

# Compass – Engaging in stewardship



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## Background

Engagement is a cornerstone activity of our stewardship efforts. Most of our engagement activity is driven through our strategic themes of climate change, social & financial inclusion, health, biodiversity, innovation and governance & corporate culture. However, our Responsible Investment team works closely with our different investment teams, providing input and support to aid better investment decisions. This can result in more ad hoc engagement, where we are looking for clarity or information around particular areas of interest.

A great example of this in 2022 was our engagement with Compass Group. This was an existing holding across our Sustainable range, as well as in a number of UK equity funds. Our Sustainable Investment team were carrying out regular reviews of the company and were looking for further information on diversity policies and practices at the company. This sits clearly as part of our Sustainable philosophy, where we are looking for leaders in environmental, social and governance practices.

Compass is a British contract food services provider. The company operates across 45 countries in 55,000 client locations, employing around half a million people. With such a breadth of employees, the Compass board had recently established its 'people commitments' and identified areas where it could make improvements on diversity – particularly on leadership, teams and diverse talent. We felt the company was better than many already in this area – with the detail provided on recruitment of new non-executive directors a clear example of this.

## Action

We met with the company's Group Chief People Officer and one of their independent non-executive directors who is also their Workforce Engagement lead. We were looking to learn how measures on diversity, and specifically on ethnic minorities, were being implemented and measured across the business.

To help gain further insights, Compass collected self-declared data on its workforce, with information fed from its employee engagement surveys across gender, ethnicity, age etc. The data collected included about 80% coverage of its US employees and a portion of its UK workforce, with data protection rules making this harder in some of the areas that the company operates in.

Based on its analysis of its US data, Compass was able to prove that when they had more women in leadership teams, they enjoyed more business success, and also saw proportionately higher levels of engagement from ethnically diverse employees in the US. In the UK, Compass is focusing on socio-economic diversity and plans to look at their recruitment practices. On bias and prejudice issues, the company explains this often starts with ignorance

and the company is working to remove preconceived ideas and cognitive bias through education.

## Outcome

We are long-term holders of Compass and were encouraged by this engagement – we continue to see the company as a leader in this area. We were impressed with the plans and initiatives being rolled out and encouraged them to disclose more of this detail to investors and stakeholders. To that end, we welcome the company's intention to publish more on their progress, which they did later in 2022.<sup>1</sup>

In this instance, the scope of the engagement was less around a need for immediate action, but around gaining greater insight into a particular aspect of the company. The company themselves have highlighted areas that they will look to improve, such as the proportion of female senior leaders, but the increased transparency of the company is in our view a welcome sign that they are committed to this course of action.

## Investment risks

The value of investments and the income from them may go down as well as up and is not guaranteed. Investors may not get back the amount invested. Strategies that seek to invest in sustainable holdings may only be able to invest in holdings that demonstrate compliance with certain sustainable indicators or environmental, social and governance (ESG) characteristics. This reduces the number of securities which may be available and there may as a result be occasions where it forgoes more strongly performing investment opportunities, potentially underperforming non-sustainable strategies.

Discover more about our engagement activities in our [Stewardship and responsible investment report](#).

<sup>1</sup> See page 113 in the 2021 annual report here

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Ref: TH RLAM PD 0079