3%	Progression in role, gain in experience
Gary Green	\$1,442,000	1 January 2019	3%	Relevant peer/market & performance
Karen Witts <sup>2</sup>	£660,000	8 April 2019	–	–
Johnny Thomson <sup>3</sup>	£658,000	1 January 2018	–	–

1. Dominic Blakemore's salary was reviewed in line with the commitment made in 2017 and 2018 to make increases to reflect experience and progression in the role to bring his salary in line with that of his FTSE peers and reflects performance in the year. With effect from 1 January 2019, his salary was increased to £975,000 with adjustments thereafter to be consistent with the range applicable to the wider workforce.
2. Karen Witts' salary on commencement of employment was £660,000.
3. Johnny Thomson's salary was reviewed in January 2018. No further salary review occurred following this date.

The proposed annual rate of base salaries of the executive directors in office from 1 January 2020 will be:

Director	Base salary	Effective date	Increase	Reason
Dominic Blakemore	£1,000,000	1 January 2020	2.6%	Relevant peer/market & performance
Gary Green	\$1,486,000	1 January 2020	3.1%	Relevant peer/market & performance
Karen Witts	£674,000	1 January 2020	2.1%	Relevant peer/market & performance

Each director received a salary increase in line with those applied to the wider workforce in their respective geographies.

## PENSIONS

At 30 September 2019, 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 Ms Witts and 35% of the base salary for Messrs Green and Thomson was paid monthly in lieu of pension for the period of employment.

## TOTAL DIRECTOR REMUNERATION

Fees and benefits received by the Chairman and non-executive directors are shown on page 120. The aggregate total amount of remuneration received by all directors in office during the year ended 30 September 2019 is shown below:

	2019 £000	2018 £000
Executive directors	12,068	17,672
Chairman and non-executive directors <sup>1</sup>	1,333	1,188 <sup>2</sup>
<b>Total</b>	<b>13,401</b>	<b>18,860</b>

1. Includes fees and taxable travel expenses.
2. 2018 figure restated to include non-executive director taxable travel expenses.

## ANNUAL BONUS PLANS

### 2018-2019 BONUS

The financial targets for the bonus for the year ended 30 September 2019, and the extent to which they were achieved, are set out on page 114. Group and regional 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.

## Annual Remuneration Report (continued)

### 2018-2019 PERFORMANCE MEASURES AND TARGETS

#### Dominic Blakemore and Karen Witts

Financial measures <sup>1</sup>	% Weighting	Minimum	Par (target)	Maximum	Achieved
PBIT <sup>2,4</sup>	55	£1,774.2m	£1,810.4m	£1,846.6m	£1,821.4m
AFCF <sup>3</sup>	15	£953.5m	£983.0m	£1,012.5m	£1,204.0m
ORG <sup>5</sup>	25	3.6%	4.6%	5.6%	6.5%
Group HSE Improvement			Target	Achieved	Achieved
Lost Time Incident Frequency Rate	2.5		2.99	2.91	No <sup>9</sup>
Food Safety Incident Rate	2.5		0.22	0.22	Yes

#### Gary Green

Financial measures <sup>1</sup>	% Weighting	Minimum	Par (target)	Maximum	Achieved
PBIT <sup>2,4</sup>	5	£1,774.2m	£1,810.4m	£1,846.6m	£1,821.4m
RPBIT <sup>6</sup>	55	5.3%	6.3%	7.3%	7.9%
MAWC <sup>7</sup>	15	\$(505.3)m	\$(525.3)m	\$(535.3)m	\$(556.2)m
RORG <sup>8</sup>	25	5.0%	6.0%	7.0%	7.7%

#### North America HSE Improvement

HSE for the North American business is measured through North American underlying PBIT.

### 2018-2019 OUTCOMES

Measure	Dominic Blakemore % of performance target achieved	Gary Green % of performance target achieved	Karen Witts % of performance target achieved
PBIT/RPBIT <sup>2,4,6</sup>	35.8/55 <sup>2,4</sup>	58.3/60 <sup>2,4,6</sup>	35.8/55 <sup>2,4</sup>
AFCF <sup>3</sup>	15/15	–	15/15
MAWC <sup>7</sup>	–	15/15	–
ORG/RORG <sup>5,8</sup>	25/25 <sup>5</sup>	25/25 <sup>8</sup>	25/25 <sup>5</sup>
HSE	2.5/5	–	2.5/5
<b>Total</b>	<b>78.3/100</b>	<b>98.3/100</b>	<b>78.3/100</b>

- Financial targets for 2018-2019 bonus purposes are all set and measured at 2019 foreign exchange budget rates, not actuals.
- PBIT is underlying Profit Before Interest and Tax (Group).
- AFCF is Adjusted Free Cash Flow (Group).
- Messrs Blakemore and Green's and Ms Witts' entitlements to any bonus related to the achievement of PBIT were adjusted, in accordance with the established framework, to exclude all unbudgeted M&A spend together with routine restructuring costs.
- ORG is Organic Revenue Growth (Group).
- RPBIT is underlying Profit Before Interest and Tax growth improvement for the North America region.
- MAWC is Average Working Capital Balance for the North America region for Mr Green. The 2018-2019 target for Mr Green for MAWC is based on an improvement in the value of MAWC over the designated period.
- RORG is Organic Revenue Growth for the North America region
- Whilst the LTIFR target was achieved, Mr Blakemore's and Ms Witts' entitlements to bonus relating to the achievement of the LTIFR target were reduced to zero to recognise that the Group had suffered a fatality in South Africa during the year which occurred whilst the employee had been at work, albeit that management were not considered to be culpable. This recognises the seriousness with which the Company takes HSE outcomes.

### 2018-2019 PAYOUTS

The outcome of the annual bonus for the year ended 30 September 2019 was due to the continued strong underlying financial performance aligned with the delivery of the Group's long term strategy. The table below shows the resulting payout to each executive director for the year:

	2018-2019 bonus payment as % of base salary as at 30 Sep 2019	Value of bonus
Dominic Blakemore	156.6%	£1,526,951
Gary Green	147.4%	US\$2,125,256
Karen Witts	56.6%	£373,805

No discretion was applied by the Committee in respect of the directors' bonuses for the year under review. The bonus for Messrs Blakemore and Green will be paid in cash as they have each met their share ownership guideline. The bonus for Ms Witts has been prorated for the period of employment in the financial year from 8 April 2019 to 30 September 2019. A third of the bonus will be deferred in shares for a period of three years in order to support the build up towards Ms Witts' share ownership guideline. Dividend equivalents may be accrued on Deferred Bonus Shares in line with the Policy.

## 2019-2020 BONUS PERFORMANCE MEASURES

The annual bonus performance measures for executive directors for the year ending 30 September 2020 are unchanged. They are:

Measure	Dominic Blakemore	Gary Green	Karen Witts
PBIT/RPBIT <sup>1,2</sup>	55% <sup>1</sup>	60% <sup>2</sup>	55% <sup>1</sup>
AFCF <sup>3</sup>	15% <sup>3</sup>	–	15% <sup>3</sup>
MAWC <sup>4</sup>	–	15% <sup>4</sup>	–
ORG/RORG <sup>5,6</sup>	25% <sup>5</sup>	25% <sup>6</sup>	25% <sup>5</sup>
HSE <sup>7</sup>	5%	– <sup>7</sup>	5%
<b>Total<sup>8</sup></b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

- Underlying PBIT (Group).
- Underlying PBIT split between Group PBIT and PBIT for Region of responsibility for Mr Green: 5% Group/55% Regional.
- AFCF is Adjusted Free Cash Flow (Group).
- MAWC for Region of responsibility. The 2019-2020 target for Mr Green for MAWC is based on an improvement in the value of MAWC over the designated period.
- Organic Revenue Growth (Group).
- Organic Revenue Growth for Region of responsibility.
- HSE for the North American business is measured through underlying RPBIT.
- Bonus payments may be reduced if the Remuneration Committee is not satisfied with the underlying financial performance of the Group.

The Committee has set the targets for the annual bonus plan for the year ending 30 September 2020 but has chosen not to disclose the details in this DRR, as it is the opinion of the Committee that it may be seriously prejudicial to the interests of the Company to do so. 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

During the year ended 30 September 2019, executive directors received a conditional award of shares which may vest after a three year performance period which will end on 30 September 2021, based on the achievement of stretching performance conditions. The maximum levels achievable under these awards are set out in the table below:

Director	LTIP award (as a % of base salary)	Face value of award £000
Dominic Blakemore	300%	2,700 <sup>1</sup>
Gary Green	250%	2,724 <sup>1,2</sup>
Karen Witts	250%	1,650 <sup>3</sup>
<b>Total</b>		<b>7,074</b>

- Face value of award as at the date of grant on 21 November 2018 is based on the closing market price of £16.73 per share on 20 November 2018.
- Face value of award is converted to sterling at an exchange rate of US\$1.2762/£1.
- Face value of award as at the date of grant on 16 May 2019 is based on the closing market price of £17.78 per share on 15 May 2019. The Award relates to the annual LTIP grant. Ms Witts also received awards in respect of forfeiture of incentives from her previous employer. These awards are set out in detail on page 118.

Executive directors are required to hold vested awards for a period of two years following vesting so as to further 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 246 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 246 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 on page 116 shows the targets against which performance has been measured to determine the vesting of the grant of awards for the year ended 30 September 2019 and forms part of the Policy detailed in the Policy Report on pages 62 to 68 of the 2016 Annual Report and Accounts.

## Annual Remuneration Report (continued)

### 2016-2017 award targets (for awards with a performance period ended 30 September 2019)

#### ROCE target

Level of performance	Threshold	Maximum	Achieved
Vesting % of component	0%	100%	100%
As at date of award	18.1%	19.1%	–
Reconciled at the end of the performance period <sup>1</sup>	18.18%	19.15%	19.73%

#### AFCF target

Level of performance	Threshold	Maximum	Achieved
Vesting % of each component	0%	100%	100%
AFCF	£2,609m	£2,883m	£3,156m

#### TSR target

Level of performance	Below Median	Median	Upper Quartile	Achieved
Vesting % of each component	0%	25%	100%	100%

1. ROCE targets are updated at the end of the performance period to reflect actual acquisition spend and constant currency.

### 2016-2017 award performance

The Committee applied the established framework to deal with items that were unforeseen at the time the targets were set in 2016-2017 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.

Each of the performance measures were met in full at the end of the three year performance period, such that the LTIP awards made during the 2016-2017 financial year vested at 100% of the maximum. Shares will be delivered to individuals following the release of the preliminary results for the year ended 30 September 2019.

Director	Performance conditions			Number of shares awarded	Number of shares vested	Value of shares on vesting <sup>2</sup> £000
	TSR % vested on maturity <sup>1</sup>	ROCE % vested on maturity	AFCF % vested on maturity			
Dominic Blakemore	100%	100%	100%	96,528	96,528	1,951
Gary Green	100%	100%	100%	137,271	137,271	2,774

1. TSR ranking was 16th in its comparator group.

2. The indicative value of the shares on vesting has been calculated by reference to the average market price of Compass Group PLC shares over the three months from 1 July 2019 to 30 September 2019 of £20.21 per share.

### 2019-2020 AWARD

The table below shows the targets against which performance will be measured to determine the vesting of the grant of awards to be made in the year ending 30 September 2020 and forms part of the Policy detailed in the Policy Report on pages 103 to 109. In order to minimise future adjustments, the Committee sets ROCE targets based on predicted spend on bolt-on acquisitions, however, in line with our standard approach, targets will be updated at the end of the performance period to reflect actual spend. In setting AFCF targets, the Committee took into consideration anticipated payroll timing and taxation phasing during the three year performance period. The targets have been set on an IFRS 15 basis and will be restated for IFRS 16 in the 2020 Directors' Remuneration Report.

#### ROCE and AFCF targets

Level of performance	Vesting % of each component	ROCE	AFCF
Threshold	0%	17.39%	£2,776m
Par (target)	50%	17.87%	£2,922m
Maximum	100%	18.34%	£3,068m

#### TSR target

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

The vesting of the shares under each performance condition is independent. Therefore, the total vesting amount is based on the relevant percentage achievement for each performance measure. Awards vest on a straight line basis between Threshold and Par and between Par and Maximum. If performance under the AFCF and ROCE component does not exceed the Threshold level, vesting for that component will be nil. At the end of the performance period, the Committee will review the underlying financial performance of the Company and retains its discretion to adjust vesting if it considers that financial performance is unsatisfactory.

The Committee considers the measures and targets set in respect of 2019-2020 to be appropriate and challenging. Calculations of the achievement of the targets will be independently performed and approved by the Committee. The Committee retains discretion to adjust for performance and the nature of any such adjustments will be disclosed in the DRR, together with details of the achieved ROCE, AFCF and TSR performance, as determined by the above definitions, at the end of the performance period.

### LONG TERM INCENTIVE PLAN HISTORIC 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
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%
2012-2013	1 Oct 2015	ROCE/AFCF/TSR	74%	78%	85%

### SHARE AWARDS FOR FORFEITURE

During the year ended 30 September 2019, in line with the recruitment Policy approved by shareholders and the disclosure made in the 2018 Directors' Remuneration Report, Karen Witts received awards to compensate her for the forfeiture of incentive compensation from her previous employment. These awards were valued, based on all information available to the Committee at the time of appointment. The majority of these awards are subject to Compass' performance. The face values of the awards and relevant performance conditions are set out below:

	Performance conditions/underpin	Face value of award £000
Compass Group PLC LTIP 2018 <sup>1</sup>	Y	500
Karen Witts Restricted Share Award Plan <sup>2</sup>	N	270
Karen Witts Restricted Share Award Plan <sup>3</sup>	Y	850

1. Face value of award as at the date of grant on 16 May 2019 is based on the closing market price of £17.78 per share on 15 May 2019. The award is subject to Compass' performance over the three year period ending 30 September 2021 as assessed by the Remuneration Committee against ROCE, AFCF and relative TSR performance targets as applied.
2. Face value of award as at the date of grant on 16 May 2019 is based on the closing market price of £17.78 per share on 15 May 2019. The award of 15,181 shares vested on 1 July 2019.
3. Face value of award as at the date of grant on 16 May 2019 is based on the closing market price of £17.78 pence per share on 15 May 2019. The award is subject to two financial underpins relating to net debt to underlying EBITDA ratio and the ordinary dividend being at least in line with constant currency underlying basic earnings per share. The award is to vest in three tranches. The first tranche of 5,622 shares vested on 1 July 2019. A maximum of 20,804 shares are due to vest in July 2020 and 21,366 shares are due to vest in July 2021, each being subject to the two financial underpins.

## Annual Remuneration Report (continued)

### EXTANT EQUITY INCENTIVE AWARDS HELD BY EXECUTIVE DIRECTORS

Details of all existing equity incentive awards as at the date of this DRR, including the awards conditionally made under the long term incentive plans to the executive directors at any time during the year ended 30 September 2019, 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 2018: 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 2019: number of shares	Market price at date of award: £	Date of award	Maturity date
Dominic Blakemore	118,518	–	112,550	5,968	–	10.80	25 Nov 2015	1 Oct 2018
	96,528	–	–	–	<b>96,528</b>	13.26	23 Nov 2016	1 Oct 2019
	178,390	–	–	–	<b>178,390</b>	15.13	9 Feb 2018	1 Oct 2020
	–	161,385	–	–	<b>161,385</b>	16.73	21 Nov 2018	1 Oct 2021
<b>Total</b>	<b>393,436</b>	<b>161,385</b>	<b>112,550</b>	<b>5,968</b>	<b>436,303</b>			
Gary Green	148,479	–	141,002	7,477	–	10.80	25 Nov 2015	1 Oct 2018
	137,271	–	–	–	<b>137,271</b>	13.26	23 Nov 2016	1 Oct 2019
	165,125	–	–	–	<b>165,125</b>	15.13	9 Feb 2018	1 Oct 2020
	–	162,810	–	–	<b>162,810</b>	16.73	21 Nov 2018	1 Oct 2021
<b>Total</b>	<b>450,875</b>	<b>162,810</b>	<b>141,002</b>	<b>7,477</b>	<b>465,206</b>			
Karen Witts	–	120,880	–	–	<b>120,880</b>	17.78	16 May 2019	1 Oct 2021
<b>Total</b>	<b>–</b>	<b>120,880</b>	<b>–</b>	<b>–</b>	<b>120,880</b>			
Johnny Thomson	106,482	–	101,120	5,362	–	10.80	25 Nov 2015	1 Oct 2018
	86,724	–	–	86,724	–	13.26	23 Nov 2016	1 Oct 2019
	108,685	–	–	108,685	–	15.13	9 Feb 2018	1 Oct 2020
<b>Total</b>	<b>301,891</b>	<b>–</b>	<b>101,120</b>	<b>200,771</b>	<b>–</b>			

#### Restricted Share Award (RSA)

Director	As at 30 Sep 2018: 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 2019: number of shares	Market price at date of award: £	Date of award	Maturity date
Karen Witts	–	20,803	20,803	–	–	17.78	16 May 2019	1 Jul 2019
	–	20,804	–	–	<b>20,804</b>	17.78	16 May 2019	1 Jul 2020
	–	21,366	–	–	<b>21,366</b>	17.78	16 May 2019	1 Jul 2021
<b>Total</b>	<b>–</b>	<b>62,973</b>	<b>20,803</b>	<b>–</b>	<b>42,170</b>			

#### NOTES TO TABLES

- Each award granted 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.
- The performance period of the award granted on 25 November 2015 came to an end on 30 September 2018. This award vested in part at 95% of the maximum award. The shares disclosed as lapsed during the year represent the proration of the original award.
- Awards granted on 9 February 2018, 21 November 2018 and 16 May 2019 were made under the LTIP 2018. All other awards were granted under the LTIP 2010.
- On 21 November 2018, Messrs Blakemore, Green and Thomson sold 52,612, 63,065 and 47,009 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 2018 to settle resultant tax and social security obligations. All of the vested LTIP awards were subject to a two year post vest holding period. Theoretically, if the directors had sold all of their vested LTIP awards, they would have received in aggregate £5,981,009 based on a sale price of £16.86 on 21 November 2018. The closing share price on the day preceding the release of their awards was £16.73 per share.
- The performance period of the award granted on 23 November 2016 came to an end on 30 September 2019. The award vested in full.
- All LTIP awards were granted for nil consideration.
- Of the 120,880 LTIP awards granted to Ms Witts, 28,110 were in respect of the agreed buy-out arrangement for awards forfeited in her former employment.
- Awards granted to Mr Thomson on 23 November 2016 and 9 February 2018 lapsed on 31 December 2018 when he ceased to be a director of the Company.
- Ms Witts was granted an award over 62,973 shares under the Karen Witts Restricted Share Award Plan on 16 May 2019 in recognition of Awards forfeited at her previous employer. 15,181 shares were subject only to employment and 5,622 shares are subject to financial underpins relating to net debt to underlying EBITDA ratio and the ordinary dividend being at least in line with constant currency underlying basic earnings per share, vested on 1 July 2019. On the same day, Ms Witts sold 9,808 shares for £18.94 per share to cover resultant tax and social security obligations. The balance of shares is not subject to a further holding period, but will count towards her achievement of the share ownership guideline. The balance of the Award will vest, subject to continued employment and financial underpins, in two further tranches on 1 July 2020 and 1 July 2021.
- The highest mid-market price of the Company's ordinary shares during the year ended 30 September 2019 was £21.38 per share and the lowest was £14.83 per share. The year end price was £20.93 per share.
- The market price at the date of each award is shown to two decimal places.



## DIRECTOR CHANGES DURING THE YEAR

### Karen Witts

As announced on 11 October 2018, Ms Witts' annual remuneration package, which is in line with the Company's shareholder approved Policy, includes the following:

- base salary of £660,000
- bonus opportunity of up to 150% of base salary, prorated from her joining date for the first financial year of her appointment. One third of the bonus earned to be deferred for three years if the pro-rated share ownership guidelines have not been met
- an award of 250% of base salary under the LTIP 2018. This will vest based on performance over a three year performance period as assessed by the Remuneration Committee, against ROCE, AFCF and relative TSR targets. The award will also be subject to a two year post vest holding period
- standard contractual benefits including pension payments (cash allowance or contribution) equal to 20% of base salary

The Company also agreed the following buyout arrangements to compensate for the forfeiture of incentive compensation from Ms Witts' former employment, based on all known information at the time. The recruitment Policy approved by shareholders sets out how to determine the buyout of outstanding incentives from a previous employer, namely, that awards should minimise the cost to Compass and, where possible, should deliver any compensation in the form of Compass shares, delivered no earlier than the original awards. In line with that policy, the buyout of current share-based incentives is a blend of restricted shares and performance shares to replicate the form of awards forfeit. The timing of the payouts will be no earlier than the awards forfeited, and all awards will be made in Compass shares with forward looking performance conditions applying where appropriate:

- an award of performance shares worth £500,000 which will vest subject to Compass' performance over the three year period ending 30 September 2021 as assessed by the Remuneration Committee, against ROCE, AFCF and relative TSR performance targets as applied under the LTIP 2018
- an award of restricted shares with a value at the date of grant of £1,120,000 to vest in three approximately equal tranches over the three financial years ending 30 September 2019-2021. The majority of the award is also 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 basic earnings per share

All net shares vesting must be retained until the Company's share ownership guidelines for executive directors have been met.

At the time of appointment Ms Witts was expected to receive compensation, to be delivered in Compass shares, for the loss of any 2018-2019 annual bonus equal in value to the actual bonus that would have been paid by her former employer. This award was not granted as her 2018-2019 annual bonus from her former employer was not forfeit.

### PAYMENTS TO PAST DIRECTORS

As announced on 4 July 2018 and 11 October 2018, Johnny Thomson stepped down from the Board on 31 December 2018. In line with the current Policy, Mr Thomson received his current base salary, 35% pension cash allowance and benefits to this date, details of which are included in the single figure table on page 112. For the period from 1 January 2019 to 24 February 2019, he received a payment in lieu of notice (comprising salary, pension allowance and 10% of his base salary in lieu of benefits) subject to an obligation to mitigate. From 25 February 2019 to 30 June 2019 a reduced payment was made following Mr Thomson mitigating his remuneration. The total remuneration for the period 1 January 2019 to 30 June 2019 paid to Mr Thomson was £207,593. All of Mr Thomson's extant LTIP awards lapsed when he ceased to be a director on 31 December 2018. Mr Thomson was not eligible to receive an annual bonus payment in respect of 2018-2019.

### 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 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. Ms Witts received fees of £54,500 in respect of her directorship at Imperial Brands plc. At the date of this DRR, Dominic Blakemore and Gary Green do not hold any paid external appointments.

## Annual Remuneration Report (continued)

### NON-EXECUTIVE DIRECTORS' REMUNERATION

Details of amounts received by Paul Walsh during the year ended 30 September 2019 are shown below:

	Fees £000	Benefits <sup>1</sup> £000	Total 2019 £000	Total 2018 £000
Chairman				
Paul Walsh	560	2	562	541

1. Benefits for the year ended 30 September 2019 comprise the provision of costs in relation to commuting travel.

Details of the amounts received by each of the non-executive directors in office for the year ended 30 September 2019 are set out below:

Non-executive director	Fees £000	Benefits <sup>1</sup> £000	Total 2019 £000	Total 2018 <sup>2</sup> £000
Carol Arrowsmith	116	10	126	125
John Bason <sup>3</sup>	139	–	139	119
Stefan Bomhard	86	1	87	85
John Bryant <sup>4</sup>	86	18	104	7
Anne-Francoise Nesmes <sup>5</sup>	86	–	86	21
Nelson Silva	116	16	132	119
Ireena Vittal	86	11	97	97

1. Travel costs relating to attending Board meetings held in the UK are treated as a taxable benefit and have been included in the table above.

2. 2018 figures restated to include travel expenses.

3. With effect from 8 February 2019, Mr Bason was paid the full fee payable for each non-executive role performed.

4. Appointed to the Board and its committees on 1 September 2018.

5. Appointed to the Board and its committees on 1 July 2018.

### 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 106.

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 2019 in shares (including the interests of Persons Closely Associated) and share incentives are shown in the table below:

Director	Beneficial		Conditional		Shareholding required <sup>1</sup>	Compliance with share ownership guidelines
	Shares held as at 30 Sep 2019 or date of leaving	Shares held as at 30 Sep 2018	LTIP/RSA holdings as at 30 Sep 2019 or date of leaving	LTIP/RSA holdings as at 30 Sep 2018		
Carol Arrowsmith	10,333	10,121	n/a	n/a	100%	✓
John Bason	14,288	11,976	n/a	n/a	100%	✓
Dominic Blakemore	197,462	137,524	436,303	393,436	300%	✓
Stefan Bomhard	5,865	5,865	n/a	n/a	100%	✓
John Bryant <sup>2</sup>	6,025	–	n/a	n/a	100%	✓
Gary Green	191,382	255,595	465,206	450,875	250%	✓
Anne-Francoise Nesmes <sup>3</sup>	2,122	–	n/a	n/a	100%	✓
Nelson Silva	7,884	7,884	n/a	n/a	100%	✓
Johnny Thomson <sup>4</sup>	209,521	155,410	–	301,891	250%	✓
Ireena Vittal	5,350	5,241	n/a	n/a	100%	✓
Paul Walsh	35,395	35,395	n/a	n/a	100%	✓
Karen Witts <sup>5</sup>	10,995	–	163,050	n/a	250%	See note 5

1. As a percentage of base salary or fee.

2. Appointed to the Board and its committees on 1 September 2018.

3. Appointed to the Board and its committees on 1 July 2018.

4. Stepped down from the Board and its committees on 31 December 2018. The figure disclosed is Mr Thomson's holding at that date. Outstanding LTIP awards lapsed on 31 December 2018.

5. Appointed to the Board and its committees on 8 April 2019. Under the current guidelines executive directors are required to achieve the % shareholding shown in the table above, within a five year period in accordance with the Company's share ownership guidelines. Compliance is assessed on a pro rata basis for Ms Witts who is in her first year of build-up. In line with the guidelines, a proportion of Ms Witts' 2018–2019 bonus will be deferred in shares for a period of three years to support the build up of her shareholding.

There were no changes in directors' interests between 30 September 2019 and 26 November 2019.

## 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 has regard to the remuneration level 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 166.

## REMUNERATION ADVICE

The Chairman and the Group CEO, together with the Group Chief People Officer and the Group Reward & Diversity 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 2019 are set out on pages 70 and 71.

WillisTowersWatson (WTW) was appointed by the Company in 2017. During the year, WTW advised the Committee on remuneration related matters in respect of the executive directors and non-executive directors including detailed external information and research on market data and trends and advice in relation to the appointment of Ms Witts for which it received total fees (based on hours spent) of £30,150 (2018: £29,100). WTW provided services to the Company globally which comprised remuneration benchmarking, insurance brokerage and other consultancy advice.

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 (2018: £24,000). It also provided the TSR performance graph for the DRR, for which it received a fixed fee of £500 (2018: £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 was formerly a remuneration consultant with Deloitte LLP.

## SHAREHOLDER VOTE AT 2018 AND 2019 ANNUAL GENERAL MEETINGS

The tables below show the voting outcomes at the AGMs held on 8 February 2018 for the Remuneration Policy which applies until 2021 and the 2016-2017 Remuneration Report, and on 7 February 2019 for the 2017-2018 Annual Remuneration Report:

### 2018

	Number of votes 'For' & 'Discretionary'	% of votes cast	Number of votes 'Against'	% of votes cast	Total number of votes cast	Number of votes 'Withheld' <sup>1</sup>
Remuneration Policy <sup>2</sup>	1,153,741,571	95.90	49,370,003	4.10	1,203,111,574	10,721,950
Annual Remuneration Report <sup>3</sup>	1,161,167,059	96.58	41,072,852	3.42	1,202,239,911	11,593,421

### 2019

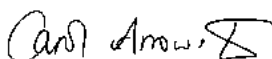
	Number of votes 'For' & 'Discretionary'	% of votes cast	Number of votes 'Against'	% of votes cast	Total number of votes cast	Number of votes 'Withheld' <sup>1</sup>
Annual Remuneration Report <sup>3</sup>	1,225,182,253	98.01	24,889,504	1.99	1,250,071,757	15,061,643

1. A vote withheld is not a vote in law.
2. Binding vote. Policy to apply until 2021.
3. Advisory 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 2020 AGM, shareholders will be invited to vote on the Annual Remuneration Report for 2018-2019 (advisory vote) and on the approval for the Company to pay each of its non-executive directors the full fee payable for each role they perform for the Company by reference to the aggregate cap on directors' fees specified in the Company's articles of association.

On behalf of the Board



**Carol Arrowsmith**  
Chairman of the Remuneration Committee

# 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 63 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 64 to 121, the Other Statutory Disclosures on pages 122 to 127 and the Directors' Responsibilities Statement on page 130 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	39
Future developments in the business	2
Statement of directors' responsibilities including disclosure of information to the auditor	130
Disclosure of greenhouse gas (GHG) emissions	60
Shareholder information	232
Viability statement	40
Going concern statement	40

## DIRECTORS

Details of the directors in office at the date of this Report are listed on pages 68 to 71. In accordance with the Code, each director will retire and submit himself or herself for election or re-election at the 2020 AGM. As announced on 11 October 2018, Karen Witts joined the Board as Group CFO on 8 April 2019.

## RESULTS AND DIVIDENDS

In the year ended 30 September 2019, the Group delivered an underlying profit before tax of £1,772 million (2018: £1,630 million), an increase of 8.7%; and a statutory profit before tax of £1,469 million (2018: £1,523 million), a decrease of 3.5%<sup>1</sup>.

A summary of the dividends on ordinary shares for the financial year ended 30 September 2019 compared to the prior year is shown below:

Year	Dividend	Pence per share <sup>2</sup>
2019	Final (recommended)	26.9
2019	Interim	13.1
<b>2019</b>	<b>Total</b>	<b>40.0</b>
2018	Final	25.4
2018	Interim	12.3
2018	Total	37.7

1. Prior year comparatives have been restated upon adoption of IFRS 15.
2. Dividends are paid gross. A dividend reinvestment plan (DRIP) is available to shareholders resident in the UK, EEA, Channel Islands and Isle of Man. Details can be found on page 232. The latest date for receipt of elections for the DRIP is 3 February 2020.

The 2019 interim dividend of 13.1 pence per existing ordinary share (2018: 12.3 pence) was paid to shareholders on 29 July 2019.

Payment of the recommended final dividend for the year ended 30 September 2019, if approved at the 2020 AGM, will be made on 24 February 2020 to shareholders registered at the close of business on 17 January 2020. The shares will be quoted ex-dividend from 16 January 2020.

During the year, the trustee of the employee benefit trust, the Compass Group PLC All Share Schemes Trust (ASST) (formerly known as the Compass Group PLC Long Term Incentive Plan Trust), which operates in connection with the Company's share plans, waived its right to receive dividends on any shares held by it. Details of the ASST can be found on page 124 of this Report. The value of dividends waived during the year ended 30 September 2019 in relation to the ASST was £6,351 (2018: £5,389).

At the date of this Report, there were 3,301,961 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, £1,378,421 (2018: £2,152,339) worth of dividends were not paid during the financial year in relation to treasury shares.

## SHARE CAPITAL

### General

At the date of this Report, 1,589,736,625 ordinary shares of 11½ pence each (of which 3,301,961 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 1,586,434,664. In addition, the Company sponsors a Level I American Depositary Receipts programme with BNY Mellon, under which the Company's shares are traded on the over the counter market in the form of American Depositary Shares.

During the year ended 30 September 2019, 431,955 options were exercised and 1,964,708 awards released pursuant to the Company's share option schemes and long term incentive plans. All options exercised and awards released were satisfied, as appropriate, by the reissue of 2,341,811 treasury shares and the release of 54,852 shares from the ASST. A further 27,673 treasury shares have been reissued and 5,076 shares released by the Trust respectively since the end of the financial year to the date of this Report to satisfy awards under these schemes.

There are no restrictions on the transfer of ordinary shares in the capital of the Company other than those restrictions which may from time to time be imposed by law, 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).

### REPURCHASE OF SHARES

No shares were repurchased during the financial year ended 30 September 2019. No shares have been repurchased in the period from 1 October 2019 to the date of this Report.

As at the date of this Report, there are 1,589,736,625 ordinary shares of 11½ pence in issue. Of these, 3,301,961 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.

Returns to shareholders continue to be an integral part of our business model and the Group's cash flow generation remains excellent. Our priorities for how we use our cash are to: (i) invest in the business to support organic growth where we see opportunities with good returns; (ii) grow the dividend in line with underlying constant currency earnings per share; (iii) pursue M&A opportunities; our preference is for small to medium sized bolt-on acquisitions, where we look for returns greater than our cost of capital by the end of year two; and (iv) maintain strong investment grade credit ratings returning any surplus cash to shareholders to target net debt to EBITDA of around 1.5x<sup>1</sup>.

At the 2020 AGM, a special resolution will be proposed to renew the directors' limited authority (last granted at the 2019 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.

1. Pre IFRS 16 'Leases'. IFRS 16 will be adopted by the Group on 1 October 2019. The Group expects between £950-£1,050 million of additional debt on its balance sheet on adoption.

### ISSUE OF SHARES

At the 2020 AGM, the directors will ask shareholders to renew the authority last granted to them at the 2019 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 2021 AGM, whichever is the sooner.

The limited power granted to the directors at the 2019 AGM to allot equity shares for cash, other than pro rata to existing shareholders, expires no later than 6 May 2020. 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 2021 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.

Also, in line with best practice, the Company has not issued more than 7.5% of its issued ordinary share capital on a non-prorated basis over the last three years. The directors have no present intention to issue ordinary shares, other than pursuant to the Company's employee equity incentive share schemes, and this authority will maintain the Company's flexibility in relation to future share issues, including any issues to finance business opportunities, should appropriate circumstances arise.

## OTHER STATUTORY DISCLOSURES (CONTINUED)

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 the consolidated financial statements on pages 197 and 198.

### SUBSTANTIAL SHAREHOLDINGS

The following major shareholdings have been notified to the Company as at 30 September 2019 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
Invesco Limited	4.95	4.95
Massachusetts Financial Services Company	9.96	9.96

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 2019 can be found on page 120 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 98 to 121. As at 30 September 2019, the trustees of the ESOP and ASST held nil (2018: nil) and 187,455 (2018: nil) 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. No ordinary shares were held by these trusts as at 30 September 2019 (2018: nil).

### AWARDS UNDER EMPLOYEE SHARE SCHEMES

Details of awards made during the year and held by executive directors as at 30 September 2019 are set out in the Directors' Remuneration Report on pages 98 to 121.

Details of employee equity incentive schemes and grants made during the year ended 30 September 2019, and extant awards held by employees are disclosed in the consolidated financial statements on pages 197 to 199.

### EMPLOYEE POLICIES AND INVOLVEMENT

The Group places particular importance on the involvement of its employees, keeping them regularly informed through informal bulletins and other in-house publications, meetings and the

Company's internal websites, on matters affecting them as employees and on the issues affecting their performance. 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.

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 and the Chairman, Nigel Palmer, 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.

Those UK employees who transfer from the public sector under TUPE have, typically up until 31 March 2015, been eligible to join the Compass Group Pension Plan (the Plan), a defined benefit pension arrangement which has otherwise been closed to new entrants since 2003. However, under the Government's revised guidance for 'Fair Deal for staff pensions', the expectation is and therefore the approach has been that the Group participate in the relevant public-sector pension scheme and close the Plan to future entrants. The Plan also has a corporate trustee. Philip Whittome is the independent Chairman. There are a further six trustee directors, five of whom are either UK based employees or former employees of the Group (three of whom have been nominated by Plan members), and the sixth is an independent trustee director.

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.

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.

### 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 127 which sets out where stakeholders can find information relating to non-financial matters.

### 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 CBC, 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 annual Communication on Progress can be viewed at [www.unglobalcompact.org](http://www.unglobalcompact.org).

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. In December, the Company will publish its fourth statement in accordance with the requirements of the Modern Slavery Act 2015 and a copy of the statement will be available on the Company's website [www.compass-group.com](http://www.compass-group.com).

As at 30 September 2019, there were 596,452 (2018: 595,841) people employed by the Group (average number of employees including directors and part-time employees) of whom 351,860 were female (2018: 337,962) and 244,592 were male (2018: 257,879). 620 were senior managers, 450 male, 170 female (2018: 537 male, 191 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 2019 there were 11 directors, seven 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 where 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.

### 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 2019 are set out within the Corporate Responsibility section of the Strategic Report on page 60 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 and Accounts 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 a project in Brazil which aims to prevent deforestation and protect one of the world's most biodiverse habitats.

### 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>2019</b>	<b>11.5</b>
2018	11.0

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. 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.

## OTHER STATUTORY DISCLOSURES (CONTINUED)

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 88 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 2019 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 senior executive 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, with shareholders to discuss overall remuneration plans and policies.

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. 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 232 to 234.

### 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 98 to 121 and details of dividends waived by shareholders can be found on page 122.

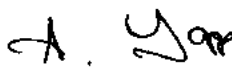
### SHAREHOLDER SERVICES

Details of services provided to shareholders can be found in the Shareholder Information section on pages 232 to 234 and on the Company's website.

### AGM

The Notice of Meeting setting out the resolutions to be proposed at the 2020 AGM, together with explanatory notes, is set out on pages 235 to 245 of this Annual Report and is also 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

26 November 2019

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	Corporate Responsibility	52–63
	Environmental Policy Statement	Commitment to United Nations' Sustainable Development Goals GHG Emissions	62–63 60
Employees	Code of Business Conduct	Who we create value for – People	15
	Workplace Health & Safety Policy Statement	Chief Executive's review – People	19
		People Report – A renewed commitment	46–51
		Principal Risks – Health and Safety, People Safety culture	42 57
Human rights	Code of Business Conduct	Our Standards	88
	Code of Ethics	Slavery and Human Trafficking	91
	Modern Slavery Act Transparency Statement	Employee diversity and Human rights	125
	Human Rights Policy Statement		
Social matters	Social Purpose	Who we create value for – Purpose	15
		Chief Executive's review – Purpose	20
		Corporate Responsibility	52–63
Anti-bribery and corruption	Code of Business Conduct	Our values guide our actions and behaviours	51
	Code of Ethics	Principal Risks – Compliance and Fraud	45
	Group Speak Up Policy	Our Standards	88
	Sourcing Responsibly	Supply Chain Integrity Standards	53
Business model		Our Business Model	12
Non-financial KPIs		Global Lost Time Incident Frequency Rate	3,27,57
		Global Food Safety Incident Rate	3,27,57
		Greenhouse gas intensity ratio	3,27,60
		Women in global leadership team	50
Principal risks		Identifying and Managing Risk	41–45

1. The Company's policies, statements and codes are available on the Company's website [www.compass-group.com](http://www.compass-group.com).



# Consolidated Financial Statements

130	Directors' responsibilities
131	Independent auditor's report
138	Consolidated financial statements
144	Group accounting policies
154	Notes to the consolidated financial statements
225	Parent Company financial statements
227	Parent Company accounting policies
229	Notes to the Parent Company financial statements

## DIRECTORS' RESPONSIBILITIES

### 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.

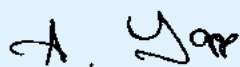
The Annual Report and Accounts is the responsibility of, and has been approved by, the directors.

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

26 November 2019

### 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 IFRS as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with 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 2019 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 T 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 2019 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 six financial years ended 30 September 2019. 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

<b>Materiality:</b>	£74 million (2018: £74 million)
Group financial statements as a whole	5.0% (2018: 4.9%) of Group profit before tax
<b>Coverage</b>	91% (2018: 97%) of Group profit before tax

### Key audit matters vs 2018

<b>Event driven</b>	<b>New:</b> The impact of uncertainties due to the UK exiting the European Union on our audit	▲
<b>Recurring risks</b>	Uncertain direct tax provisions	◀▶
	Supplier rebates & discounts	◀▶
	Recoverability of the parent Company's investment in and amounts owed by Group undertakings	◀▶

## 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.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

	The risk	Our response
<p><b>The impact of uncertainties due to the UK exiting the European Union on our audit</b>  <i>Refer to page 41 (Principal Risks), page 40 (Viability Statement), page 82 (Audit Committee Report) and page 172 (Financial Disclosures).</i></p>	<p><b>Unprecedented levels of uncertainty:</b>            All audits assess and challenge the reasonableness of estimates and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance. 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. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.</p>	<p>We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included:</p> <ul style="list-style-type: none"> <li>• <b>Our Brexit knowledge:</b> We considered the Directors' assessment of Brexit-related sources of risk 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 testing for the UK 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 Brexit uncertainty 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 we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks.</li> </ul> <p><b>Our results</b>            We found the resulting estimates and related disclosures, and disclosures in relation to going concern, to be 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 Brexit.</p>
<p><b>Uncertain direct tax provisions</b>  <i>Refer to page 85 (Audit Committee Report), pages 146 and 149 (Accounting Policies) and pages 168 and 169 and page 205 (Financial Disclosures).</i></p>	<p><b>Subjective estimate:</b>            The Group operates across a large number of jurisdictions and is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business, including transfer pricing. As a result of the complexities of tax rules on transfer pricing and other tax legislation the provisioning for uncertain direct tax positions is judgemental and requires the Directors to make estimates in relation to these uncertainties. The Directors' estimation includes assessing the likelihood of potentially material exposures as a result of changes in local tax regulations and evaluating ongoing inspections by local tax authorities and international bodies, which could materially impact the amounts recorded in the Group financial statements. In 2019 this included evaluating the impact of the European Commission's state aid investigation into the UK CFC legislation.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• <b>Control design:</b> Evaluating the design of the controls that the Group has in place to identify and quantify its uncertain direct tax exposures;</li> <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 underlying 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; and</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>            We found the carrying value of the tax provision to be acceptable.</p>

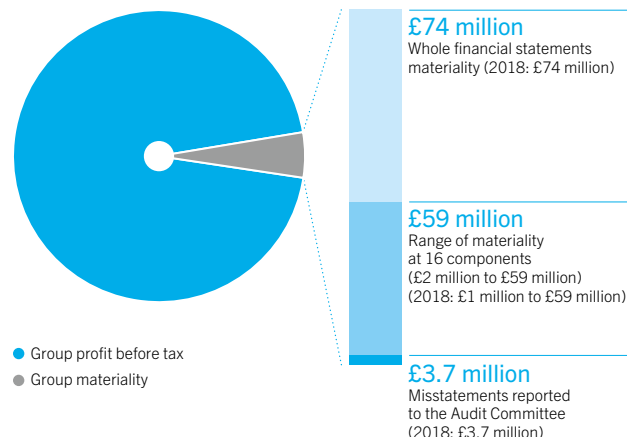
	The risk	Our response
<p><b>Supplier rebates and discounts</b> Refer to page 85 (Audit Committee Report) and page 149 (Accounting Policies).</p>	<p><b>Rebates and discounts processing error:</b> The Group has a variety of agreements with suppliers whereby rebates and discounts are earned based on the quantity of goods bought. The majority of the rebates and discounts due to the Group are reflected in the net price charged by its suppliers or are based on fixed percentages linked to the quantity of goods bought. There is little estimation or judgement involved in determining the timing and amount to be recognised. However, due to the large number of agreements in place across numerous jurisdictions within the Group, the complexity of transaction processing as well as supplier rebate periods frequently not being coterminous with the year end date, we consider that there is a risk of error.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• <b>Control design:</b> Evaluating the design of the controls that the Group has in place over the accounting for supplier rebates and discounts;</li> <li>• <b>Accounting application:</b> Inspecting underlying contractual terms and supplier correspondence for a selection of arrangements in place and considering whether the accounting policy had been applied appropriately to the terms of the rebate and/or discount;</li> <li>• <b>Test of details:</b> Performing detailed testing on a sample basis of the largest rebates and discounts recognised in the period, with particular attention to the period in which the rebate was recognised and rebates and discounts accrued at the year-end; and</li> <li>• In addition we selected a sample of amounts invoiced as at the balance sheet date and agreed the underlying calculation to contractual terms and supplier correspondence.</li> </ul> <p><b>Our results</b> The results of our testing were satisfactory and we found the amount of supplier rebates and discounts recognised to be acceptable.</p>
<p><b>Recoverability of the parent Company's investment in and amounts owed by Group undertakings</b> Investments £1,061 million (2018: £1,035 million) Intercompany receivables £9,514 million (2018: £10,035 million)</p>	<p><b>Low risk, high value:</b> The carrying amount of the Company's investments in subsidiaries held at cost less impairment and intercompany receivables represent 98% (2018: 94%) of the Company's total assets. We do not consider the valuation of these investments and recovery of 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>	<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> <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> <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> <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; and</li> <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> <p><b>Our results</b> We found the carrying amounts of investments and intercompany receivables to be acceptable.</p>

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

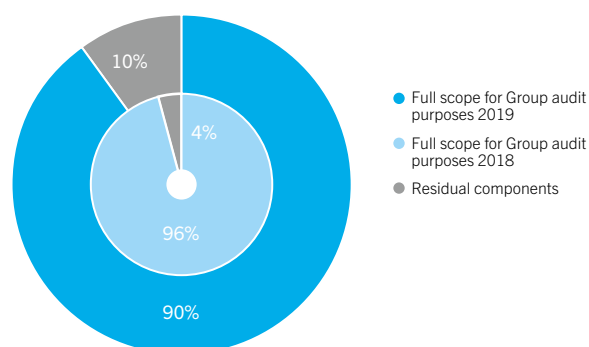
### GROUP PROFIT BEFORE TAX GROUP MATERIALITY

£1.5 billion  
(2018: £1.5 billion)

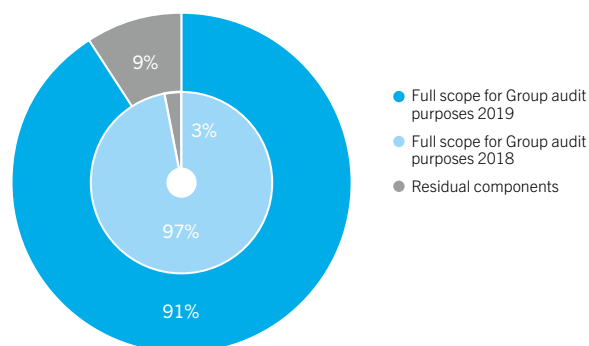
£74 million  
(2018: £74 million)



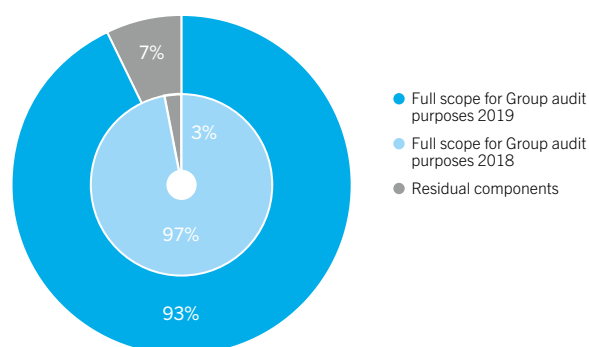
### GROUP REVENUE



### GROUP PROFIT BEFORE TAX



### GROUP TOTAL ASSETS



### 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 £74 million (2018: £74 million), determined with reference to a benchmark of Group profit before tax of £1.5 billion (2018: £1.5 billion), of which it represents 5.0% (2018: 4.9%).

Materiality for the Parent Company financial statements as a whole was set at £59 million (2018: £52.3 million), determined with reference to a benchmark of Company total assets, of which it represents 0.5% (2018: 0.4%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £3.7 million (2018: £3.7 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 52 (2018: 54) reporting components, we subjected 16 (2018: 28) to full scope audits for Group purposes.

The components within the scope of our work accounted for the percentages illustrated opposite.

The remaining 10% (2018: 4%) of total Group revenue, 9% (2018: 3%) of Group profit before tax and 7% (2018: 3%) of total Group assets is represented by 36 reporting components (2018: 26 components), none of which individually represented more than 1% 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 £2 million to £59 million (2018: £1 million to £59 million), having regard to the mix of size and risk profile of the Group across the components. The work on 13 of the 16 components (2018: 25 of the 28 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 visited 10 (2018: 8) component locations in Brazil, Chile, Canada, France, Germany, Japan, Portugal, Turkey, United Kingdom and United States (2018: in Canada, China, France, Japan, Turkey, Spain, United Kingdom and the United States) to assess the audit risk and strategy and direct the audit work of component auditors.

Video and telephone conference meetings were also held with these component auditors and all others that were not physically visited. At these visits and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.



#### 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.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- Cost inflation pressures leading to loss of revenue and profits;
- Inability to retain and/or secure new contracts may lead to loss of market share to competition; and
- The impact of political uncertainties, for example the impact of Brexit on the UK business, leading to a loss of confidence and reduced spending on food services.

As these were risks that could potentially cast significant doubt on the Group's and the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resources.

Based on this work, 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 40 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

#### 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 40 that they have carried out a robust assessment of the 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.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### *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 eleven 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 130, 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

26 November 2019

CONSOLIDATED INCOME STATEMENT  
For the year ended 30 September 2019

	Notes	2019 £m	2018 (restated <sup>1</sup> ) £m
<b>Combined sales of Group and share of equity accounted joint ventures</b>	2, 35	<b>25,152</b>	23,147
Less: share of sales of equity accounted joint ventures	13	(274)	(275)
<b>Revenue</b>		<b>24,878</b>	22,872
Operating costs	3	(23,308)	(21,229)
<b>Operating profit before joint ventures and associates</b>		<b>1,570</b>	1,643
Share of profit after tax of joint ventures and associates	2, 13	31	50
<b>Operating profit</b>	2	<b>1,601</b>	1,693
<b>Underlying operating profit<sup>2</sup></b>	2, 35	<b>1,882</b>	1,744
Acquisition related costs	3	(54)	(49)
One-off pension charge	22	(12)	–
Cost action programme charge	3	(190)	–
Share of profit of joint ventures and associates held for sale	13	(25)	–
Tax on share of profit of joint ventures		–	(2)
Net loss on sale and closure of businesses	25	(7)	(58)
Finance income	5	12	6
Finance costs	5	(122)	(120)
Other financing items (loss)/gain	5	(15)	2
<b>Profit before tax</b>	6	<b>1,469</b>	1,523
Income tax expense	6	(351)	(385)
<b>Profit for the year</b>		<b>1,118</b>	1,138
<b>ATTRIBUTABLE TO</b>			
Equity shareholders of the Company	7	1,110	1,130
Non-controlling interests		8	8
<b>Profit for the year</b>		<b>1,118</b>	1,138
<b>BASIC EARNINGS PER SHARE (PENCE)</b>	7	<b>70.0p</b>	71.3p
<b>DILUTED EARNINGS PER SHARE (PENCE)</b>	7	<b>69.9p</b>	71.3p

1. Prior year comparatives have been restated as a result of the Group's retrospective adoption of IFRS 15 'Revenue from contracts with customers'. Additional information about the impact of IFRS 15 is included in note 1.
2. Underlying operating profit excludes acquisition related costs, one-off pension charge and cost action programme charge, but includes share of profit after tax of associates and operating profit before tax of joint ventures, including those classified as held for sale. The reconciliation between statutory and underlying results is provided in note 34.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
For the year ended 30 September 2019

	Notes	2019 £m	2018 (restated <sup>1</sup> ) £m
<b>Profit for the year</b>		<b>1,118</b>	1,138
<b>Other comprehensive income</b>			
<b>Items that are not reclassified subsequently to the income statement</b>			
Remeasurement of post employment benefit obligations – (loss)/gain	22	(357)	68
Return on plan assets, excluding interest income – gain	22	425	21
Tax charge on items relating to the components of other comprehensive income	6	(10)	(29)
		<b>58</b>	60
<b>Items that are or may be reclassified subsequently to the income statement</b>			
Currency translation differences		131	(76)
Reclassification adjustment for movements in foreign exchange on sale of businesses		6	–
Tax on items relating to the components of other comprehensive income	6	(2)	(1)
		<b>135</b>	(77)
<b>Total other comprehensive gain/(loss) for the year</b>		<b>193</b>	(17)
<b>Total comprehensive income for the year</b>		<b>1,311</b>	1,121
<b>ATTRIBUTABLE TO</b>			
Equity shareholders of the Company		1,303	1,113
Non-controlling interests		8	8
<b>Total comprehensive income for the year</b>		<b>1,311</b>	1,121

1. Prior year comparatives have been restated as a result of the Group's retrospective adoption of IFRS 15 'Revenue from contracts with customers'. Additional information about the impact of IFRS 15 is included in note 1.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
For the year ended 30 September 2019

	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 30 September 2018, as reported		176	182	295	–	4,208	(2,246)	25	2,640
Impact of change in accounting standards – IFRS 15	1	–	–	–	–	–	27	–	27
At 30 September 2018, restated <sup>1</sup>		176	182	295	–	4,208	(2,219)	25	2,667
Impact of change in accounting standards – IFRS 9	1	–	–	–	–	–	(15)	–	(15)
At 1 October 2018, restated <sup>1</sup>		176	182	295	–	4,208	(2,234)	25	2,652
<b>Profit for the year</b>		–	–	–	–	–	1,110	8	1,118
<b>Other comprehensive income</b>									
Currency translation differences		–	–	–	–	131	–	–	131
Remeasurement of post employment benefit obligations – loss	22	–	–	–	–	–	(357)	–	(357)
Return on plan assets, excluding interest income – gain	22	–	–	–	–	–	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</b>		–	–	–	–	135	1,168	8	1,311
Fair value of share-based payments	24	–	–	–	–	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	(1,065)	32	3,978
Dividends paid to shareholders	8	–	–	–	–	–	(611)	–	(611)
Dividends paid to non-controlling interests		–	–	–	–	–	–	(5)	(5)
At 30 September 2019		176	182	295	(4)	4,362	(1,676)	27	3,362

1. The Group has adopted IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial instruments' effective for the year ended 30 September 2019. IFRS 15 has been applied retrospectively and comparatives for the prior year have been restated, whilst IFRS 9 has been applied prospectively from 1 October 2018 by adjusting the opening balance sheet at that date. Additional information about the transitional impact of these standards is included in note 1.

OTHER RESERVES	Notes	Share-based payment reserve £m	Merger reserve £m	Revaluation reserve £m	Translation reserve £m	Adjustment for non-controlling interest put options reserve £m	Total other reserves £m
						£m	
At 1 October 2018		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	24	27	–	–	–	–	27
Change in the fair value of non-controlling interest put options		–	–	–	–	(8)	(8)
At 30 September 2019		259	4,170	7	5	(79)	4,362

Own shares held by the Group represent 187,455 ordinary shares in Compass Group PLC (2018: nil ordinary shares) and are held by the Compass Group All Share Schemes Trust (ASST). These shares are listed on a recognised stock exchange and their market value at 30 September 2019 was £3.9 million (2018: £nil). The nominal value held at 30 September 2019 was £20,714 (2018: £nil).

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.

	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 2017, as reported		176	182	295	–	4,320	(2,875)	22	2,120
Impact of change in accounting standards – IFRS 15	1	–	–	–	–	–	22	–	22
At 1 October 2017, restated <sup>1</sup>		176	182	295	–	4,320	(2,853)	22	2,142
<b>Profit for the year<sup>1</sup></b>		–	–	–	–	–	1,130	8	1,138
<b>Other comprehensive income</b>									
Currency translation differences		–	–	–	–	(76)	–	–	(76)
Remeasurement of post employment benefit obligations – gain	22	–	–	–	–	–	68	–	68
Return on plan assets, excluding interest income – gain	22	–	–	–	–	–	21	–	21
Tax on items relating to the components of other comprehensive income	6	–	–	–	–	(1)	(29)	–	(30)
Total other comprehensive (loss)/income		–	–	–	–	(77)	60	–	(17)
Total comprehensive (loss)/income for the year <sup>1</sup>		–	–	–	–	(77)	1,190	8	1,121
Fair value of share-based payments	24	–	–	–	–	21	–	–	21
Changes to non-controlling interests due to acquisitions and disposals		–	–	–	–	–	(5)	4	(1)
Tax on items taken directly to equity	6	–	–	–	–	–	1	–	1
Change in the fair value of non-controlling interest put options		–	–	–	–	(56)	–	–	(56)
Other changes		–	–	–	–	–	(4)	–	(4)
		176	182	295	–	4,208	(1,671)	34	3,224
Dividends paid to shareholders	8	–	–	–	–	–	(548)	–	(548)
Dividends paid to non-controlling interests		–	–	–	–	–	–	(9)	(9)
At 30 September 2018 <sup>2</sup>		176	182	295	–	4,208	(2,219)	25	2,667

1. Prior year comparatives have been restated as a result of the Group's retrospective adoption of IFRS 15 'Revenue from contracts with customers'. Additional information about the impact of IFRS 15 is included in note 1.

	Notes	Share-based payment reserve £m	Merger reserve £m	Revaluation reserve £m	Translation reserve £m	Adjustment for non-controlling interest put options reserve £m	Total other reserves £m
<b>OTHER RESERVES</b>							
At 1 October 2017		211	4,170	7	(53)	(15)	4,320
<b>Other comprehensive income</b>							
Currency translation differences		–	–	–	(76)	–	(76)
Tax on items relating to the components of other comprehensive income	6	–	–	–	(1)	–	(1)
<b>Total other comprehensive loss</b>		–	–	–	(77)	–	(77)
Fair value of share-based payments	24	21	–	–	–	–	21
Change in fair value of non-controlling interest put options		–	–	–	–	(56)	(56)
At 30 September 2018		232	4,170	7	(130)	(71)	4,208

CONSOLIDATED BALANCE SHEET  
At 30 September 2019

	Notes	30 September		
		2019 £m	2018 (restated <sup>1</sup> ) £m	1 October 2017 (restated <sup>1</sup> ) £m
<b>NON-CURRENT ASSETS</b>				
Goodwill	9	4,576	4,270	3,994
Other intangible assets	10	1,426	1,105	836
Contract fulfilment assets and contract costs	11	976	838	738
Property, plant and equipment	12	1,052	1,006	1,000
Interests in joint ventures and associates	13	226	263	220
Other investments	14	96	73	63
Post employment benefit assets	22	448	346	259
Trade and other receivables	15	96	105	104
Deferred tax assets	6	76	45	132
Derivative financial instruments <sup>2</sup>	19	207	83	139
Non-current assets	2	9,179	8,134	7,485
<b>CURRENT ASSETS</b>				
Inventories	16	404	353	353
Trade and other receivables	15	3,051	2,852	2,696
Tax recoverable		88	69	86
Cash and cash equivalents <sup>2</sup>	17	398	969	387
Derivative financial instruments <sup>2</sup>	19	–	34	4
		3,941	4,277	3,526
Assets held for sale	2, 25	190	236	–
Current assets		4,131	4,513	3,526
<b>Total assets</b>	2	13,310	12,647	11,011
<b>CURRENT LIABILITIES</b>				
Short term borrowings <sup>2</sup>	18	(186)	(813)	(20)
Derivative financial instruments <sup>2</sup>	19	(6)	(12)	(6)
Provisions	21	(223)	(167)	(132)
Current tax liabilities		(247)	(227)	(227)
Trade and other payables	20	(4,718)	(4,317)	(3,892)
		(5,380)	(5,536)	(4,277)
Liabilities directly associated with assets held for sale	2, 25	(30)	(72)	–
Current liabilities		(5,410)	(5,608)	(4,277)
<b>NON-CURRENT LIABILITIES</b>				
Long term borrowings <sup>2</sup>	18	(3,679)	(3,611)	(3,939)
Derivative financial instruments <sup>2</sup>	19	(6)	(33)	(11)
Post employment benefit obligations	22	(259)	(224)	(231)
Provisions	21	(266)	(227)	(266)
Deferred tax liabilities	6	(114)	(57)	(58)
Trade and other payables	20	(214)	(220)	(87)
Non-current liabilities		(4,538)	(4,372)	(4,592)
<b>Total liabilities</b>	2	(9,948)	(9,980)	(8,869)
<b>Net assets</b>	2	3,362	2,667	2,142
<b>EQUITY</b>				
Share capital	23	176	176	176
Share premium account		182	182	182
Capital redemption reserve		295	295	295
Own shares		(4)	–	–
Other reserves		4,362	4,208	4,320
Retained earnings		(1,676)	(2,219)	(2,853)
<b>Total equity shareholders' funds</b>		3,335	2,642	2,120
<b>Non-controlling interests</b>		27	25	22
<b>Total equity</b>		3,362	2,667	2,142

1. Prior year comparatives have been restated as a result of the Group's retrospective adoption of IFRS 15 'Revenue from contracts with customers'. Additional information about the impact of IFRS 15 is included in note 1.

2. Component of net debt.

Approved by the Board of Directors on 26 November 2019 and signed on its behalf by

**Dominic Blakemore**, Director

**Karen Witts**, Director



## CONSOLIDATED CASH FLOW STATEMENT

### For the year ended 30 September 2019

	Notes	2019 £m	2018 (restated <sup>1</sup> ) £m
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	26	2,396	2,270
Interest paid		(116)	(101)
Tax received		26	26
Tax paid	6	(354)	(349)
<b>Net cash from operating activities</b>		<b>1,952</b>	<b>1,846</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of subsidiary companies <sup>2</sup>	25	(451)	(420)
Purchase of additional interest in joint ventures and associates	13	(27)	(32)
Proceeds from sale of subsidiary companies, joint ventures and associates net of exit costs <sup>2</sup>		101	39
Purchase of intangible assets		(185)	(164)
Purchase of contract fulfilment assets	11	(286)	(261)
Purchase of property, plant and equipment	12	(352)	(359)
Proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets		47	54
Purchase of other investments	14	(13)	(8)
Proceeds from sale of other investments	14	3	1
Dividends received from joint ventures and associates <sup>3</sup>	13	48	35
Interest received		9	6
<b>Net cash from investing activities</b>		<b>(1,106)</b>	<b>(1,109)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Purchase of own shares to satisfy employee share-based payments <sup>4</sup>		(4)	–
Receipts from issue of treasury shares to satisfy employee share scheme awards exercised		–	1
Purchase of non-controlling interests		–	(5)
Increase in borrowings	27	1,830	1,506
Repayment of borrowings	27	(2,631)	(1,074)
Repayment of obligations under finance leases	27	(4)	(6)
Equity dividends paid	8	(611)	(548)
Dividends paid to non-controlling interests		(5)	(9)
<b>Net cash from financing activities</b>		<b>(1,425)</b>	<b>(135)</b>
<b>CASH AND CASH EQUIVALENTS</b>			
Net (decrease)/increase in cash and cash equivalents	27	(579)	602
Cash and cash equivalents at beginning of the year	17, 27	969	387
Currency translation gains on cash and cash equivalents	27	9	2
<b>Total cash and cash equivalents</b>		<b>399</b>	<b>991</b>
Cash reclassified as held for sale	25, 27	(1)	(22)
<b>Cash and cash equivalents at end of the year</b>	<b>17, 27</b>	<b>398</b>	<b>969</b>

1. Prior year comparatives have been restated as a result of the Group's retrospective adoption of IFRS 15 'Revenue from contracts with customers'. There is no net cash impact as a result of the adoption of IFRS 15. Additional information about the impact of IFRS 15 is included in note 1.
2. Net of cash acquired or disposed and payments received or made under warranties and indemnities.
3. Includes dividends received from joint ventures and associates classified as held for sale.
4. Including stamp duty and brokers' commission.

## RECONCILIATION OF FREE CASH FLOW

	2019 £m	2018 (restated <sup>1</sup> ) £m
<b>Net cash from operating activities</b>	<b>1,952</b>	<b>1,846</b>
Purchase of intangible assets	(185)	(164)
Purchase of contract fulfilment assets	(286)	(261)
Purchase of property, plant and equipment	(352)	(359)
Proceeds from sale of property, plant and equipment/intangible assets/contract fulfilment assets	47	54
Purchase of other investments	(13)	(8)
Proceeds from sale of other investments	3	1
Dividends received from joint ventures and associates	48	35
Interest received	9	6
Dividends paid to non-controlling interests	(5)	(9)
<b>Free cash flow</b>	<b>1,218</b>	<b>1,141</b>
Add back: Cash related to cost action programme in the year	29	–
<b>Underlying free cash flow</b>	<b>1,247</b>	<b>1,141</b>

1. Prior year comparatives have been restated as a result of the Group's retrospective adoption of IFRS 15 'Revenue from contracts with customers'. There is no net cash impact as a result of the adoption of IFRS 15. Additional information about the impact of IFRS 15 is included in note 1.

## GROUP ACCOUNTING POLICIES

### For the year ended 30 September 2019

#### 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 are effective for the year ended 30 September 2019. They have been prepared under the historical cost convention as modified by the revaluation of certain financial instruments.

The financial statements have been prepared on a going concern basis. 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 63. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are discussed in the Business Review on pages 34 to 40. The Group has considerable financial resources together with longer term contracts with a number of clients and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully.

In the current financial year, the Group has adopted:

- IFRS 15 'Revenue from contracts with customers' and subsequent amendments 'Clarifications to IFRS 15'
- IFRS 9 'Financial instruments'
- Amendments to IFRS 2 'Classification and measurement of share-based payment transactions'
- Annual improvements to IFRS standards 2014–2016 cycle – Amendments to IFRS 1 and IAS 28
- IFRIC 22 'Foreign currency transactions and advance consideration'

The Group has updated its accounting policies to reflect the impact of IFRS 15 and IFRS 9 as described below. There is no significant impact on the Group's consolidated results or balance sheet as a result of adopting other new IFRS standards.

#### IFRS 15 'Revenue from contracts with customers'

The Group has adopted IFRS 15 'Revenue from contracts with customers' and subsequent amendments 'Clarifications to IFRS 15' on 1 October 2018. IFRS 15 sets out the requirements for recognising revenue and costs from contracts with customers and includes additional disclosure requirements. The standard establishes a five-step model that applies to revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for goods and services and at a point when the performance obligations associated with these goods and services have been satisfied.

The Group has applied the standard on a fully retrospective basis, restating prior period and year end comparatives and electing to use the following expedients:

- Expedient not to disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Group expects to recognise that amount as revenue for the comparative reporting periods presented before 1 October 2018
- Expedients in relation to the use of hindsight in contracts with variable consideration and contracts that were completed and/or modified before the beginning of the comparative periods presented

The adjustment to opening retained earnings at 1 October 2017 arising from the changes to revenue recognition amounted to 1% of total equity. Further details of the change in the Group's accounting policy in respect of revenue recognition and an explanation of the impact on the Group's prior period financial statements are set out in note 1.

#### IFRS 9 'Financial instruments'

The Group has adopted IFRS 9 'Financial instruments' on 1 October 2018. The adoption of IFRS 9 has not had a material impact and the Group has adjusted opening retained earnings to reflect additional provision for impairment of trade receivables using the expected credit loss model. Further details of the change in the Group's accounting policy in respect of the classification and measurement of financial instruments and an explanation of the impact on the Group's financial statements are set out 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 and effective in future years have been issued by the IASB and endorsed by the European Union:

- 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 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'

The Group has not yet adopted these pronouncements and does not currently believe that the adoption of these standards, amendments or interpretations would have a material effect on the consolidated results or financial position of the Group unless stated otherwise.

**IFRS 16 'Leases'** replaces IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a lease' and related interpretations. The standard is effective for accounting periods beginning on or after 1 January 2019 and will be adopted by the Group on 1 October 2019.

IFRS 16 changes lease accounting for lessees and will impact the Group's financial statements as follows:

- lease agreements will give rise to the recognition of an asset representing the right to use the leased item and a liability for future lease payments. The liability recorded for future lease payments will be for amounts payable for the 'reasonably certain' period of the lease, which may include future lease periods for which the Group has options to extend the minimum lease term. Liabilities will be discounted at the incremental borrowing rate for each lease based on factors such as the lessee legal entity, lease term and currency. Under IAS 17, future operating lease payments are generally not recorded on the balance sheet but disclosed as commitments on an undiscounted basis, see note 30
- lease costs will be recognised in the form of depreciation of the right to use the asset and interest on the lease liability. Interest charges will typically be higher in the early stages of a lease and will reduce over the term. Under IAS 17, operating lease rentals have been expensed on a straight-line basis over the lease term within operating expenses (see note 3)
- net cash inflows from operating activities and payments classified within cash flow from financing activities will both increase, as payments made at both lease inception and subsequently will be characterised as repayments of lease liabilities and interest. There is no net cash impact as a result of the adoption of IFRS 16

Lessee accounting for finance leases will be similar under IFRS 16 to existing IAS 17 accounting. Lessor accounting under IFRS 16 is also similar to existing IAS 17 accounting and is expected to be materially the same for the Group.

The main judgement in applying IFRS 16 relates to the determination of the lease term and whether optional periods should be included. Lease terms under IFRS 16 may exceed 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. Lease terms are assessed based on the Group's business plans and historical experience.

The Group will adopt IFRS 16 on a modified retrospective basis with the initial cumulative impact of applying the standard as an adjustment to retained earnings on the date of adoption with no restatement of comparative information.

The Group intends to apply the following transition practical expedients allowed under IFRS 16:

- the right of use assets will be measured at an amount equal to the lease liability at adoption. Existing lease prepayments will also be added to the value of the right of use assets on adoption and existing lease provisions and accruals will be deducted
- reliance will be 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 lease term end date within one year of the date of initial application will not be recognised on the balance sheet
- no reassessment will be performed as to whether existing contracts are, or contain, a lease at the date of initial application

As an accounting policy choice, the Group will not recognise leases for low value assets, which the Group considers to be those with an initial fair value less than approximately £5,000, or leases with a term of 12 months or less on the balance sheet.

The Group has finalised its IFRS 16 accounting policies, determined the appropriate discount rates to apply to lease payments, selected and implemented an IT system to collate and report lease data and established procedures and controls for accounting and reporting under IFRS 16.

The Group's current estimate of the impact of these changes on the consolidated balance sheet on adoption is the recognition of an additional lease liability at 1 October 2019 of between £950 million and £1,050 million. The additional lease liability will not equal the operating lease commitment disclosed in note 30 primarily because: a) lease terms determined under IFRS 16 may be longer than under IAS 17; b) lease liabilities will be discounted under IFRS 16; and c) low value and short term leases will not be included in the Group's lease liability.

The right of use asset recognised at 1 October 2019 is expected to be slightly lower than the lease liability, as the value of existing lease prepayments added to the balance is expected to be lower than the value of accruals and provisions for onerous leases that are deducted. Overall, these adjustments are not expected to have a material impact on Group retained earnings.

The net impact on the consolidated income statement for the year to 30 September 2020 is expected to be immaterial. The final impact of adopting IFRS 16 will depend on factors that may occur during the year including new leases entered into, changes or reassessments of the Group's existing lease portfolio and changes to exchange rates or discount rates.

## GROUP ACCOUNTING POLICIES (CONTINUED)

For the year ended 30 September 2019

These impacts are based on the assessments undertaken to date. The exact financial impacts of the accounting changes of adopting IFRS 16 at 1 October 2019 may be revised. The Group will issue further details on the impact of adopting IFRS 16 as part of the condensed financial statements for the six months ending 31 March 2020.

### **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 Group's accounting policies do not include any critical judgements. The policies which require the most use of management estimation are set out below, however none of these estimates are expected to have a material adjustment in the next financial year:

#### **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 co operation 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. Further details of this are provided in note 6 and note 28.

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.

#### **GOODWILL**

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy set out in section M on page 150. The recoverable amounts of cash-generating units (CGU) have been determined based on value in use calculations. 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. The key assumptions used for the value in use calculations 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 and the levels of contributions. Further details and sensitivities are included in note 22.

#### **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.

## 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.

## GROUP ACCOUNTING POLICIES (CONTINUED)

For the year ended 30 September 2019

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. 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. 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 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.

## H 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.

## GROUP ACCOUNTING POLICIES (CONTINUED)

For the year ended 30 September 2019

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 contracts 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.

### 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.

### 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.

### 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.

**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, forward currency contracts and cross currency swaps to partially hedge against the change in the sterling value of its foreign currency denominated net assets due to movements in foreign exchange rates. The Group designates these as a hedge of its net investments in foreign operations and recognises the gains or losses on the retranslation of the borrowings in other comprehensive income. If the Group uses derivatives as the hedging instrument, the effective portion of the hedge is recognised in other comprehensive income, with any ineffective portion being recognised immediately in the income statement. Exchange differences arising from a monetary item receivable from or payable to a Group foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the translation reserve.

Gains and losses accumulated in other comprehensive income are recycled through the consolidated income statement on disposal of the foreign operation.

For derivative financial instruments that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the consolidated income statement in the period.

## GROUP ACCOUNTING POLICIES (CONTINUED)

For the year ended 30 September 2019

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

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the consolidated income statement.

Payments made under operating leases are charged to income on a straight line basis over the period of the lease. Any incentives to enter into an operating lease are also spread on a straight line basis over the lease term.

### 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.

### 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended 30 September 2019

**1 CHANGES IN ACCOUNTING POLICIES**

*IFRS 15 'Revenue from contracts with customers' – impact of the adoption*

The impact of the adoption of IFRS 15 'Revenue from contracts with customers' on the Group's consolidated financial statements is included below. IFRS 15 has been adopted retrospectively and prior year comparatives have been restated. The following tables show the impact of these changes on each of the Group's primary statement line items affected. Where practical, line items which are not impacted by the restatement have been aggregated within the relevant sub-totals. The impact of the new standard is also explained in more detail within the footnotes that follow the tables.

**CONSOLIDATED INCOME STATEMENT (EXTRACT)**

	Notes	Year ended 30 September 2018 As previously reported £m	IFRS 15 £m	Year ended 30 September 2018 Restated £m
<b>Combined sales of Group and share of equity accounted joint ventures</b>	(i), (iv)	23,239	(92)	<b>23,147</b>
Less: share of sales of equity accounted joint ventures		(275)	–	<b>(275)</b>
<b>Revenue</b>	(i), (iv)	22,964	(92)	<b>22,872</b>
Operating costs	(i), (ii), (iv)	(21,324)	95	<b>(21,229)</b>
<b>Operating profit before joint ventures and associates</b>		1,640	3	<b>1,643</b>
Share of profit after tax of joint ventures and associates		50	–	<b>50</b>
<b>Operating profit</b>		1,690	3	<b>1,693</b>
<b>Underlying operating profit</b>		1,741	3	<b>1,744</b>
Net loss on sale and closure of businesses		(58)	–	<b>(58)</b>
Finance costs and other financing items		(112)	–	<b>(112)</b>
<b>Profit before tax</b>		1,520	3	<b>1,523</b>
Income tax expense	(ii)	(387)	2	<b>(385)</b>
<b>Profit for the year</b>		1,133	5	<b>1,138</b>

**ATTRIBUTABLE TO**

Equity shareholders of the Company		1,125	5	<b>1,130</b>
Non-controlling interests		8	–	<b>8</b>
<b>Profit for the year</b>		1,133	5	<b>1,138</b>
BASIC EARNINGS PER SHARE (PENCE)		71.0p	0.3p	<b>71.3p</b>
DILUTED EARNINGS PER SHARE (PENCE)		71.0p	0.3p	<b>71.3p</b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (EXTRACT)**

		Year ended 30 September 2018 As previously reported £m	IFRS 15 £m	Year ended 30 September 2018 Restated £m
<b>Profit for the year</b>		1,133	5	<b>1,138</b>
Total other comprehensive loss for the year		(17)	–	<b>(17)</b>
<b>Total comprehensive income for the year</b>		1,116	5	<b>1,121</b>

**ATTRIBUTABLE TO**

Equity shareholders of the Company		1,108	5	<b>1,113</b>
Non-controlling interests		8	–	<b>8</b>
<b>Total comprehensive income for the year</b>		1,116	5	<b>1,121</b>

## 1 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### CONSOLIDATED BALANCE SHEET (EXTRACT)

	Notes	1 October 2017 As previously reported £m	IFRS 15 £m	1 October 2017 Restated £m	30 September 2018 As previously reported £m	IFRS 15 £m	30 September 2018 Restated £m
<b>NON-CURRENT ASSETS</b>							
Other intangible assets	(iii), (iv)	1,537	(701)	<b>836</b>	1,903	(798)	<b>1,105</b>
Contract fulfilment assets and contract costs	(ii), (iii)	–	738	<b>738</b>	–	838	<b>838</b>
Other non-current assets		5,911	–	<b>5,911</b>	6,191	–	<b>6,191</b>
<b>Non-current assets</b>		<b>7,448</b>	<b>37</b>	<b>7,485</b>	<b>8,094</b>	<b>40</b>	<b>8,134</b>
<b>CURRENT ASSETS</b>							
Trade and other receivables	(iv)	2,701	(5)	<b>2,696</b>	2,857	(5)	<b>2,852</b>
Other current assets		830	–	<b>830</b>	1,661	–	<b>1,661</b>
<b>Current assets</b>		<b>3,531</b>	<b>(5)</b>	<b>3,526</b>	<b>4,518</b>	<b>(5)</b>	<b>4,513</b>
<b>Total assets</b>		<b>10,979</b>	<b>32</b>	<b>11,011</b>	<b>12,612</b>	<b>35</b>	<b>12,647</b>
<b>NON-CURRENT LIABILITIES</b>							
Deferred tax liabilities	(ii)	(48)	(10)	<b>(58)</b>	(49)	(8)	<b>(57)</b>
Other non-current liabilities		(4,534)	–	<b>(4,534)</b>	(4,315)	–	<b>(4,315)</b>
<b>Non-current liabilities</b>		<b>(4,582)</b>	<b>(10)</b>	<b>(4,592)</b>	<b>(4,364)</b>	<b>(8)</b>	<b>(4,372)</b>
<b>CURRENT LIABILITIES</b>							
Current liabilities		(4,277)	–	<b>(4,277)</b>	(5,608)	–	<b>(5,608)</b>
<b>Total liabilities</b>		<b>(8,859)</b>	<b>(10)</b>	<b>(8,869)</b>	<b>(9,972)</b>	<b>(8)</b>	<b>(9,980)</b>
<b>Net assets</b>		<b>2,120</b>	<b>22</b>	<b>2,142</b>	<b>2,640</b>	<b>27</b>	<b>2,667</b>
<b>EQUITY</b>							
Retained earnings		(2,875)	22	<b>(2,853)</b>	(2,246)	27	<b>(2,219)</b>
Other reserves		4,995	–	<b>4,995</b>	4,886	–	<b>4,886</b>
<b>Total equity</b>		<b>2,120</b>	<b>22</b>	<b>2,142</b>	<b>2,640</b>	<b>27</b>	<b>2,667</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 30 September 2019

**1 CHANGES IN ACCOUNTING POLICIES (CONTINUED)**

**CONSOLIDATED CASH FLOW STATEMENT AND CASH GENERATED FROM OPERATIONS (EXTRACT)**

	Notes	30 September 2018 As previously reported £m	IFRS 15 £m	30 September 2018 Restated £m
Operating profit before joint ventures and associates	(ii)	1,640	3	<b>1,643</b>
Amortisation of intangible assets	(iii)	233	(164)	<b>69</b>
Amortisation of contract fulfilment assets	(iii)	–	164	<b>164</b>
Amortisation of contract prepayments	(iv)	–	21	<b>21</b>
Unwind of costs to obtain contracts	(ii)	–	13	<b>13</b>
Investment in contract prepayments	(iv)	–	(27)	<b>(27)</b>
Increase in costs to obtain contracts	(ii)	–	(16)	<b>(16)</b>
Operating cash flows from movement in working capital	(iv)	147	(21)	<b>126</b>
Other cash generated from operations		277	–	<b>277</b>
<b>Cash generated from operations</b>		<b>2,297</b>	<b>(27)</b>	<b>2,270</b>
Other cash flows from operating activities		(424)	–	<b>(424)</b>
<b>Net cash from operating activities</b>		<b>1,873</b>	<b>(27)</b>	<b>1,846</b>
Purchase of intangible assets	(iii)	(425)	261	<b>(164)</b>
Purchase of contract fulfilment assets	(iii)	–	(261)	<b>(261)</b>
Purchase of property, plant and equipment	(iv)	(386)	27	<b>(359)</b>
Other cash flows from investing activities		(325)	–	<b>(325)</b>
<b>Net cash from investing activities</b>		<b>(1,136)</b>	<b>27</b>	<b>(1,109)</b>
<b>Net cash from financing activities</b>		<b>(135)</b>	<b>–</b>	<b>(135)</b>
<b>Net increase in cash and cash equivalents</b>		<b>602</b>	<b>–</b>	<b>602</b>

**CONSOLIDATED FREE CASH FLOW (EXTRACT)**

	Notes	30 September 2018 As previously reported £m	IFRS 15 £m	30 September 2018 Restated £m
<b>Net cash from operating activities</b>	(iv)	<b>1,873</b>	<b>(27)</b>	<b>1,846</b>
Purchase of intangible assets	(iii)	(425)	261	<b>(164)</b>
Purchase of contract fulfilment assets	(iii)	–	(261)	<b>(261)</b>
Purchase of property, plant and equipment	(iv)	(386)	27	<b>(359)</b>
Other		79	–	<b>79</b>
<b>Free cash flow</b>		<b>1,141</b>	<b>–</b>	<b>1,141</b>

## 1 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### ADJUSTMENTS TO THE CONSOLIDATED INCOME STATEMENT

As a result of the adoption of IFRS 15 'Revenue from contracts with customers' from 1 October 2018, the following adjustments were made to restate the amounts recognised in the consolidated income statement and balance sheet of previous periods:

	Adjustments for the year ended 30 September 2018			Year ended 30 September 2018 £m
	Consideration payable to customer (i) £m	Capitalisation of costs to obtain a contract (ii) £m	Contract prepayments (iv) £m	
Revenue	(71)	–	(21)	<b>(92)</b>
Operating costs	71	3	21	<b>95</b>
<b>Operating profit</b>	–	3	–	<b>3</b>
Income tax expense	–	2	–	<b>2</b>
<b>Profit for the year</b>	–	5	–	<b>5</b>

### ADJUSTMENTS TO THE CONSOLIDATED BALANCE SHEET

	Adjustments to the balance sheet at 1 October 2017			1 October 2017 £m	Adjustments to the balance sheet at 30 September 2018			30 September 2018 £m
	Capitalisation of costs to obtain a contract (ii) £m	Contract fulfilment assets (iii) £m	Contract prepayments (iv) £m		Capitalisation of costs to obtain a contract (ii) £m	Contract fulfilment assets (iii) £m	Contract prepayments (iv) £m	
Other intangible assets	–	(706)	5	<b>(701)</b>	–	(803)	5	<b>(798)</b>
Contract fulfilment assets and contract costs	32	706	–	<b>738</b>	35	803	–	<b>838</b>
Trade and other receivables – current	–	–	(5)	<b>(5)</b>	–	–	(5)	<b>(5)</b>
Deferred tax liabilities	(10)	–	–	<b>(10)</b>	(8)	–	–	<b>(8)</b>
<b>Net assets</b>	22	–	–	<b>22</b>	27	–	–	<b>27</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

### 1 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### (i) Consideration payable to a customer

The Group makes a variety of payments to clients, mainly commissions, concession rentals and reimbursement of utility costs. The adjustments under IFRS 15 for consideration payable to a customer primarily relate to reclassifications of some of these payments from operating costs to a deduction from revenue. The Group has conducted a detailed assessment of payments to clients to establish where these are not in exchange for a distinct good or service and therefore should be reported as a deduction from revenue.

This change results in a reduction to revenue and no change to operating profit. The consolidated income statement for the year ended 30 September 2018 was restated to recognise a reduction in revenue of £71 million. This amount was previously reported as operating costs.

#### (ii) Capitalisation of costs to obtain a contract

Prior to adoption of IFRS 15, the Group's policy was to expense commissions paid to the salesforce on winning or retaining client contracts as incurred. Under IFRS 15, there is a requirement to recognise as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover them. These costs are then unwound over the life of the contract to which they relate on a straight line basis. Only commissions directly attributable to individual contract award are capitalised, while commissions payable due to multiple contract wins or due to a portfolio of client contracts will continue to be expensed as incurred as they cannot be directly attributable to an identified contract.

From a balance sheet perspective, this change has resulted in an adjustment of £32 million at the opening balance sheet date as at 1 October 2017 to recognise the net book value of the costs to obtain a contract. The opening balance sheet as at 1 October 2017 has also been adjusted to recognise the associated deferred tax impact of £10 million. The consolidated balance sheet as at 30 September 2018 was also restated to recognise the additional net book value of the costs to obtain a contract of £3 million.

The consolidated income statement for the year ended 30 September 2018 was restated to recognise a net decrease in operating costs of £3 million due to the de-recognition of commissions paid to the salesforce now capitalised net of the charge recorded for the year in relation to these assets (£16 million and £13 million respectively for the year ended 30 September 2018).

The consolidated income statement for the year ended 30 September 2018 was also restated to recognise a reduction in the deferred tax liability of £2 million, giving a rise to an income statement deferred tax credit of the same amount.

#### (iii) Contract fulfilment assets

The Group has historically classified certain client investments as contract intangible assets as a result of having to rely on, or analogue to, requirements that were not developed specifically for contracts with customers. As a result of the implementation of IFRS 15, all client investments previously classified as intangible assets that relate to contributions towards assets that the Group uses in the performance of its obligations in its contracts with clients have now been reclassified within contract fulfilment assets and contract costs. This new classification better represents the underlying nature of these assets as they are used in the fulfilment of the Group's performance obligations to its clients and improves the revenue generated from our client contracts. These investments represent contributions towards service assets such as catering equipment rather than unrestricted payments, which are treated as contract prepayments.

As a result, a balance sheet reclassification from intangible assets to contract fulfilment assets of £706 million was made at the opening balance sheet date as at 1 October 2017. The consolidated balance sheet as at 30 September 2018 was also restated to recognise the additional reclassification to contract fulfilment assets in the period of £97 million, which includes an increase in the net book value of contract fulfilment assets of £76 million net of the impact of a foreign currency translation gain of £21 million.

#### (iv) Contract prepayments

The Group may give signing-on bonuses and cash payments to its clients which the client can use at its own discretion. Prior to IFRS 15, such payments were considered contract prepayments and reported as other receivables, which then were charged to operating costs over the period in which the Group was expected to benefit from those contracts.

Under IFRS 15, these payments are assessed for treatment as 'consideration payable to a customer' and where they are not in exchange for a distinct good or service, they continue to be recorded as a contract prepayment, however they are charged to the consolidated income statement as a deduction to revenue recognised over the contract term rather than an operating cost. As a result, the consolidated income statement for the year ended 30 September 2018 was restated to recognise a reduction in revenue of £21 million.



## 1 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The Group has conducted a detailed review of its contract prepayments resulting in a net reclassification of £5 million of payments to clients from contract prepayments to intangible assets at the opening balance sheet date as at 1 October 2017 and as at 30 September 2018.

In the consolidated cash flow statement, these client prepayments are reclassified from investing activities to cash flow from operations.

### (v) Other adjustments and disclosure requirements

The Group has assessed whether other adjustments were required as a result of the transition to IFRS 15 and concluded that the standard did not have a significant impact on the timing and recognition of revenue.

The Group is a food service and support services provider and generates revenue by providing these services. Revenue is recognised when the service is performed or when the goods (i.e. food, drinks or meals) are sold. Revenue recognised often corresponds to the amount invoiced or to be invoiced for services delivered in the year, with the associated cost of delivery recognised as incurred. There are no significant judgements associated with this approach.

The Group disaggregates revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also discloses information to show the relationship between the disclosure of disaggregated revenue and revenue information discloses for each reportable segment. Refer to note 2 for the disclosure on disaggregated revenue.

### *IFRS 9 Financial instruments – impact of the adoption*

The Group has adopted IFRS 9 'Financial instruments' on 1 October 2018. The amendments to IFRS 9 mainly relate to the classification and measurement of financial instruments. The accounting policies for financial instruments following the adoption of IFRS 9 are consistent with the Group's pre-existing policy under IAS 39 'Financial instruments: recognition and measurement', with the key impacts set out below:

#### Classification of financial instruments

IFRS 9 largely retains the existing requirements in IAS 39 'Financial instruments: recognition and measurement' for the classification and measurement of financial liabilities; however, it eliminates the previous IAS 39 categories for financial assets held to maturity, loans and receivables and available for sale. As a result, other investment amounts previously classified as available for sale and recognised at fair value are now classified as fair value through profit and loss (FVPL) or as fair value through other comprehensive income (FVOCI). The carrying values of these assets approximated to fair value and therefore there is no impact from this reclassification.

#### Impairment of financial assets

With respect to provisions for impairment of trade receivables, IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. From 1 October 2018, the Group measures provisions for impairment of trade receivables 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. The Group considers the model and the assumptions used in calculating these expected credit losses as sources of estimation uncertainty.

As a result, the carrying values of trade receivables and contract assets are now reduced by the estimated future credit losses at the date of initial recognition and going forward where previously credit losses were not recognised on such assets until there was an indicator of impairment, such as a payment default. The application of IFRS 9 at 1 October 2018 results in a £15 million adjustment to retained earnings reflective of an additional provision for impairment of trade receivables of £19 million net of a deferred tax asset of £4 million.

#### Hedging

The Group elected to continue to apply the hedge accounting guidance in IAS 39.

On the date of initial application, 1 October 2018, the Group assessed which business models apply to the financial assets and financial liabilities held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

### 1 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The main effects resulting from this reclassification are detailed in the table below with the impact on the carrying amounts relating solely to the recognition of loss allowances:

	Notes	Original classification and measurement under IAS 39	New classification and measurement under IFRS 9
<b>FINANCIAL ASSETS</b>			
Other investments – equity investments	14	Available for sale – fair value	FVOCI
Other investments – debt instruments	14	Available for sale – fair value	FVOCI
Other investments – corporate owned life insurance policies	14	Available for sale – fair value	FVPL
Trade receivables	15	Loans and receivables – amortised cost	Financial assets – amortised cost
Cash and cash equivalents	17	Loans and receivables – amortised cost	Financial assets – amortised cost
Derivative financial instruments used for hedging	19	Derivatives in a hedge relationship – fair value	Hedging instrument – fair value
Other derivative financial instruments	19	Held for trading – fair value	FVPL
<b>FINANCIAL LIABILITIES</b>			
Derivative financial instruments used for hedging	19	Derivatives in a hedge relationship – fair value	Hedging instrument – fair value
Other derivative financial instruments	19	Held for trading – fair value	FVPL
Trade payables	20	Other liabilities – amortised cost	Other financial liabilities – amortised cost
Bank loans and overdrafts	18	Other liabilities – amortised cost	Other financial liabilities – amortised cost
Loan notes <sup>1</sup>	18	Other liabilities – amortised cost	Other financial liabilities – amortised cost
Finance lease liabilities	18	Other liabilities – amortised cost	Other financial liabilities – amortised cost
Bonds <sup>1</sup>	18	Other liabilities – amortised cost	Other financial liabilities – amortised cost

1. Where a financial instrument is the hedged item in a fair value hedge, the amortised cost is adjusted due to changes in the hedged risk with the change being recorded in the consolidated income statement.

## 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:

	Geographical segments			Total £m
	North America £m	Europe £m	Rest of World £m	
<b>REVENUE<sup>1</sup></b>				
<b>YEAR ENDED 30 SEPTEMBER 2019</b>				
Business & Industry	5,077	3,077	1,517	9,671
Education	3,495	776	253	4,524
Healthcare & Seniors	4,422	923	501	5,846
Sports & Leisure	2,454	588	284	3,326
Defence, Offshore & Remote	246	490	1,049	1,785
<b>Combined sales of Group and share of equity accounted joint ventures<sup>2,3,4</sup></b>	<b>15,694</b>	<b>5,854</b>	<b>3,604</b>	<b>25,152</b>
<b>YEAR ENDED 30 SEPTEMBER 2018<sup>5</sup></b>				
Business & Industry	4,251	3,254	1,542	9,047
Education	3,092	778	241	4,111
Healthcare & Seniors	3,997	904	528	5,429
Sports & Leisure	2,160	426	287	2,873
Defence, Offshore & Remote	218	400	1,069	1,687
<b>Combined sales of Group and share of equity accounted joint ventures<sup>2,3</sup></b>	<b>13,718</b>	<b>5,762</b>	<b>3,667</b>	<b>23,147</b>

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 £2,143 million (2018: £2,179 million). Underlying revenue from external customers arising in the US region was £14,747 million (2018: £12,875 million). Underlying revenue from external customers arising in all foreign countries from which the Group derives revenue was £23,009 million (2018: £20,968 million).
4. Includes revenue of £154 million of joint ventures classified as held for sale.
5. Prior year comparatives have been restated as a result of the Group's retrospective adoption of IFRS 15 'Revenue from contracts with customers'. Additional information about the impact of IFRS 15 is included in note 1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

2 SEGMENTAL REPORTING (CONTINUED)

	Geographical segments			Central activities £m	Total £m
	North America £m	Europe £m	Rest of World £m		
<b>OPERATING PROFIT</b>					
<b>YEAR ENDED 30 SEPTEMBER 2019</b>					
Underlying operating profit before joint ventures and associates	1,289	368	249	(80)	<b>1,826</b>
Add: Share of profit before tax of joint ventures <sup>1</sup>	1	–	36	–	<b>37</b>
<b>Regional underlying operating profit<sup>2</sup></b>	<b>1,290</b>	<b>368</b>	<b>285</b>	<b>(80)</b>	<b>1,863</b>
Add: Share of profit of associates <sup>1</sup>	10	8	1	–	<b>19</b>
<b>Group underlying operating profit<sup>2</sup></b>	<b>1,300</b>	<b>376</b>	<b>286</b>	<b>(80)</b>	<b>1,882</b>
Less: Acquisition related costs	(32)	(16)	(3)	(3)	<b>(54)</b>
Less: One-off pension charge	–	(12)	–	–	<b>(12)</b>
Less: Cost action programme charge	–	(141)	(45)	(4)	<b>(190)</b>
Less: Share of profit of joint ventures and associates held for sale	–	–	(25)	–	<b>(25)</b>
<b>Total operating profit</b>	<b>1,268</b>	<b>207</b>	<b>213</b>	<b>(87)</b>	<b>1,601</b>
Net loss on sale and closure of businesses					<b>(7)</b>
Finance income					<b>12</b>
Finance costs					<b>(122)</b>
Other financing items					<b>(15)</b>
<b>Profit before tax</b>					<b>1,469</b>
Income tax expense					<b>(351)</b>
<b>Profit for the year</b>					<b>1,118</b>

	Geographical segments			Central activities £m	Total £m
	North America £m	Europe £m	Rest of World £m		
<b>OPERATING PROFIT</b>					
<b>YEAR ENDED 30 SEPTEMBER 2018<sup>3</sup></b>					
Underlying operating profit before joint ventures and associates	1,121	395	246	(70)	1,692
Add: Share of profit before tax of joint ventures	2	–	30	–	32
<b>Regional underlying operating profit<sup>2</sup></b>	<b>1,123</b>	<b>395</b>	<b>276</b>	<b>(70)</b>	<b>1,724</b>
Add: Share of profit of associates	14	6	–	–	20
<b>Group underlying operating profit<sup>2</sup></b>	<b>1,137</b>	<b>401</b>	<b>276</b>	<b>(70)</b>	<b>1,744</b>
Less: Acquisition related costs	(36)	(9)	(4)	–	(49)
Less: Tax on share of profit of joint ventures	–	–	(2)	–	(2)
<b>Total operating profit</b>	<b>1,101</b>	<b>392</b>	<b>270</b>	<b>(70)</b>	<b>1,693</b>
Net loss on sale and closure of businesses					(58)
Finance income					6
Finance costs					(120)
Other financing items					2
<b>Profit before tax</b>					<b>1,523</b>
Income tax expense					(385)
<b>Profit for the year</b>					<b>1,138</b>

1. Includes share of profit of joint ventures and associates classified as held for sale.

2. Underlying operating profit is the profit measure considered by the chief operating decision maker.

3. Prior year comparatives have been restated as a result of the Group's retrospective adoption of IFRS 15 'Revenue from contracts with customers'. Additional information about the impact of IFRS 15 is included in note 1.

From 1 October 2019 the Group's geographical segments of Europe and Rest of World will be reclassified to reflect a change in the way those segments are managed by the chief operating decision maker: Turkey will form part of the Europe segment. Revenue of £306 million and regional underlying profit of £21 million will be reclassified from Rest of World to Europe for the year ended 30 September 2019.

## 2 SEGMENTAL REPORTING (CONTINUED)

	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>BALANCE SHEET</b>							
<b>AT 30 SEPTEMBER 2019</b>							
Total assets	<b>7,192</b>	<b>3,494</b>	<b>1,295</b>	<b>560</b>	<b>164</b>	<b>605</b>	<b>13,310</b>
Total liabilities	<b>(3,282)</b>	<b>(1,478)</b>	<b>(740)</b>	<b>(210)</b>	<b>(361)</b>	<b>(3,877)</b>	<b>(9,948)</b>
<b>Net assets/(liabilities)</b>	<b>3,910</b>	<b>2,016</b>	<b>555</b>	<b>350</b>	<b>(197)</b>	<b>(3,272)</b>	<b>3,362</b>
Total assets include:							
<b>Interests in joint ventures and associates</b>	<b>126</b>	<b>99</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>226</b>
<b>Non-current assets<sup>1</sup></b>	<b>5,253</b>	<b>2,496</b>	<b>647</b>	<b>500</b>	<b>76</b>	<b>207</b>	<b>9,179</b>
<b>AT 30 SEPTEMBER 2018<sup>2</sup></b>							
Total assets	6,131	3,535	1,387	394	114	1,086	12,647
Total liabilities	(2,936)	(1,398)	(678)	(215)	(284)	(4,469)	(9,980)
<b>Net assets/(liabilities)</b>	<b>3,195</b>	<b>2,137</b>	<b>709</b>	<b>179</b>	<b>(170)</b>	<b>(3,383)</b>	<b>2,667</b>
Total assets include:							
<b>Interests in associates and joint ventures</b>	<b>93</b>	<b>99</b>	<b>71</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>263</b>
<b>Non-current assets<sup>1</sup></b>	<b>4,372</b>	<b>2,518</b>	<b>747</b>	<b>369</b>	<b>45</b>	<b>83</b>	<b>8,134</b>

1. Non-current assets located in the UK, the Group's country of domicile, were £1,767 million (2018: £1,793 million). Non-current assets located in the USA were £4,889 million (2018: £4,095 million). Non-current assets located in all foreign countries in which the Group holds assets were £7,412 million (2018: £6,341 million).
2. Prior year comparatives have been restated as a result of the Group's retrospective adoption of IFRS 15 'Revenue from contracts with customers'. Additional information about the impact of IFRS 15 is included in note 1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 30 September 2019

2 SEGMENTAL REPORTING (CONTINUED)

	Geographical segments			Central activities £m	Total £m
	North America £m	Europe £m	Rest of World £m		
<b>OTHER SEGMENTAL INFORMATION</b>					
<b>YEAR ENDED 30 SEPTEMBER 2019</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>1</sup>	210	85	55	2	352
Amortisation of other intangible assets <sup>2</sup>	105	32	12	1	150
Amortisation of contract fulfilment assets	177	6	1	–	184
Depreciation of property, plant and equipment	140	93	48	1	282
Assets held for sale	86	14	90	–	190
Liabilities directly associated with assets held for sale	(12)	(8)	(10)	–	(30)
Total other non-cash expenses <sup>3</sup>	12	5	4	6	27
<b>YEAR ENDED 30 SEPTEMBER 2018<sup>4</sup></b>					
Additions to other intangible assets	119	18	13	14	164
Additions to contract fulfilment assets	257	2	2	–	261
Additions to property, plant and equipment <sup>1</sup>	182	100	83	–	365
Amortisation of other intangible assets <sup>2</sup>	75	25	13	–	113
Amortisation of contract fulfilment assets	156	7	1	–	164
Depreciation of property, plant and equipment	125	94	47	1	267
Assets held for sale	111	43	82	–	236
Liabilities directly associated with assets held for sale	(17)	(30)	(25)	–	(72)
Total other non-cash expenses <sup>3</sup>	10	3	4	4	21

1. Includes leased assets of £1 million (2018: £3 million).

2. Including the amortisation of intangibles arising on acquisition.

3. Other non-cash expenses are mainly comprised of share-based payments.

4. Prior year comparatives have been restated as a result of the Group's retrospective adoption of IFRS 15 'Revenue from contracts with customers'. Additional information about the impact of IFRS 15 is included in note 1.

### 3 OPERATING COSTS

	Notes	2019 £m	2018 (restated <sup>1</sup> ) £m
<b>OPERATING COSTS</b>			
<i>Cost of food and materials</i>			
Cost of inventories consumed		<b>7,091</b>	6,542
<i>Labour costs</i>			
Employee remuneration	4	<b>11,370</b>	10,556
<i>Overheads</i>			
Commissions and fees paid to clients		<b>1,020</b>	899
Depreciation – owned property, plant and equipment	12	<b>280</b>	265
Depreciation – leased property, plant and equipment	12	<b>2</b>	2
Amortisation – owned intangible assets	10	<b>88</b>	69
Amortisation – contract fulfilment assets	11	<b>184</b>	164
Cost action programme charge		<b>190</b>	–
Property lease rentals		<b>91</b>	100
Other occupancy rentals – minimum guaranteed rent		<b>71</b>	85
Other occupancy rentals – rent in excess of minimum guaranteed rent		<b>12</b>	10
Other asset rentals		<b>98</b>	87
Audit and non-audit services (see below)		<b>6</b>	7
Other expenses		<b>2,751</b>	2,394
Operating costs before costs relating to acquisitions		<b>23,254</b>	21,180
Amortisation – intangible assets arising on acquisition		<b>62</b>	44
Acquisition transaction costs		<b>8</b>	4
Adjustment to contingent consideration on acquisition		<b>(16)</b>	1
<b>Total</b>		<b>23,308</b>	21,229

1. Prior year comparatives have been restated as a result of the Group's retrospective adoption of IFRS 15 'Revenue from contracts with customers'. Additional information about the impact of IFRS 15 is included in note 1.

The Group's consolidated income statement includes a cost action programme charge of £190 million, of which £29 million has been paid in the year to 30 September 2019.

Included within the total cost action programme charge is a non-cash charge of £120 million in respect of losses on onerous contracts and impairment of non-current assets. Provisions are described further in note 21.

The onerous contract provisions are estimated at the lower of any termination penalties or directly attributable unavoidable losses (including minimum lease payments) over the remaining non-cancellable contract term after impairment of any contract related assets.

The programme will continue into 2020 with a further expected cost of approximately £110 million.

	2019 £m	2018 £m
<b>AUDIT AND NON-AUDIT SERVICES</b>		
<b>AUDIT SERVICES</b>		
Fees payable for the audit of the Company and consolidated financial statements	<b>0.9</b>	0.9
Fees payable for the audit of the Company's subsidiaries and joint ventures	<b>5.2</b>	5.4
<b>Total audit fees</b>	<b>6.1</b>	6.3
<b>NON-AUDIT SERVICES</b>		
Audit related assurance	<b>0.4</b>	0.6
Other tax advisory	–	0.1
<b>Total non-audit fees</b>	<b>0.4</b>	0.7
<b>TOTAL AUDIT AND NON-AUDIT SERVICES</b>		
<b>Total audit and non-audit services</b>	<b>6.5</b>	7.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 30 September 2019

**4 EMPLOYEES**

<b>AVERAGE NUMBER OF EMPLOYEES, INCLUDING DIRECTORS AND PART-TIME EMPLOYEES</b>	<b>2019</b>	<b>2018</b>
North America	<b>288,133</b>	269,752
Europe	<b>157,879</b>	149,382
Rest of World	<b>150,440</b>	176,707
<b>Total</b>	<b>596,452</b>	595,841

<b>AGGREGATE REMUNERATION OF ALL EMPLOYEES INCLUDING DIRECTORS</b>	<b>2019 £m</b>	<b>2018<sup>1</sup> £m</b>
Wages and salaries	<b>9,637</b>	8,970
Social security costs	<b>1,547</b>	1,431
Share-based payments	<b>27</b>	21
Pension costs – defined contribution plans	<b>126</b>	110
Pension costs – defined benefit plans	<b>33</b>	24
<b>Total</b>	<b>11,370</b>	10,556

1. Prior year comparatives have been restated as a result of the Group's retrospective adoption of IFRS 15 'Revenue from contracts with customers'. Additional information about the impact of IFRS 15 is included in note 1.

In addition to the pension cost shown in operating costs above, there is a pensions-related net credit to finance income of £3 million (2018: £nil).

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 98 to 121 and forms part of these accounts.

<b>REMUNERATION OF KEY PERSONNEL<sup>1</sup></b>	<b>2019 £m</b>	<b>2018 £m</b>
Salaries	<b>7.3</b>	6.7
Other short term employee remuneration	<b>6.3</b>	7.6
Share-based payments	<b>4.6</b>	3.5
Pension salary supplement	<b>1.3</b>	1.3
<b>Total</b>	<b>19.5</b>	19.1

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 70 and 71 and pages 24 and 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.

	2019 £m	2018 £m
<b>FINANCE INCOME AND COSTS</b>		
<b>FINANCE INCOME</b>		
Bank interest	7	6
Interest on net post employment benefit obligations (note 22)	3	–
Other finance income	2	–
<b>Total finance income</b>	<b>12</b>	<b>6</b>
<b>FINANCE COSTS</b>		
Interest on bank loans and overdrafts	13	13
Interest on other loans	101	100
Finance lease interest	–	1
Interest on bank loans, overdrafts, other loans and finance leases	114	114
Unwinding of discount on provisions	8	6
<b>Total finance costs</b>	<b>122</b>	<b>120</b>
<b>ANALYSIS OF FINANCE COSTS BY DEFINED IFRS 9<sup>1</sup> CATEGORY</b>		
Fair value through profit or loss (unhedged derivatives)	(4)	1
Derivatives in a fair value hedge relationship	(11)	(19)
Derivatives in a net investment hedge relationship	3	5
Other financial liabilities	126	127
Interest on bank loans, overdrafts, other loans and finance leases	114	114
Fair value through profit or loss (unwinding of discount on provisions)	8	6
<b>Total finance costs</b>	<b>122</b>	<b>120</b>

1. 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 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.

	2019 £m	2018 £m
<b>FINANCING RELATED LOSSES/(GAINS)</b>		
<b>HEDGE ACCOUNTING INEFFECTIVENESS</b>		
Unrealised net losses/(gains) on unhedged derivative financial instruments <sup>1</sup>	19	(4)
Unrealised net (gains)/losses on derivative financial instruments in a designated fair value hedge <sup>2</sup>	(163)	50
Unrealised net losses/(gains) on the hedged item in a designated fair value hedge	163	(44)
<b>Total hedge accounting ineffectiveness</b>	<b>19</b>	<b>2</b>
<b>CHANGE IN THE FAIR VALUE OF INVESTMENTS</b>		
Gain from the changes in the fair value of investments <sup>1,3</sup>	(4)	(4)
<b>Total financing related losses/(gains)</b>	<b>15</b>	<b>(2)</b>

1. Categorized as 'fair value through profit or loss' (IFRS 9).

2. Categorized 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 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 30 September 2019

**6 TAX**

RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT: INCOME TAX EXPENSE	2019 £m	2018 (restated <sup>1</sup> ) £m
<b>CURRENT TAX</b>		
Current year	<b>387</b>	380
Adjustment in respect of prior years	<b>(29)</b>	(11)
Current tax expense	<b>358</b>	369
<b>DEFERRED TAX</b>		
Current year	<b>(8)</b>	17
Impact of changes in statutory tax rates	<b>(1)</b>	(6)
Adjustment in respect of prior years	<b>2</b>	5
Deferred tax expense	<b>(7)</b>	16
<b>TOTAL INCOME TAX</b>		
Income tax expense	<b>351</b>	385

1. Prior year comparatives have been restated as a result of the Group's retrospective adoption of IFRS 15 'Revenue from contracts with customers'. Additional information about the impact of IFRS 15 is included in note 1.

The income tax expense for the year is based on the effective United Kingdom statutory rate of corporation tax for the period of 19.0% (2018: 19.0%). Overseas tax is calculated at the rates prevailing in the respective jurisdictions.

The income tax effects of the adjustments between statutory and underlying results are shown in note 34 to the consolidated financial statements. There is no difference between the statutory and underlying cash tax paid of £354 million (2018: statutory and underlying £349 million).

RECONCILIATION OF EFFECTIVE TAX RATE	2019 £m	2018 (restated <sup>1</sup> ) £m
Profit before tax	<b>1,469</b>	1,523
Notional income tax expense at the effective UK statutory rate of 19.0% (2018: 19.0%) on profit before tax	<b>279</b>	289
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>112</b>	128
Impact of changes in statutory tax rates	<b>(1)</b>	(6)
Permanent differences	<b>(18)</b>	(22)
Impact of share-based payments	–	3
Tax on profit of associates and equity accounted joint ventures	–	(2)
Unrelieved current year tax losses	<b>6</b>	1
Prior year items	<b>(27)</b>	(6)
Income tax expense	<b>351</b>	385

1. Prior year comparatives have been restated as a result of the Group's retrospective adoption of IFRS 15 'Revenue from contracts with customers'. Additional information about the impact of IFRS 15 is included in note 1.

Permanent differences include the internal financing that is in place to ensure the Group's overseas businesses are appropriately capitalised. These intra-group arrangements provide a benefit to the Group's effective tax rate. Prior year items relate to the reassessment of prior year tax estimates, the application of the statute of limitations and the resolution of open items.

The global nature of the Group's operations gives 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 2019 (see also note 28).

## 6 TAX (CONTINUED)

TAX CHARGED TO OTHER COMPREHENSIVE INCOME	2019 £m	2018 £m
Current and deferred tax charge on actuarial and other movements on post employment benefits	10	29
Current and deferred tax charge on foreign exchange movements	2	1
Tax charges on items recognised in other comprehensive income	12	30

TAX CREDITED TO EQUITY	2019 £m	2018 £m
Current and deferred tax credit in respect of share-based payments	(4)	(1)
Tax credit on items recognised in equity	(4)	(1)

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 2017 <sup>1</sup>	(52)	(300)	148	17	87	176	76
Credit/(charge) to income	3	63	(26)	(4)	(29)	(25)	(18)
Charge to equity/other comprehensive income	–	–	(30)	–	–	(3)	(33)
Business acquisitions	–	(45)	–	3	–	3	(39)
Reclassification between categories	–	(8)	(8)	–	–	16	–
Other movements	1	–	(1)	1	–	(1)	–
Exchange adjustment	(2)	1	2	–	2	(1)	2
At 30 September 2018 <sup>1</sup>	(50)	(289)	85	17	60	165	(12)
Implementation of IFRS 9 <sup>1</sup>	–	–	–	–	–	4	4
At 1 October, as adjusted	(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)
Sale and closure of businesses	–	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)

1. The Group has adopted IFRS 9 'Financial instruments' and IFRS 15 'Revenue from contracts with customers' effective for the year ending 30 September 2019. IFRS 15 has been applied retrospectively and comparatives for the prior year have been restated, whilst IFRS 9 has been applied prospectively from 1 October 2018 by adjusting the opening balance sheet at that date. Additional information about the transitional impact of these standards is included in note 1.

Net short term temporary differences relate principally to accruals and other liabilities and provisions of overseas subsidiaries.

After netting off balances within countries, the following are the deferred tax assets and liabilities recognised in the consolidated balance sheet:

NET DEFERRED TAX BALANCE	2019 £m	2018 (restated <sup>1</sup> ) £m
Deferred tax assets	76	45
Deferred tax liabilities	(114)	(57)
Net deferred tax liability	(38)	(12)

1. Prior year comparatives have been restated as a result of the Group's retrospective adoption of IFRS 15 'Revenue from contracts with customers'. Additional information about the impact of IFRS 15 is included in note 1.

Deferred tax assets have not been recognised in respect of tax losses of £232 million (2018: £41 million) and other temporary differences of £24 million (2018: £20 million). Of the total tax losses, £212 million (2018: £26 million) will expire at various dates between 2020 and 2025. 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 £474 million (2018: £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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

### 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 the acquisition related costs, one-off pension charge, cost action programme charge, 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, but including share of profit of joint ventures and associates classified as held for sale. These items are excluded in order to show the underlying trading performance of the Group.

	2019 Attributable profit £m	2018 (restated <sup>1</sup> ) Attributable profit £m
<b>ATTRIBUTABLE PROFIT</b>		
Profit for the year attributable to equity shareholders of the Company	1,110	1,130
<i>Adjustments stated net of tax:</i>		
Acquisition related costs	41	37
One-off pension charge	10	–
Cost action programme charge	149	–
Share of profit of joint ventures and associates held for sale	25	–
Net loss on sale and closure of businesses	4	68
Other financing items including hedge accounting ineffectiveness and change in the fair value investments	12	(1)
Underlying profit for the year from operations	1,351	1,234

	2019 Ordinary shares of 11 <sup>1</sup> / <sub>20</sub> p each	2018 Ordinary shares of 11 <sup>1</sup> / <sub>20</sub> p each
<b>AVERAGE NUMBER OF SHARES (MILLIONS OF ORDINARY SHARES)</b>		
Average number of shares for basic earnings per share	1,586	1,584
Dilutive share options	1	1
Average number of shares for diluted earnings per share	1,587	1,585

	Basic earnings per share		Diluted earnings per share	
	2019 Earnings per share pence	2018 (restated <sup>1</sup> ) Earnings per share pence	2019 Earnings per share pence	2018 (restated <sup>1</sup> ) Earnings per share pence
<b>EARNINGS PER SHARE</b>				
From operations	70.0	71.3	69.9	71.3
<i>Adjustments stated net of tax:</i>				
Acquisition related costs	2.6	2.4	2.6	2.4
One-off pension charge	0.6	–	0.6	–
Cost action programme charge	9.4	–	9.4	–
Share of profit of joint ventures and associates held for sale	1.6	–	1.6	–
Net loss on sale and closure of businesses	0.2	4.3	0.2	4.3
Other financing items including hedge accounting ineffectiveness and change in the fair value investments	0.8	(0.1)	0.8	(0.1)
From underlying operations	85.2	77.9	85.1	77.9

1. Prior year comparatives have been restated as a result of the Group's retrospective adoption of IFRS 15 'Revenue from contracts with customers'. Additional information about the impact of IFRS 15 is included in note 1.

## 8 DIVIDENDS

A final dividend in respect of 2019 of 26.9 pence per share, £427 million in aggregate<sup>1</sup>, has been proposed, giving a total dividend in respect of 2019 of 40.0 pence per share (2018: 37.7 pence per share). The proposed final dividend is subject to approval by shareholders at the Annual General Meeting to be held on 6 February 2020 and has not been included as a liability in these financial statements.

	2019		2018	
	Dividends per share pence	£m	Dividends per share pence	£m
<b>DIVIDENDS ON ORDINARY SHARES</b>				
<b>Amounts recognised as distributions to equity shareholders during the year:</b>				
Final 2017	–	–	22.3	353
Interim 2018	–	–	12.3	195
Final 2018	<b>25.4</b>	<b>403</b>	–	–
Interim 2019	<b>13.1</b>	<b>208</b>	–	–
Total dividends	<b>38.5</b>	<b>611</b>	34.6	548

1. Based on the number of ordinary shares, excluding treasury shares, in issue at 30 September 2019 (1,586 million shares).

## 9 GOODWILL

During the year the Group made a number of acquisitions. See note 25 for more details.

	£m
<b>GOODWILL</b>	
<b>COST</b>	
At 1 October 2017	4,510
Additions	312
Disposals	(2)
Reclassification to assets held for sale	(38)
Currency adjustment	4
At 30 September 2018	4,786
Additions	<b>198</b>
Disposals	<b>(13)</b>
Reclassification to assets held for sale	<b>(25)</b>
Currency adjustment	<b>146</b>
At 30 September 2019	<b>5,092</b>
<b>IMPAIRMENT</b>	
At 30 September 2018	516
At 30 September 2019	<b>516</b>
<b>NET CARRYING VALUE</b>	
At 30 September 2018	4,270
At 30 September 2019	<b>4,576</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 30 September 2019

**9 GOODWILL (CONTINUED)**

<b>GOODWILL BY BUSINESS SEGMENT</b>	<b>2019 £m</b>	2018 £m
USA	<b>2,160</b>	1,893
Canada	<b>189</b>	175
Total North America	<b>2,349</b>	2,068
UK	<b>1,446</b>	1,430
Rest of Europe	<b>401</b>	390
Total Europe	<b>1,847</b>	1,820
Japan	<b>142</b>	153
Rest of Rest of World	<b>238</b>	229
Total Rest of World	<b>380</b>	382
<b>Total</b>	<b>4,576</b>	4,270

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 cash flow forecasts 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. 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.

<b>GROWTH AND DISCOUNT RATES</b>	<b>2019</b>		2018	
	Residual growth rates	Pre-tax discount rates	Residual growth rates	Pre-tax discount rates
USA	<b>1.9%</b>	<b>6.8%</b>	2.0%	8.6%
Canada	<b>2.1%</b>	<b>7.3%</b>	1.9%	8.5%
UK	<b>2.0%</b>	<b>6.7%</b>	2.1%	8.0%
Rest of Europe	<b>1.1 – 4.3%</b>	<b>6.1 – 11.8%</b>	1.2 – 4.0%	7.5 – 13.7%
Japan	<b>1.2%</b>	<b>7.2%</b>	1.3%	8.7%
Rest of World	<b>0.9 – 9.6%</b>	<b>5.6 – 19.8%</b>	1.1 – 9.9%	7.0 – 18.5%

A sensitivity analysis has been performed in assessing recoverable amounts of goodwill for all CGUs. This has been based on changes in key assumptions considered to be reasonably possible by management. 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.

As a result of the instability caused by the UK's decision to exit the European Union (Brexit), there is a wide range of potential outcomes regarding the possible future performance of the UK business. At this stage we consider that no reasonable change to any of the key assumptions underpinning the UK's impairment test would cause its carrying amount to exceed its recoverable amount.

## 10 OTHER INTANGIBLE ASSETS

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>COST</b>				
At 1 October 2017 <sup>3</sup>	325	717	348	1,390
Additions	54	–	110	164
Disposals	(46)	–	(48)	(94)
Business acquisitions	–	239	–	239
Sale and closure of businesses	–	–	(3)	(3)
Reclassified	1	(1)	42	42
Reclassification to assets held for sale	(5)	(27)	(6)	(38)
Currency adjustment	(4)	(6)	13	3
At 30 September 2018 <sup>3</sup>	325	922	456	1,703
Additions	<b>77</b>	<b>1</b>	<b>102</b>	<b>180</b>
Disposals	<b>(7)</b>	<b>–</b>	<b>(19)</b>	<b>(26)</b>
Business acquisitions	<b>2</b>	<b>266</b>	<b>–</b>	<b>268</b>
Sale and closure of businesses	<b>(1)</b>	<b>(6)</b>	<b>–</b>	<b>(7)</b>
Reclassified	<b>(1)</b>	<b>(3)</b>	<b>(7)</b>	<b>(11)</b>
Reclassification to assets held for sale	<b>(1)</b>	<b>(8)</b>	<b>–</b>	<b>(9)</b>
Currency adjustment	<b>9</b>	<b>54</b>	<b>21</b>	<b>84</b>
At 30 September 2019	<b>403</b>	<b>1,226</b>	<b>553</b>	<b>2,182</b>
<b>AMORTISATION</b>				
At 1 October 2017 <sup>3</sup>	229	176	149	554
Charge for the year	30	44	39	113
Disposals	(45)	5	(32)	(72)
Sale and closure of businesses	–	–	(3)	(3)
Reclassified	(1)	–	26	25
Reclassification to assets held for sale	(4)	(12)	(3)	(19)
Currency adjustment	–	(4)	4	–
At 30 September 2018 <sup>3</sup>	209	209	180	598
Charge for the year	<b>34</b>	<b>62</b>	<b>54</b>	<b>150</b>
Impairment	–	–	<b>18</b>	<b>18</b>
Disposals	<b>(5)</b>	<b>–</b>	<b>(17)</b>	<b>(22)</b>
Sale and closure of businesses	–	<b>(3)</b>	–	<b>(3)</b>
Reclassified	<b>1</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>
Reclassification to assets held for sale	–	<b>(3)</b>	–	<b>(3)</b>
Currency adjustment	<b>5</b>	<b>10</b>	<b>7</b>	<b>22</b>
At 30 September 2019	<b>244</b>	<b>273</b>	<b>239</b>	<b>756</b>
<b>NET BOOK VALUE</b>				
At 30 September 2018 <sup>3</sup>	116	713	276	1,105
At 30 September 2019	<b>159</b>	<b>953</b>	<b>314</b>	<b>1,426</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. Prior year comparatives have been restated as a result of the Group's retrospective adoption of IFRS 15 'Revenue from contracts with customers'. Additional information about the impact of IFRS 15 is included in note 1.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

### 11 CONTRACT BALANCES

The following table provides information about contract costs, contract assets and liabilities from contracts with customers and other contract related balances.

<b>CONTRACT BALANCES</b>	Notes	<b>2019</b> £m	2018 (restated <sup>1</sup> ) £m
<b>CONTRACT COSTS</b>			
Contract fulfilment assets		<b>934</b>	803
Costs to obtain contracts		<b>42</b>	35
Contract fulfilment assets and contract costs		<b>976</b>	838
<b>CONTRACT ASSETS</b>			
Accrued income	15	<b>272</b>	249
<b>CONTRACT LIABILITIES</b>			
Deferred income	20	<b>(373)</b>	(312)
<b>OTHER CONTRACT BALANCES</b>			
Contract prepayments	15	<b>84</b>	68
Trade receivables	15	<b>2,211</b>	2,078
Net contract balances		<b>3,170</b>	2,921

The Group's deferred income and accrued income balances solely relate to revenue from contracts with customers. Movements during the year were driven by transactions entered into by the Group within the normal course of business in the year.

Contract fulfilment assets relate to contributions towards assets that the Group uses in the performance of its obligations in its contracts with clients.

<b>CONTRACT FULFILMENT ASSETS</b>	<b>2019</b> £m	2018 (restated <sup>1</sup> ) £m
At 1 October	<b>803</b>	706
Additions	<b>286</b>	261
Derecognition	<b>(18)</b>	(14)
Business acquisitions	–	4
Charge for the year	<b>(184)</b>	(164)
Reclassified	<b>(2)</b>	(11)
Reclassification to assets held for sale	<b>1</b>	–
Currency adjustment	<b>48</b>	21
At 30 September	<b>934</b>	803

1. Prior year comparatives have been restated as a result of the Group's retrospective adoption of IFRS 15 'Revenue from contracts with customers'. Additional information about the impact of IFRS 15 is included in note 1.

### 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. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time and anticipated profitability of the 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. The directors believe that there is no impairment required.



## 12 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 2017	392	1,446	736	2,574
Additions <sup>1</sup>	22	228	115	365
Disposals	(29)	(95)	(50)	(174)
Sale and closure of businesses	(2)	(11)	(3)	(16)
Business acquisitions	1	12	1	14
Reclassified	15	(11)	–	4
Reclassification to assets held for sale	(16)	(98)	(8)	(122)
Currency adjustment	–	(1)	(12)	(13)
At 30 September 2018	383	1,470	779	2,632
Additions <sup>1</sup>	<b>23</b>	<b>239</b>	<b>90</b>	<b>352</b>
Disposals	<b>(28)</b>	<b>(124)</b>	<b>(46)</b>	<b>(198)</b>
Sale and closure of businesses	<b>(3)</b>	<b>(13)</b>	<b>(1)</b>	<b>(17)</b>
Business acquisitions	<b>4</b>	<b>8</b>	<b>8</b>	<b>20</b>
Reclassified	<b>45</b>	<b>(3)</b>	<b>(12)</b>	<b>30</b>
Reclassification to assets held for sale	<b>(15)</b>	<b>(5)</b>	<b>(6)</b>	<b>(26)</b>
Currency adjustment	<b>11</b>	<b>48</b>	<b>15</b>	<b>74</b>
At 30 September 2019	<b>420</b>	<b>1,620</b>	<b>827</b>	<b>2,867</b>
<b>DEPRECIATION</b>				
At 1 October 2017	218	913	443	1,574
Charge for the year	23	167	77	267
Disposals	(23)	(76)	(42)	(141)
Sale and closure of businesses	(1)	(7)	(3)	(11)
Reclassified	1	5	1	7
Reclassification to assets held for sale	(6)	(53)	(5)	(64)
Currency adjustment	(2)	2	(6)	(6)
At 30 September 2018	210	951	465	1,626
Charge for the year	<b>28</b>	<b>174</b>	<b>80</b>	<b>282</b>
Impairment	<b>4</b>	<b>14</b>	<b>18</b>	<b>36</b>
Disposals	<b>(27)</b>	<b>(105)</b>	<b>(41)</b>	<b>(173)</b>
Sale and closure of businesses	<b>(1)</b>	<b>(13)</b>	<b>–</b>	<b>(14)</b>
Reclassified	<b>4</b>	<b>3</b>	<b>23</b>	<b>30</b>
Reclassification to assets held for sale	<b>(10)</b>	<b>(1)</b>	<b>(5)</b>	<b>(16)</b>
Currency adjustment	<b>6</b>	<b>28</b>	<b>10</b>	<b>44</b>
At 30 September 2019	<b>214</b>	<b>1,051</b>	<b>550</b>	<b>1,815</b>
<b>NET BOOK VALUE</b>				
At 30 September 2018	173	519	314	1,006
At 30 September 2019	<b>206</b>	<b>569</b>	<b>277</b>	<b>1,052</b>

The net book value of the Group's property, plant and equipment includes assets held under finance leases as follows:

PROPERTY, PLANT AND EQUIPMENT HELD UNDER FINANCE LEASES	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
At 30 September 2018	1	5	1	7
At 30 September 2019	<b>3</b>	<b>9</b>	<b>1</b>	<b>13</b>

1. Includes leased assets at a net book value of £1 million (2018: £3 million).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

### 13 INTERESTS IN JOINT VENTURES AND ASSOCIATES

Significant interests in associates are:

<b>ASSOCIATES</b>		<b>2019 ownership<sup>1</sup></b>	<b>2018 ownership<sup>1</sup></b>
Twickenham Experience Limited <sup>2</sup>	England & Wales	<b>16%</b>	16%
Oval Events Limited <sup>3</sup>	England & Wales	<b>37.5%</b>	37.5%
AEG Facilities, LLC <sup>4</sup>	USA	<b>49%</b>	49%
Thompson Hospitality Services, LLC <sup>4</sup>	USA	<b>49%</b>	49%

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.

Significant interests in joint ventures are:

<b>JOINT VENTURES</b>		<b>2019 ownership<sup>1</sup></b>	<b>2018 ownership<sup>1</sup></b>
Quadrant Catering Ltd <sup>2</sup>	England & Wales	<b>49%</b>	49%
ADNH-Compass Middle East LLC <sup>3</sup>	United Arab Emirates	<b>50%</b>	50%
Express Support Services Limitada <sup>4</sup>	Angola	–	49%

1. % ownership is of the ordinary share capital.
2. 49% ownership entitles Compass Group to 50% of voting rights.
3. During the year the Group has classified its entire 50% interest in ADNH-Compass Middle East LLC as held for sale and discontinued equity accounting.
4. During the year the Group completed the acquisition of the remaining 51% interest in Express Support Services Limitada joint venture.

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.

<b>INTERESTS IN JOINT VENTURES AND ASSOCIATES</b>	<b>2019 £m</b>	<b>2018 £m</b>
<b>NET BOOK VALUE</b>		
At 1 October	<b>263</b>	220
Additions	<b>27</b>	32
Sale and closure of businesses	<b>(1)</b>	(4)
Share of profits less losses (net of tax) <sup>1</sup>	<b>31</b>	50
Dividends received <sup>2</sup>	<b>(48)</b>	(35)
Transfer to disposal group classified as held for sale	<b>(55)</b>	(1)
Currency and other adjustments	<b>9</b>	1
At 30 September	<b>226</b>	263
<b>COMPRISED OF</b>		
Interests in associates	<b>209</b>	179
Interests in joint ventures	<b>17</b>	84
Total	<b>226</b>	263

1. Excludes £25 million share of profit of joint ventures and associates classified as held for sale during the year.
2. Includes dividends received of £25 million of joint ventures and associates classified as held for sale during the year.

### 13 INTERESTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

The Group's share of revenues and profits is included below:

	2019			2018		
	Associates £m	Joint ventures <sup>1</sup> £m	Total £m	Associates £m	Joint ventures £m	Total £m
<b>JOINT VENTURES AND ASSOCIATES</b>						
<b>SHARE OF REVENUE AND PROFITS</b>						
Revenue	102	120	222	79	275	354
Expenses/tax <sup>2</sup>	(83)	(108)	(191)	(59)	(245)	(304)
Profit after tax for the year	19	12	31	20	30	50
<b>SHARE OF NET ASSETS</b>						
Non-current assets	199	1	200	181	40	221
Current assets	97	23	120	79	140	219
Non-current liabilities	(12)	(1)	(13)	(13)	(12)	(25)
Current liabilities	(75)	(6)	(81)	(68)	(84)	(152)
Net assets	209	17	226	179	84	263
<b>SHARE OF CONTINGENT LIABILITIES</b>						
Contingent liabilities	–	(29)	(29)	–	(30)	(30)

1. Excludes revenue of £154 million and £129 million expenses, including the relevant portion of income tax, of joint ventures classified as held for sale during the year.
2. Expenses include the relevant portion of income tax recorded by associates and joint ventures.

### 14 OTHER INVESTMENTS

	2019 £m	2018 £m
<b>OTHER INVESTMENTS</b>		
<b>NET BOOK VALUE</b>		
At 1 October	73	63
Additions	13	8
Disposals	(3)	(1)
Changes in fair value	8	–
Currency and other adjustments	5	3
At 30 September	96	73
<b>COMPRISED OF<sup>1, 2</sup></b>		
Other investments <sup>3</sup>	22	17
Life insurance policies and mutual fund investments <sup>4, 5</sup>	74	56
Total	96	73

1. IFRS 9 'Financial instruments' was applied for the first time on 1 October 2018 and introduces new classifications for financial instruments, including investments. Under IAS 39 'Financial instruments: recognition and measurement', other investments were classified as available for sale. Additional information about the impact of IFRS 9 is included in note 1.
2. As per the fair value hierarchies defined by IFRS 13 'Fair value measurement', other investments are Level 1 and the life insurance policies are Level 2.
3. Categorised as 'fair value through other comprehensive income' financial assets (IFRS 9).
4. Categorised as 'fair value through profit or loss' and 'fair value through other comprehensive income' financial assets respectively (IFRS 9).
5. Life insurance policies used by overseas companies to meet the cost of unfunded post employment benefit obligations as set out in note 22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 30 September 2019

**15 TRADE AND OTHER RECEIVABLES**

	2019			2018 <sup>1</sup>		
	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
<b>TRADE AND OTHER RECEIVABLES</b>						
<b>NET BOOK VALUE</b>						
At 1 October	2,852	105	2,957	2,696	104	2,800
Net movement	112	(13)	99	187	2	189
Currency adjustment	87	4	91	(31)	(1)	(32)
At 30 September	3,051	96	3,147	2,852	105	2,957
<b>COMPRISED OF</b>						
Trade receivables	2,283	1	2,284	2,141	–	2,141
Provision for impairment of trade receivables	(73)	–	(73)	(63)	–	(63)
Net trade receivables <sup>2</sup>	2,210	1	2,211	2,078	–	2,078
Other receivables <sup>3</sup>	449	116	565	400	120	520
Provision for impairment of other receivables <sup>3</sup>	(21)	(25)	(46)	(8)	(22)	(30)
Net other receivables	428	91	519	392	98	490
Accrued income	272	–	272	249	–	249
Prepayments	138	4	142	128	7	135
Amounts owed by associates, joint ventures and related parties <sup>2</sup>	3	–	3	5	–	5
Trade and other receivables	3,051	96	3,147	2,852	105	2,957

1. Prior year comparatives have been restated as a result of the Group's retrospective adoption of IFRS 15 'Revenue from contracts with customers'. Additional information about the impact of IFRS 15 is included in note 1.
2. Categorized as 'amortised cost' financial assets (IFRS 9).
3. Includes net contract prepayments balance of £84 million (2018: £68 million).

**TRADE RECEIVABLES**

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, but various factors are considered, including how overdue the debt is, the type of receivable and its past history, and current market and trading conditions. Full provision is made for debts that are not considered to be recoverable.

There is limited concentration of credit risk with respect to trade receivables due to the diverse and unrelated nature of the Group's client 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 receivables and contract assets 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 2019 were 39 days (2018: 41 days) on a constant currency basis.

## 15 TRADE AND OTHER RECEIVABLES (CONTINUED)

The ageing of gross trade receivables and of the provision for impairment is as follows:

	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	
<b>TRADE RECEIVABLES</b>						
<b>Expected loss rate</b>	–	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

	2018					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	
<b>TRADE RECEIVABLES</b>						
Gross trade receivables	1,615	414	51	24	37	2,141
Provision for impairment of trade receivables	–	(15)	(10)	(9)	(29)	(63)
Net trade receivables	1,615	399	41	15	8	2,078

Movements in the provision for impairment of trade and other receivables are as follows:

	2019			2018		
	Trade £m	Other £m	Total £m	Trade £m	Other £m	Total £m
<b>PROVISION FOR IMPAIRMENT OF TRADE AND OTHER RECEIVABLES</b>						
At 1 October	63	30	93	73	26	99
Implementation of IFRS 9 <sup>1</sup>	18	1	19	–	–	–
At 1 October, as adjusted <sup>1</sup>	81	31	112	73	26	99
Charged to income statement	23	10	33	22	5	27
Credited to income statement	(16)	(4)	(20)	(13)	–	(13)
Utilised	(16)	(3)	(19)	(16)	–	(16)
Reclassification to assets held for sale	(1)	–	(1)	(1)	–	(1)
Reclassified	–	9	9	1	4	5
Currency adjustment	2	3	5	(3)	(5)	(8)
At 30 September	73	46	119	63	30	93

1. Adjusted as a result of the Group's adoption of IFRS 9 'Financial instruments'. Additional information about the impact of IFRS 9 is included in note 1.

At 30 September 2019, trade receivables of £524 million (2018: £463 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.

## 16 INVENTORIES

	2019 £m	2018 £m
<b>INVENTORIES</b>		
<b>NET BOOK VALUE</b>		
At 1 October	353	353
Business acquisitions	11	7
Net movement	26	(7)
Currency adjustment	14	–
At 30 September	404	353

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 30 September 2019

## 17 CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS	2019 £m	2018 £m
Cash at bank and in hand	345	325
Short term bank deposits	53	644
Cash and cash equivalents <sup>1</sup>	398	969

1. Categorised as 'amortised cost' financial assets (IFRS 9).

CASH AND CASH EQUIVALENTS BY CURRENCY	2019 £m	2018 £m
Sterling	99	658
US Dollar	92	105
Euro	38	47
Japanese Yen	9	5
Other	160	154
Cash and cash equivalents	398	969

The Group's policy to manage the credit risk associated with cash and cash equivalents is set out in note 19. 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 within the same bank are offset to give a net balance which is included within cash and cash equivalents on the balance sheet.

These cash and bank overdraft figures before netting are shown in the table below:

	2019		
	Gross £m	Offset £m	Net £m
Cash and cash equivalents	412	(14)	398
Bank overdrafts	(31)	14	(17)

	2018		
	Gross £m	Offset £m	Net £m
Cash and cash equivalents	989	(20)	969
Bank overdrafts	(96)	20	(76)

## 18 SHORT TERM AND LONG TERM BORROWINGS

SHORT TERM AND LONG TERM BORROWINGS	2019			2018		
	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
Bank overdrafts	17	–	17	76	–	76
Bank loans	5	–	5	5	–	5
Loan notes	162	1,211	1,373	191	1,261	1,452
Bonds	–	2,467	2,467	538	2,347	2,885
Borrowings (excluding finance leases)	184	3,678	3,862	810	3,608	4,418
Finance leases	2	1	3	3	3	6
Borrowings (including finance leases) <sup>1</sup>	186	3,679	3,865	813	3,611	4,424

1. Categorised as 'other financial liabilities' (IFRS 9).

Interest on bank overdrafts and commercial paper is at the relevant money market rates. During the year, the Group established a \$2 billion commercial paper programme. Commercial paper is issued to meet short term liquidity requirements and is supported by £2 billion of syndicated committed bank facilities which mature in August 2024. As at 30 September 2019, no commercial paper was outstanding under the programme and no amounts were drawn under the syndicated committed bank facility.

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.

**18 SHORT TERM AND LONG TERM BORROWINGS (CONTINUED)**

	Nominal value	Redeemable	Interest	2019 Carrying value £m	2018 Carrying value £m
<b>LOAN NOTES</b>					
US\$ private placement	\$250m	Oct 2018	3.31%	–	191
US\$ private placement	\$200m	Sep 2020	3.09%	162	153
US\$ private placement	\$398m	Oct 2021	3.98%	323	305
US\$ private placement	\$352m	Oct 2023	4.12%	301	268
US\$ private placement	\$100m	Dec 2024	3.54%	81	76
US\$ private placement	\$300m	Sep 2025	3.81%	263	229
US\$ private placement	\$300m	Dec 2026	3.64%	243	230
				<b>1,373</b>	1,452

	Nominal value	Redeemable	Interest	2019 Carrying value £m	2018 Carrying value £m
<b>BONDS</b>					
Euro Eurobond	€600m	Feb 2019	3.13%	–	538
Euro Eurobond	€500m	Jan 2023	1.88%	469	464
Euro Eurobond	€750m	Jul 2024	0.63%	695	669
Sterling Eurobond	£250m	Sep 2025	2.00%	260	246
Sterling Eurobond	£250m	Jun 2026	3.85%	249	249
Euro Eurobond	€500m	Sep 2028	1.50%	483	438
Sterling Eurobond	£300m	Jul 2029	2.00%	311	281
				<b>2,467</b>	2,885

No bonds were issued during the year.

	2019 Nominal value	2018 Nominal value	Facility maturity date	Interest <sup>1</sup>	2019 Carrying value £m	2018 Carrying value £m
<b>BANK LOANS</b>						
Other bank loans	Various	Various	Various	Floating	5	5
					<b>5</b>	5

1. Interest rates are referenced to market specific benchmark rates for each currency equivalent plus a margin.

The maturity profile of borrowings (excluding finance leases) is as follows:

	2019 £m	2018 £m
<b>MATURITY PROFILE OF BORROWINGS (EXCLUDING FINANCE LEASES)</b>		
Within 1 year, or on demand	184	810
Between 1 and 2 years	–	153
Between 2 and 3 years	323	–
Between 3 and 4 years	469	305
Between 4 and 5 years	996	464
In more than 5 years	1,890	2686
Borrowings (excluding finance leases)	<b>3,862</b>	4,418

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

### 18 SHORT TERM AND LONG TERM BORROWINGS (CONTINUED)

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 excluding accrued interest:

CARRYING VALUE AND FAIR VALUE OF BORROWINGS (EXCLUDING FINANCE LEASES)	2019		2018	
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Bank overdrafts	17	17	76	76
Bank loans	5	5	5	5
Loan notes	1,373	1,411	1,452	1,449
Bank overdrafts, loans and loan notes	1,395	1,433	1,533	1,530
€600m Eurobond Feb 2019	–	–	538	541
€500m Eurobond Jan 2023	469	470	464	471
€750m Eurobond Jul 2024	695	681	669	656
£250m Eurobond Sep 2025	260	263	246	247
£250m Eurobond Jun 2026	249	293	249	277
€500m Eurobond Sep 2028	483	480	438	440
£300m Eurobond Jul 2029	311	313	281	283
Bonds	2,467	2,500	2,885	2,915
Borrowings (excluding finance leases)	3,862	3,933	4,418	4,445

GROSS AND PRESENT VALUE OF FINANCE LEASE LIABILITIES	2019		2018	
	Gross £m	Present value £m	Gross £m	Present value £m
Finance lease payments falling due:				
Within 1 year	2	2	3	3
In 1 to 5 years	1	1	3	3
	3	3	6	6
Less: Future finance charges	–	–	–	–
Gross and present value of finance lease liabilities	3	3	6	6

BORROWINGS BY CURRENCY	2019			2018		
	Borrowings £m	Finance leases £m	Total £m	Borrowings £m	Finance leases £m	Total £m
Sterling	814	–	814	838	–	838
US Dollar	1,373	–	1,373	1,454	1	1,455
Euro	1,649	1	1,650	2,111	2	2,113
Other	26	2	28	15	3	18
Total	3,862	3	3,865	4,418	6	4,424

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	2019 £m	2018 £m
Expiring between 1 and 5 years	2,000	1,690



## 19 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 17; debt, which includes the borrowings disclosed in note 18; and 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.

### 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 2019 shows that the average period to maturity is 5.4 years (2018: 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 18.

### 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.

	2019		2018	
	Against US Dollar £m	Against Euro £m	Against US Dollar £m	Against Euro £m
<b>FINANCIAL INSTRUMENTS: IMPACT OF STERLING STRENGTHENING BY 10%</b>				
(Decrease)/increase in profit for the year (after tax)	<b>(17)</b>	<b>(10)</b>	4	5
Increase in total equity	<b>114</b>	<b>37</b>	168	92

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

### 19 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

#### INTEREST RATE RISK

As set out above, the Group has effective borrowings in a number of currencies and the 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 £nil (2018: loss of £6 million) 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	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	–

INTEREST RATE SENSITIVITY ANALYSIS	2018				
	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/(debt)	154	(759)	10	(247)	(842)
Increase/(decrease) in profit for the year (after tax)	1	(6)	–	(1)	(6)

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-1 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.

The Group's policy to manage the credit risk associated with trade and other receivables is set out in note 15.

#### HEDGING ACTIVITIES

The following section describes the derivative financial instruments the Group uses to apply the interest rate and foreign currency hedging strategies described above.

#### FAIR VALUE HEDGES

The Group uses interest rate and cross currency interest rate swaps to hedge the fair value of 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.

## 19 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

### 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 £1,339 million (2018: £1,683 million). A foreign exchange loss of £133 million (2018: loss of £73 million) relating to the net investment hedges has been netted off within currency translation differences as presented in the consolidated statement of comprehensive income.

### 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.

### 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 2019 or 2018. The fair values of derivative financial instruments represent the maximum credit exposure.

DERIVATIVE FINANCIAL INSTRUMENTS	2019				2018			
	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
<b>Interest rate swaps:</b>								
Fair value hedges <sup>1</sup>	–	99	–	–	4	6	–	(19)
Not in a hedging relationship <sup>2</sup>	–	1	(3)	(6)	4	4	–	(1)
<b>Cross currency swaps</b>								
Fair value hedges <sup>1</sup>	–	107	–	–	23	73	–	(13)
<b>Forward currency contracts</b>								
Fair value hedges <sup>1</sup>	–	–	(2)	–	–	–	–	–
Net investment hedges <sup>3</sup>	–	–	–	–	3	–	(9)	–
Not in a hedging relationship <sup>2</sup>	–	–	(1)	–	–	–	(3)	–
<b>Total</b>	<b>–</b>	<b>207</b>	<b>(6)</b>	<b>(6)</b>	<b>34</b>	<b>83</b>	<b>(12)</b>	<b>(33)</b>

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	2019		2018	
	Fair value swaps £m	Cash flow swaps £m	Fair value swaps £m	Cash flow swaps £m
Sterling	550	1,342	550	–
US Dollar	529	186	692	522
Euro	1,548	442	1,514	499
Japanese Yen	–	92	–	118
Other	–	143	–	277
<b>Total</b>	<b>2,627</b>	<b>2,205</b>	<b>2,756</b>	<b>1,416</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 30 September 2019

**19 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

EFFECTIVE CURRENCY DENOMINATION OF BORROWINGS AFTER THE EFFECT OF DERIVATIVES	2019			2018		
	Gross borrowings £m	Forward currency contracts <sup>1</sup> £m	Effective currency of borrowings £m	Gross borrowings £m	Forward currency contracts <sup>1</sup> £m	Effective currency of borrowings £m
Sterling	814	1,182	1,996	838	(109)	729
US Dollar	1,373	(202)	1,171	1,455	541	1,996
Euro	1,650	(1,207)	443	2,113	(1,020)	1,093
Japanese Yen	–	94	94	–	138	138
Other	28	104	132	18	405	423
<b>Total</b>	<b>3,865</b>	<b>(29)</b>	<b>3,836</b>	<b>4,424</b>	<b>(45)</b>	<b>4,379</b>

1. Includes cross currency contracts.

GROSS DEBT MATURITY ANALYSIS	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>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
<b>Total fixed interest</b>	<b>162</b>	<b>–</b>	<b>323</b>	<b>441</b>	<b>945</b>	<b>1,801</b>	<b>3,672</b>
Cash flow swaps (fixed leg)	786	1,261	158	–	–	–	2,205
Fair value swaps (fixed leg)	–	–	–	(442)	(950)	(1,235)	(2,627)
<b>Fixed interest liability</b>	<b>948</b>	<b>1,261</b>	<b>481</b>	<b>(1)</b>	<b>(5)</b>	<b>566</b>	<b>3,250</b>
<b>FLOATING INTEREST</b>							
Bank loans	5	–	–	–	–	–	5
Overdrafts	17	–	–	–	–	–	17
<b>Total floating interest</b>	<b>22</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>22</b>
Cash flow swaps (floating leg)	(786)	(1,261)	(158)	–	–	–	(2,205)
Fair value swaps (floating leg)	–	–	–	442	950	1,235	2,627
<b>Floating interest (asset)/liability</b>	<b>(764)</b>	<b>(1,261)</b>	<b>(158)</b>	<b>442</b>	<b>950</b>	<b>1,235</b>	<b>444</b>
<b>OTHER</b>							
Finance lease obligations	2	1	–	–	–	–	3
Fair value adjustments to borrowings <sup>1</sup>	–	–	–	28	51	89	168
Other liability	2	1	–	28	51	89	171
<b>Gross debt excluding derivatives</b>	<b>186</b>	<b>1</b>	<b>323</b>	<b>469</b>	<b>996</b>	<b>1,890</b>	<b>3,865</b>
<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>							
Derivative financial instruments <sup>1</sup>	3	5	–	(76)	(50)	(80)	(198)
Forward currency contracts <sup>2</sup>	3	–	–	–	–	–	3
<b>Gross debt</b>	<b>192</b>	<b>6</b>	<b>323</b>	<b>393</b>	<b>946</b>	<b>1,810</b>	<b>3,670</b>

1. Non-cash item (changes in the value of this non-cash item are included in the other non-cash movements caption in note 27).  
2. Non-cash item (changes in the value of this non-cash item are included in the currency translation gains/(losses) caption in note 27).

## 19 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

PRINCIPAL AND INTEREST MATURITY ANALYSIS	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	
Gross debt	192	6	323	393	946	1,810	3,670
Overdrafts	(17)	–	–	–	–	–	(17)
Fees and premiums capitalised on issue	3	3	3	3	3	4	19
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
	2018						
GROSS DEBT MATURITY ANALYSIS	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 3 years £m	Between 3 and 4 years £m	Between 4 and 5 years £m	Over 5 years £m	Total £m
<b>FIXED INTEREST</b>							
£300m Eurobond 2029	–	–	–	–	–	297	297
€500m Eurobond 2028	–	–	–	–	–	442	442
£250m Eurobond 2026	–	–	–	–	–	249	249
£250m Eurobond 2025	–	–	–	–	–	248	248
€750m Eurobond 2024	–	–	–	–	–	662	662
€500m Eurobond 2023	–	–	–	–	444	–	444
€600m Eurobond 2019	534	–	–	–	–	–	534
US private placements	191	153	–	305	–	805	1,454
Total fixed interest	725	153	–	305	444	2,703	4,330
Cash flow swaps (fixed leg)	802	614	–	–	–	–	1,416
Fair value swaps (fixed leg)	(593)	–	–	–	–	(2,163)	(2,756)
Fixed interest liability	934	767	–	305	444	540	2,990
<b>FLOATING INTEREST</b>							
Bank loans	5	–	–	–	–	–	5
Overdrafts	76	–	–	–	–	–	76
Total floating interest	81	–	–	–	–	–	81
Cash flow swaps (floating leg)	(802)	(614)	–	–	–	–	(1,416)
Fair value swaps (floating leg)	593	–	–	–	–	2,163	2,756
Floating interest (asset)/ liability	(128)	(614)	–	–	–	2,163	1,421
<b>OTHER</b>							
Finance lease obligations	3	2	1	–	–	–	6
Fair value adjustments to borrowings <sup>1</sup>	4	–	–	–	20	(17)	7
Other liability	7	2	1	–	20	(17)	13
Gross debt excluding derivatives	813	155	1	305	464	2,686	4,424
<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>							
Derivative financial instruments <sup>1</sup>	(31)	(3)	–	–	(73)	26	(81)
Forward currency contracts <sup>2</sup>	9	–	–	–	–	–	9
Gross debt	791	152	1	305	391	2,712	4,352

1. Non-cash item (changes in the value of this non-cash item are included in the other non-cash movements caption in note 27).

2. Non-cash item (changes in the value of this non-cash item are included in the currency translation (losses)/gains caption in note 27).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

### 19 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

PRINCIPAL AND INTEREST MATURITY ANALYSIS	2018						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	791	152	1	305	391	2,712	4,352
Overdrafts	(76)	–	–	–	–	–	(76)
Fees and premiums capitalised on issue	4	3	3	3	2	5	20
Other non-cash items	18	3	–	–	53	(9)	65
Repayment of principal	737	158	4	308	446	2,708	4,361
Interest cash flows on debt and derivatives (settled net)	103	89	81	74	71	192	610
Settlement of forward currency contracts – payable leg	(1,379)	–	–	–	–	(453)	(1,832)
Settlement of forward currency contracts – receivable leg	1,368	–	–	–	–	445	1,813
Repayment of principal and interest	829	247	85	382	517	2,892	4,952

### 20 TRADE AND OTHER PAYABLES

TRADE AND OTHER PAYABLES	2019			2018		
	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
<b>NET BOOK VALUE</b>						
At 1 October	<b>4,317</b>	<b>220</b>	<b>4,537</b>	3,892	87	3,979
Net movement	<b>256</b>	<b>(25)</b>	<b>231</b>	351	119	470
Reclassification	<b>(5)</b>	<b>9</b>	<b>4</b>	72	11	83
Currency adjustment	<b>150</b>	<b>10</b>	<b>160</b>	2	3	5
At 30 September	<b>4,718</b>	<b>214</b>	<b>4,932</b>	4,317	220	4,537
<b>COMPRISED OF</b>						
Trade payables <sup>1</sup>	<b>2,088</b>	–	<b>2,088</b>	1,876	1	1,877
Social security and other taxes	<b>358</b>	–	<b>358</b>	349	–	349
Other payables <sup>1</sup>	<b>324</b>	<b>22</b>	<b>346</b>	326	18	344
Contingent and deferred consideration on acquisitions <sup>1</sup>	<b>35</b>	<b>174</b>	<b>209</b>	33	177	210
Accruals <sup>2</sup>	<b>1,538</b>	<b>18</b>	<b>1,556</b>	1,414	24	1,438
Deferred income	<b>373</b>	–	<b>373</b>	312	–	312
Capital creditors	<b>2</b>	–	<b>2</b>	7	–	7
Trade and other payables	<b>4,718</b>	<b>214</b>	<b>4,932</b>	4,317	220	4,537

1. Categorized as 'financial liabilities' (IFRS 9).

2. Of this balance £691 million (2018: £672 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 2019, the value of invoices sold under the SCF programmes was £575 million, with £541 million related to the Group's programme in the USA (2018: £478 million and £444 million respectively). 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 Company.

## 20 TRADE AND OTHER PAYABLES (CONTINUED)

TRADE AND OTHER PAYABLES	2019					Total £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	
Trade and other payables	163	36	3	1	11	214

TRADE AND OTHER PAYABLES	2018					Total £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	
Trade and other payables	45	132	28	3	12	220

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 2019 were 81 days (2018: 78 days) on a constant currency basis.

## 21 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 2017	270	46	15	32	6	29	398
Reclassified <sup>1</sup>	11	—	—	—	—	(1)	10
Expenditure in the year	(80)	(6)	(6)	(4)	(3)	—	(99)
Charged to income statement	76	42	(1)	3	1	—	121
Credited to income statement	(9)	(28)	—	(15)	(1)	(4)	(57)
Business acquisitions	—	—	2	1	—	—	3
Unwinding of discount	6	—	—	—	—	—	6
Currency adjustment	11	—	2	—	(2)	1	12
At 30 September 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

1. Including items reclassified between accrued liabilities and other balance sheet captions.

PROVISIONS	2019 £m	2018 £m
Current	223	167
Non-current	266	227
Total provisions	489	394

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

### 21 PROVISIONS (CONTINUED)

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 short and long term leases and other contracts 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.

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. The Group expects these provisions to be substantially utilised within the next two years.

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 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 do not consider that any of the provision estimates made at the date of the balance sheet are at a significant risk of a material adjustment to the carrying amount of the liability recorded or any contract related balances.

### 22 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 (2018: 2% to 46%).

The contributions payable for defined contribution schemes of £126 million (2018: £110 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 Company'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.



## 22 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

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 achieves a 100% funding level on a projected salary basis. The actuarial assessments covering expense and contributions are carried out by independent qualified actuaries. A formal actuarial valuation of the 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 Company 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 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).

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 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 has recognised £12 million of past service costs in the consolidated income statement. This non-cash charge has been excluded from the Group's underlying operating profit.

### OVERSEAS SCHEMES

In the USA, 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 participates in 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, the company 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 37 multi-employer benefit plans (2018: 38). 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 £21 million in the year (2018: £17 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

### 22 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

#### 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.

Disclosures showing the assets and liabilities of the schemes are set out below. These have been calculated using the following assumptions:

	UK schemes		USA schemes		Other schemes	
	2019	2018	2019	2018	2019	2018
Discount rate	<b>1.8%</b>	2.9%	<b>2.9%</b>	4.0%	<b>1.7%</b>	2.4%
Inflation	<b>3.3%</b>	3.2%	<b>2.2%</b>	2.3%	<b>1.8%</b>	1.8%
CPI inflation	<b>2.3%</b>	2.5%	<b>n/a</b>	n/a	<b>n/a</b>	n/a
Rate of increase in salaries	<b>3.3%</b>	3.2%	<b>3.0%</b>	3.0%	<b>2.2%</b>	1.9%
Rate of increase for pensions in payment	<b>3.2%</b>	3.1%	<b>2.2%</b>	2.3%	<b>0.2%</b>	0.2%
Rate of increase for deferred pensions <sup>1</sup>	<b>2.8%</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 (2018: S2PA generational mortality tables) with improvements in line with the projection model prepared by the 2018 Continuous Mortality Investigation of the UK actuarial profession (2018: 2015 model), with an S-kappa of 7.5, with 115% weighting for male non-pensioners, 111% for male pensioners (2018: +0.2 years age rating for male non-pensioners, -0.2 years age rating for male pensioners) and 102% weighting for all females (2018: -0.1 years age rating for all females), with a long term underpin of 1.5% p.a. (2018: 1.25% 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 USA plans' liabilities to be 18 years (2018: 18 years) and nine years (2018: 9 years) respectively.

Examples of the resulting life expectancies for the UK Plan are as follows:

LIFE EXPECTANCY AT AGE 65	2019		2018	
	Male	Female	Male	Female
Member aged 65 in 2019 (2018)	<b>21.5</b>	<b>24.4</b>	22.6	24.5
Member aged 65 in 2044 (2043)	<b>23.4</b>	<b>26.5</b>	24.4	26.9

The other demographic assumptions have been set having regard to the latest trends in scheme experience and other relevant data. The assumptions are reviewed and updated as necessary as part of the periodic actuarial valuation of pension schemes.

For the overseas schemes, regionally appropriate assumptions have been used where recommended by local actuaries. The mortality assumptions used to value USA schemes are derived from the RP2014 combined healthy table, generational MP2018 scale. Examples of the resulting life expectancies for the US schemes are as follows:

LIFE EXPECTANCY AT AGE 65	2019		2018	
	Male	Female	Male	Female
Member aged 65 in 2019 (2018)	<b>22.2</b>	<b>23.7</b>	22.2	23.7
Member aged 65 in 2044 (2043)	<b>24.1</b>	<b>25.6</b>	24.2	25.6

## 22 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

### RISKS

The Group bears a number of risks in relation to its defined benefit pension schemes. These risks and how they mitigated for the Group's largest defined benefit plan are described below:

RISK	Description of risk	Mitigation
<b>Interest rate</b>	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.
<b>Inflation</b>	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 protection against inflation risk.
<b>Investment</b>	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.
<b>Life expectancy</b>	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.

### 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 obligation 2019	Impact on scheme obligation 2018
<b>UK</b>			
Discount rate	Increase by 0.5%	Decrease by £212 million	Decrease by £188 million
	Decrease by 0.5%	Increase by £227 million	Increase by £201 million
Inflation	Increase by 0.5%	Increase by £139 million	Increase by £110 million
	Decrease by 0.5%	Decrease by £117 million	Decrease by £106 million
CPI Inflation	Increase by 0.5%	Increase by £31 million	Increase by £25 million
	Decrease by 0.5%	Decrease by £26 million	Decrease by £24 million
Life expectations from age 65	Increase by 1 year	Increase by £105 million	Increase by £89 million
<b>USA AND OTHERS</b>			
Discount rate	Increase by 0.5%	Decrease by £15 million	Decrease by £12 million
	Decrease by 0.5%	Increase by £16 million	Increase by £13 million
Inflation	Increase by 0.5%	Increase by £6 million	Increase by £5 million
	Decrease by 0.5%	Decrease by £6 million	Decrease by £5 million
Life expectations from age 65	Increase by 1 year	Increase by £6 million	Increase by £5 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

### 22 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

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 liability.

### ANALYSIS OF THE FAIR VALUE OF PLAN ASSETS

At 30 September 2019, 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	2019				2018			
	UK £m	USA £m	Other £m	Total £m	UK £m	USA £m	Other £m	Total £m
<b>EQUITY TYPE ASSET</b>								
Global equities quoted	147	188	11	346	170	272	15	457
Global equities unquoted	–	–	17	17	–	–	17	17
<b>GOVERNMENT BONDS</b>								
UK fixed interest quoted	578	–	–	578	554	–	–	554
UK index linked quoted	1,346	–	–	1,346	997	–	–	997
Overseas quoted	–	–	16	16	–	–	9	9
Overseas unquoted	–	–	21	21	–	–	20	20
<b>CORPORATE BONDS</b>								
Corporate bonds quoted	551	44	–	595	515	65	–	580
Corporate bonds unquoted	–	–	–	–	–	–	–	–
Diversified securities quoted	–	–	–	–	–	–	–	–
<b>OTHER ASSETS</b>								
Property funds quoted	197	152	1	350	176	–	1	177
Property funds unquoted	–	–	15	15	–	–	13	13
Insurance policies unquoted	–	–	12	12	–	–	12	12
Other assets	–	–	11	11	–	–	9	9
Cash and cash equivalents	9	55	1	65	13	48	1	62
At 30 September	2,828	439	105	3,372	2,425	385	97	2,907

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.

## 22 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

MOVEMENTS IN THE FAIR VALUE OF PLAN ASSETS	2019				2018			
	UK £m	USA £m	Other £m	Total £m	UK £m	USA £m	Other £m	Total £m
At 1 October	2,425	385	97	2,907	2,461	425	92	2,978
Currency adjustment	–	24	3	27	–	11	1	12
Interest income on plan assets	69	11	2	82	65	11	1	77
Return on plan assets, excluding interest income	425	(3)	3	425	–	20	1	21
Employee contributions	–	36	2	38	–	35	2	37
Employer contributions	3	21	12	36	3	17	12	32
Benefits paid	(94)	(35)	(14)	(143)	(104)	(34)	(12)	(150)
Administration expenses paid from plan assets	–	–	–	–	–	(1)	–	(1)
Disposals and plan settlements	–	–	–	–	–	(99)	–	(99)
At 30 September	2,828	439	105	3,372	2,425	385	97	2,907

MOVEMENT IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS	2019				2018			
	UK £m	USA £m	Other £m	Total £m	UK £m	USA £m	Other £m	Total £m
At 1 October	2,127	485	173	2,785	2,252	522	176	2,950
Currency adjustment	–	29	4	33	–	13	(2)	11
Current service cost	1	12	8	21	2	10	6	18
Past service cost <sup>1</sup>	12	–	–	12	–	1	–	1
Interest expense on benefit obligations	60	15	4	79	60	15	2	77
Remeasurements – demographic assumptions	(108)	–	2	(106)	–	(1)	–	(1)
Remeasurements – financial assumptions	439	6	19	464	(82)	16	(3)	(69)
Remeasurements – experience	(5)	(1)	5	(1)	1	(1)	2	2
Employee contributions	–	36	2	38	–	35	2	37
Benefits paid	(94)	(35)	(14)	(143)	(106)	(31)	(10)	(147)
Disposals and plan settlements	–	–	–	–	–	(94)	–	(94)
Business combinations	–	–	1	1	–	–	–	–
At 30 September	2,432	547	204	3,183	2,127	485	173	2,785

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 consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 30 September 2019

**22 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)**

PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS	2019				2018			
	UK £m	USA £m	Other £m	Total £m	UK £m	USA £m	Other £m	Total £m
Funded obligations	2,380	439	128	2,947	2,079	385	110	2,574
Unfunded obligations	52	108	76	236	48	100	63	211
Total obligations	2,432	547	204	3,183	2,127	485	173	2,785

POST EMPLOYMENT BENEFIT ASSETS/(OBLIGATIONS) RECOGNISED IN THE BALANCE SHEET	2019		2018		2018		2018	
	UK <sup>1</sup> £m	Total £m	UK <sup>2</sup> £m	USA £m	Other £m	Total £m	UK <sup>1</sup> £m	Total £m
Present value of defined benefit obligations	(2,380)	(2,380)	(52)	(547)	(204)	(803)	(2,079)	(2,079)
Fair value of plan assets	2,828	2,828	–	439	105	544	2,425	2,425
Post employment benefit asset/(obligations) recognised in the balance sheet	448	448	(52)	(108)	(99)	(259)	346	346

POST EMPLOYMENT BENEFIT ASSETS/(OBLIGATIONS) RECOGNISED IN THE BALANCE SHEET	2019		2018		2018		2018	
	UK <sup>1</sup> £m	Total £m	UK <sup>2</sup> £m	USA £m	Other £m	Total £m	UK <sup>1</sup> £m	Total £m
Present value of defined benefit obligations	(2,079)	(2,079)	(48)	(485)	(173)	(706)	(2,079)	(2,079)
Fair value of plan assets	2,425	2,425	–	385	97	482	2,425	2,425
Post employment benefit asset/(obligation) recognised in the balance sheet	346	346	(48)	(100)	(76)	(224)	346	346

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, £74 million (2018: £56 million), may not be offset against pension obligations under IAS 19 and is reported within note 14.

**AMOUNTS RECOGNISED THROUGH THE CONSOLIDATED INCOME STATEMENT**

The amounts recognised through the consolidated income statement within the various captions are as follows:

	2019				2018			
	UK £m	USA £m	Other £m	Total £m	UK £m	USA £m	Other £m	Total £m
Current service cost	1	12	8	21	2	10	6	18
Past service cost <sup>1</sup>	12	–	–	12	–	1	–	1
Loss on settlement <sup>2</sup>	–	–	–	–	–	5	–	5
Charged to operating expenses	13	12	8	33	2	16	6	24
Interest expense on benefit obligations	60	15	4	79	60	15	2	77
Interest income on plan assets	(69)	(11)	(2)	(82)	(65)	(11)	(1)	(77)
Charged to finance costs	(9)	4	2	(3)	(5)	4	1	–
Total charged in the consolidated income statement	4	16	10	30	(3)	20	7	24

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 income statement.
2. Compass Group USA Inc. Retirement Plan for Salaried Employees was settled. As a result, a £5 million loss was recognised in the consolidated income statement on the settlement of the scheme liabilities for the year ended 30 September 2018.

## 22 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

The Group made total contributions to defined benefit schemes of £36 million in the year (2018: £32 million) and expects to make total contributions to these schemes of £30 million in 2020, including £16 million related to the defined benefit plans in the USA 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 so 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.

### AMOUNTS RECOGNISED THROUGH THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The amounts recognised through the consolidated statement of comprehensive income are as follows:

	2019 £m	2018 £m
Effect of changes in demographic assumptions	106	1
Effect of changes in financial assumptions	(464)	69
Effect of experience adjustments	1	(2)
Remeasurement of post employment benefit obligations – (loss)/gain	(357)	68
Return on plan assets, excluding interest income – gain	425	21
Total recognised in the consolidated statement of comprehensive income	68	89

## 23 SHARE CAPITAL

During the year, 2,341,811 treasury shares were released to satisfy employee share-based payments commitments (2018: 2,556,731), leaving a balance held at 30 September 2019 of 3,329,634 (2018: 5,671,445). Proceeds received from the reissuance of treasury shares to satisfy employee share awards were £0.4 million (2018: £0.5 million).

ALLOTTED SHARE CAPITAL	2019		2018	
	Number of shares	£m	Number of shares	£m
<b>Allotted and fully paid:</b>				
Ordinary shares of 11 <sup>1</sup> / <sub>20</sub> pence each	1,589,736,625	176	1,589,736,625	176
At 30 September		176		176

## 24 SHARE-BASED PAYMENTS INCOME STATEMENT EXPENSE

The Group recognised an expense of £27 million (2018: £21 million) in respect of share-based payment transactions. All share-based payment plans are equity-settled.

The expense is broken down by share-based payment scheme as follows:

	2019 £m	2018 £m
Long term incentive plans	24	18
Other share-based payment plans	3	3
	27	21

### LONG TERM INCENTIVE PLANS

Full details of The Compass Group PLC Long Term Incentive Plan 2010 (2010 LTIP) can be found in the Directors' Remuneration Report on pages 98 to 121.

The following table shows the movement in share awards during the year:

LONG TERM INCENTIVE PLANS	2019 Number of shares	2018 Number of shares
Outstanding at 1 October	5,897,389	6,306,286
Awarded	2,191,879	2,252,014
Vested	(1,779,067)	(1,717,595)
Lapsed	(518,350)	(943,316)
Outstanding at 30 September	5,791,851	5,897,389

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

### 24 SHARE-BASED PAYMENTS (CONTINUED)

The vesting conditions of the LTIP awards are included in the Directors' Remuneration Report.

The fair value of awards subject to FCF and 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 FCF and ROCE forecasts.

The weighted average share price at the date of vesting for LTIP awards vested during 2019 was 1,673.00 pence (2018: 1,538.44 pence).

The LTIP awards outstanding at the end of the year have a weighted average remaining contractual life of 1.4 years (2018: 1.4 years).

For the year ended 30 September 2019, a Board LTIP award was made on 21 November 2018 and 16 May 2019 for which the estimated fair value was 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 value were 1,366.01 pence and 1,227.53 pence respectively.

For the year ended 30 September 2018, a Board LTIP award was made on 9 February 2018 for which the estimated fair value was 1,071.36 pence. Leadership LTIP awards were also made on 22 November 2017 and 10 May 2018 for which the estimated fair value were 1,252.19 pence and 1,040.24 pence respectively.

These awards were all made under the terms of the 2010 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	2019	2018
Expected volatility	17.6%	17.7%
Risk free interest rate	1.2%	1.5%
Dividend yield	2.2%	2.2%
Expected life	2.7 years	2.6 years
Weighted average share price at date of grant	1,746.52p	1,510.60p

### OTHER SHARE-BASED PAYMENT PLANS

The following table shows the movements in other smaller share-based payment plans during the year:

OTHER SHARE-BASED PAYMENT PLANS	2019 Number of shares	2018 Number of shares
Outstanding at 1 October	2,175,063	3,349,787
Awarded	386,991	90,210
Vested, released and exercised	(617,596)	(854,711)
Lapsed (following net settlement)	(218,773)	(244,768)
Lapsed	(102,649)	(165,455)
Outstanding at 30 September	1,623,036	2,175,063



## 24 SHARE-BASED PAYMENTS (CONTINUED)

The expense relating to these plans is not significant and no further disclosure is necessary except for the general details provided below:

### 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.

### 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.

### 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 Company. 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.

### LONG TERM BONUS PLAN

Certain executives participating in the Long Term Bonus Plan in prior years received an award of deferred Compass Group PLC shares. The award of bonus shares is subject to performance conditions and matching shares may be released by the Company following the completion of a further period of service. The terms of the plan require that these shares are purchased in the market, rather than being issued by the Company. The shares are purchased and distributed by the Executive Share Option Plan (ESOP) and the Compass Group All Share Schemes Trust (ASST).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

### 25 ACQUISITION, SALE AND CLOSURE OF BUSINESSES

#### ACQUISITIONS

The total cash spent on acquisitions during the year, net of cash acquired, was £451 million (2018: £420 million). The most significant acquisition during the year relates to Client Rewards.

On 12 December 2018, Compass Group USA, Inc., a USA subsidiary of the Group, purchased the trading net assets of Client Rewards for an initial consideration of £164 million (\$209 million). Client Rewards is an Iowa based company that provides procurement and supply chain management services. The preliminary goodwill in relation to the assets acquired is £78 million (\$100 million).

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 period is included below:

	2019		2018	
	Book value £m	Fair value £m	Book value £m	Fair value £m
<b>Net assets acquired</b>				
Goodwill arising on acquisition	–	198	–	312
Contract related and other intangibles arising on acquisition	18	268	27	243
Trade and other receivables	33	33	46	46
Other assets	30	30	21	21
Cash and cash equivalents	12	12	9	9
Deferred tax	–	(27)	–	(39)
Trade and other payables	(46)	(46)	(51)	(51)
Other liabilities	(14)	(14)	(15)	(16)
Fair value of net assets acquired		454		525
Non-controlling interest acquired		–		(4)
<b>Satisfied by</b>				
Cash consideration		422		406
Contingent consideration <sup>1</sup>		32		115
Total consideration		454		521
<b>Cash flow</b>				
Cash consideration		422		406
Cash acquired		(12)		(9)
Acquisition transaction costs		8		4
Net cash outflow arising on acquisition		418		401
Deferred consideration and other payments relating to previous acquisitions		33		19
Total cash outflow arising from the purchase of subsidiary companies		451		420

1. 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 2019 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 2019, the acquisitions contributed revenue of £123 million and operating profit of £14 million to the Group's results (2018: £210 million and £13 million respectively).

If the acquisitions had occurred on 1 October 2018, it is estimated that the combined sales of Group and equity accounted joint ventures for the year would have been £25,308 million and total Group operating profit (including associates) would have been £1,608 million.

## 25 ACQUISITION, SALE AND CLOSURE OF BUSINESSES (CONTINUED)

### SALE AND CLOSURE OF BUSINESSES

Following a strategic review of the business, the Group decided to take actions to simplify its portfolio of businesses based on an assessment of market growth opportunity, scalability and the Group's market position and capabilities.

As a result of this review, the Group is in the process of selling or exiting its operations in a number of countries, sectors or businesses. The Group has successfully completed the disposal of several businesses, including its operations in South Africa, Vision Security Group in the UK, Sports & Leisure in Japan and part of its US laundries business. The Group's consolidated income statement includes a £7 million net loss on sale and closure of businesses (2018: £58 million loss) and a related tax credit of £3 million. The net loss includes £57 million of asset write downs and exit costs relating to committed or completed business exits and those that were held for sale which has been offset by a net gain of £50 million (2018: £3 million loss) on completed disposals. Included within the net loss is a £22 million write down of net assets for businesses that are held for sale where the carrying amount was higher than net realisable value (2018: £19 million).

As at the balance sheet date, the Group has classified certain businesses as held for sale as these disposals are highly probable and are expected to be completed within 12 months.

The major classes of assets and liabilities classified as held for sale as at year end are as follows:

	2019 Carrying amount £m	2018 Carrying amount £m
Goodwill	21	21
Other intangible assets	6	17
Property, plant and equipment	44	58
Interest in joint ventures and associates	55	1
Trade and other receivables	42	82
Inventories	20	33
Other	2	24
<b>Total assets held for sale</b>	<b>190</b>	<b>236</b>
Trade and other payables	(20)	(70)
Other	(10)	(2)
<b>Total liabilities directly associated with the assets held for sale</b>	<b>(30)</b>	<b>(72)</b>

Cumulative income or expenses included in other comprehensive income relating to these businesses amount to £38 million of foreign exchange gain (2018: £21 million loss).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 30 September 2019

**26 RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS**

<b>RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS</b>	<b>2019</b> <b>£m</b>	2018 (restated <sup>1</sup> ) £m
Operating profit before joint ventures and associates	<b>1,570</b>	1,643
Adjustments for:		
Acquisition related costs	<b>54</b>	49
One-off pension charge	<b>12</b>	–
Cost action programme charge	<b>190</b>	–
Amortisation of intangible assets	<b>88</b>	69
Amortisation of contract fulfilment assets	<b>184</b>	164
Amortisation of contract prepayments	<b>23</b>	21
Depreciation of property, plant and equipment	<b>282</b>	267
Unwind of costs to obtain contracts	<b>14</b>	13
Gain on disposal of property, plant and equipment/intangible assets/contract fulfilment assets	–	(7)
Other non-cash changes	<b>(2)</b>	–
Decrease in provisions	<b>(41)</b>	(45)
Investment in contract prepayments	<b>(30)</b>	(27)
Increase in costs to obtain contracts	<b>(19)</b>	(16)
Post employment benefit obligations net of service costs	<b>(15)</b>	(8)
Share-based payments – charged to profits	<b>27</b>	21
Operating cash flows before movement in working capital	<b>2,337</b>	2,144
Increase in inventories	<b>(30)</b>	(30)
Increase in receivables	<b>(121)</b>	(208)
Increase in payables	<b>210</b>	364
Cash generated from operations	<b>2,396</b>	2,270

1. Prior year comparatives have been restated as a result of the Group's full retrospective adoption of IFRS 15 'Revenue from contracts with customers'. Additional information about the impact of IFRS 15 is included in note 1.

## 27 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, finance leases and derivative financial instruments, net of cash and cash equivalents.

	Gross debt							Total gross debt £m	Net debt £m
	Cash and cash equivalents £m	Bank overdrafts £m	Bank and other borrowings £m	Total overdrafts and borrowings £m	Finance leases £m	Derivative financial instruments £m			
<b>NET DEBT</b>									
At 1 October 2017	387	(8)	(3,941)	(3,949)	(10)	126	(3,833)	(3,446)	
Net increase in cash and cash equivalents	602	–	–	–	–	–	–	602	
Cash outflow from repayment of bank loans	–	–	1,074	1,074	–	–	1,074	1,074	
Cash inflow from borrowing of bank loans	–	–	(772)	(772)	–	–	(772)	(772)	
Cash inflow from issue of bonds	–	–	(686)	(686)	–	–	(686)	(686)	
Cash (inflow)/outflow from other changes in gross debt	–	(67)	17	(50)	–	2	(48)	(48)	
Cash outflow from repayments of obligations under finance leases	–	–	–	–	6	–	6	6	
Increase in net debt as a result of new finance leases	–	–	–	–	(2)	–	(2)	(2)	
Reclassified as held for sale	(22)	–	–	–	–	–	–	(22)	
Currency translation gains/(losses)	2	(1)	(62)	(63)	–	(6)	(69)	(67)	
Other non-cash movements	–	–	28	28	–	(50)	(22)	(22)	
At 30 September 2018	969	(76)	(4,342)	(4,418)	(6)	72	(4,352)	(3,383)	
Net decrease in cash and cash equivalents	<b>(579)</b>	–	–	–	–	–	–	<b>(579)</b>	
Cash outflow from repayment of bank loans	–	–	<b>1,830</b>	<b>1,830</b>	–	–	<b>1,830</b>	<b>1,830</b>	
Cash inflow from borrowing of bank loans	–	–	<b>(1,830)</b>	<b>(1,830)</b>	–	–	<b>(1,830)</b>	<b>(1,830)</b>	
Cash outflow from repayment of loan notes	–	–	<b>195</b>	<b>195</b>	–	–	<b>195</b>	<b>195</b>	
Cash outflow from repayment of bonds	–	–	<b>530</b>	<b>530</b>	–	–	<b>530</b>	<b>530</b>	
Cash outflow from other changes in gross debt	–	<b>60</b>	<b>2</b>	<b>62</b>	–	<b>14</b>	<b>76</b>	<b>76</b>	
Cash outflow from repayments of obligations under finance leases	–	–	–	–	<b>4</b>	–	<b>4</b>	<b>4</b>	
Increase in net debt as a result of new finance leases	–	–	–	–	<b>(1)</b>	–	<b>(1)</b>	<b>(1)</b>	
Reclassified as held for sale	<b>(1)</b>	–	–	–	–	–	–	<b>(1)</b>	
Currency translation gains/(losses)	<b>9</b>	<b>(1)</b>	<b>(64)</b>	<b>(65)</b>	–	<b>(30)</b>	<b>(95)</b>	<b>(86)</b>	
Other non-cash movements	–	–	<b>(166)</b>	<b>(166)</b>	–	<b>139</b>	<b>(27)</b>	<b>(27)</b>	
At 30 September 2019	<b>398</b>	<b>(17)</b>	<b>(3,845)</b>	<b>(3,862)</b>	<b>(3)</b>	<b>195</b>	<b>(3,670)</b>	<b>(3,272)</b>	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 30 September 2019

**27 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (CONTINUED)**

Other non-cash movements are comprised as follows:

	2019 £m	2018 £m
<b>OTHER NON-CASH MOVEMENTS IN NET DEBT</b>		
Amortisation of fees and discount on issuance	(6)	(4)
Loans acquired through business acquisition	–	(12)
Changes in the fair value of bank and other borrowings in a designated fair value hedge	(160)	44
Bank and other borrowings	(166)	28
Changes in the value of derivative financial instruments including accrued income	139	(50)
Other non-cash movements	(27)	(22)

	2019							
CASH FLOWS ARISING FROM FINANCING ACTIVITIES	Repayment of bank loans £m	Borrowing of bank loans £m	Repayment of loan notes £m	Repayment of bonds £m	Cash (inflow)/ outflow from other £m	Dividends £m	Purchase of own shares £m	Total £m
Debt	1,830	(1,830)	195	530	80	–	–	805
Equity	–	–	–	–	–	616	4	620
Total								1,425

	2018							
CASH FLOWS ARISING FROM FINANCING ACTIVITIES	Repayment of bank loans £m	Borrowing of bank loans £m	Repayment of loan notes £m	Issue of bonds £m	Cash (inflow)/ outflow from other £m	Dividends £m	Purchase of own shares £m	Total £m
Debt	1,074	(772)	–	(686)	(43)	–	–	(427)
Equity	–	–	–	–	5	557	–	562
Total								135

**28 CONTINGENT LIABILITIES**

**PERFORMANCE BONDS, GUARANTEES AND INDEMNITIES**

	2019 £m	2018 £m
Performance bonds, guarantees and indemnities (including those of associated undertakings) <sup>1</sup>	383	358

1. Excludes post employment obligations and borrowings (including finance and operating leases) recorded on the balance sheet or disclosed in note 30.

**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.

## 28 CONTINGENT LIABILITIES (CONTINUED)

### 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.

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 and disputes has increased. The Group is currently subject to a number of audits and reviews in jurisdictions around the world that primarily relate to complex corporate tax issues. None of these tax audits is currently expected to have a material impact on the Group's financial position. In addition, we continue to engage with tax authorities and other regulatory bodies on both payroll and sales tax reviews, and compliance with labour laws and regulations. Again, we currently do not expect any of these 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. Like many other multinational groups that have acted in accordance with the UK legislation in force at the time, the Group may be affected. 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 and it is possible that the Group will be required to make a payment in the year ending 30 September 2020. 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 2019. The final impact on the Group remains uncertain and our current assessment is that no provision is required.

During the course of the year, the federal tax authorities in Brazil have issued a number of notices of deficiency which we have formally objected to and which are now proceeding through the appeals process. These assessments relate primarily to the PIS / COFINS treatment of certain food costs and the corporate income tax treatment of goodwill deductions. As at 30 September 2019, the total amount assessed in respect of these matters is £44 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

### 29 CAPITAL COMMITMENTS

CAPITAL COMMITMENTS	2019 £m	2018 £m
Contracted for but not provided for	<b>605</b>	498

The majority of capital commitments are for intangible assets.

### 30 OPERATING LEASE AND CONCESSIONS COMMITMENTS

The Group leases offices and other premises under non-cancellable operating leases. The leases have varying terms, purchase options, escalation clauses and renewal rights.

Future minimum rentals payable under non-cancellable operating leases and concessions agreements are as follows:

OPERATING LEASE AND CONCESSIONS COMMITMENTS	2019			2018		
	Operating leases		Other occupancy rentals £m	Operating leases		Other occupancy rentals £m
	Land and buildings £m	Other assets £m		Land and buildings £m	Other assets £m	
Falling due within 1 year	<b>81</b>	<b>90</b>	<b>61</b>	70	71	75
Falling due between 2 and 5 years	<b>221</b>	<b>167</b>	<b>106</b>	188	127	154
Falling due in more than 5 years	<b>241</b>	<b>27</b>	<b>108</b>	150	11	162
Total	<b>543</b>	<b>284</b>	<b>275</b>	408	209	391

### 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 15. 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

	2019	2018
<b>AVERAGE EXCHANGE RATE FOR THE YEAR<sup>1</sup></b>		
Australian Dollar	<b>1.81</b>	1.77
Brazilian Real	<b>4.96</b>	4.73
Canadian Dollar	<b>1.69</b>	1.73
Chilean Peso	<b>875.59</b>	850.39
Euro	<b>1.13</b>	1.13
Japanese Yen	<b>140.53</b>	149.06
New Zealand Dollar	<b>1.92</b>	1.93
Norwegian Krone	<b>11.02</b>	10.88
Turkish Lira	<b>7.16</b>	5.92
UAE Dirham	<b>4.69</b>	4.95
US Dollar	<b>1.28</b>	1.35
<b>CLOSING EXCHANGE RATE AT 30 SEPTEMBER<sup>1</sup></b>		
Australian Dollar	<b>1.83</b>	1.80
Brazilian Real	<b>5.13</b>	5.21
Canadian Dollar	<b>1.63</b>	1.69
Chilean Peso	<b>897.37</b>	860.15
Euro	<b>1.13</b>	1.12
Japanese Yen	<b>133.18</b>	148.12
New Zealand Dollar	<b>1.97</b>	1.97
Norwegian Krone	<b>11.20</b>	10.62
Turkish Lira	<b>6.96</b>	7.83
UAE Dirham	<b>4.53</b>	4.79
US Dollar	<b>1.23</b>	1.30

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 30 September 2019

**34 STATUTORY AND UNDERLYING RESULTS**

	Notes	2019 Statutory £m	Adjustments							2019 Underlying £m
			1	2	3	4	5	6	7	
Operating profit	2	1,601	54	12	190	25	–	–	–	1,882
Net loss on sale and closure of businesses		(7)	–	–	–	–	–	7	–	–
<b>Net finance cost</b>		<b>(125)</b>	–	–	–	–	–	–	15	<b>(110)</b>
Finance income		12	–	–	–	–	–	–	–	12
Finance costs		(122)	–	–	–	–	–	–	–	(122)
Other financing items		(15)	–	–	–	–	–	–	15	–
<b>Profit before tax</b>		<b>1,469</b>	<b>54</b>	<b>12</b>	<b>190</b>	<b>25</b>	–	<b>7</b>	<b>15</b>	<b>1,772</b>
Income tax expense		(351)	(13)	(2)	(41)	–	–	(3)	(3)	(413)
Tax rate		23.9%								23.3%
Profit for the year		1,118	41	10	149	25	–	4	12	1,359
Non-controlling interests		(8)	–	–	–	–	–	–	–	(8)
<b>Profit attributable to equity shareholders of the Company</b>		<b>1,110</b>	<b>41</b>	<b>10</b>	<b>149</b>	<b>25</b>	–	<b>4</b>	<b>12</b>	<b>1,351</b>
Average number of shares		1,586								1,586
<b>BASIC EARNINGS PER SHARE (PENCE)</b>	7	<b>70.0</b>	<b>2.6</b>	<b>0.6</b>	<b>9.4</b>	<b>1.6</b>	–	<b>0.2</b>	<b>0.8</b>	<b>85.2</b>

	Notes	2018 Statutory (restated <sup>1</sup> ) £m	Adjustments							2018 Underlying (restated <sup>1</sup> ) £m
			1	2	3	4	5	6	7	
Operating profit	2	1,693	49	–	–	–	2	–	–	1,744
Net loss on sale and closure of businesses		(58)	–	–	–	–	–	58	–	–
<b>Net finance cost</b>		<b>(112)</b>	–	–	–	–	–	–	(2)	<b>(114)</b>
Finance income		6	–	–	–	–	–	–	–	6
Finance costs		(120)	–	–	–	–	–	–	–	(120)
Other financing items		2	–	–	–	–	–	–	(2)	–
Profit before tax		1,523	49	–	–	–	2	58	(2)	1,630
Income tax expense		(385)	(12)	–	–	–	(2)	10	1	(388)
Tax rate		25.3%								23.8%
<b>Profit for the year</b>		<b>1,138</b>	<b>37</b>	–	–	–	–	<b>68</b>	<b>(1)</b>	<b>1,242</b>
Non-controlling interests		(8)	–	–	–	–	–	–	–	(8)
<b>Profit attributable to equity shareholders of the Company</b>		<b>1,130</b>	<b>37</b>	–	–	–	–	<b>68</b>	<b>(1)</b>	<b>1,234</b>
Average number of shares		1,584	–	–	–	–	–	–	–	1,584
<b>BASIC EARNINGS PER SHARE (PENCE)<sup>2</sup></b>	7	<b>71.3</b>	<b>2.4</b>	–	–	–	–	<b>4.3</b>	<b>(0.1)</b>	<b>77.9</b>

1. Prior year comparatives have been restated as a result of the Group's retrospective adoption of IFRS 15 'Revenue from contracts with customers'. Additional information about the impact of IFRS 15 is included in note 1.
2. Underlying constant currency earnings per share is based on a Group constant currency profit attributable to equity shareholders of the Company and includes positive constant currency adjustment of £39 million net of £12 million 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 246 and 247. 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 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 22 (page 191) for additional details.

#### 3. Costs action programme charge

Charges related to actions taken to adjust our cost base, see note 3 for additional details.

#### 4. Share of profit of joint ventures and associates held for sale

The Group's share of profit of joint ventures and associates after these were classified as held for sale, see note 13 for additional details.

#### 5. Tax on share of profit of joint ventures

Reclassification of tax on share of profit of joint ventures to income tax expense.

#### 6. 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 25 for additional details.

#### 7. Other financing items

Represent financing items including hedge accounting ineffectiveness and change in the fair value of investments. See note 5 for details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 30 September 2019

**35 ORGANIC REVENUE AND ORGANIC PROFIT**

	Geographical segments			Central Activities £m	Group £m
	North America £m	Europe £m	Rest of World £m		
<b>2019</b>					
<b>Combined sales of Group and share of equity accounted joint ventures<sup>1</sup></b>	<b>15,694</b>	<b>5,854</b>	<b>3,604</b>	–	<b>25,152</b>
% growth reported rates	14.4%	1.6%	(1.7%)	–	8.7%
% growth constant currency	8.5%	1.6%	0.8%	–	5.7%
Organic adjustments	(104)	(69)	(194)	–	(367)
Organic revenue	15,590	5,785	3,410	–	24,785
<b>% growth organic</b>	<b>7.7%</b>	<b>4.1%</b>	<b>4.3%</b>	–	<b>6.4%</b>
<b>2018<sup>2</sup></b>					
<b>Combined sales of Group and share of equity accounted joint ventures</b>	<b>13,718</b>	<b>5,762</b>	<b>3,667</b>	–	<b>23,147</b>
Currency adjustments	743	(3)	(92)	–	648
Constant currency underlying revenue	14,461	5,759	3,575	–	23,795
Organic adjustments	11	(203)	(306)	–	(498)
Organic revenue	14,472	5,556	3,269	–	23,297
<b>2019</b>					
<b>Regional underlying operating profit<sup>1</sup></b>	<b>1,290</b>	<b>368</b>	<b>285</b>	<b>(80)</b>	1,863
Share of profit of associates <sup>1</sup>	10	8	1	–	19
<b>Group underlying operating profit<sup>1</sup></b>	<b>1,300</b>	<b>376</b>	<b>286</b>	<b>(80)</b>	<b>1,882</b>
<b>Underlying operating margin (excluding associates)</b>	<b>8.2%</b>	<b>6.3%</b>	<b>7.9%</b>	–	<b>7.4%</b>
% growth reported rates	14.9%	(6.8%)	3.3%	–	7.9%
% growth constant currency	9.0%	(6.6%)	5.9%	–	4.7%
Organic adjustments	(5)	–	(23)	–	(28)
Regional underlying organic operating profit (excluding associates)	<b>1,285</b>	<b>368</b>	<b>262</b>	(80)	1,835
Group underlying organic operating profit (including associates) <sup>1</sup>	1,295	376	263	(80)	<b>1,854</b>
<b>% growth organic</b>	<b>7.9%</b>	<b>(8.0%)</b>	<b>7.4%</b>	–	<b>3.8%</b>
<b>2018<sup>2</sup></b>					
<b>Regional underlying operating profit</b>	<b>1,123</b>	<b>395</b>	<b>276</b>	<b>(70)</b>	<b>1,724</b>
Share of profit of associates	14	6	–	–	20
<b>Group underlying operating profit</b>	<b>1,137</b>	<b>401</b>	<b>276</b>	<b>(70)</b>	<b>1,744</b>
<b>Underlying operating margin (excluding associates)</b>	<b>8.2%</b>	<b>6.9%</b>	<b>7.5%</b>	–	<b>7.4%</b>
Currency adjustments – profit	61	(1)	(7)	–	53
Currency adjustments – associates	1	–	–	–	1
Regional constant currency underlying profit (excluding associates)	<b>1,184</b>	<b>394</b>	<b>269</b>	(70)	1,777
Group constant currency underlying operating profit (including associates)	1,199	400	269	(70)	<b>1,798</b>
Organic adjustments	7	6	(25)	–	(12)
Regional underlying organic operating profit (excluding associates)	<b>1,191</b>	<b>400</b>	<b>244</b>	(70)	1,765
Share of profit from associates – constant currency	15	6	–	–	21
Group underlying organic operating profit (including associates)	1,206	406	244	(70)	<b>1,786</b>

1. Underlying revenue and underlying operating profit include share of profit of joint ventures and associates classified as held for sale during the year.

2. Prior year comparatives have been restated as a result of the Group's retrospective adoption of IFRS 15 'Revenue from contracts with customers'. Additional information about the impact of IFRS 15 is included in note 1.

## 36 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC

PRINCIPAL SUBSIDIARIES	Country of Incorporation	% Holding	Principal Activities
<b>Ground Floor 35-51 Mitchell Street, McMahon's 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) (vi) (viii)</sup>	Canada	100	Food and support services
<b>Av. del Valle 787, 5 floor, Huechuraba, Santiago, Chile</b>			
Compass Catering Y Servicios Chile Limitada	Chile	100	Food and support 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>Helfmann-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 service and support services
<b>Hamarikyu Kensetsu 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 R, s/n, Mercapalma, 07007 Palma de Mallorca, Balears, Spain</b>			
Compass Group Holdings Spain, S.L.U.	Spain	100	Holding company
<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. Yeşil 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 30 September 2019

**36 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC (CONTINUED)**

PRINCIPAL SUBSIDIARIES	Country of Incorporation	% Holding	Principal Activities
<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>(i) (iii)</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>(viii)</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

## 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>Chez: Eurojapan Résidence No.23, RN n°3 BP 398, Hassi Messaoud, Algeria</b>			<b>Chaussée de Haecht 1179, B-1130 Brussels, Belgium</b>		
Eurest Algerie SPA	Algeria	100	Compass Group Service Solutions S.A.	Belgium	100
<b>Rua Dr. Ayres de Menezes Street, No.120, District Maianga, Maianga Municipality, Luanda, Angola</b>			F.L.R. Holding S.A. <sup>(iii)</sup>	Belgium	100
Express Support Services, Limitada	Angola	100	<b>Haachtsesteenweg 1179, 1130 Brussels, Belgium</b>		
<b>Esteban Echeverría 1050, 6th floor, Vicente Lopez (1602), Buenos Aires, Argentina</b>			N.V. Gourmet Invent	Belgium	100
Servicios Compass de Argentina S.A.	Argentina	100	<b>Rua Orissanga, 200, 1st Floor, Mirandópolis, São Paulo, 04. 052-030, Brazil</b>		
<b>Ground Floor 35 – 51 Mitchell Street, McMahons Point, NSW 2060, Australia</b>			Clean Mall Serviços Ltda.	Brazil	100
Compass Australia PTY Ltd <sup>(iii)</sup>	Australia	100	<b>Rua Orissanga, 200, 3rd Floor, Mirandópolis, São Paulo, 04.052-030, Brazil</b>		
Compass (Australia) Catering & Services PTY Ltd <sup>(iii) (iv)</sup>	Australia	100	GRSA Serviços LTDA.	Brazil	100
Compass Group B&I Hospitality Services PTY Ltd	Australia	100	<b>Craigmuir Chambers, PO Box 71, Roadtown, Tortola, VG1110, British Virgin Islands</b>		
Compass Group Defence Hospitality Services PTY Ltd	Australia	100	Compass Group Holdings (BVI) Limited	British Virgin Islands	100
Compass Group Education Hospitality Services PTY Ltd	Australia	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 Healthcare Hospitality Services PTY Ltd	Australia	100	Compass Group (Cambodia) Co. Ltd. <sup>(iii)</sup>	Cambodia	100
Compass Group Health Services Pty Ltd	Australia	100	<b>100, Rue n° 1044 Hydrocarbures, Bonapriso, BP 5767, Douala, Cameroon</b>		
Compass Group Management Services PTY Ltd	Australia	100	Eurest Cameroun SARL <sup>(iii)</sup>	Cameroon	100
Compass Group Relief Hospitality Services PTY Ltd	Australia	100	Eurest Camp Logistics Cameroun SARL <sup>(iii)</sup>	Cameroon	100
Compass Group Remote Hospitality Services PTY Ltd	Australia	100	<b>1 Prologis Boulevard, Suite 400, Mississauga, Ontario L5W 0G2, Canada</b>		
Delta Facilities Management PTY Ltd	Australia	100	Canteen of Canada Limited	Canada	100
Delta FM Australia PTY Ltd	Australia	100	Compass Canada Support Services Ltd <sup>(iii) (iv) (v) (vi) (viii)</sup>	Canada	100
Eurest (Australia) – Victoria PTY Ltd	Australia	100	Compass Group Ontario Ltd	Canada	100
Eurest (Australia) Food Services – NSW Pty Ltd	Australia	100	<b>350 – 7th Avenue SW, Suite 3400, Calgary, AB T2P 3N9, Canada</b>		
Eurest (Australia) Food Services – Wollongong PTY Ltd	Australia	100	2104797 Alberta Ltd <sup>(iii) (iv) (v) (vi) (viii)</sup>	Canada	100
Eurest (Australia) Food Services PTY Ltd	Australia	100	City Coin Vending Services Ltd <sup>(iii) (iv) (v) (viii)</sup>	Canada	100
Eurest (Australia) Licence Holdings PTY Ltd	Australia	100	<b>Suite 2300, Bentall 5, 550 Burrard Street, Vancouver, BC V6C 2B5, Canada</b>		
Eurest (Australia) PTY Ltd	Australia	100	Tejazz Management Services Inc.	Canada	100
Foodbuy Pty Ltd	Australia	100	<b>1969 Upper Water Street, Purdy's Wharf Tower II, Suite 1300, Halifax, NS B3J 3R7, Canada</b>		
LAPG Education PTY Ltd	Australia	100	Crothall Services Canada Inc. <sup>(iii) (iv)</sup>	Canada	100
LAPG PTY Ltd	Australia	100	<b>1959 Upper Water Street, Suite 1100, Halifax, Nova Scotia, B3J 3E5, Canada</b>		
Life's A Party Group PTY Ltd	Australia	100	East Coast Catering (NS) Limited	Canada	100
Life's A Party PTY Ltd	Australia	100	<b>IZD Tower, Wagramer Strasse 19/4. Stock, 1220 Wien, Austria</b>		
Omega Security Services PTY Ltd	Australia	100	Compass Group Austria Holdings One GmbH	Austria	100
Restaurant Associates (Australia) PTY Ltd	Australia	100	Compass Group Austria Holdings Two GmbH	Austria	100
Sargem PTY Ltd	Australia	100	Eurest Restaurationbetriebs GmbH	Austria	100
<b>Level 22, 135 King Street, Sydney, NSW 2000, Australia</b>			Kunz Gebäudereinigung GmbH	Austria	100
MBM Integrated Services Pty <sup>(iii)</sup>	Australia	100			
<b>IZD 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 Restaurationbetriebs GmbH	Austria	100			
Kunz Gebäudereinigung GmbH	Austria	100			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 30 September 2019

**36 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC (CONTINUED)**

OTHER WHOLLY OWNED SUBSIDIARIES	Country of Incorporation	% Holding
<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>(v)</sup>	Canada	100
Long Harbour Catering Limited	Canada	100
<b>421 7th Avenue SW, Suite 1600, Calgary, Alberta, T2P 4K9, Canada</b>		
Great West Catering Ltd	Canada	100
Tamarack Catering Ltd	Canada	100
<b>2580 Rue Dollard, Lasalle, Quebec, H8N 1T2, Canada</b>		
Groupe Compass (Québec) Ltée <sup>(iii) (iv) (v) (vi) (viii)</sup>	Canada	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	Canada	100
<b>1177 West Hastings Street, Suite 1900, Vancouver, British Columbia, Canada V6E 2K3</b>		
Wosk's Vending Service Ltd. <sup>(iii) (iv)</sup>	Canada	100
<b>1700 – 360 Main Street, Winnipeg, Manitoba, Canada R3C 3Z3</b>		
Gourmet Coffee Specialists Ltd. <sup>(iii) (iv) (v) (vi)</sup>	Canada	100
<b>Av. del Valle 787, 5th floor, Huechuraba, Santiago, Chile</b>		
Cadelsur S.A.	Chile	100
Compass Catering S.A.	Chile	100
Compass Servicios S.A.	Chile	100
Scolarest S.A.	Chile	100
<b>No. 1999 Floor 2, Xin Zhu Road, Minhang District, 200237, China</b>		
Compass (China) Management Services Company Limited	China	100
<b>Room 532 Floor 5 No. 28 Lane 2777, East Jinxiu Road, Pudong District, Shanghai 201206, China</b>		
Shanghai Eurest Food Technologies Service Co., Ltd.	China	100
<b>Autopista Norte No. 235 – 71, Bogota D.C., Colombia</b>		
Compass Group Services Colombia S.A.	Colombia	100
<b>Enceinte de Brometo Centre Ville, BP 5208, Pointe-Noire, The Democratic Republic of the Congo</b>		
Eurest Services Congo SARL <sup>(iii)</sup>	Congo	100

OTHER WHOLLY OWNED SUBSIDIARIES	Country of Incorporation	% Holding
<b>195, Arch. Makariou III Avenue, Neocleous House, 3030 Limassol, Cyprus</b>		
ESS Design & Build Ltd <sup>(iii)</sup>	Cyprus	100
Eurest Support Services (Cyprus) International Ltd	Cyprus	100
<b>Jankovcova, 1603/47a, Holešovice 170 00, Prague 7, Czech Republic</b>		
Compass Group Czech Republic s.r.o.	Czech Republic	100
SCOLAREST- zařízení školního stravování spol. s.r.o.	Czech Republic	100
<b>Rued Langgards Vej 8, 1. sal, 2300 København S, DK, Denmark</b>		
Compass Group Danmark A/S	Denmark	100
<b>PL 1271, 00101, Helsinki, 00101, Finland</b>		
Compass Group Finland OY	Finland	100
<b>123 Avenue de la République – Hall A, 92320 Châtillon, France</b>		
7000 Set Meal SAS	France	100
Academie Formation Groupe Compass SAS	France	100
Caterine Restauration SAS	France	100
Delisaveurs SAS	France	100
Eurest International SNC	France	100
Eurest Sports & Loisirs SAS	France	100
Evhrest SAS	France	100
La Puyfolaie de Restauration SAS	France	100
Levy Restaurants France SAS	France	100
Mediance SAS	France	100
Memonett SAS	France	100
Servirest SAS	France	100
SHRM Angola SAS <sup>(iii)</sup>	France	100
Société De Prestations En Gestion Immobiliere SAS	France	100
Société Nouvelle Lecocq SAS	France	100
Sud Est Traiteur SAS	France	100
<b>Rue des Artisans, ZA de Bel Air, 12000 Rodez, France</b>		
Central Restauration Martel (CRM)	France	100
<b>Zone Artisanale, 40500 Bas Mauco, France</b>		
Culinaire Des Pays de L'Adour SAS	France	100
<b>40, Bd de Dunkerque, 13002 Marseille, France</b>		
Société International D'Assistance SA <sup>(iii)</sup>	France	100
<b>Lieu Dit la Prade, 81580 Soual, France</b>		
Occitanie Restauration SAS	France	100
<b>3 rue Camille Claudel Atlanparc Bat.M, Zone Kerluherne, CS 20043, 56890 Plescop, France</b>		
Oceane de Restauration SAS	France	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>Rue Eugène Sué, Zone Industrielle de Blanzat, 03100 Montluçon, France</b>			<b>3rd Floor, 43a, Yeats Way, Parkwest Business Park, Dublin 12, Ireland</b>		
Sogirest SAS	France	100	Amstel Limited <sup>(vi)</sup>	Ireland	100
<b>ZONE OPRAG, (Face á Bernabé Nouveau Port), BP 1292, Port Gentil, Gabon</b>			Catering Management Ireland Limited <sup>(vi)</sup>	Ireland	100
Eurest Support Services Gabon SA	Gabon	100	Cheyenne Limited <sup>(vi)</sup>	Ireland	100
<b>Helfmann-Park 2, 65760, Eschborn, Germany</b>			Compass Catering Services, Ireland Limited	Ireland	100
Compass Group GmbH	Germany	100	COH Ireland Investments Unlimited Company <sup>(viii)(ix)</sup>	Ireland	100
Eurest Bremen GmbH	Germany	100	Drumburgh Limited <sup>(vi)</sup>	Ireland	100
Eurest Köln GmbH	Germany	100	Management Catering Services Limited	Ireland	100
Eurest Süd GmbH	Germany	100	National Catering Limited <sup>(vi)</sup>	Ireland	100
Food Affairs GmbH	Germany	100	Rushmore Investment Company Limited <sup>(vi)(viii)</sup>	Ireland	100
Kanne Café GmbH	Germany	100	Sutcliffe Ireland Limited	Ireland	100
Menke Menue GmbH	Germany	100	Zadca Limited <sup>(vi)</sup>	Ireland	100
Royal Business Restaurants GmbH	Germany	100	<b>12-14 Finch Road, Douglas, IM99 1TT, Isle of Man</b>		
S.B. Verwaltungs GmbH <sup>(vi)</sup>	Germany	100	Consolidated Services Limited	Isle of Man	100
<b>Sankt-Florian-Weg 1, 30880, Laatzen, Germany</b>			<b>Tower House, Loch Promenade, Douglas, IM1 2LZ, Isle of Man</b>		
Eurest West GmbH & Co. KG	Germany	100	Queen's Wharf Insurance Services Limited <sup>(viii)</sup>	Isle of Man	100
orgaMed Betriebsgesellschaft für Zentralsterilisationen GmbH	Germany	100	<b>Shin-Hie Building 2nd Floor, 3-3-3, Hakataeki-Higashi, Hakata-ku, Fukuoka-City, Fukuoka-Prefecture, 812-0013 Japan</b>		
plural Gebäudemanagement GmbH	Germany	100	Eishoku-Medix, Inc.	Japan	100
plural Personalservice GmbH	Germany	100	<b>Hamarikyu Kensetsu Plaza, 5-5-12, Tsukiji, Chuo-ku, Tokyo 104-0045, Japan</b>		
plural servicepool GmbH	Germany	100	Eurest Japan, Inc.	Japan	100
<b>Pfaffenwiese, 65929 Frankfurt/M., Germany</b>			Fuyo, Inc.	Japan	100
LPS Event Gastronomie GmbH	Germany	100	MFS, Inc.	Japan	100
<b>Zum Fliegerhorst 1304, 63526 Erlensee, Germany</b>			Nihon Kyushoku Service, Inc.	Japan	100
Foodbuy CE GmbH	Germany	100	Seiyo Food-Compass Group Holdings, Inc.	Japan	100
M.S.G. Frucht GmbH	Germany	100	<b>1-14-2, Kurumada-cho, Showa-ku, Nagoya-City, Aichi-Prefecture, 466-0001, Japan</b>		
<b>PO Box 119, Martello Court, Admiral Park, St Peter Port, Guernsey, GY1 3HB</b>			Sun Food Inc.	Japan	100
Compass Group Finance Ltd	Guernsey	100	<b>44 Esplanade, St Helier, Jersey, JE4 9WG</b>		
<b>Room 805, 8/F, New Kowloon Plaza, 38 Tai Kok Tsui Road, Kowloon, Hong Kong</b>			Malakand Unlimited	Jersey	100
Compass Group Hong Kong Ltd	Hong Kong	100	<b>060011, Atyrauskaya Oblast, Atyrau City, Beibarys Sultan Avenue 506, Kazakhstan</b>		
Encore Catering Ltd	Hong Kong	100	Compass Kazakhstan LLP	Kazakhstan	100
Shing Hin Catering Group Ltd	Hong Kong	100	TOO Eurest Support Services LLP	Kazakhstan	100
<b>Irinyi József u. 4-20. B épület, H-1117 Budapest, Hungary</b>			TOO ESS Support Services LLP	Kazakhstan	100
Eurest Étteremüzemeltető Korlátolt Felelősségű Társaság	Hungary	100	<b>209/8919 Sigma Road Off Enterprises Road, PO BOX 14 662, Nairobi, Kenya</b>		
<b>Unit #426, 4th Floor, Tower A, Space I – Tech Park Sohna Road, Sector 49 Gurgaon, Gurgaon HR 122018 IN, India</b>			Kenya Oilfield Services Ltd <sup>(vi)</sup>	Kenya	100
Compass Group (India) Support Services Private Ltd	India	100			
Compass India Support Services Private Limited	India	100			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 30 September 2019

**36 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC (CONTINUED)**

<b>OTHER WHOLLY OWNED SUBSIDIARIES</b>	Country of Incorporation	% Holding	<b>OTHER WHOLLY OWNED SUBSIDIARIES</b>	Country of Incorporation	% Holding
<b>19, Rue Léon Laval, L-3372 Leudelange, Luxembourg</b>			<b>Luzernestraat 57, 2153 GM, Nieuw-Venep, Netherlands</b>		
Automat <sup>1</sup> Services SARL	Luxembourg	100	Famous Flavours B.V. <sup>(viii)</sup>	Netherlands	100
Eurest Luxembourg S.A.	Luxembourg	100			
IMMO Capellen S.A.	Luxembourg	100	<b>Stationsweg 95, 6711 PM Ede, Netherlands</b>		
Innoclean S.A.	Luxembourg	100	Xandrion B.V.	Netherlands	100
Novelia Senior Services S.A.	Luxembourg	100			
<b>Level 21, Suite 21.01, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia</b>			<b>85 Avenue du Général de Gaulle, Immeuble Carcopino 3000, BP 2353, 98846 Nouméa Cedex, New Caledonia</b>		
Compass Group Malaysia Sdn Bhd	Malaysia	100	Eurest Caledonie SARL <sup>(ii)</sup>	New Caledonia	100
<b>50-8-1, TKT.8, Wsima UOA Damansara, 50 Jalan. Dungun, Damansara Heights, Kuala Lumpur, 50490, Malaysia</b>			<b>Level 3, 15 Sultan Street, Ellerslie 1051, New Zealand</b>		
S.H.R.M. Sdn. Bhd. <sup>(ii)</sup>	Malaysia	100	Compass Group New Zealand Limited	New Zealand	100
			Crothall Services Group Limited <sup>(ii)</sup>	New Zealand	100
			Eurest NZ Limited <sup>(ii)</sup>	New Zealand	100
<b>Calle Jaime Balmes 11, Oficina 101 letra D, Colonia Los Morales Polanco, Alcaldía Miguel Hidalgo, 11510 Ciudad de México, Mexico</b>			<b>Drengsrudbekken 12, 1383, PO Box 74, NO-1371, Asker, Norway</b>		
Eurest Proper Meals de Mexico S.A. de C.V. <sup>(iii) (iv)</sup>	Mexico	100	Eurest A/S <sup>(iii) (iv)</sup>	Norway	100
Servicios Corporativos Eurest-Proper Meals de Mexico S.A. De C.V. <sup>(iii) (iv)</sup>	Mexico	100	<b>Forusparken 2, 4031 Stavanger, Postboks 8083 Stavanger Postterminal, 4068, Stavanger, Norway</b>		
			ESS Mobile Offshore Units A/S	Norway	100
<b>c/o 251 Little Falls Drive, Wilmington, DE 19808, USA</b>			ESS Support Services A/S	Norway	100
Food Works of Mexico, S. de R.L. de C.V. <sup>(ii) (iii) (iv)</sup>	Mexico	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>		
Food Works Services of Mexico, S. de R.L. De C.V. <sup>(ii) (iii) (iv)</sup>	Mexico	100	Eurest (PNG) Catering & Services Ltd <sup>(ii)</sup>	Papua New Guinea	100
			<b>Unit 2410 24th flr City &amp; Land Mega Plaza Adb Ave. Ortigas Ctr. San Antonio, Pasig City 1605, Philippines</b>		
<b>Laarderhoogtweg 11, 1101 DZ, Amsterdam, Netherlands</b>			Compass Group Philippines Inc <sup>(ii)</sup>	Philippines	100
Aurora HoldCo B.V.	Netherlands	100	<b>Ul. Olbrachta 94, 01-102 Warszawa, Poland</b>		
CGI Holdings (2) B.V.	Netherlands	100	Compass Group Poland Sp. Z o.o.	Poland	100
Compass Group Holding B.V.	Netherlands	100	<b>Edifício Prime, Avenida da, Quinta Grande, 53-60, Alfragide 2614-521 Amadora, Portugal</b>		
Compass Group Finance Netherlands B.V.	Netherlands	100	Eurest (Portugal) – Sociedade Europeia de Restaurantes, Lda.	Portugal	100
Compass Group International 10 B.V. <sup>(ii)</sup>	Netherlands	100	Eurest Catering & Services Group Portugal, Lda.	Portugal	100
Compass Group International 2 B.V.	Netherlands	100	<b>București Sectorul 4, Strada Sold., Ilie Șerban, Nr. 8B., Romania</b>		
Compass Group International 3 B.V.	Netherlands	100	Eurest ROM SRL	Romania	100
Compass Group International 4 B.V.	Netherlands	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.	Netherlands	100			
Compass Group International Finance 1 B.V.	Netherlands	100			
Compass Group International Finance 2 B.V.	Netherlands	100			
Compass Group Shanghai Eurest B.V. <sup>(ii)</sup>	Netherlands	100			
Compass Group Vending Holding B.V.	Netherlands	100			
Compass Hotels Chertsey B.V.	Netherlands	100			
Eurest Services B.V.	Netherlands	100			
Eurest Support Services (ESS) B.V.	Netherlands	100			
Eurest Support Services Sakhalin B.V. <sup>(ii)</sup>	Netherlands	100			
Stichting Forte International	Netherlands	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>7 Gasheka Street, Bld. 1, 123056, Moscow, Russia</b>			<b>c/o Ueltschi Solutions GmbH, Gwattstrasse 8, CH-3185 Schmitten, Switzerland</b>		
Aurora Rusco OOO	Russia	100	Sevita AG (in liquidation) <sup>(ii)</sup>	Switzerland	100
			Sevita Group GmbH	Switzerland	100
<b>20 Kulakova Street, Bld 1, Premises III, Floor 4, Room 2, Moscow, Russia</b>			<b>İçerenköy Mah. Yesil vadi sokak, No: 3 D: 12 9, 34752 Atasehir, Istanbul, Turkey</b>		
Compass Group Rus OOO	Russia	100	Euroserve Güvenlik A.Ş.	Turkey	100
<b>11 Changi South Street 3, Builders Shop Building, #04-02/03, 486122, Singapore</b>			<b>İçerenköy Mah. Yesil vadi sokak, No: 3 D: 12 10, 34752 Atasehir, Istanbul, Turkey</b>		
Compass Group (Singapore) PTE Ltd <sup>(iii) (iv)</sup>	Singapore	100	Euroserve Hizmet ve İşletmecilik A.Ş.	Turkey	100
SHRM Far East Pte Ltd <sup>(ii)</sup>	Singapore	100			
<b>8 Marina Boulevard, # 05-02, Marina Bay Financial Centre, 018981, Singapore</b>			<b>Dubai Airport Free Zone, Dubai, United Arab Emirates</b>		
Compass Group Asia Pacific PTE. Ltd	Singapore	100	Compass Carnea FZE	UAE	100
<b>Karadžičova 2, Staré mesto, 811 09 Bratislava, Slovakia</b>			<b>Parklands Court, 24 Parklands, Birmingham Great Park, Rubery, Birmingham, B45 9PZ, United Kingdom</b>		
Compass Group Slovakia s. r. o.	Slovakia	100	14Forty Limited <sup>(ii)</sup>	UK	100
<b>Calle Frederic Mompou 5, planta 5a, Edificio Euro 3, 08960, San Just Desvern, Barcelona, Spain</b>			3 Gates Services Limited <sup>(ii)</sup>	UK	100
Asistentes Escolares, S.L.	Spain	100	A.C.M.S. Limited <sup>(ii)</sup>	UK	100
Eurest Catalunya, S.L.U.	Spain	100	Bateman Catering Limited <sup>(ii) (vii)</sup>	UK	100
Medirest Social Residencias, S.L.U.	Spain	100	Bateman Healthcare Services Limited <sup>(ii)</sup>	UK	100
<b>Calle Castilla 8-10 – C.P. 50.009, Zaragoza, Spain</b>			Baxter and Platts Limited <sup>(iii) (iv) (v)</sup>	UK	100
Servicios Renovados de Alimentacion, S.A.U.	Spain	100	Bromwich Catering Limited <sup>(ii)</sup>	UK	100
<b>Calle Pinar de San Jose 98, Planta 1a, 28054, Madrid, Spain</b>			Business Clean Limited <sup>(ii)</sup>	UK	100
Eurest Club de Campo, S.L.U.	Spain	100	Capitol Catering Management Services Limited	UK	100
Eurest Servicios Feriales, S.L.U.	Spain	100	Carlton Catering Partnership Limited <sup>(ii) (iii)</sup>	UK	100
<b>Poligono Ugaldeguren 1, Parcela 7, 48160 Derio (Vizcaya), Spain</b>			Castle Independent Limited	UK	100
Eurest Euskadi S.L.U.	Spain	100	Cataforce Limited <sup>(ii)</sup>	UK	100
<b>Calle R, s/n, Mercapalma, 07007 Palma de Mallorca, Baleares, Spain</b>			Caterexchange Limited <sup>(ii)</sup>	UK	100
Compass Group Holdings Spain, S.L.U.	Spain	100	Caterskill Group Limited <sup>(ii)</sup>	UK	100
Levy Compass Group Holdings, S.L. <sup>(ii)</sup>	Spain	100	Caterskill Management Limited <sup>(ii)</sup>	UK	100
<b>Box 1222, 164 28, Kista, Sweden</b>			Chalk Catering Ltd <sup>(ii)</sup>	UK	100
Compass Group AB	Sweden	100	Chartwells Limited <sup>(ii)</sup>	UK	100
Compass Group Sweden AB	Sweden	100	Circadia Limited <sup>(ii)</sup>	UK	100
<b>c/o BDO AG, Industriestrasse 53 6312 Steinhausen, Switzerland</b>			Cleaning Support Services Limited <sup>(ii)</sup>	UK	100
Creative New Food Dream Steam GmbH	Switzerland	100	Compass Accounting Services Limited <sup>(ii)</sup>	UK	100
<b>Oberfeldstrasse 14, 8302, Kloten, Switzerland</b>			Compass Catering Services Limited <sup>(ii)</sup>	UK	100
Eurest Services (Switzerland) AG	Switzerland	100	Compass Cleaning Services Limited <sup>(ii)</sup>	UK	100
Royal Business Restaurants GmbH	Switzerland	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) (vii)</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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 30 September 2019

**36 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC (CONTINUED)**

<b>OTHER WHOLLY OWNED SUBSIDIARIES</b>	<b>Country of Incorporation</b>	<b>% Holding</b>	<b>OTHER WHOLLY OWNED SUBSIDIARIES</b>	<b>Country of Incorporation</b>	<b>% Holding</b>
Compass Security Oldco Investments Limited <sup>(ii)</sup>	UK	100	P & C Morris (Catering) Ltd <sup>(ii) (vii)</sup>	UK	100
Compass Services (Midlands) Limited <sup>(ii)</sup>	UK	100	P & C Morris Catering Group Limited <sup>(ii)</sup>	UK	100
Compass Services for Hospitals Limited <sup>(ii) (viii)</sup>	UK	100	Payne & Gunter Limited	UK	100
Compass Services Group Limited	UK	100	PDM Training and Compliance Services Limited <sup>(ii)</sup>	UK	100
Compass Services Limited <sup>(ii)</sup>	UK	100	Pennine Services Limited <sup>(ii)</sup>	UK	100
Compass Services Trading Limited <sup>(ii)</sup>	UK	100	Peter Parfitt Leisure Overseas Travel Limited	UK	100
Compass Services, UK and Ireland Limited	UK	100	Peter Parfitt Sport Limited <sup>(ii) (vii)</sup>	UK	100
Compass Services (U.K.) Limited	UK	100	PPP Infrastructure Management Limited	UK	100
Compass Staff Services Limited <sup>(ii)</sup>	UK	100	Prideoak Limited <sup>(ii)</sup>	UK	100
Cookie Jar Limited <sup>(ii)</sup>	UK	100	QCL Limited <sup>(ii)</sup>	UK	100
CRBS Resourcing Limited <sup>(ii)</sup>	UK	100	Reliable Refreshments Limited	UK	100
CRN 1990 (Four) Limited <sup>(ii)</sup>	UK	100	Rhine Four Limited <sup>(ii)(vii)</sup>	UK	100
Customised Contract Catering Limited <sup>(ii)</sup>	UK	100	Roux Fine Dining Limited <sup>(ii)</sup>	UK	100
Cygnnet Food Holdings Limited <sup>(ii)</sup>	UK	100	Scolarest Limited	UK	100
Cygnnet Foods Limited	UK	100	Security Office Cleaners Limited <sup>(ii)</sup>	UK	100
Dine Contract Catering Limited	UK	100	Selkirk House (CVH) Limited <sup>(ii)</sup>	UK	100
DRE Developments Limited <sup>(ii)</sup>	UK	100	Selkirk House (FP) Limited <sup>(ii) (iii) (iv) (v)</sup>	UK	100
Eaton Catering Limited <sup>(ii)</sup>	UK	100	Selkirk House (GHPL) Limited <sup>(ii) (viii)</sup>	UK	100
Eaton Wine Bars Limited <sup>(ii)</sup>	UK	100	Selkirk House (GTP) Limited <sup>(ii)</sup>	UK	100
Eurest Airport Services Limited <sup>(ii)</sup>	UK	100	Selkirk House (WBRK) Limited	UK	100
Eurest Defence Support Services Limited <sup>(ii)</sup>	UK	100	Shaw Catering Company Limited	UK	100
Eurest Offshore Support Services Limited <sup>(ii) (viii)</sup>	UK	100	Ski Class Limited <sup>(ii)</sup>	UK	100
Eurest Prison Support Services Limited <sup>(ii)</sup>	UK	100	Solutions on Systems Ltd <sup>(ii)</sup>	UK	100
Eurest UK Limited <sup>(ii)</sup>	UK	100	Summit Catering Limited	UK	100
Everson Hewett Limited <sup>(ii) (iv)</sup>	UK	100	Sunway Contract Services Limited	UK	100
Facilities Management Catering Limited <sup>(ii)</sup>	UK	100	Sutcliffe Catering Midlands Limited <sup>(ii)</sup>	UK	100
FADS Catering Limited <sup>(ii)</sup>	UK	100	Sutcliffe Catering South East Limited <sup>(ii)</sup>	UK	100
Fairfield Catering Company Limited <sup>(ii)</sup>	UK	100	Sycamore Newco Limited	UK	100
Fingerprint Managed Services Limited <sup>(ii)</sup>	UK	100	The Bateman Catering Organization Limited <sup>(ii) (viii)</sup>	UK	100
Funpark Caterers Limited <sup>(ii) (iii)</sup>	UK	100	The Cuisine Centre Limited <sup>(ii)</sup>	UK	100
Goodfellows Catering Management Services Limited	UK	100	THF Oil Limited <sup>(ii)</sup>	UK	100
Gruppo Events Limited <sup>(ii)</sup>	UK	100	Tunco (1999) 103 Limited <sup>(ii)</sup>	UK	100
Hallmark Catering Management Limited <sup>(ii)</sup>	UK	100	Vendepac Holdings Limited <sup>(viii)</sup>	UK	100
Hamard Catering Management Services Limited <sup>(ii) (vii)</sup>	UK	100	Waseley Fifteen Limited <sup>(ii)</sup>	UK	100
Hamard Group Limited <sup>(ii)</sup>	UK	100	Waseley Nominees Limited <sup>(ii)</sup>	UK	100
Henry Higgins Limited <sup>(ii)</sup>	UK	100	Wembley Sports Arena Limited <sup>(ii)</sup>	UK	100
Hospital Hygiene Services Limited <sup>(ii)</sup>	UK	100	Wheeler's Restaurants Limited <sup>(ii) (vii)</sup>	UK	100
ICM Five Star Limited <sup>(ii)</sup>	UK	100	Woodin & Johns Limited	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			
Letheby & 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			

## 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>Compass House, Guildford Street, Chertsey, Surrey, KT16 9BQ, United Kingdom</b>			<b>8040 Excelsior Drive, Suite 400, Madison, WI 53717, USA</b>		
Audrey (London) Limited <sup>(ii)</sup>	UK	100	Ace Foods, Inc.	USA	100
Audrey Investments Limited <sup>(ii)</sup>	UK	100			
Bateman Services Limited <sup>(ii)</sup>	UK	100	<b>2710 Gateway Oaks Drive, Suite 150N, Sacramento, CA 95833-3505, USA</b>		
Compass Group Finance No.2 Limited <sup>(i)</sup>	UK	100	Bon Appétit Management Company Foundation	USA	100
Compass Group Finance No.3 Limited	UK	100	Cosmopolitan Catering, LLC	USA	100
Compass Group Finance No.4 Limited <sup>(i) (ii) (vi) (viii)</sup>	UK	100	CulinArt of California, Inc.	USA	100
Compass Group Finance No.5 Limited <sup>(ii) (vi)</sup>	UK	100	Rainbow Vending, Inc.	USA	100
Compass Group North America Investments No.2	UK	100			
Compass Group North America Investments Limited	UK	100	<b>211 E. 7th Street, Suite 620, Austin, TX 78701-3218, USA</b>		
Compass Group Pension Trustee Company Limited <sup>(ii)</sup>	UK	100	Bamco Restaurants of Texas LLC	USA	100
Compass Group Procurement Limited	UK	100	Levy Premium Foodservice, L.L.C. <sup>(ii)</sup>	USA	100
Compass Group Trustees Limited <sup>(ii)</sup>	UK	100	Morrison's Health Care of Texas, Inc.	USA	100
Compass Healthcare Group Limited <sup>(ii) (viii)</sup>	UK	100	University Food Services, Inc.	USA	100
Compass Hospitality Group Holdings Limited <sup>(ii)</sup>	UK	100			
Compass Hospitality Group Limited <sup>(ii)</sup>	UK	100	<b>2345 Rice Street, Suite 230, Roseville, MN 55113, USA</b>		
Compass Hotels Chertsey <sup>(iii)</sup>	UK	100	Canteen One Company, Inc.	USA	100
Compass Nominee Company Number Fourteen Limited <sup>(ii)</sup>	UK	100	Canteen One Consolidation Services, LLC	USA	100
Compass Overseas Holdings Limited	UK	100	Canteen One, LLC	USA	100
Compass Overseas Holdings No.2 Limited	UK	100	Street Eats Limited	USA	100
Compass Overseas Services Limited <sup>(ii)</sup>	UK	100	Visinity, LLC	USA	100
Compass Pension Trustees Limited <sup>(ii)</sup>	UK	100			
Compass Quest Limited <sup>(ii)</sup>	UK	100	<b>251 Little Falls Drive, Wilmington, DE 19808, USA</b>		
Compass Secretaries Limited <sup>(ii)</sup>	UK	100	Canteen One, Inc.	USA	100
Compass Site Services Limited <sup>(ii) (vi)</sup>	UK	100	Cataforce, Inc.	USA	100
Compass UK Pension Trustee Co Limited <sup>(ii)</sup>	UK	100	Compass LCS, LLC	USA	100
Crisp Trustees Limited <sup>(ii)</sup>	UK	100	Compass LV, LLC	USA	100
Gogmore <sup>(ii)</sup>	UK	100	Compass Paramount, LLC	USA	100
Meritglen Limited <sup>(ii) (vi) (viii)</sup>	UK	100	Concierge Consulting Services, LLC	USA	100
New Famous Foods Limited <sup>(ii)</sup>	UK	100	Convenience Foods International, Inc.	USA	100
Nextonline Limited <sup>(ii) (iv)</sup>	UK	100	Crothall Healthcare Inc.	USA	100
Riversdell <sup>(ii)</sup>	UK	100	Crothall Laundry Services Inc.	USA	100
Sevita (UK) Limited	UK	100	Eurest Services, Inc.	USA	100
The Compass Group Foundation	UK	100	Facilities Holdings, LLC	USA	100
The Excelsior Insurance Company Limited	UK	100	Flik One, LLC	USA	100
			Levy Oklahoma, Inc.	USA	100
<b>Suite D, Pavilion 7 Kingshill Park, Venture Drive, Arnhill Business Park, Westhill, Aberdeenshire, AB32 6FL, United Kingdom</b>			Levy Prom Golf, LLC	USA	100
CCG (UK) Ltd <sup>(ii)</sup>	UK	100	Morrison Investment Company, Inc.	USA	100
Coffee Partners Limited <sup>(ii)</sup>	UK	100	RAC Holdings Corp. <sup>(ii)</sup>	USA	100
Compass Offshore Catering Limited <sup>(ii) (viii)</sup>	UK	100	Rank + Rally, LLC	USA	100
Compass Scottish Site Services Limited <sup>(ii)</sup>	UK	100	S-82 LLC	USA	100
Waseley (CVI) Limited <sup>(ii)</sup>	UK	100	SpenDifference LLC	USA	100
Waseley (CVS) Limited <sup>(ii)</sup>	UK	100	Touchpoint Support Services, LLC	USA	100
			Unidine Lifestyles, LLC	USA	100
<b>1st Floor, 12 Cromac Quay, Cromac Wood, Belfast, Northern Ireland, BT7 2JD, United Kingdom</b>			University Food Services, LLC	USA	100
Lough Erne Holiday Village Limited <sup>(ii)</sup>	UK	100	Vendlink, LLC	USA	100
			Yorkmont Four, Inc.	USA	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
For the year ended 30 September 2019

**36 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC (CONTINUED)**

<b>OTHER WHOLLY OWNED SUBSIDIARIES</b>	Country of Incorporation	% Holding	<b>OTHER WHOLLY OWNED SUBSIDIARIES</b>	Country of Incorporation	% Holding
<b>801 Adlai Stevenson Drive, Springfield, IL 62703, USA</b>			<b>2595 Interstate Drive, Suite 103, Harrisburg, PA 17110, USA</b>		
Bistro Restaurant Limited Partnership	USA	100	Crothall Facilities Management, Inc.	USA	100
Curiology, LLC	USA	100	Custom Management Corporation Of Pennsylvania	USA	100
E15, LLC	USA	100	Morrison's Custom Management Corporation of Pennsylvania	USA	100
Levy (Events) Limited Partnership	USA	100	Newport Food Service, Inc.	USA	100
Levy (IP) Limited Partnership	USA	100	Williamson Hospitality Services, Inc.	USA	100
Levy Food Service Limited Partnership	USA	100			
Levy GP Corporation	USA	100	<b>50 West Broad Street, Suite 1330, Columbus, OH 43215, USA</b>		
Levy Holdings GP, Inc.	USA	100	Cuyahoga Dining Services, Inc.	USA	100
Levy Illinois Limited Partnership	USA	100			
Levy Premium Foodservice Limited Partnership	USA	100	<b>40 Technology Pkwy South, #300, Norcross, GA 30092, USA</b>		
Levy R & H Limited Partnership	USA	100	Food Services Management By Mgr, LLC	USA	100
Levy World Limited Partnership	USA	100	Morrison Alumni Association, Inc.	USA	100
Professional Sports Catering, LLC	USA	100	The M-Power Foundation, Inc.	USA	100
Restaurant One Limited Partnership	USA	100			
Superior Limited Partnership	USA	100	<b>221 Bolivar Street, Jefferson City, MO 65101, USA</b>		
			Dynamic Vending, Inc.	USA	100
<b>7 St. Paul Street, Suite 820, Baltimore, MD 21202, USA</b>			<b>Princeton South Corporate Ctr, Suite 160, 100 Charles Ewing Blvd, Ewing, NJ 08628, USA</b>		
Bon Appétit Maryland, LLC	USA	100	Gourmet Dining, LLC	USA	100
			<b>300 Deschutes Way SW, Suite 304, Tumwater, WA 98501, USA</b>		
<b>4000 Faber Place Drive STE. 300, North Charleston, South Carolina 29405, USA</b>			<b>2900 SW Wanamaker Drive, Suite 204, Topeka, KS 66614, USA</b>		
CGSC Capital, Inc.	USA	100	Myron Green Corporation	USA	100
			PFM Kansas, Inc.	USA	100
<b>501 Louisiana Avenue, Baton Rouge, LA 70802-5921, USA</b>			<b>8825 N. 23rd Avenue, Suite 100, Phoenix, AZ 85021, USA</b>		
Coastal Food Service, Inc.	USA	100	Prodine, Inc.	USA	100
S.H.R.M. Catering Services, Inc.	USA	100	Sacco Dining Services, Inc.	USA	100
			<b>2908 Poston Avenue, Nashville, TN 37203, USA</b>		
<b>80 State Street, Albany, NY 12207-2543, USA</b>			<b>1400 West Benson Blvd, Suite 370, Anchorage, AK 99503, USA</b>		
Coffee Distributing Corp.	USA	100	Statewide Services, Inc.	USA	100
CulinArt Group, Inc.	USA	100			
CulinArt, Inc.	USA	100	<b>1709 North 19th Street, Suite 3, Bismarck, ND 58501-2121, USA</b>		
Mazzone Hospitality, LLC	USA	100	Compass ND, LLC	USA	100
Quality Food Management, Inc.	USA	100			
RA Tennis Corp.	USA	100			
RANYST, Inc.	USA	100			
Restaurant Associates LLC	USA	100			
Restaurant Associates, Inc.	USA	100			
Restaurant Services Inc.	USA	100			
<b>2626 Glenwood Avenue, Suite 550, Raleigh, NC 27608, USA</b>					
Compass 2K12 Services, LLC	USA	100			
Compass HE Services, LLC	USA	100			
Compass One, LLC	USA	100			
Compass Two, LLC	USA	100			

## 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>Ground Floor 35 – 51 Mitchell Street, McMahon's Point, NSW 2060, Australia</b>			<b>R. Prof. Atilio Innocenti 165, 2º andar, Sala 02-119, Vila Nova Conceição, 04538-000, São Paulo, SP, Brazil</b>		
ESS Eastern Guruma PTY Ltd	Australia	60	AEG Administracao de Estadios do Sudeste LTDA	Brazil	50
ESS Gumala PTY Ltd	Australia	60			
ESS NYFL PTY Ltd	Australia	60			
<b>Level 3, 12 Newcastle Street, Perth 6000, Australia</b>			<b>12 Kodiak Crescent, Toronto, Ontario, M3J 3G5, Canada</b>		
ESS Thalanyji PTY Ltd	Australia	60	Imperial Coffee and Services Inc. <sup>(iii) (iv) (v)</sup>	Canada	88
ESS Larrakia PTY Ltd	Australia	50			
<b>Pavilion on the Lake, Brisbane Entertainment Centre, Melaleuca Drive, Boondall, Qld 4034, Australia</b>			<b>1 Prologis Boulevard, Suite 400, Mississauga, Ontario, L5W 0G2, Canada</b>		
AEG Ogden (BCEC) Pty Ltd	Australia	44	1912219 Ontario Inc. <sup>(iii) (iv) (v) (vi) (viii)</sup>	Canada	75
AEG Ogden (Brisbane Stadium Management) Pty Ltd	Australia	44	Compass Group Sports and Entertainment – (Quebec) <sup>(x)</sup>	Canada	67
AEG Ogden (Brisbane) Pty Ltd	Australia	44	ECC – ESS Support Services <sup>(x)</sup>	Canada	50
AEG Ogden (Cairns) Pty Ltd	Australia	44	2265668 Ontario Ltd <sup>(iii) (iv) (v) (vi) (viii)</sup>	Canada	49
AEG Ogden (Consulting) Pty Ltd	Australia	44	Amik Catering LP <sup>(x)</sup>	Canada	49
AEG Ogden (Convex) Pty Ltd	Australia	44	Dease River – ESS Support Services <sup>(x)</sup>	Canada	49
AEG Ogden (Darwin) Pty Ltd	Australia	44	Dene West Limited Partnership <sup>(x)</sup>	Canada	49
AEG Ogden (Dubai) Pty Ltd	Australia	44	ECC – Mi'kmaq Support Services <sup>(x)</sup>	Canada	49
AEG Ogden (Global Partnerships) Pty Ltd	Australia	44	ESS – DNDC Support Services <sup>(x)</sup>	Canada	49
AEG Ogden (Newcastle) Pty Ltd	Australia	44	ESS – Duncan's and Paddle Prairie Support Services <sup>(x)</sup>	Canada	49
AEG Ogden (Perth Arena) Pty Ltd	Australia	44	ESS – East Arm Camp Services <sup>(x)</sup>	Canada	49
AEG Ogden (Perth Stadium) Pty Ltd	Australia	44	ESS – Kaatodh Camp Services <sup>(x)</sup>	Canada	49
AEG Ogden (Perth) Pty Ltd	Australia	44	ESS – Loon River Support Services <sup>(x)</sup>	Canada	49
AEG Ogden (SEC) Pty Ltd	Australia	44	ESS – Missanabie Cree Support Services <sup>(x)</sup>	Canada	49
AEG Ogden (Sydney Arena) Pty Ltd	Australia	44	ESS – Na Cho Nyak Dun Camp Services <sup>(x)</sup>	Canada	49
AEG Ogden (Sydney) Pty Ltd	Australia	44	ESS – Ochapowace Support Services <sup>(x)</sup>	Canada	49
AEG Ogden (Venue Services) Pty Ltd	Australia	44	ESS – Pessamit Camp Services <sup>(x)</sup>	Canada	49
AEG Ogden Holdings Pty Ltd <sup>(iii) (iv) (v)</sup>	Australia	44	ESS – Wapan Manawan Services de Soutien <sup>(x)</sup>	Canada	49
AEG Ogden Pty Ltd <sup>(iii) (iv)</sup>	Australia	44	ESS Haisla Support Services <sup>(x)</sup>	Canada	49
ICC Sydney Pty Ltd	Australia	44	ESS HLFN Support Services <sup>(x)</sup>	Canada	49
Kings Basketball Pty Ltd <sup>(iii) (iv) (v)</sup>	Australia	44	ESS KNRA Support Services <sup>(x)</sup>	Canada	49
Showclean Pty Ltd	Australia	44	ESS Komatik Support Services <sup>(x)</sup>	Canada	49
Sydney Arena Sports Investments Pty Ltd	Australia	44	ESS Liard First Nation Support Services <sup>(x)</sup>	Canada	49
Sydney Exhibition Centre at Glebe Island Pty Ltd	Australia	44	ESS McKenzie Support Services <sup>(x)</sup>	Canada	49
Sydney Live Pty Ltd	Australia	44	ESS Okanagan Indian Band Support Services <sup>(x)</sup>	Canada	49
The Arena Network Asia Pacific Pty Ltd	Australia	44	ESS Tataskweyak Camp Services <sup>(x)</sup>	Canada	49
Australian Pavilion Services Pty Ltd	Australia	22	ESS/Bushmaster Camp Services <sup>(x)</sup>	Canada	49
Combined Venues Group Pty Ltd	Australia	22	ESS/Fort a la Corne Support Services <sup>(x)</sup>	Canada	49
			ESS/McLeod Lake Indian Band Support Services <sup>(x)</sup>	Canada	49
			ESS/Mosakahiken Cree Nation Support Services <sup>(x)</sup>	Canada	49
			ESS/Nuvumiut Support Services <sup>(x)</sup>	Canada	49
			ESS/Takla Lake Support Services <sup>(x)</sup>	Canada	49
			ESS/WEDC Support Services <sup>(x)</sup>	Canada	49
			First North Catering <sup>(x)</sup>	Canada	49
			KDM – ESS Support Services <sup>(x)</sup>	Canada	49
			Mi'kmaq-ECC Nova Scotia Support Services <sup>(x)</sup>	Canada	49
			Nisga'a Village – ESS Support Services <sup>(x)</sup>	Canada	49
			Poplar Point Camp Services <sup>(x)</sup>	Canada	49
			Songhees Nation Support Services <sup>(x)</sup>	Canada	49
<b>AZ1010, Baku City, Yasamal District, Jafar Jabbarli, House 44, Caspian Plaza, Baku 1065, Azerbaijan</b>					
ESS Support Services LLC	Azerbaijan	50			
Eurest Support Services LLC	Azerbaijan	50			
<b>Av. Rio Branco, 1, sala 1201 Parte, Centro, 20090-003, Rio de Janeiro, RJ, Brazil</b>					
AEG Administracao de Estadios do Brasil LTDA	Brazil	49			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

**36 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC (CONTINUED)**

<b>OTHER SUBSIDIARIES, JOINT ARRANGEMENTS, MEMBERSHIPS, ASSOCIATES AND OTHER SIGNIFICANT HOLDINGS</b>	Country of Incorporation or Establishment	% Holding	<b>OTHER SUBSIDIARIES, JOINT ARRANGEMENTS, MEMBERSHIPS, ASSOCIATES AND OTHER SIGNIFICANT HOLDINGS</b>	Country of Incorporation or Establishment	% Holding
<b>30 Queen's Road, St. John's, Newfoundland and Labrador, A1C 2A5, Canada</b>			<b>5-7-5, Chiyoda, Naka-ku, Nagoya-City, Aichi-Prefecture, 460-0012, Japan</b>		
Labrador Catering Inc	Canada	49	Seiyo General Food Co., Ltd	Japan	50
Labrador Catering LP <sup>(x)</sup>	Canada	49			
<b>1700-666 Burrard Street Park Place Vancouver BC V6C2X8 Canada</b>			<b>060011, Atyrauskaya Oblast, Atyrau city, Beibarys Sultan avenue 506, Kazakhstan</b>		
AEG Facilities Canada Holdings, LP	Canada	49	TOO Eurest Support Services Company B LLP	Kazakhstan	50
<b>Clearwater River Dene Nation Reserve No. 222, P.O. Box 5050, Clearwater, Saskatchewan, S0M 3H0, Canada</b>			<b>060011, Old Airport Road 64, Atyrau City, Atyrau Oblast, Republic of Kazakhstan</b>		
Clearwater Catering Limited <sup>(iii) (iv) (v) (vi)</sup>	Canada	49	TOO ESS Kazakhstan LLP	Kazakhstan	60
<b>130 King Street West, Suite 1800, Toronto, Ontario, M5X 1E3, Canada</b>			<b>10A Rue Henri Schnadt, L-2530, Luxembourg</b>		
Umbrel Hospitality Group Inc.	Canada	49	Geria SA	Luxembourg	25
<b>Room 234, No.195, Bong Xing Road, Pudong New District, China</b>			<b>Level 18 The Gardena North Tower, Mid Valley City, Lingkaran Syed Putra, Kuala Lumpur, 59200, Malaysia</b>		
Shanghai ESS Support Services Co., Ltd. <sup>(ii)</sup>	China	83	EM-SSIS Services Sdn. Bhd. <sup>(ii)</sup>	Malaysia	42
<b>FO-110, Torshavn, Faroe Islands</b>			Urusan Bakti Sdn. Bhd. <sup>(ii)</sup>	Malaysia	35
P/F Eurest Føroyar	Denmark	51	<b>Level 54, Tower 2, PETRONAS Twin Towers, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia</b>		
<b>123 avenue de la République – Hall A, 92320 Châtillon, France</b>			Convex Malaysia SDN BHD	Malaysia	21
Sopregim SAS	France	80	<b>Suite 1301, 13th Floor, City Plaza Jalan Tebrau, 80300 Johor Bahru Johor, Malaysia</b>		
<b>Steenbeker Weg 25, 24106, Kiel, Germany</b>			Knusford Compass Sdn. Bhd.	Malaysia	49
Lubinus – orgaMed Sterilgut GmbH	Germany	49	<b>51/52 II Piazzetta, Valletta, Malta</b>		
<b>Konrad-Zuse-Platz 2, 81829 München, Germany</b>			Eurest (Malta) Ltd <sup>(ii) (iii)</sup>	Malta	51
Leonardi EPM GmbH	Germany	75	<b>1 Avenue Henri Dunant, Palais De La Scala, 3eme, Etage – No 1125, 98000 MC, Monaco</b>		
Leonardi Vermögensverwaltungs GmbH	Germany	75	Eurest Monaco S.A. <sup>(ii)</sup>	Monaco	99.99
Leonardi Betriebsverwaltungs GmbH	Germany	75	<b>Laarderhoogtweg 11, 1101 DZ, Amsterdam, Netherlands</b>		
Leonardi GmbH & Co. KG	Germany	75	Compass Group International Coöperatief W.A. <sup>(x)</sup>	Netherlands	100
Leonardi Kaffee neu entdecken GmbH & Co. KG	Germany	75	Compass Group International Coöperatief 2 W.A. <sup>(x)</sup>	Netherlands	100
<b>Hutschiner Straße 8, 81677, München, Germany</b>			Compass Group International Coöperatief 3 W.A. <sup>(x)</sup>	Netherlands	100
Leonardi SVM GmbH	Germany	75	Compass Group International Finance C.V. <sup>(x)</sup>	Netherlands	100
<b>Grillparzerstraße 8, 81675, München, Germany</b>			<b>Bdo Spicers, Level 8, 120 Albert Street, Auckland, New Zealand</b>		
Leonardi HPM GmbH	Germany	75	AEG Ogden (NZ) LTD	New Zealand	44
<b>MZSK &amp; Associates, Chartered Accountants, Level 9, The Ruby, Senapati Bapat Road, Dadar-W, Mumbai 400028, India</b>			<b>Okesnoyveien 16, 1366, Lysaker, 1366, Norway</b>		
AEG Ogden Hyderabad Pvt Ltd	India	44	Forplejningstjenester A/S	Norway	33.33
<b>Hamarikyu Kensetsu Plaza, 5-5-12, Tsukiji, Chuo-ku, Tokyo 104-0045, Japan</b>					
Chiyoda Kyushoku Services Co., Ltd	Japan	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>Harbitzalléen 2A, 0275 Oslo, PÅ Box 4148, Sjølyst, 0217 Oslo, Norway</b>			<b>Building 8, Floor 4, Unit 416, Dubai Media City, Dubai, United Arab Emirates</b>		
Gress-Gruppen A/S	Norway	33.33	AEG Ogden Middle East FZ-LLC	UAE	44
<b>c/o Warner Shand Lawyers Waigani, Level 1 RH Hypermarket, Allotment 1 Section 479 (off Kennedy Road), Gordons NCD, Papua New Guinea</b>			<b>Parklands Court, 24 Parklands, Birmingham Great Park, Rubery, Birmingham, B45 9PZ, United Kingdom</b>		
Eurest OKAS Catering Ltd <sup>(ii)</sup>	Papua New Guinea	55	Quaglino's Limited	UK	99
Eurest Lotic (PNG) JV Ltd <sup>(ii)</sup>	Papua New Guinea	50	Chartwells Hounslow (Feeding Futures) Limited <sup>(iii) (iv)</sup>	UK	75
			Eat Dot Limited <sup>(ii) (iii)</sup>	UK	57.05
			Quadrant Catering Limited <sup>(iii) (iv)</sup>	UK	49
<b>2 Floor, Al Mana Commercial Tower, C-Ring road, Doha, P O BOX 22481, Qatar</b>			<b>County Ground, Edgbaston, Birmingham, B5 7QU, United Kingdom</b>		
Compass Catering Services WLL	Qatar	20	Edgbaston Experience Limited <sup>(iii) (iv)</sup>	UK	25
<b>PO Box 31952, Al Khobar 31685 KSA, Saudi Arabia</b>			<b>The Oval, Kennington, London, SE11 5SS United Kingdom</b>		
Compass Arabia LLC	Saudi Arabia	30	Oval Events Holdings Limited <sup>(iv) (v) (vi)</sup>	UK	37.5
			Oval Events Limited <sup>(iv) (v) (vi)</sup>	UK	37.5
<b>Calle Pinar de San Jose 98, Planta 1a, 28054, Madrid, Spain</b>			<b>The O2, Peninsula Square, London, SE10 0DX, United Kingdom</b>		
Gourmet on Wheels, S.L.U.	Spain	99	AEG Facilities (UK) Ltd	UK	49
<b>Nationalarenan i Solna AB, Putte Kocks Plats 1, SE-169 79 Solna, Sweden</b>			<b>San Gabriel 4004, Montevideo- 12000, Uruguay</b>		
Nationalarenan I Solna AB	Sweden	49	AEG Facilities Uruguay SA	Uruguay	49
<b>Stockholm Live AB, P.O. Box 10055, SE-121, 27 Stockholm-Globen, Sweden</b>			<b>84 State Street, Boston, MA 02109, USA</b>		
Stockholm Live AB	Sweden	49	Fame Food Management Inc.	USA	84
			The Food Management Enterprise Corporation	USA	84
<b>PD Services AG, Mühlebachstrasse 6, 8008 Zürich, Switzerland</b>			Levy Maryland, LLC	USA	74
AEG Management Switzerland GmbH	Switzerland	49	<b>251 Little Falls Drive, Wilmington, DE 19808, USA</b>		
<b>Vedat Gunyol Cad, Demir Sok, No: 1/A, Istanbul, Turkey</b>			B & I Catering, LLC	USA	90
AEG Danismanlikve Isletme Faaliyetleri Anonim Ltd Sirketi	Turkey	49	CMCA Catering, LLC	USA	90
			PCHI Catering, LLC	USA	90
<b>Office No. 204, Mawilah, Al Sharjah, P O Box: 1897, United Arab Emirates</b>			Wolfgang Puck Catering and Events, LLC	USA	90
Abu Dhabi National Hotels – Compass LLC	UAE	50	WPL, LLC	USA	90
			Community Living Holdings, LLC	USA	84
<b>Abu Dhabi National Hotels Company Building, Sheikh Rashid Bin Saeed Al Maktoum Street, Abu Dhabi, United Arab Emirates</b>			Unidine Corporation	USA	84
Abu Dhabi National Hotels Compass Middle East LLC	UAE	50	Levy LA Concessions, LLC	USA	62.5
			Learfield Levy Foodservice, LLC	USA	50
<b>The Owner Saeed Ahmed Ghobash, Oud Metha, Street Bur Dubai, P.O. BOX 31769 Dubai, United Arab Emirates</b>			Restaurant Services I, LLC	USA	50
Abu Dhabi National Hotels – Compass Emirates LLC	UAE	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

**36 DETAILS OF RELATED UNDERTAKINGS OF COMPASS GROUP PLC (CONTINUED)**

<b>OTHER SUBSIDIARIES, JOINT ARRANGEMENTS, MEMBERSHIPS, ASSOCIATES AND OTHER SIGNIFICANT HOLDINGS</b>	Country of Incorporation or Establishment	% Holding
<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
<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
<b>980 N. Michigan Ave., Suite 400, Chicago, IL 60611, USA</b>		
Convention Hospitality Partners	USA	80
Atlanta Sports Catering	USA	50
Orlando Foodservice Partners	USA	50
<b>1400 West Benson Blvd, Suite 370, Anchorage, AK 99503, USA</b>		
KIJIK/ESS, LLC	USA	80
Statewide/GanaAYoo JV	USA	50
<b>801 Adlai Stevenson Drive, Springfield, IL 62703, USA</b>		
110 East Pearson Limited Partnership	USA	66
Park Concession Management, LLC	USA	50
Park Foodservice, LLC	USA	50.1
<b>40 Technology Pkwy South, #300, Norcross, GA 30092, USA</b>		
Eversource LLC	USA	51
<b>80 State Street, Albany, NY 12207-2543, USA</b>		
RA Patina, LLC	USA	50
<b>111 Eighth Avenue New York, NY 10011, USA</b>		
RA Patina Management LLC	USA	50
<b>Corporation Trust Centre, 1209 Orange Street, Wilmington, DE 19801, USA</b>		
AEG Facilities, LLC	USA	49
AEG Facilities Canada Holdings, LP	USA	49
AEG Management Bakersfield, LLC	USA	49
AEG Management Brooklyn, LLC	USA	49
AEG Management Chicago, LLC	USA	49
AEG Management DL, LLC	USA	49
AEG Management FL, LLC	USA	49
AEG Management Glendale, LLC	USA	49

<b>OTHER SUBSIDIARIES, JOINT ARRANGEMENTS, MEMBERSHIPS, ASSOCIATES AND OTHER SIGNIFICANT HOLDINGS</b>	Country of Incorporation or Establishment	% Holding
AEG Management HCC, LLC	USA	49
AEG Management KC, LLC	USA	49
AEG Management LACC, LLC	USA	49
AEG Management Louisville, LLC	USA	49
AEG Management Nassau, LLC	USA	49
AEG Management NJ, LLC	USA	49
AEG Management Oakland, LLC	USA	49
AEG Management Pittsburgh, LLC	USA	49
AEG Management PR, LLC	USA	49
AEG Management TWN, LLC	USA	49
AEG Management VAB, LLC	USA	49
AEG Management WA, LLC	USA	49
AEG Ontario Arena, LLC	USA	49
AEG Ontario Sports & Entertainment, LLC	USA	49
AEG Ontario, LLC	USA	49
AEG Management SD, LLC	USA	39
<b>3500 Sports Arena Blvd., San Diego CA 92110, USA</b>		
San Diego Entertainment, Inc	USA	39
<b>c/o Union Square Hospitality Group, LLC Attn: Chief Legal Officer, 853 Broadway, 17th Floor, New York, New York, 10003 USA</b>		
Hudson Yards Catering, LLC	USA	30
<b>425 Walnut Street – #1800, Cincinnati OH 45202, USA</b>		
Arena Management Holdings, LLC	USA	27
Cincinnati Cyclones, LLC	USA	27
<b>6055 Lakeside Commons Drive, Suite 440, Macon, GA, 31210, USA</b>		
Kimco Holdings, LLC <sup>(iv)</sup>	USA	20

**NOTES**

1. Unless otherwise stated, indirectly owned by Compass Group PLC, active status and ordinary shares issued.
2. In some of the jurisdictions where we operate, share classes are not defined and in these instances, for the purposes of disclosure, we have classified these holdings as ordinary.
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 2019

COMPASS GROUP PLC	Notes	2019 £m	2018 £m
<b>FIXED ASSETS</b>			
Investments	2	<b>1,061</b>	1,035
<b>CURRENT ASSETS</b>			
Debtors: amounts falling due within one year	3	<b>7,521</b>	10,068
Debtors: amounts falling due after more than one year	3	<b>2,202</b>	83
Cash at bank and in hand		<b>39</b>	605
Current assets		<b>9,762</b>	10,756
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
Creditors: amounts falling due within one year <sup>1</sup>	4	<b>(4,972)</b>	(5,826)
<b>NET CURRENT ASSETS</b>			
Net current assets		<b>4,790</b>	4,930
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
Total assets less current liabilities <sup>1</sup>		<b>5,851</b>	5,965
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>			
Creditors: amounts falling due after more than one year <sup>1</sup>	4	<b>(3,684)</b>	(3,641)
Provisions for liabilities	5	<b>(3)</b>	(3)
<b>Net assets</b>		<b>2,164</b>	2,321
<b>EQUITY</b>			
Share capital	7	<b>176</b>	176
Share premium account		<b>182</b>	182
Capital redemption reserve		<b>295</b>	295
Share-based payment reserve		<b>259</b>	232
Profit and loss reserve		<b>1,252</b>	1,436
<b>Total equity</b>		<b>2,164</b>	2,321

1. Represented to reclassify £1,107 million creditors falling due within one year to creditors falling due after more than one year. As a result, net current assets and creditors falling due after more than one year have increased by the same amount. There has been no change to net assets.

Approved by the Board of Directors on 26 November 2019 and signed on its behalf by

**Dominic Blakemore**, Director

**Karen Witts**, Director

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY  
For the year ended 30 September 2019

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Share-based payment reserve £m	Profit and loss reserve £m	Total £m
<b>EQUITY</b>						
At 1 October 2017	176	182	295	211	1,127	1,991
Fair value of share-based payments	–	–	–	21	–	21
Dividends paid to shareholders	–	–	–	–	(548)	(548)
Profit for the year	–	–	–	–	857	857
At 30 September 2018	176	182	295	232	1,436	2,321
Fair value of share-based payments	–	–	–	<b>27</b>	–	<b>27</b>
Dividends paid to shareholders	–	–	–	–	<b>(611)</b>	<b>(611)</b>
Profit for the year	–	–	–	–	<b>427</b>	<b>427</b>
At 30 September 2019	<b>176</b>	<b>182</b>	<b>295</b>	<b>259</b>	<b>1,252</b>	<b>2,164</b>

# PARENT COMPANY ACCOUNTING POLICIES

## For the year ended 30 September 2019

### 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 34 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 2019. 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

The Company has updated its accounting policies to reflect the impact of the adoption of IFRS 9 as described in note F.

The adoption of IFRS 9 and the effect of adopting other new IFRS standards had no material impact on the Company's results or balance sheet.

### 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 expected 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 Company assesses whether there is evidence of impairment at each balance sheet date.

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.

## PARENT COMPANY ACCOUNTING POLICIES (CONTINUED)

For the year ended 30 September 2019

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 or to Group undertakings are initially measured at fair value and are subsequently reported at amortised cost. Allowance losses on intercompany receivables are calculated by reviewing 12-month expected credit losses using historic and forward looking data on credit risk.

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. In addition to the Company's investment in Group undertakings is reported with a corresponding increase in shareholders' funds. For details of the charge see note 24 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 amount determined under IAS 37 and the amount initially recognised (fair value) less where appropriate, cumulative amortisation of the initial amount recognised.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS  
For the year ended 30 September 2019

**1 INCOME STATEMENT DISCLOSURES**

The Company's profit on ordinary activities after tax was £427 million (2018: £857 million).

The Company had no direct employees in the course of the year (2018: none).

	2019 £m	2018 £m
<b>AUDIT SERVICES</b>		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	0.9	0.9
Fees payable for other services	0.1	0.1

**2 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS**

	2019 £m	2018 £m
<b>INVESTMENTS IN SUBSIDIARY UNDERTAKINGS</b>		
<b>COST</b>		
At 1 October	1,036	1,018
Share-based payments to employees of subsidiaries	27	21
Recharged to subsidiaries during the year	(1)	(3)
At 30 September	1,062	1,036
<b>PROVISIONS</b>		
At 1 October and 30 September	(1)	(1)
<b>NET BOOK VALUE</b>		
At 30 September	1,061	1,035

The principal subsidiary undertakings are listed in note 36 to the consolidated financial statements.

**3 DEBTORS**

	2019			2018		
	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
<b>DEBTORS</b>						
Amounts owed by subsidiary undertakings	7,519	1,995	9,514	10,035	–	10,035
Derivative financial instruments	1	207	208	33	83	116
Deferred tax	1	–	1	–	–	–
Total	7,521	2,202	9,723	10,068	83	10,151

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 £1,995 million (2018: £nil). This approximates book value due to these balances being acquired at fair value shortly prior to 30 September 2019.

	2019 Net short term temporary differences £m	2018 Net short term temporary differences £m
<b>MOVEMENT IN DEFERRED TAX ASSET</b>		
At 1 October	–	–
Charge to income statement	1	–
At 30 September	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 19 to the consolidated financial statements.

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 September 2019

### 4 CREDITORS

CREDITORS	2019			2018		
	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	3	–	3	51	–	51
Bank overdrafts and loans (note 6)	3	–	3	51	–	51
Loan notes	162	1,211	1,373	191	1,261	1,452
Bonds	–	1,289	1,289	538	1,240	1,778
Loan notes and bonds (note 6)	162	2,500	2,662	729	2,501	3,230
Derivative financial instruments	7	6	13	12	33	45
Accruals and deferred income	33	–	33	51	–	51
Current tax	17	–	17	11	–	11
Amounts owed to subsidiary undertakings <sup>1</sup>	4,750	1,178	5,928	4,972	1,107	6,079
<b>Total</b>	<b>4,972</b>	<b>3,684</b>	<b>8,656</b>	<b>5,826</b>	<b>3,641</b>	<b>9,467</b>

1. Represented to reclassify £1,107 million creditors falling due within one year to creditors falling due after more than one year. These amounts owed to subsidiary undertakings are arms length interest bearing loans with repayment dates greater than twelve months. There was no change to total creditors.

LOAN NOTES	Nominal value	Redeemable	Interest	2019	2018
				Carrying value £m	Carrying value £m
US\$ private placement	\$250m	Oct 2018	3.31%	–	191
US\$ private placement	\$200m	Sep 2020	3.09%	162	153
US\$ private placement	\$398m	Oct 2021	3.98%	323	305
US\$ private placement	\$352m	Oct 2023	4.12%	301	268
US\$ private placement	\$100m	Dec 2024	3.54%	81	76
US\$ private placement	\$300m	Sep 2025	3.81%	263	229
US\$ private placement	\$300m	Dec 2026	3.64%	243	230
<b>Total</b>				<b>1,373</b>	<b>1,452</b>

The Company has fixed term, fixed interest private placements denominated in US dollar.

BONDS	Nominal value	Redeemable	Interest	2019	2018
				Carrying value £m	Carrying value £m
Euro Eurobond	€600m	Feb 2019	3.13%	–	538
Euro Eurobond	€500m	Jan 2023	1.88%	469	464
Sterling Eurobond	£250m	Sep 2025	2.00%	260	246
Sterling Eurobond	£250m	Jun 2026	3.85%	249	249
Sterling Eurobond	£300m	Jul 2029	2.00%	311	281
<b>Total</b>				<b>1,289</b>	<b>1,778</b>

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 is shown below.

AMOUNTS OWED TO SUBSIDIARY UNDERTAKINGS FALLING DUE AFTER MORE THAN 1 YEAR	Nominal value	Redeemable	Interest	2019		2018	
				Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Euro intercompany loan	€750m	Jul 2024	0.73%	695	686	669	656
Euro intercompany loan	€500m	Sep 2028	1.60%	483	489	438	440
<b>Total</b>				<b>1,178</b>	<b>1,175</b>	<b>1,107</b>	<b>1,096</b>



#### 4 CREDITORS (CONTINUED)

During the year, the Company set up a commercial paper programme of \$2 billion which is available to be used to meet short term liquidity requirements and is supported by £2 billion of syndicated committed bank facilities. As of 30 September 2019, no commercial paper was outstanding under the programme and no amounts had been drawn at any time under the syndicated facility.

Details of the derivative financial instruments are shown in note 19 to the consolidated financial statements.

#### 5 PROVISIONS FOR LIABILITIES

PROVISIONS	Legal and other claims £m
At 1 October 2017	31
Credited to income statement	(28)
At 30 September 2018	3
At 1 October 2018	3
Charged to income statement	-
At 30 September 2019	<b>3</b>

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	2019				2018			
	Bank overdrafts and loans (note 4) £m	Loan notes and bonds (note 4) £m	Other <sup>1</sup> £m	Total £m	Bank overdrafts and loans (note 4) £m	Loan notes and bonds (note 4) £m	Other <sup>1</sup> £m	Total £m
Between 1 and 2 years	-	-	5	5	-	153	(3)	150
Between 2 and 5 years	-	1,174	(126)	1,048	-	769	(73)	696
In more than 5 years	-	1,326	(80)	1,246	-	1,579	26	1,605
In more than 1 year	-	2,500	(201)	2,299	-	2,501	(50)	2,451
Within 1 year, or on demand	3	162	6	171	51	729	(21)	759
Total	<b>3</b>	<b>2,662</b>	<b>(195)</b>	<b>2,470</b>	51	3,230	(71)	3,210

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 23 and 24 to the consolidated financial statements.

#### 8 CONTINGENT LIABILITIES

CONTINGENT LIABILITIES	2019 £m	2018 £m
Guarantees and indemnities (including subsidiary undertakings' overdrafts)	399	411
Parental guarantee issued under the Euro Medium Term Note Programme	1,124	1,113
Total	<b>1,523</b>	1,524

Details regarding certain contingent liabilities which involve the Company are set out in note 28 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 2019 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. 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.

The latest date for receipt of new applications to participate in the DRIP in respect of the 2019 final dividend is 3 February 2020.

## 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 private shareholders aged 18 or over, resident in the UK, EEA, Channel Islands or Isle of Man. 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 DEPOSITARY RECEIPTS

Compass Group PLC operates an American Depositary 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 Depositary Receipt register. If you have any enquiries about your holding of Compass American Depositary 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 4<sup>th</sup> Street, Suite 1600, Louisville, KY 40202, USA. Alternatively you can email [shrrrelations@cpushareownerservices.com](mailto:shrrrelations@cpushareownerservices.com). Further information can be found on BNY's website at [www.mybnymdr.com](http://www.mybnymdr.com) using the symbol CMPGY and at [www.compass-group.com](http://www.compass-group.com).

## 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: 0345 0700 705 or by email: [mpps@dma.org.uk](mailto:mpps@dma.org.uk). For all other queries, please contact the MPS team from within the UK: 020 7291 3310.

## 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.

## SHAREHOLDER INFORMATION (CONTINUED)

### HOW TO AVOID SHARE FRAUD

- keep in mind that firms authorised by the Financial Conduct Authority (FCA) are unlikely to contact you out of the blue with an offer to buy or sell shares
- do not get into a conversation. Note the name of the person and firm contacting you and then end the call
- check the Financial Services Register [www.fca.org.uk](http://www.fca.org.uk) to see if the person and firm contacting you are authorised by the FCA
- beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details
- use the firm's contact details listed on the Register if you want to call it back
- call the FCA on: Freephone 0800 111 6768 if the firm does not have contact details on the Register or if you are told they are out of date
- search the list of unauthorised firms to avoid at [www.fca.org.uk](http://www.fca.org.uk)
- consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or the Financial Services Compensation Scheme
- think about getting independent financial and professional advice before you hand over any money – don't use an advisor from the firm that contacted you
- remember: if it sounds too good to be true, it probably is!

### REPORT A SCAM

If you are approached by fraudsters, please tell the FCA using the share fraud reporting form at [www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart), where you can find out more about investment scams, or call the FCA Consumer Helpline on: Freephone 0800 111 6768.

If you have already paid money to share fraudsters, you should contact Action Fraud on 0300 123 2040 or online at [www.actionfraud.police.uk](http://www.actionfraud.police.uk).

### FINANCIAL CALENDAR 2020\*

16 Jan	17 Jan	3 Feb	6 Feb	24 Feb	13 May	18 Jun	19 Jun	6 Jul	27 Jul	24 Nov
Ex-dividend date for 2019 final dividend	Record date for 2019 final dividend	Last day for DRIP elections	Annual General Meeting	Payment date for 2019 final dividend	Half year financial results	Ex-dividend date for 2020 interim dividend	Record date for 2020 interim dividend	Last day for DRIP elections	Payment date for 2020 interim dividend	Full year financial results

\* At the date of disclosure

# Notice of Annual General Meeting

## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial advisor authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all your shares in Compass Group PLC, please send this Notice and the accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer so that they can pass these documents to the person who now holds the shares.

**Notice is hereby given that the nineteenth Annual General Meeting of Compass Group PLC (the Company) will be held at 10.30am on Thursday 6 February 2020 in the Live Room at Rugby Football Union, Rugby House, Twickenham Stadium, 200 Whitton Road, Twickenham, Middlesex TW2 7BA (the Meeting) (the AGM) in order to transact the following business:**

To consider and, if thought fit, to pass the following Resolutions, of which Resolutions 20 to 23 will be proposed as special resolutions and all other Resolutions will be proposed as ordinary resolutions.

### ORDINARY RESOLUTIONS

#### Annual Report and Accounts

1. To receive and adopt the Directors' Annual Report and Accounts and the Auditor's Report thereon for the financial year ended 30 September 2019.

#### Directors' Remuneration Report

2. To receive and adopt the Directors' Remuneration Report for the financial year ended 30 September 2019.

#### Final dividend

3. To declare a final dividend of 26.9 pence per ordinary share in respect of the financial year ended 30 September 2019.

#### Election and re-election of directors

4. To elect Karen Witts as a director of the Company.
5. To re-elect Dominic Blakemore as a director of the Company.
6. To re-elect Gary Green as a director of the Company.
7. To re-elect Carol Arrowsmith as a director of the Company.
8. To re-elect John Bason as a director of the Company.
9. To re-elect Stefan Bomhard as a director of the Company.
10. To re-elect John Bryant as a director of the Company.
11. To re-elect Anne-Francoise Nesmes as a director of the Company.
12. To re-elect Nelson Silva as a director of the Company.
13. To re-elect Ireena Vittal as a director of the Company.
14. To re-elect Paul Walsh as a director of the Company.

#### External auditor's reappointment and remuneration

15. To reappoint KPMG LLP as the Company's auditor until the conclusion of the next Annual General Meeting of the Company.
16. To authorise the Audit Committee to agree the auditor's remuneration.

#### Political donations

17. To authorise the Company and any company which is, or becomes, a subsidiary of the Company during the period to which this Resolution relates, to:
  - 17.1 make donations to political parties or independent election candidates;
  - 17.2 make donations to political organisations other than political parties; and
  - 17.3 incur political expenditure, during the period commencing on the date of this Resolution and ending on the date of the Company's next Annual General Meeting, provided that any such donations and expenditure made by the Company, or by any such subsidiary, shall not exceed £100,000 per company and, together with those made by any such subsidiary and the Company, shall not exceed in aggregate £100,000.

Any terms used in this Resolution 17 which are defined in Part 14 of the Companies Act 2006 shall bear the same meaning for the purposes of this Resolution.

#### Payment of fees to non-executive directors

18. To approve, in accordance with section 226B(1)(b) of the Companies Act 2006, an amendment to the operation of the Company's Remuneration Policy approved at the Company's Annual General Meeting on 8 February 2018 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 as approved by shareholders from time to time.

## NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

### Directors' authority to allot shares

- 19.19.1 To renew the power conferred on the directors by article 12 of the Company's articles of association for a period expiring at the end of the next Annual General Meeting of the Company after the date on which this Resolution is passed or, if earlier, at close of business on 5 May 2021; and for that period the section 551 amount shall be £58,432,400.
- 19.2 In addition, the section 551 amount shall be increased by £58,432,400 for a period expiring at the end of the next Annual General Meeting of the Company after the date on which this Resolution is passed, provided that the directors' power in respect of such latter amount shall only be used in connection with a rights issue:
- 19.2.1 to holders of ordinary shares in proportion (as nearly as may be practicable) to their existing holdings; and
- 19.2.2 to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary, and that the directors may impose any limits or restrictions and make any arrangements which they consider necessary to deal with fractional entitlements, legal or practical problems under the laws of, or the requirements of, any relevant regulatory body or stock exchange, any territory, or any matter whatsoever.

### SPECIAL RESOLUTIONS

#### Disapplication of pre-emption rights

20. To authorise the directors, subject to the passing of Resolution 19, and in accordance with the power conferred on the directors by article 13 of the Company's articles of association, to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that Resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be limited:
- 20.1 to allotments for rights issues and other pre-emptive issues; and
- 20.2 to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph 20.1 above) up to a nominal amount of £8,764,971 being not more than 5% of the issued ordinary share capital (excluding treasury shares) of the Company as at 25 November 2019, being the last practicable date prior to the publication of this Notice,

such authority to expire at the end of the next Annual General Meeting of the Company, or, if earlier, at the close of business on 5 May 2021, but in each case, prior to the expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

21. To authorise the directors subject to the passing of Resolution 19 and in accordance with the power conferred on the directors by article 13 of the Company's articles of association and in addition to any authority granted under Resolution 20 to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that Resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be:
- 21.1 limited to the allotment of equity shares or sale of treasury shares up to a nominal amount of £8,764,971 being not more than 5% of the issued ordinary share capital (excluding treasury shares) of the Company as at 25 November 2019, being the last practicable date prior to the publication of this Notice;
- 21.2 used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-emption Rights most recently published by the Pre-emption Group prior to the date of this Notice,

such authority to expire at the end of the next Annual General Meeting of the Company or, if earlier, at close of business on 5 May 2021, but in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

#### Purchase of own shares

22. To generally and unconditionally authorise the Company, pursuant to and in accordance with section 701 of the Companies Act 2006, to make market purchases (within the meaning of section 693(4) of that Act) of ordinary shares of 11 $\frac{1}{20}$  pence each in the capital of the Company subject to the following conditions:
- 22.1 the maximum aggregate number of ordinary shares hereby authorised to be purchased is 158,642,000;
- 22.2 the minimum price (excluding expenses) which may be paid for each ordinary share is 11 $\frac{1}{20}$  pence;
- 22.3 the maximum price (excluding expenses) which may be paid for each ordinary share in respect of a share contracted to be purchased on any day, does not exceed the higher of (1) an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made and (2) the higher of the price of the last independent trade and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System; and

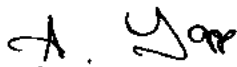
22.4 this authority shall expire, unless previously renewed, varied or revoked by the Company, at the conclusion of the next Annual General Meeting of the Company or close of business on 5 August 2021, whichever is the earlier (except in relation to the purchase of ordinary shares, the contract for which was concluded prior to the expiry of this authority and which will or may be executed wholly or partly after the expiry of this authority).

#### Notice of meetings other than Annual General Meetings

23. To authorise the directors to call a general meeting of the Company, other than an Annual General Meeting, on not less than 14 clear working days' notice, provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the date of the passing of this Resolution.

Voting on all Resolutions will be by way of a poll.

By Order of the Board



#### Alison Yapp

Group General Counsel and Company Secretary

16 December 2019

Registered Office:

Compass House

Guildford Street

Chertsey

Surrey KT16 9BQ

Registered in England and Wales No. 4083914

#### EXPLANATORY NOTES TO THE RESOLUTIONS

##### RESOLUTION 1 – ANNUAL REPORT AND ACCOUNTS

The directors are required to present to the AGM the audited Accounts and the Directors' and Auditor's Reports for the financial year ended 30 September 2019.

##### RESOLUTION 2 – DIRECTORS' REMUNERATION REPORT

In accordance with section 439 of the Companies Act 2006 (CA 2006), shareholders are requested to approve the Directors' Remuneration Report. The Directors' Remuneration Report is set out on pages 98–121 of the 2019 Annual Report and Accounts. The vote is advisory.

##### RESOLUTION 3 – FINAL DIVIDEND

The final dividend for the year ended 30 September 2019 will be paid on 24 February 2020 to shareholders on the register at the close of business on 17 January 2020, subject to shareholder approval.

##### RESOLUTIONS 4 TO 14 – ELECTION AND RE-ELECTION OF DIRECTORS

Biographical details of all the directors standing for election and re-election appear on pages 70 and 71 of the 2019 Annual Report.

The Company's articles of association require one third of the directors to retire by rotation each year and no director may serve for more than three years without being re-elected by shareholders. However, in accordance with the UK Corporate Governance Code 2016 (the Code), all the directors will submit themselves for annual re-election by shareholders.

Having conducted an evaluation during the year, it is the view of the Chairman that the performance of each of the directors continues to be effective and each director demonstrates commitment to the role and has sufficient time to meet his or her commitment to the Company.

##### RESOLUTIONS 15 AND 16 – EXTERNAL AUDITOR'S REAPPOINTMENT AND REMUNERATION

The auditor is appointed at every general meeting at which accounts are presented to shareholders. The current appointment of KPMG LLP as the Company's auditor will end at the conclusion of the AGM and it has advised of its willingness to stand for reappointment. In accordance with provisions of the Code, it is best recommended practice for the Audit Committee to be authorised to agree how much the auditor should be paid and Resolution 16 grants this authority to the Audit Committee.

## NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

### **RESOLUTION 17 – POLITICAL DONATIONS**

It is not Group policy to make donations to political parties. However, it is possible that certain routine activities undertaken by the Company and its subsidiaries might unintentionally fall within the wide definition of matters constituting political donations and expenditure in the CA 2006. Any expenditure that is regulated under the CA 2006 must first be approved by shareholders and will be disclosed in next year's Annual Report. This Resolution, if passed, will renew the directors' authority until the AGM to be held in 2021 (2021 AGM) (when the directors intend to renew this authority) to make donations and incur expenditure which might otherwise be caught by the terms of the CA 2006, up to an aggregate amount of £100,000 for the Company and for subsidiary companies.

### **RESOLUTION 18 – PAYMENT OF FEES TO NON-EXECUTIVE DIRECTORS**

At our 2019 AGM, we received shareholder approval to pay the full fee to each non-executive director in respect of each non-executive role they perform for the Company without regard to the annual cap of £125,000 as set out in the Company's Remuneration Policy. The Company has reviewed this element of how we operate our Remuneration Policy following changes to the remuneration policy and reporting requirements which came into force on 10 June 2019. As a result of that review, the Company concluded that it would be more appropriate to set the cap on directors' fees by reference to the aggregate cap in the Company's articles of association which was approved by shareholders in 2017 of £2,250,000.

This allows the Company to allocate appropriately compensated duties to individual directors as required whilst retaining current limits on the total non-executive director fees payable.

### **RESOLUTION 19 – DIRECTORS' AUTHORITY TO ALLOT SHARES**

The purpose of Resolution 19 is to renew the directors' power to allot shares. Resolution 19.1 seeks to grant the directors authority to allot, pursuant to article 12 of the Company's articles of association and section 551 of the CA 2006, relevant securities with a maximum nominal amount of £58,432,400. This represents 528,800,000 ordinary shares of 11½ pence each in the capital of the Company, which is approximately one third of the Company's issued ordinary share capital (excluding treasury shares) as at 25 November 2019 (being the last practicable date prior to the publication of this Notice). The Company currently holds 3,301,961 shares in treasury. The authority would, unless previously renewed, revoked or varied by shareholders, remain in force up to the conclusion of the 2021 AGM of the Company or close of business on 5 May 2021, whichever is earlier.

In accordance with the Investment Association Share Capital Management Guidelines (the Guidelines), Resolution 19.2 seeks to grant the directors authority to allot approximately a further one third of the Company's issued ordinary share capital (excluding treasury shares) in connection with a rights issue in favour of ordinary shareholders with a nominal value of up to £58,432,400 (representing 528,800,000 ordinary shares of 11½ pence each). Such additional authority will be valid until the conclusion of the 2021 AGM.

If the Company uses any of the additional one third authority permitted by the Guidelines, the Company will ensure that all directors stand for re-election. The Company's current practice is that all directors submit themselves for re-election each year in accordance with the Code, notwithstanding the provisions set out in the Guidelines.

The total authorisation sought by Resolution 19 is equal to approximately two thirds of the issued ordinary share capital of the Company (excluding treasury shares) as at 25 November 2019, being the last practicable date prior to publication of this Notice.

*Resolutions 1 to 19 will be proposed as ordinary resolutions and require that more than half of the votes cast must be in favour of a resolution for it to be passed.*



## RESOLUTIONS 20 AND 21 – DISAPPLICATION OF PRE-EMPTION RIGHTS

If the Company issues new shares, or sells treasury shares, for cash (other than in connection with an employee share scheme), it must first offer them to existing shareholders in proportion to their existing holdings. In accordance with investor guidelines, approval is sought by the directors to issue a limited number of ordinary shares for cash without offering them to existing shareholders.

The Pre-Emption Group (which represents the Investment Association and the Pension and Lifetime Savings Association) published a revised statement of principles for the disapplication of pre-emption rights (the Principles) in 2015. The Principles provide that a general authority for the disapplication of pre-emption rights over approximately 5% of the Company's issued ordinary share capital should be treated as routine. This general authority, which the directors have sought and received in previous years, is dealt with under Resolution 20.

Subject to the passing of Resolution 19, Resolution 20 seeks to replace the authority conferred on the directors at the 7 February 2019 Annual General Meeting (2019 AGM) to allot ordinary shares, or grant rights to subscribe for, or convert securities into, ordinary shares or sell treasury shares for cash (other than pursuant to an employee equity incentive share scheme) up to an aggregate nominal value of approximately 5% of the Company's issued ordinary share capital (excluding treasury shares) without application of pre-emption rights pursuant to article 13 of the Company's articles of association and section 561 of the CA 2006. Other than in connection with a rights, scrip dividend, or other similar issue, the authority contained in this Resolution 20 would be limited to a maximum nominal amount of £8,764,971.

The Pre-Emption Group further provides that the Company may, as routine, seek to disapply pre-emption rights over the equivalent of approximately an additional 5% of the issued ordinary share capital of the Company, so long as certain criteria are met.

Subject to the passing of Resolution 19 and in addition to the authority granted by Resolution 20, Resolution 21 seeks to replace the authority conferred on the directors at the 2019 AGM to allot ordinary shares, or grant rights to subscribe for, or convert securities into, ordinary shares or sell treasury shares for cash (other than pursuant to an employee equity incentive share scheme) up to an aggregate nominal value of approximately 5% of the Company's issued ordinary share capital (excluding treasury shares) without application of pre-emption rights pursuant to article 13 of the Company's articles of association and section 561 of the CA 2006, provided that this authority will only be used for the purpose of:

- (i) an acquisition; or
- (ii) a specified capital investment in respect of which sufficient information regarding the effect of the investment on the Company, the assets that are the subject of the investment and (where appropriate) the profits attributable to those assets is made available to shareholders to enable them to reach an assessment of the potential return on the 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.

Other than in connection with a rights, scrip dividend, or other similar issue, the authority contained in this Resolution 21 would be limited to a maximum nominal amount of £8,764,971.

Together, Resolutions 20 and 21 represent 158,642,000 ordinary shares of 11<sup>1</sup>/<sub>20</sub> pence each in the capital of the Company, which is approximately 10% of the Company's issued ordinary share capital (excluding treasury shares) as at 25 November 2019 (being the last practicable date prior to the publication of this Notice). The authority would, unless previously renewed, revoked or varied by shareholders, expire at the conclusion of the AGM of the Company to be held in 2021 or close of business on 5 May 2021, if earlier.

## NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

Save for issues of shares in respect of various employee share schemes and any share dividend alternatives, the directors have no current plans to utilise the authorities sought by Resolutions 19, 20 and 21, although they consider their renewal appropriate in order to retain maximum flexibility to take advantage of business opportunities as they arise. In addition, and in line with best practice, the Company has not issued more than 7.5% of its issued share capital on a non-pro rata basis over the last three years. The limit also applies to shares issued from treasury. A renewal of this authority will be proposed at each subsequent AGM and the directors confirm their intention to follow best practice set out in the Principles which provides that usage of this authority in excess of 7.5% of the Company's issued share capital in a rolling three year period would not take place without prior consultation with shareholders.

### **RESOLUTION 22 – PURCHASE OF OWN SHARES**

This Resolution authorises the directors to make limited on market purchases of the Company's ordinary shares. The power is limited to a maximum of 158,642,000 shares (just under 10% of the issued ordinary share capital as at 25 November 2019, being the last practicable date prior to the publication of this Notice) and details the minimum and maximum prices that can be paid, exclusive of expenses. The authority conferred by this Resolution will expire at the conclusion of the Company's next AGM or 18 months from the passing of this Resolution, whichever is the earlier.

The CA 2006 permits the Company to hold shares repurchased as treasury shares. Treasury shares may be cancelled, sold for cash or used for the purpose of satisfying the Company's obligations in connection with employee equity incentive schemes. The authority to be sought by this Resolution is intended to apply equally to shares to be held by the Company as treasury shares. No dividends will be paid on shares which are held as treasury shares and no voting rights will be attached to them. Shares held as treasury shares will normally be used to satisfy the Company's obligations under the Company's employee equity incentive schemes.

No share repurchases were made during the financial year ended 30 September 2019 or to the date of this Notice. However, the directors consider it desirable for such general authority to be available in order to maintain an efficient capital structure whilst at the same time retaining the flexibility to fund any bolt-on acquisitions.

As at 25 November 2019 (being the last practicable date prior to the publication of this Notice), there were 1,589,736,625 11½ pence ordinary shares in issue and 3,301,961 11½ pence ordinary shares held in treasury for the purpose of satisfying the Company's obligations under employee equity incentive schemes. These treasury shares represent 0.20% of the Company's issued ordinary share capital. Shares held in treasury are not eligible to participate in dividends and do not carry any voting rights.

As at 25 November 2019 (being the last practicable date prior to the publication of this Notice), there were options to subscribe for ordinary shares issued by the Company outstanding over approximately 6,877,673 shares, which represent 0.43% of the Company's issued ordinary share capital (excluding treasury shares) at that date. If the authority to purchase the Company's ordinary shares was exercised in full, these options would represent 0.48% of the Company's issued ordinary share capital (excluding treasury shares).

### **RESOLUTION 23 – NOTICE OF MEETINGS OTHER THAN ANNUAL GENERAL MEETINGS**

The Company's articles of association allow the directors to call general meetings, other than AGMs, on 14 clear working days' notice. However, under Section 307A of the CA 2006, all general meetings must be held on 21 days' notice, unless shareholders agree to a shorter notice period, and the Company has met the requirements for electronic voting under the CA 2006. This Resolution seeks to renew the authority granted by shareholders at last year's AGM which preserved the Company's ability to call general meetings, other than AGMs, on 14 clear working days' notice, such authority to be effective until the Company's next AGM, when a similar resolution will be proposed. The directors confirm that the shorter notice period would not be used as a matter of routine, but only where flexibility is merited by the business of the meeting and it is thought to be to the advantage of shareholders as a whole. An electronic voting facility will be made available to all shareholders for any meeting held on such notice.

*Resolutions 20 to 23 will be proposed as special resolutions and require that at least three quarters of the votes cast must be in favour of a resolution for it to be passed.*

## RECOMMENDATION

The directors consider that each of the Resolutions is in the best interests of the Company and the shareholders as a whole and, accordingly, recommend that all shareholders vote in favour of all Resolutions, as the directors intend to do in respect of their own holdings.

## IMPORTANT INFORMATION PROXIES

- (i) A shareholder entitled to attend and vote at the AGM may appoint a proxy or proxies (who need not be a shareholder of the Company) to exercise all or any of his or her rights to attend, speak and vote at the AGM. Where more than one proxy is appointed, each proxy must be appointed for different shares.

Proxies may only be appointed by:

- going to [www.signalshares.com](http://www.signalshares.com) and following the instructions for electronic submission provided
- requesting a paper Form of Proxy from the registrar, Link Asset Services, 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
- having an appropriate CREST message transmitted, if you are a user of the CREST system (including CREST personal members). Please refer to the CREST manual on the Euroclear website ([www.euroclear.com/CREST](http://www.euroclear.com/CREST)) for further information

Submission of the Form of Proxy will not prevent a shareholder from attending the Meeting and voting in person. However, if you do attend the Meeting and vote, any proxy appointment will be treated as revoked.

The electronic addresses provided in this Notice are provided solely for the purpose of enabling shareholders to register the appointment of a proxy or proxies for the Meeting or to submit their voting directions electronically. You may not use any electronic address provided in this Notice of Meeting to communicate with the Company for any purposes other than those expressly stated.

- (ii) To be effective, the Form of Proxy must be completed in accordance with the instructions and received by the Company's registrar by 10.30am on Tuesday 4 February 2020.

To appoint a proxy or to give an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent (ID RA10) by **10.30am on Tuesday 4 February 2020**.

Please note, however, that proxy messages cannot be sent through CREST on weekends, public holidays or after 8.00pm on any other day. For the purpose of this deadline, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. CREST personal members or other CREST sponsored members and those CREST members that have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST.

For further information on CREST procedures, limitations and system timings, please refer to the CREST manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001, as amended.

- (iii) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and section 360B(2) of the CA 2006, the Company specifies that only those shareholders registered in the Register of Members of the Company as at close of business on Tuesday 4 February 2020 or, in the event that the Meeting is adjourned, in the Register of Members at the close of business two days before the time of any adjourned meeting, shall be entitled to attend or vote at the Meeting in respect of the number of shares registered in their name at the relevant time. Changes to entries on the Register of Members after close of business on Tuesday 4 February 2020 or, in the event that the Meeting is adjourned, at close of business two days before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the Meeting.

## NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

### NOMINATED PERSONS

Any person to whom a copy of this Notice is sent who is a person nominated under section 146 of the CA 2006 to enjoy information rights (Nominated Person) may, under an agreement between him or her and the shareholder by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

The statement of the rights of shareholders in relation to the appointment of proxies in note (i) above does not apply to Nominated Persons. The rights described in that note can only be exercised by shareholders of the Company.

### SHAREHOLDER RIGHTS AND AGM BUSINESS

Under sections 338 and section 338A of the CA 2006, shareholders meeting the threshold requirements which, broadly, require a minimum of 100 shareholders holding an average of 905 ordinary shares each or shareholders holding at least 5% of the Company's issued share capital (excluding treasury shares), have the right to require the Company: (i) to give to shareholders of the Company entitled to receive notice of the AGM, notice of a resolution which may properly be moved and is intended to be moved, at the AGM; and/or (ii) to include in the business to be dealt with at the AGM, any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved or a matter may properly be included in the business unless: (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory; or (c) it is frivolous or vexatious. Such a request may be in hard copy or electronic form and must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than Wednesday 25 December 2019, being the date six weeks before the AGM, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

### RIGHT TO ASK QUESTIONS

Under section 319A of the CA 2006, shareholders have the right to ask questions at the AGM relating to the business of the Meeting and for these to be answered, unless such answer would interfere unduly with the business of the Meeting, involve the disclosure of confidential information, if the answer has already been published on the Company's website, or if it is not in the interests of the Company or the good order of the Meeting that the question be answered.

### WEBSITE PUBLICATION OF AUDIT CONCERNS

Under section 527 of the CA 2006, shareholders have a right to request publication of any concerns that they propose to raise at the AGM relating to the audit of the Company's Accounts (including the Auditor's Report and the conduct of the audit) that are to be submitted to the Meeting or any circumstances connected to the Company's auditor who ceased to hold office since the last AGM. The Company will publish the statement if sufficient requests have been received in accordance with section 527(2) of the CA 2006 which, broadly, requires a minimum of 100 shareholders holding an average of 905 ordinary shares each or shareholders holding at least 5% of the Company's issued ordinary share capital (excluding treasury shares) to make the request. The Company may not require the members requesting any such website publication to pay its expenses in complying with such request. Where a statement is published, the Company will forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the CA 2006 to publish on its website.

## DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the service agreements of the executive directors, the letters of appointment of the non-executive directors, the directors' deeds of indemnity, the Register of Directors' Interests, and the Company's articles of association and this Notice will be available for inspection during normal business hours from the date of dispatch of this Notice until the date of the AGM (Saturdays, Sundays and public holidays excepted) at the registered office of the Company, Compass House, Guildford Street, Chertsey, Surrey KT16 9BQ and will also be made available at the AGM for a period of 15 minutes prior to and during the continuance of the AGM.

## TOTAL VOTING RIGHTS

As at 25 November 2019 (being the last practicable date prior to the publication of this Notice), the Company's issued share capital comprised 1,586,434,664 ordinary shares of 11 $\frac{1}{20}$  pence each (excluding treasury shares). The holders of ordinary shares are entitled to attend and vote at general meetings of the Company. On a vote by show of hands, every ordinary shareholder who is present has one vote and every proxy present who has been duly appointed by a shareholder entitled to vote has one vote. On a vote by poll, every ordinary shareholder who is present in person or by proxy has one vote for every ordinary share held. It is proposed that all votes on the Resolutions at the AGM will be taken by way of a poll.

The total voting rights in the Company as at 25 November 2019 were 1,586,434,664 (excluding treasury shares).

## INFORMATION AVAILABLE ON WEBSITE

The following information is available on the Company's website [www.compass-group.com](http://www.compass-group.com):

- (i) the matters set out in this Notice of Meeting
- (ii) the total voting rights and number of shares of each class in respect of which shareholders are entitled to exercise voting rights at the AGM
- (iii) shareholders' rights to include business to be dealt with at the AGM
- (iv) shareholders' statements, resolutions and matters of business received by the Company after 16 December 2019

## ATTENDING THE AGM

If you are coming to the AGM, please bring the Notification Letter dated 16 December 2019 with you. It authenticates your right to attend, speak and vote at the AGM and will speed your admission. You may also find it useful to bring this Notice of AGM and the Annual Report 2019 so that you can refer to them at the Meeting. All joint shareholders may attend and speak at the AGM. However, only one shareholder is entitled to vote. In the case of joint holders of a share, the vote of the senior who tenders the vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names of the holders stand in the register.

At the discretion of the Company, and subject to sufficient seating capacity, a shareholder may enter with one guest, provided that the shareholder and their guest register to enter the AGM at the same time.

## THE AGM

**The doors of the Live Room at Twickenham RFU Stadium will open at 9.00am and the AGM will start promptly at 10.30am.**

Please see the map on page 245 for the location of Twickenham RFU Stadium. Car parking is available for shareholders as indicated on the map. For more information on how to get to the venue, go to <http://www.englandrugby.com/twickenham/visiting-the-stadium/getting-here>.

## QUESTIONS

All shareholders or their proxies will have the opportunity to ask questions at the AGM. When invited by the Chairman, if you wish to ask a question, please wait for a Company representative to bring you a microphone. It would be helpful if you could state your name before you ask your question. A question may not be answered at the Meeting if it is not considered to be in the interests of the Company or the good order of the Meeting or if it would involve the disclosure of sensitive information. The Chairman may also nominate a representative to answer a specific question after the Meeting or refer the questioner to the Company's website.

## NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

### VOTING AT THE AGM

The Company confirms that all Resolutions to be proposed at the AGM will be put to the vote on a poll. This will result in a more accurate reflection of the views of all of the Company's shareholders by ensuring that every vote is recognised, including the votes of shareholders who are unable to attend the Meeting but who have appointed a proxy for the Meeting. On a poll, each shareholder has one vote for each share held.

All of the votes of the shareholders present will be counted, and added to those received by proxy, and the provisional final votes will be displayed at the Meeting.

The indicative voting results, which will include all votes cast for and against each Resolution at the Meeting, and all proxies lodged prior to the Meeting, will be displayed at the Meeting and the final results published on the Company's website, the London Stock Exchange and on the document storage system, Morningstar, as soon as practicable after the Meeting. The Company will also disclose the number of votes withheld.

If you have already voted by proxy, you will still be able to vote at the Meeting and your vote on the day will replace your previously lodged proxy vote.

Whomever you appoint as a proxy can vote or abstain from voting as he or she decides on any other business which may validly come before the AGM. This includes proxies appointed using the CREST service. Details of how to complete the appointment of a proxy either electronically or on paper are given in the notes to this Notice.

### VENUE ARRANGEMENTS

For your personal safety and security, all hand baggage may be subject to examination. A cloakroom will be available to deposit coats and bulky items.

A sound amplification/hearing loop will be available in the meeting room.

There is wheelchair access. Anyone accompanying a shareholder in need of assistance will be admitted to the AGM. If any shareholder with a disability has any questions regarding attendance at the AGM, please contact the Group Company Secretariat at Compass Group PLC, Compass House, Guildford Street, Chertsey, Surrey KT16 9BQ by 27 January 2020.

Security staff will be on duty to assist shareholders. The Company will not permit behaviour that may interfere with another person's security, safety or the good order of the AGM.

Please ensure that all electronic equipment (including mobile phones) is switched off throughout the AGM.

Tea, coffee and light refreshments will be served before the Meeting.

## SHAREHOLDER ENQUIRIES

Link Asset Services maintain the Company's share register. If you have any enquiries about the AGM or about your shareholding, you should contact Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

## AMERICAN DEPOSITARY RECEIPT ENQUIRIES

Compass Group PLC operates an American Depositary 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 Depositary Receipt register. If you have any enquiries about your holding of Compass American Depositary 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 4<sup>th</sup> 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 and at [www.compass-group.com](http://www.compass-group.com).

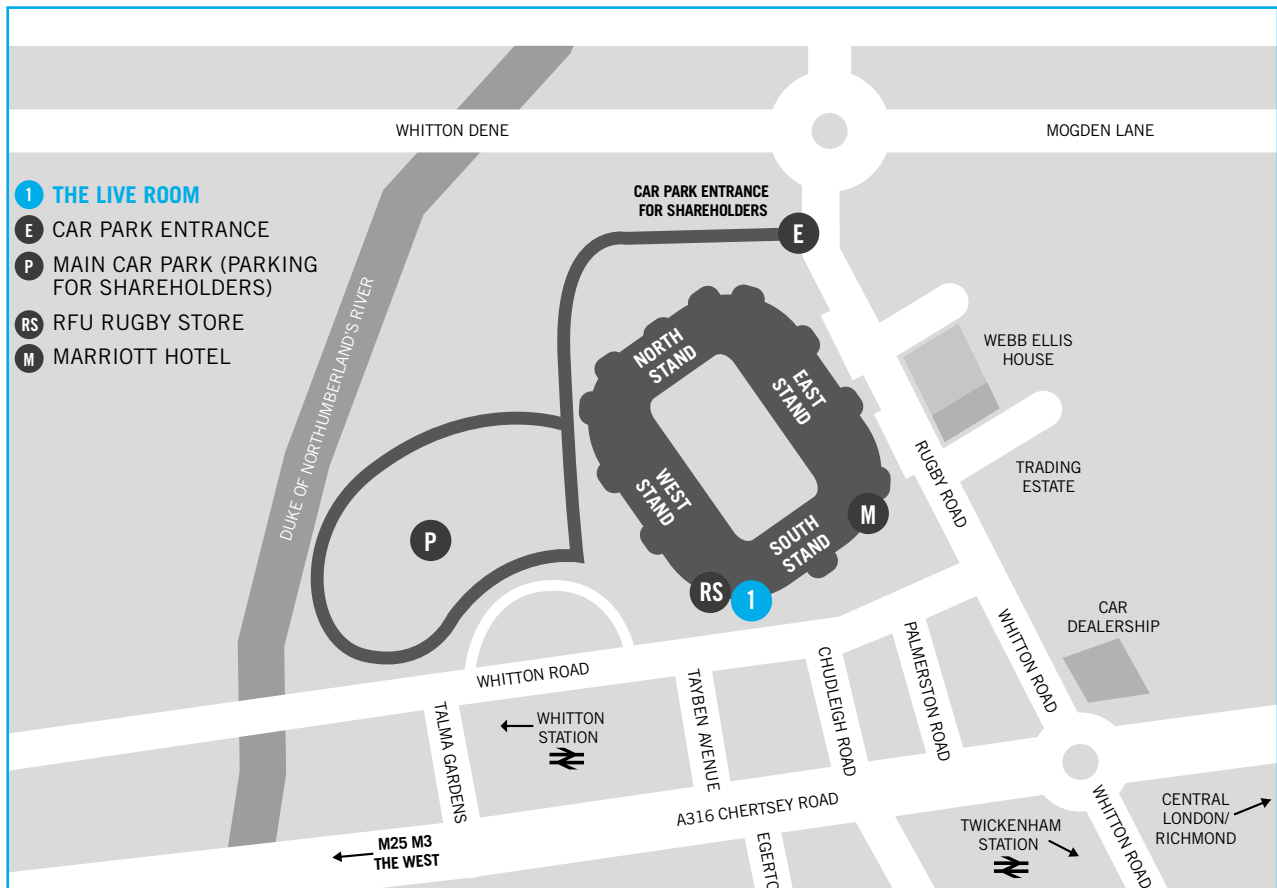
## DATA PROTECTION STATEMENT

Your personal data includes all data provided by you, or on your behalf, which relates to you as a shareholder, including your name and contact details, the votes you cast and your reference number (attributed to you by the Company). The Company determines the purposes for which and the manner in which your personal data is to be processed. The Company and any third party to which it discloses the data (including the Company's registrar) may process your personal data for the purposes of compiling and updating the Company's records, fulfilling its legal obligations and processing the shareholder rights you exercise.

## PUBLISHED INFORMATION

If you would like to receive this Notice and/or a copy of the Annual Report 2019 in an appropriate alternative 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 2019 Annual Report and this Notice are available on the Company's website [www.compass-group.com](http://www.compass-group.com).



# Glossary of Terms

Capital employed	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.
Constant currency	Restates the prior year results to the current year's average exchange rates.
EM & OR restructuring	Emerging Markets and Offshore & Remote restructuring.
Free cash flow	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, dividends received from joint ventures and associated undertakings, and dividends paid to non-controlling interests.
Free cash flow conversion	Underlying free cash flow expressed as a percentage of underlying operating profit.
Gross capital expenditure	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.
Like for like revenue growth	Calculated by adjusting organic revenue growth for new business wins and lost business.
Net capital expenditure	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.
Net debt	Bank overdrafts, bank and other borrowings, finance leases and derivative financial instruments, net of cash and cash equivalents.
Net debt to EBITDA	Net debt divided by underlying EBITDA.
NOPAT	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.
Organic profit	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).
Organic profit growth	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.
Organic revenue	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).
Organic revenue growth	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.
ROCE	Return on capital employed (ROCE) divides NOPAT by the 12 month average capital employed.
Specific adjusting items	<ul style="list-style-type: none"> <li>acquisition related costs</li> <li>one-off pension charge</li> <li>cost action programme charge</li> <li>share of profit of joint ventures and associates held for sale</li> <li>tax on share of profit of joint ventures</li> <li>gain/(loss) on sale and closure of businesses</li> <li>other financing items including hedge accounting ineffectiveness and change in the fair value of investments</li> </ul>



Underlying basic earnings per share	Excludes specific adjusting items and the tax attributable to those items.
Underlying cash tax rate	Based on underlying cash tax and underlying profit before tax.
Underlying depreciation and amortisation	Excludes specific adjusting items.
Underlying EBITDA	Based on underlying operating profit, adding back underlying depreciation and amortisation of intangible assets and contract prepayments.
Underlying effective tax rate	Based on underlying tax charge and underlying profit before tax.
Underlying free cash flow	Free cash flow adjusted for costs in the year relating to the 2019 cost action programme.
Underlying net finance cost	Excludes specific adjusting items.
Underlying operating margin – Group	Based on underlying revenue and underlying operating profit excluding share of profit after tax of associates.
Underlying operating margin – Region	Based on underlying revenue and underlying operating profit excluding share of profit after tax of associates and EM & OR restructuring.
Underlying operating profit – Group	Includes share of profit after tax of associates and profit before tax of joint ventures but excludes the specific adjusting items.
Underlying operating profit – Region	Includes share of profit before tax of joint ventures but excludes the specific adjusting items, profit after tax of associates and EM & OR restructuring.
Underlying profit before tax	Excludes specific adjusting items.
Underlying revenue	The combined sales of Group and share of joint ventures.
Underlying tax charge	Excludes tax attributable to specific adjusting items.

## FORWARD LOOKING STATEMENTS

Certain information included in this Annual Report and Accounts is forward looking and involves risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied by forward looking statements.

Forward looking statements cover all matters which are not historical facts and include, without limitation, 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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Pureprint Ltd is FSC certified and ISO 14001 certified showing that it is committed to all round excellence and improving environmental performance is an important part of this strategy.

Pureprint Ltd aims to reduce at source the effect its operations have on the environment and is committed to continual improvement, prevention of pollution and compliance with any legislation or industry standards.

Pureprint Ltd is a Carbon / Neutral® Printing Company.

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