

Compass Group Sustainability Deep Dive

Q&A Session

Agatha Donnelly

Thank you all for joining us for our Q&A today. Just as a reminder, today we're focusing on the environmental side of ESG and our journey to climate net zero. We ask you that you limit your question to this topic.

Jaafar Mestari - (BNP Paribas)

Hi, good afternoon. I have three questions if that's all right? So firstly, food waste is something that came up a few times. You implied that there would be savings, obviously, if you waste less. What's the flow through here? If you reduce food waste by X%, is it in the right items that you actually also reduce your food costs by X%? Then do you actually keep the savings or do you return the savings to the customer which is well to win the contract you've pitched to them that you would be reducing food waste so they know it's - and they expect it, et cetera.

Second question, there's sometimes a tendency in the corporate world to focus on the areas where sustainability is aligned with corporate profits anyway. Like reducing food waste, it's win-win for Compass, for the clients, for the planet. I'm sure there's also areas where more sustainable practices are directly conflicting with profits. Can you maybe talk about and give examples of some of the more difficult decisions you're making where you know it will cost the organisation and how do you approach them? Do you subsidise them elsewhere through efficiencies? Do you pass them on to the client et cetera?

Lastly, if your internally developed carbon accounting tools and emissions reductions process become best in class, is this something that at some point you can monetise outside of your own food service clients? So like you monetise procurements, would you one day sell just the suite of sustainability tools to some F&B businesses or would you charge to measure and report carbon outside the Canteen as well for your clients? Things like that.

Shelley Roberts

Thanks, Jaafar. Great set of questions there to kick us off. Very wide-ranging thoughts there. So in terms of food waste, yes, you're right. That is a key feature of the video because that is really our primary focus. That's where we see we can make the most material step changes on our decarbonisation journey. It's also something that we feel we can control more directly.

I think, Jaafar, you know us by now that we're such a highly decentralised organisation and across our 50,000 units, every single one of them is different. We're in different

client sites, we're in different sectors. We're operating slightly different in all those layers. So food waste is just one of those levers that we're pulling in amongst all the other levers that we use to manage the margin.

I think you've really seen us work hard on food waste at a time when we were also trying to mitigate inflation. So certainly mitigating food waste is helpful to our bottom line but it is just one of the levers we pull. So food cost is about 30% of our [end-unit] costs and as we reduce our food waste, we're obviously reducing our food cost as well.

To your question about do we give that back or do we keep it, I think the way we look at it is that we are giving back - we're using our client's resources efficiently but we're also using our own resources efficiently as well as using the planet's resources efficiently. So it's very much a part of our operating model to consider that and to actively look for that benefit. At the same time, it's something that is helping us to manage all those exogenous factors like food inflation.

I think another lever that we pull in that regard in relation to food waste is actually getting the benefit of the information and the data from what we're wasting because that's telling us what consumers are enjoying and not enjoying which is allowing us to reformulate our menus. So it's not a direct line of sight but it really comes into the equation in terms of what drops through to the bottom line.

In terms of your second question about sustainability being a win-win, that's absolutely how we see it. We actually don't see it as a competing objective, we see it as being very complementary to what we're doing because it really is just part of everything we do. I think, you know, some of the menu planning examples that Ryan covered in the video were really helpful to demonstrate how we think about this in the round.

So when we're thinking about what's healthy, we're thinking about what's nutritious. We're also thinking about what's good for the planet and so it really is just about bringing in another dimension to that equation. What's been really helpful to our culinary teams is actually to have the data that sits behind that. You heard Planet FWD talk about our new partnership and how we're able to get much more granular so that we're actually able to measure these things in advance.

So when Ryan, for example, is formulating the menu, he can actually see based on different dishes on the menu, what the carbon footprint of that menu is going to be. So we get the opportunity to actually shape our carbon footprint going forward rather than just rely on historic reporting of where we've been before.

In terms of difficulty in this, I think we would all say that we are working on this road together with our suppliers. So we're part of an ecosystem here where we need to act in concert with - in the context with everybody in our value chain and so our side of our direct decarbonisation efforts, we're very much working closely in partnership with our suppliers to make sure that we're working with them to decarbonise their value chains as well.

Then finally in terms of tools and best in class, we absolutely are developing these tools. We're rolling them out. We're proud to have rolled them out across 8,000 sites which covers about 75% of our spend so far. Yes, certainly in terms of we have Foodbuy clients who also can in due course benefit from these tools. That would be one way where we'd be able to expand the reach of these because of course we're conscious that

if other people use these tools, that's going to help to reduce food waste and that's going to benefit the planet as well.

Jaafar Mestari - (BNP Paribas)

All right, thank you very much.

Vicki Stern - (Barclays)

You mentioned you're winning contracts on sustainability from all sources. First from outsourcing, small and large players. So just to what extent do you think your competitors, large and small, are able to win on sustainability or just how far ahead do you think Compass is on all that and what exactly is helping you win specifically versus those competitors when you're winning these contracts?

The second one is just on management remuneration around these objectives. Is that sort of top level only or how deep does the incentivisation go around these topics throughout the organisation?

Shelley Roberts

Thanks, Vicki, for the question. So let's start with the large and small players. So I think certainly, like we mentioned in the video, there's a lot that sits behind having the data at your fingertips to be able to - for our chefs to be able to use, for consumers to be able to understand the choices that they're making as they select their lunch. There's a lot of data and systems capabilities sits behind that but certainly small operators wouldn't have in their wheelhouse to be able to bring to bear.

For us, that's very much part of our operating model, our ordering platforms, the data we have around procurement that sits in our food buy systems. We have those. So we're actually just able to leverage an existing asset to grow our competitive advantage in the space.

In terms of the other large suppliers, I think we - players in the industry, this is where really our scale does benefit us and our relative scale does benefit us. We obviously have our food buy organisations which procures over \$30 billion of food and that really helps us to have very deep relationships with our suppliers which helps us to have different level conversations with them in terms of innovating, in terms of finding new solutions and then bringing those solutions back into our organisation.

I think what I would say also in terms of why is this ultimately helping us renew business? It's because this is a key win theme and a key problem, I suppose, that our clients have that they're looking for solutions to. They've set their own goals around net zero and they really need our help because we're part of their path to scope 3 emissions. So in us helping them to give them the data about what decisions their staff are making when they have lunch each day, that's really helping them to understand opportunities in their carbon footprint.

It might be useful for Carolyn to share an example of some work that she did with a client just around some direct decisions but by having that data, it really helped them to make some changes.

Carolyn Ball

Thanks, Shelley. There are two specific examples which all focus on active re-formulation to reduce the carbon embodied on the plate. Full credit to Ryan and his chef team for supporting this so brilliantly. As Shelley articulated, it's the credibility and quality of the advisory that sits around that. What we're increasingly finding is that clients are interested and engaging with the specificity of the data that sits behind it.

So our ability to be able to show that by reformulating a recipe into a mushroom Wellington, it reduces the embodied carbon on the plate by north of seven to less than one and we saw a 30% uptake. That's a really good example, I think, where the menu comes into play but we're also finding that there's an opportunity to add colour and compelling story with that data sitting in the underbelly.

An example of that is a webinar where this particular client was significantly large and invited a huge amount of their employee workforce. We described to them how for 60,000 bananas that they buy on an annual basis could be swapped to purchases of things more like apples. Bananas, 110 grams and an apple is 60. So we tried to bring the detail, the data and also the practical examples of where we can really create change.

I think a key part of this which you'll have heard throughout the video is we've fully recognised that this cannot be about compromise. In order to be able to accelerate at pace, we have to really align with customer preferences. So all of the work that we've been doing has really been engaging in those three levers of ingredient, supply chain and sales mix. We've been really encouraged with the work that we're doing increasing in partnership with clients.

Shelley Roberts

I think just coming back to the first part of the question, I'll come onto remuneration in a second, is it's really that measurability that we're able to bring to our clients that distinguishes us when we're able to talk about that. When we're able to measure the impact and the results that we're achieving in their carbon footprint as well. As I mentioned, that's a key win theme and that's what we're finding is resonating most strongly across our client base.

In terms of Management remuneration, yes, our 15% of short-term incentives are on sustainability metrics, 10% is on safety and 5% is directly on food waste measurement. That's because, as we talked about in the video, it is the area that we feel is our key focus in being able to decarbonise our operations.

Vicki Stern - (Barclays)

Thank you and just sorry, how deep down the organisation does that 15% of incentives run?

Shelley Roberts

So that's our incentives for our Management Teams. In terms of our culinary teams, that we talked about here, there are other ways that we're working with our culinary teams. So for example, I wonder if Ryan, whether you wanted to talk maybe about the Marcus Wareing program and what - how chefs are incentivised to actually participate in that program and how that benefits sustainability?

Ryan Holmes

Yes, sustainability is absolutely key for us from a culinary perspective. We have a program designed just for our chefs. For our senior chefs in the business called the Marcus Wareing Forward programme. It's a red thread through there on sustainability, specifically food waste, that gets taught to them at every single session they come along to. So we found that's really important and educating our culinarians is a key factor behind this course.

Vicki Stern - (Barclays)

Great, thanks very much.

Shelley Roberts

Thanks, Vicki.

Jamie Rollo - (Morgan Stanley)

Thanks a lot. Two questions, please. You gave us some good examples on MAP 1 with the contract wins. That makes perfect sense. I was quite interested to explore the MAP 2 consumer angle. You gave us a good example then on bananas and I think mushrooms. But is there anything else you can give us to talk about consumer behaviour, purchasing, spend, all that having any sort of impact on like-for-like volumes that you might be seeing anywhere?

Then secondly, a more bigger picture question and it perhaps relates to one earlier. I mean your clients have a bigger sort of carbon focus than just catering. There's obviously many other utility-type emissions there. I mean, do you also still think well into the other forms of measurement? Is there any sort of benefit with working with some of the [FM providers] in simplifying your client's measurement and tech tools? Thank you.

Shelley Roberts

Thanks, Jamie. Great to bring up the consumer angle. So I think I'll hand over to Ryan in a moment just to talk about some of the work he's been doing on consumer preferences but certainly this is something that we've been studying deeply. So recently we did a survey of 35,000 workers to really understand as they return to the workplace, exactly what their workplace preferences are. It was really enlightening to see how their views varied across the generations.

I think certainly our Gen Z consumers were very, very vocal in terms of 63% of them wanting plant-based options. I think as a result of that insight, because we know that Gen Z is going to be 60% of the workforce by 2030, we really have taken some of those insights right back into our menu formulation. Right back into the choices that we're making available because what we know is, we don't have one homogenous consumer in the workplace. We've got some millennials, we've got some Gen Z. We've got some baby boomers.

So we see our role is to provide that variety and that choice for every type of consumer that is going to have lunch that day. Then provide them with the information so that they can make that choice. Ryan, do you want to give some examples of that?

Ryan Holmes

Absolutely. I think the most important thing is it's all about making and creating tasty and delicious food. That's a given. Whether that's healthy, whether that's more sustainable, whether it's less meat in there, it's all about quality and delicious food that's really important.

But what we're trying to do is make the consumer make more informed choices. We're still going to have meat on our menus. It's up to them to kind of make that choice and decision but what we wanted to do is help them with that. So we put our plant based options at the top of the menu. So our more sustainable dishes go up at the top of the menu as well.

What we have done in our B&I sector is re-evaluate our top 12 best-selling dishes. What we've done to those dishes is still maintained the amount of protein in there but we reduced the meat content. We've increased the amount of vegetables in there. We switched into wholegrains and what we've seen is a massive uptake in those dishes for our consumers. They've been really well taken by them and they've not noticed any changes in there so we're making lots of changes for the planet with those choices.

Shelley Roberts

Thanks, Ryan. Going on to your second part of your question, Jamie. Amy, did you want to maybe just talk about how we've been helping some of our clients with the measurement side?

Amy Keister

Definitely. I think it's a great point that you bring up. It is greater than food and our support services are also extremely focussed on sustainability and they have very robust tools as well. So they're able to work side-by-side with our client to help them get recertification, wellbeing certification as well as perform self-audit and with these self-audits, they're able to measure the energy, the water and even look at the air quality.

So there's a great example of a very large hospital system in the US where across all locations they've been able to improve the air quality by 25%, reduce the overall kilowatts by 2.5 million as well as save over 1.2 million gallons of water to really enhance their sustainability efforts throughout the building.

Shelley Roberts

Thank you.

Jamie Rollo - (Morgan Stanley)

Thank you.

Jarrold Castle - (UBS)

Thank you, good morning, afternoon, everyone. Three from me. Firstly, you've spoken a lot about reduction in emissions but what about sustainability as relates to supply chains? For instance, sustainable fishing et cetera. Just if you could give any colour there?

Secondly, just on procurement. Obviously by the sounds of things you have to expand the number of providers, especially local providers. How do you think about that when you know, I guess the bigger providers give you more scale or better price to scales. You know, especially with regard to food buy? So how do you feed that into a cost versus volume decision, I guess?

Then just lastly, I mean clearly sustainability is important to your clients, to the consumers, I guess but where would you rank it in terms of the selling processes? It's still price, convenience, choice that ranks ahead. How - where would you put sustainability in the pecking order of what results in the contract being concluded?

Shelley Roberts

Thanks, Jarrod. So how about I take your last question and then I'll hand over to Amy for the sustainable fishing and the procurement questions. So it's a really good question, actually, because I think if you think about the consumers and then you think about the clients, I think absolutely our consumers as I was saying earlier, from that research, different consumers want different things.

At the moment, obviously cost of living pressures are very front and centre. So what we're finding is we do need to have a value offer but as I said before, it's really about providing choice and range. So we will always have something that's going to appeal to a consumer who is most focused on price but we're also increasingly having offers for the - that are available to consumers which might still be at a low price but have a sustainability offering attached to it as well. So it's really is about having everything available and allowing our consumers to choose.

In relation to clients, as I said earlier, that's ladder up to being more than about the food. So really, we're engaging with our clients of the C3 who are wanting trackability and traceability. They're needing to do CCFD reporting as well. They really want the data and so it's as much about actually being able to bring that data and bring that measurability to provide them with that advice and that thought leadership.

Let's face it, this is - everybody is discovering this all together. So we're able to actually help them as to how we've thought about that and advise them on how we are able to move from - through this to be able to provide transaction data and ladder that up into carbon emissions data. Helping in that regard.

So in terms of where that ranks for our clients is absolutely in their top three requirements and certainly in terms of our global clients, they're looking for us to really help them with that and that's why you saw in the video, we talked about that being a high key decision criteria in all of our global client's bids recently. Amy, over to you on the fishing.

Amy Keister

Excellent. Great question on the fishing. Actually, one of the first areas we tackled when we're looking at our sustainability journey - and this was back in 2005. We partnered in the US with the Seafood Watch. Globally, we work with Marine Steward certified and we think it's really critical that we're aligning with the industry standards. So it's not Compass standard. So in the US, we make sure that we only purchase for green and yellow-rated items. Globally when we're looking at the Marine Stewardship, we're looking at ones, twos and threes. So no fours and fives.

We also leverage our scale to educate our guests. Actually coming up next month is National Seafood Month. So there'll be great marketing materials again in partnership with Seafood Watch and MSC to educate guests so that they can bring these practices back home as well.

Great question on the local. We really pride ourselves to make sure that we're supporting the local communities and where we live and work. Nearly 40% of our purchases of produce and dairy come from local and small farms - regional farmers. We're not overly concerned on looking at the price aspect as you've said, leading with delicious, a local tomato in the summer is always going to taste better than something that has been trucked in from miles away.

Also with local, we think it's very important that we're focussing on diverse suppliers as well. So this is something that's really important to our clients. So we've had nearly \$500 million of spend on local and diverse produce - I mean suppliers. Thank you.

Karl Green - (RBC)

Yes, thanks very much. A couple of questions, please. The first one, just regarding where perhaps end clients don't have a choice. So the suggestions for example that universities in the UK could move to enforce vegan menus, we might see that replicated in parts of the US as well. What would be your best guess as to the impact on participation rates where people don't get a choice about the kind of menu composition that they're looking at?

Then secondly, we haven't really heard much today about regenerative agriculture, which is a really hot topic in terms of carbon reductions in the agricultural supply chains. Just any thoughts there about maybe breaking that link between the meat bad, vegan good type discussion and maybe putting protein options forward which people want to eat and are actually good for the environment as well - or at least not harmful. Thank you.

Shelley Roberts

Thanks very much. So I'll hand over in a minute to Carolyn to talk about the regenerative agriculture side but as you heard in the video, the higher ed market, I know we reference in that - in the video, the US market but that's where we are serving a consumer who is obviously very sustainability minded but our strategy there is really to provide them with choice again.

This is really about integrating plant into the dishes and providing options for everybody because ultimately, I'm sure you choose your lunch every day. Everybody wants the opportunity to decide what they would like to eat. Our - we see our role as educating and providing those choices and making them available, not dictating anything.

Carolyn Ball

Hi. Thank you. I think what's really important to note is that the focus that we've had on regenerative agriculture recognises the role it can play in the food industry's overall transition. Equally, we are acutely aware of the challenges in accurately modelling impact and scalability given the complexity and also the political economy of food production in crowded islands such as the UK and Ireland.

We're also really mindful of the expected globally increased demand of 30% to 50% by mid-century. I think what we're becoming really mindful and acutely aware of with our clients and these conversations is that we know better data and better definitions are required. So our modelling must be anchored in the specifics of our supply chain and commercial realities. The key to this is that we arrive at a practical approach that isn't overly simplistic. That's what we're really working hard on.

I think what this really means as well is, if we think about high yielding agriculture, of course it can be good to giving us space for biodiversity and there are elements of industrial practice that of course need addressing, including how we factor in externalities but we are really focussed on supporting the wider food market in its transition so that it better serves both private and society goals.

Karl Green - (RBC)

Okay, thanks very much.

Shelley Roberts

Just to add to that, in the UK, we've been conducting some small-scale trials with farms looking to understand actually how we can experiment and look at the quality of the soil and do you want to talk a bit more about that?

Carolyn Ball

Yes, good point, Shelley. So we've been partnering with the [FACT Program] which looks at supporting five supplier farms in undertaking the ecological footprint. What we're finding is that of course there is growing traction across the UK and indeed in other markets, where there is a real need to be able to understand and then commercially incentivise the right behaviours. So in addition to Compass being part of these programs, we are really focussed on the ability that we have to be able to share those learning across the wider market. By having that specific example, we know that obviously there's an opportunity to translate that given the breadth and scale. It's just getting really into the heart of the detail.

Grant Parsons - (William Blair)

Hi, thank you for the presentation today. Maybe just one high-level question on how waste management has evolved post-COVID, just given the volatility of attendance at events and work. So I know you guys mentioned your Waste Not digital platform and how that could help but I'm curious if there's been more of a challenge on unexpected volatility over the past year or so on managing food waste? Thanks.

Shelley Roberts

Thanks very much for the question. I'm going to ask Amy to answer that because she was the founder of Stop Food Waste Day and all things food waste. So Amy, over to you.

Amy Keister

Thank you. Great question. This is where we really lean into our digital tools. So one thing that came about rapidly because of the pandemic was having mobile ordering because we want - you know, there was less contact, less effort. So with that, we've

been able to do a really great job managing our production on the slower days which in B&I could be your Mondays and Fridays. So by having people be able to pre-order ahead of time, it actually allowed us to know exactly what we should be producing and we were able to manage our food waste in those locations by over 30% looking at those tools.

So it's just critical that we're looking at this very holistically so Waste Not 2.0 helps us measure in on the back of house and then we have robust production tools in all of our markets as well as a lot of digital capabilities.

Shelley Roberts

I think just sort of bring that back to maybe one of Vicki's questions, it's these tools that are really helping us to win out over the smaller operators who aren't able to actually measure and demonstrate this kind of capability because as Amy just said, it's looking it in the round. It's not just looking at the food waste dimension, it's actually thinking about the workplace experience and how we can be educating our clients.

Ryan Holmes

Our chefs. Our chefs are very talented. They utilise products which are perceived that they should be wasted and going to the bin but they can create some fantastic dishes with those. So using those by-products in a correct way to make really tasty dishes for our consumers to enjoy.

Grant Parsons - (William Blair)

Thank you.

Justin Bazalgette - (Federated Hermes)

Hi, thank you for the overview. The Company is clearly doing a lot to deliver on its sustainability goals. I was going to ask some questions about biodiversity but - and agricultural methods but I think you've sort of answered those in a previous question. The second question I had was around your plans to complete the taskforce for nature-based financial disclosures. Whether the Company had been considering that and how far you've got in your thoughts around that? Particularly to look at the resilience for the Company and the double materiality that's the nature-based focus you have with your supply chain and the risks associated.

Shelley Roberts

Thanks very much. Amy, did you want to take that one?

Amy Keister

Yes. No, I think it's a great question. So just to kind of take it up a level, we have been very actively engaged and actually in our annual report this year will be our third disclosure of our Task Force on Climate disclosures. We take it really serious and what's been really encouraging and exciting is that when we look at the risk, overall their relatively immaterial to our business and align with our overarching net zero commitment.

Our next phase in all of this is looking at the double materiality so that we're able to make sure that we're focussing on the areas that have the greatest impact and then coming out of that, we'll be focussing on the nature aspect of things. We also have science-based targets as we indicated and so part of that is looking at [this round]. So it's looking at the land usage, the [forest] of land to agriculture piece as well.

All of those will be disclosed in our following years' annual report. So lots of work is under way. Luckily everything seems to be in alignment to not only what our overall strategy is but also what our clients are looking for as well.

Justin Bazalgette - (Federated Hermes)

Thank you.

Agatha Donnelly

Thank you very much again for joining us today and we will speak with you all on 20 November for our full year results. Thank you very much.

[End]