2023 AGM Questions and Answers

1. **Pre-submitted question:** When do you expect Compass to achieve Net Zero in its operations?

   *Answered by Ian Meakins.*

   We have ambitious climate related targets with our Global Net Zero by 2050 commitment, and a further commitment to be carbon neutral worldwide in our own operations (Scope 1 & 2) by 2030.

   Our 2030 targets have been validated by the Science Based Targets initiative and are in line with the criteria outlined by the Paris Climate Agreement, which aims to limit the global temperature rise to 1.5C above pre-industrial levels.

2. **Pre-submitted question:** How sustainable are the current record rates of new business growth?

   *Answered by Dominic Blakemore.*

   Many of the factors driving increased outsourcing are here to stay (increased complexity, ESG, digital, regulation etc.) and these particularly benefit larger players, so we’re confident it is sustainable, even if inflation and supply chain difficulties subside.

   Remember our growth is also now broader based (with Europe contributing more); pre pandemic we were much more reliant on North America.

   Even if the first-time outsourcing market slows there are still plenty of other opportunities, so we would expect to continue to grow in line with current rates.

3. **Question:** On page 6 of the 2022 Annual Report, you talk about investing in exciting growth opportunities. Can you give some examples of what exciting growth opportunities are? And a related question concerning the divestment from Czech Republic, Hungary, Slovakia and Romania, they presumably at one time were exciting growth opportunities and clearly from your presentation today you’re reducing the number of countries you are in, so what is going on?

   *Answered by Dominic Blakemore.*

   Thank you for the question. We keep our portfolio under review at all times, and I think it’s important to make that point when there is so much growth opportunity ahead of us. We really have to focus on those markets where we can get the biggest and fastest growth. We believe that by not spreading ourselves too thin over too many markets and particularly a very long tail of small countries that need a lot of resource and support, we can distil our focus on the bigger prize.

   By that I mean there is still an incredible opportunity for growth in the US, the UK and in France and Germany and we need to go after our top ten markets or otherwise we end up being distracted from that bigger prize by having smaller markets which are really very, very small
in the scale of our total business portfolio. That is the answer to your question on those smaller markets. We take into account a whole range of factors when we make these decisions, and we believe it is in the interests of shareholders not to be trading in certain countries.

When you look at your question, “what are the exciting growth opportunities” they are different by sector and of course we’re a very broad business. If I could give examples - we find developments of micro markets within our environment where we are providing unattended vending solutions with a whole range of produce, from hot meals to sandwiches, drinks and so forth, and in a digitally enabled environment this is something that a lot of our clients want on their sites so that colleagues stay onsite throughout the day.

We are also working harder on having central production kitchens where we can produce really high-quality meals that we then deliver-in to demand, typically pre-ordered digitally to individual consumers on a client site.

In many of our sectors we are also partnering with lots of food truck and vending companies which bring a lot of innovation, such as street food and community-led food in many of our countries, so that our clients and consumers are getting variety all the time.

Those are the sort of opportunities we are working with and inevitably with our business it’s lots of small stuff that adds up to a big prize and we see lots of trends emerging that we think we can capitalise on in that way.

Additional comment by Ian Meakins.

Thanks Dominic.

As Dominic mentioned earlier on, we only have 10% market share and there's a massive opportunity to go for.

4. Question: I’m asking a question as a proxy of ShareAction. My question relates to the voluntary reporting of ethnicity pay gaps as recommended by the Race at Work Charter. Ethnicity pay-gap reporting captures the average pay of workers from marginalised ethnicities in a company compared to the average pay of white workers, a similar concept to gender pay-gap reporting, but not mandatory.

Recent research by the Living Wage Foundation shows that minority ethnic workers are disproportionately paid the lowest wages in the UK and are disproportionately at risk during the cost-of-living crisis. In fact, according to the CIPD, minority ethnic workers across the UK are paid 13% less than white workers. In other words, minority employees need to work 58 minutes longer than their white colleagues to earn the same amount.

Given the unprecedented attention on race in recent years, investors are taking a greater interest in diversity equity disclosed both in their own firms and investee companies. I was encouraged to read that Compass is a signatory to the Race at Work charter and that Arlene Isaacs-Lowe and Irena Vittal are non-executive directors, thus fulfilling the Parker Review requirements of having at least one director from an ethnic minority background on your Board. However, this does not automatically translate to improvements for ethnic minority workers at all levels. This is reflected in the Race at Work Charter and the update to the Parker Review which both support ethnicity pay-gap reporting. Companies within the hospitality industry are beginning to respond, with Sodexo being the first company in the hospitality industry to voluntary report its pay gap.
ShareAction’s Good Work Programme co-ordinates with institutional investors with £3.7 trillion in assets under management. With its members, they are moving to support voluntary ethnicity pay-gap reporting as a marker of responsible business practice. Could the Board provide an overview of the Group’s position regarding ethnicity pay-gap reporting in the UK, including details about what steps have been taken to get sufficient data on the ethnic composition of its workforce? Additionally, would the Board be willing to meet with ShareAction and the Good Work Investor Coalition to discuss this issue further? Thank you.

Answered by Ian Meakin.

Thanks for the question. We believe that ethnic diversity is great for the business in terms of the results and also very much for the communities that we serve, so we’re huge believers in increasing ethnic diversity. In March, we will be publishing our ethnicity pay-gap report for the first time in the UK & Ireland. And as you’ve already mentioned, we are an accredited member of the Real Living Wage programme, and we work hand in hand with the Race at Work Charter. They have seven recommendations in total, in terms of how we can improve the diversity and inclusion in our company.

If I pick up just a couple of them. We will publish the data on the ethnic mix of our employee base and the pay-gap. Secondly, we have a zero-tolerance policy in the Group from the Board all the way down to the most junior people in terms of prejudice. We also believe that for all leaders and managers, diversity, equity and inclusion is absolutely part of their day job.

You also mentioned the point but very important for us, career development for people of colour, particularly mentoring people from ethnically diverse backgrounds. We’ve made real progress in the past couple of years, but we’re conscious we’ve got a long way to go. However, Dominic and the Executive team and the Board are fully committed to improving our performance in this area.

Yes, we are happy to meet up and discuss these matters with you.

5. Question: Does the Board think that the government’s move to revoke lots of EU retained law represent a particular challenge to Compass and if so how do you propose to deal with it?

Answered by Dominic Blakemore.

Thank you. I think we should all remind ourselves that the UK is about 8% of our global business, as we are very much an international company, not least in the US which is two-thirds of our operations and therefore, what happens in the UK has less of an impact to the Compass’ performance than it ever has. I am not aware of any particular laws that could be revoked that would impact us in a negative way. I think another factor that we should bear in mind is nearly 80% of our food purchasing in the UK is now domestic. Of that remaining balance of 20% around 15% would be from the Eurozone, so we have very little exposure outside of the UK to food and produce. We have navigated the challenges of labour through Brexit, and we are actually now receiving more applicants per role in the UK than we did pre-Brexit, so I think we've weathered that particular storm as well and the course for the UK businesses is fairly stable as we look forward.

6. Question: I have been a shareholder since the outset Chairman. A diversified shareholder asking questions at many AGMs. Respectfully Chairman, we should not be asked to just ask
one question, with the AGM being the prime interaction of private shareholders with the Board and we’re not exactly overburdened with people, or I suspect from experience, questions. I have several and would appreciate your answers please.

First is a constructive point about the Annual Report. I agree that it is more legible than many, but you do lapse into pastel contrasts from time to time. For example, white on blue which is especially difficult to read online and at speed. I speak as someone with optician attested excellent eyesight so if I’m finding it difficult presumably others are too?

Also in the Annual Report Chairman, why do you print in columns as opposed to having wording across the page as books tend to be? Because if you bludgeon us into reading them online, it involves a lot of scrolling up and down which printing across the page would avoid.

I’ll pause at that stage and invite you to respond.

Answered by Ian Meakins.

Rather than get into the detail, let’s take those points away and see what we can do if we think about it.

For the Total Shareholder Return Graph, other companies quantify the inflexions and your return over 10 years is some 220%. As I have said, I am a shareholder since the outset, I’ve been mystified as to why you haven’t grown faster. On your own admission, you have about 10% of a £220 billion market which you quantify and 50% of that you say is outsourced.

There’s a whole world out there Chairman why are you not growing faster and when will you?

Answered by Ian Meakins.

We have already achieved a lot faster growth in the last full year and into Q1 of this year in terms of record new business, record retention and record like for like performance as well. Remember that we have to benchmark ourselves against the competition and that’s exactly what we do - we are beating the competition in terms of market share gains, so I think it’s a bit harsh to say we’re not growing fast enough. The balance of course as always is to balance between the top-line and the margin, and I think that’s what Dominic and the Executive team are getting right and as a result, shareholders are seeing both excellent top-line growth and margin progression which is surely the right mix?

There has been progress, but my contention is that it’s nowhere near what you might have achieved and the 220% ten-year Total Shareholder Return which I referred to earlier is at least positive, but is not exactly stellar, but I do readily admit it is not loss making which we have to put up with some other companies, but in short Chairman should you not get a move on?

Answered by Dominic Blakemore.

To add to Ian’s comments. If you look at our net new contract wins they’ve increased from 3% to 5.5%, which is a true measure of the quality of our performance. We’ve nearly doubled our historic growth rate and that’s the rate that we want to sustain. Our growth used to be predominantly in North America, and it is now being delivered equally from all three regions which is contributing to what I’ve just described. If you consider the scale of our business, if we are growing at 10%, that means we’re adding nearly 60,000 new colleagues every year to our business, and we have a responsibility to our shareholders to ensure that
we are delivering excellence in health and safety, quality for our clients and not damaging our reputation. So, there is always going to be a balance between how fast you can grow profitably, and the quality of how we deliver services for our clients and how we protect our reputation. There is a great opportunity to sustain accelerated growth levels, but we have to be very careful to get that balance right.

I acknowledge you have achieved much. I too had picked up the point that another shareholder raised. You've withdrawn from four eastern European markets, without any particular explanation and it seems to me that there is a huge potential out there which is not being adequately exploited.

Answered by Ian Meakins.

We totally agree on the potential, and I think Dominic gave a very full answer as to why we’ve pulled away from some of the smaller markets and I just repeat that we are outperforming our competition, which is the right relative measure to use.

Ok, you’ve repurchased £500 million of shares and are in the process of buying back another £250 million. To what extent has this improved Total Shareholder Return and if you don’t know, why are you doing it as opposed to using the money for profitable growth and expansion elsewhere?

Answered by Palmer Brown.

We have a clear capital allocation framework for our capital priorities. First and foremost, it is organic growth. We’ve got significant opportunities for growth in all of our markets, and we maximise that to the greatest degree. We invest about 3.5% of revenues in the form of capital expenditure and that goes into our organic growth, we will do some M&A, which in fairness is fairly small for a company of our size and it’s all about helping us to grow. We are committed to returning excess capital to shareholders and we look at the various mechanisms by which we do that. Over time it’s obviously been the base dividend, which is regularly occurring. We will have special dividends from time to time and more recently the share buybacks. However, we would only do that if there is excess capital and it generates returns for shareholders. First and foremost, it’s all about investing in the business for growth.

You haven’t answered my question about how far its benefits Total Shareholder Return and I suspect you can’t. It is an act of faith, this lavish expenditure on repurchasing shares; are you being browbeaten by institutional investors who don’t know better and in this massive world of ours with the acknowledged huge market should you not be devoting some of that £750 million to growing more spectacularly in the rest of the world?

Answered by Ian Meakins.

I think we have answered the first part of your question earlier. We believe we are investing everything that we should in the business to get the fastest growth possible and therefore the excess capital Palmer described should go back to shareholders. We can debate whether it should be by way of a special dividend or a share buyback, but the important thing is we don’t want to sit on capital that is fundamentally that of shareholders. And because we can’t find the right opportunities, we think we’re investing as much as we can, to Dominic’s point sensibly, at the moment.
One final point. I'm experienced enough to know perhaps this is a controversial question, do we really have to continue to have AGMs at Twickenham rugby ground which is off centre? I know it benefits people who live round the corner but there is capital city to the north-east with venues capable of serving a good lunch for which I acknowledge this venue is noted.

Answered by Ian Meakins.

That is the trade-off. It is a client of ours. They do a good service for us and by starting at midday and providing a lunch we allow all people plenty of time to get here. Any more questions?

7. Question: I'm here as a customer, shareholder, and journalist. I just wondered if at any time afterwards whether I could speak to some of you about my customer experience, about the quality and diversity agenda and just to find out more about the company specifically my customer experience? To me it's about fairness and I would like to just talk to someone about how you could take that fairness and incorporate it on the menu. So, for example, I've noticed that you might have more options for people that eat meat, but less options for vegetarians, and food labelling. I've noticed some of the outlets I've eaten from, don't know what I am eating, and they might tell me it is vegetarian but actually it is meat and I've seen somebody cry because they were eating meat when they thought it was vegetarian.

Answered by Ian Meakins.

Thank you for the question, we will be joining shareholders after the meeting, so we can discuss further then.

Post meeting response: It is encouraging that consumers want more plant-based meals, which is good for the environment because plant-based protein typically has a much lower carbon footprint than meat. Our fantastic chefs and culinary teams are the best ambassadors for delicious plant-based meals, which is why we are training them in diverse sourcing and how to rebalance menus celebrating fruit and vegetables in accordance with the EAT-Lancet’s recommendations. We also launched a global culinary forum, enabling our chefs to share their expertise across all our markets, benefiting one another and our clients. Building on this activity, our businesses help our clients use technology and communications campaigns to nudge consumers to make more sustainable, planet-based meal choices.

Additional information to be found on our website:


Concerning your point on food labelling, we do take this seriously and Compass Group is committed to clearly describing food items on menus, labels and at point of sale, and we would also encourage customers to communicate dietary requirements with our service teams.
By way of an example of what we are doing in our businesses, 14forty, Compass Group UK&I’s specialist provider of integrated facilities management, won the Wellbeing Award at the 2022 Institute of Workplace and Facilities Management Awards for encouraging better food choices across client sites, plant-based menus and partnerships with the University of Cambridge on exercise and calorie consumption labelling and the University of Oxford on eco-labelling.

8. Question: It comes up at the AGMs of other companies. There is always this question, which is the resolution on political donations which I voted against. I don’t like it because I think businesses should be independent of political interference and, I think that they shouldn’t be in a position where they are lining the pockets of politicians either because it’s sort of open to corruption. I think we should keep politics apart and concentrate on the business. Could the Board explain why they have this resolution?

Answered by Ian Meakins.

The definition of political donations in the Companies Act is very broad and therefore if we don’t have this resolution, there’s a danger that we inadvertently do something and we slip into a “political donation”. We need to protect the directors and the Company in terms of that sort of action. And we've capped donations at £100,000. Thank you.

Post meeting response: It is not Compass’ policy to make donations to political parties. However, it is possible that certain routine activities undertaken by Compass (e.g., the charitable donation of food waste or the hosting of events or promotional activities) might unintentionally fall within the wide definition of matters constituting political donations and political expenditure under Part 14 of the Companies Act 2006. The Companies Act 2006 requires shareholder authorisation for political donations to, and political expenditure in support of, political parties and political organisations and makes the Compass directors personally liable for any unauthorised political donations or political expenditure. Compass, like most UK listed companies therefore asks shareholders annually to approve political donations and political expenditure up to a fixed aggregate amount (£100,000 in our case) in relation to routine activities.

9. Question: I am very happy to have the AGM here. Please can you explain resolution 18.2? I just don’t understand what making donations to political organisations other than political parties means can you explain what that is or what that means?

Answered by Ian Meakins.

I think this is the same point as political donations, can we pick up the detail regarding this after the meeting? Thank you.

Post meeting response: Organisations that are not political parties but which carry on (or intend to carry on) activities that can be reasonably regarded as supporting a political party or an independent election candidate (or influencing voters in relation to a UK referendum) are defined as “political organisations” in Part 14 of the Companies Act 2006 (and are distinguished in that legislation from “political parties” registered under Part 2 of the Political Parties, Elections and Referendums Act 2000). Examples of “political organisations” could include charities, non-profit or other organisations whose core values (such as the protection of the environment, animal welfare or social housing) are aligned with those of political parties or candidates. The Companies Act 2006 requires shareholder authorisation for political donations to, and political expenditure in support of, “political organisations” in the same way as it applies to “political parties” and Compass, like most UK listed companies, therefore asks shareholders annually to approve political donations and political expenditure up to a fixed aggregate amount (£100,000 in our case) in relation to routine activities.
10. Question: Politicians and economists keep banging on about our balance of payments and how the country as a whole should be doing a lot better in respect of both visibles and invisibles. As far as I know, you would come under invisibles being in the service industry, but I don’t know when you actually get involved in any visible trade at all. Can you say what you’re doing to help the situation and also how do you actually declare to Revenue and Customs your trade figures so that they get an accurate clear figure of your invisibles?

Answered by Ian Meakins.

I am not sure I understand the question. May I propose we pick up the question after the meeting to understand the question?

Post meeting response: Compass Group operates a decentralised model, in which our country and sector brands predominantly source food from suppliers based in-market and employ local labour. For example, our UK & Ireland business does not export any goods or services and only imports c.20% of food. Across the Group, there is very little cross-border trade activity with minimal imports and exports, which therefore would not show in balance of payment data between the UK and the rest of the world. Whilst the Group completes ONS statistic returns as required, this information would not be reported to HMRC.

11. I notice on page 83 of the Nomination Committee Report that you talk about senior management succession. I was wondering if you could expand on this, especially in relation to the US which is the majority of the business? The US CEO sits on the Board and that Board member I’m afraid to say, is slightly older than me and about to reach retirement age, and I haven’t seen any other American CEO or deputies mentioned anywhere.

The next question is the same one I asked two years ago. Should we float off the American business as a separate entity?

Answered by Ian Meakins.

I’ll answer the first part and Dominic can answer the second. The Company takes succession planning incredibly seriously. The business has performed very well, particularly the business in North America led by Gary, they’ve had spectacular success. Clearly it is critical to have the right succession throughout the whole of the organisation including all of the senior roles. We review that regularly with Gary at the Board and I think the Board feels very comfortable that we have very good succession planning in North America. Dominic and the rest of the Executive team do the same process throughout Europe and the Rest of World, so we take succession planning incredibly seriously. Clearly, I’m not going to get into any specifics today, but rest assured we are we are right on top of it.

Answered by Dominic Blakemore.

I think first and foremost let’s recognise that we are a decentralised business with accountability in the country and in the regions, so we’re not holding back our North America business from making any decisions that they would make if they were independent, albeit it sits within a strategic and a governance framework. Secondly, we believe in sharing best practice around the Group. It’s fair to say we get the majority of our best practice from the US business into the rest of the Group, and we benefit as a result of that, and that’s something
which I think is very important. Thirdly, we have a number of international clients that want a seamless Compass service across different markets globally and that can be originated out of the UK, out of France, Germany or the USA and we need to be able to demonstrate that we can deliver that, and we believe that's important to being a global group. And finally, being UK listed has not starved us of US investment. 40% of our shareholders are US institutions and therefore we don’t see any net benefit to what you suggest. Any strategic transaction like that would be incredibly distracting for the Group and we’re very happy with the structure of the business as it stands today.

12. Question: I am also a supporter of ShareAction. My question is on the living hours standard and the real living wage both established by the Living Wage Foundation. Firstly, on the living hours standard, it gives employers the opportunity to provide staff with security and stability which is so important, especially nowadays. It is accredited with providing workers with decent notice periods for shifts, at least four weeks’ notice payment if the shift is cancelled in that time, the right to a contract that reflects the actual hours worked and the guaranteed minimum of 16 hours a week unless they request otherwise. How does the Company's approach to contracts and current practices compare with this and is it prepared to become an early adopter of this standard?

Secondly, last year I asked the question on the living wage and was told that two of the five sectors were around 98% compliant with the real living wage. This year, I submitted my question in advance of the meeting and I was told that 60% of the UK workforce are paid at the real living wage or above. I was told this by Investor Relations, which was a surprising disappointingly low proportion, it means 40% of your UK workforce are paid below the living wage. What progress has been made towards making all contracts living wage compliant?

Lastly, would Compass Group be willing to meet with ShareAction and the Living Wage Foundation to discuss this further as you have done regarding the ethnicity pay gap?

Answered by Dominic Blakemore.

First comment, it is important to provide a fulfilling and stable environment for our colleagues. I think we should start by saying 95% of our UK workforce are on full-time contracts so 5% would be on zero hours contracts or have guarantees of less than 16 hours per week. We think that's a good starting point. In addition, for that group it's the most flexible work in our business, typically at sports and leisure events and in many instances that arrangement works for the clients, ourselves as well as for our colleagues. We try to keep the use of those types of contracts under regular audit to ensure that they are the right and best approach for the worker, but we recognise there's more to do. Of that 95%, it's important to say that the average hours worked is over 30.5 per week, and in many instances we are providing security for the vast majority of our workers. On the point you made about the right to notice of cancellation and so forth, we are building those into our processes, albeit without being a signatory to the living hours standard and absolutely it is something we'd be delighted to meet with you to discuss.

In terms of real living wage, we are advocates of a real living wage and all of our direct employees are living wage recipients. Indirect is where we employ colleagues through client contracts. Whilst you say it is disappointing, we have made progress from 30% of our workforce in 2020 being real living wage beneficiaries to 60% now, so we've doubled that
quotient. It's also important to recognise that is it is more challenging to utilise real living wage within public sector contracts - something we’re advocating for. Separately, the average life of a contract is five years and it is often difficult to change contract terms mid-contract, and so we seek to make amendments when we negotiate for rebids or when we are winning new business and we will present for new business on a fully costed real living wage basis and advocate that to our clients.

***End of Q&A***