

# 2018 Corporate and social responsibility report

## Highlights

### UK Plastics Pact

Founding member of the UK Plastics Pact, working with partners in order to be industry leading in sustainable packaging.



### Animal Welfare

Hilton are the highest new processor entrant, ranking in tier 3 in the global welfare benchmark in 2018. We are highlighted in the report for our supplier engagement.



### Carbon Disclosure Project

Our CDP Score improved in 2017. We are introducing advanced energy management systems. Our facility in Ireland reduced energy intensity by 28%, achieved certification to ISO 50001, and is utilising 100% renewable electricity.



### Cool Farm Alliance

Hilton conducted farm trials of the new Cool Farm Alliance tool that assesses the greenhouse gas and environmental impacts of beef farms. We are helping develop more accurate impact measures, and this resulted in an award from Tesco.



### Deforestation

We are committed to sourcing responsible soy through the UK Round Table on Sustainable Soy. We also signed the statement of support to the Cerrado manifesto through FAIRR.



### Food Waste Reduction

We published UK food waste data for the first time as part of our commitment to Champions 12.3, the global initiative to halve food waste by 2030 in support of the UN Sustainable Development Goals.



### Seafood Ethical Action Alliance

Founding member and first chair of the UK Seafood Ethical Action Alliance. Co-funded with Tesco development of the SEDEX Fishing Vessel Assessment Module.



### North Atlantic Cod

Founding partner, together with Greenpeace, in the award winning Industry Group Agreement to Cod fishery in the Northern Part of North-East Atlantic. This protects vulnerable areas of the Arctic seabed from trawling as the ice recedes.



## Our commitments

### Courtauld 2025

We have signed up to Courtauld 2025, a voluntary commitment to reduce the resources required to produce food in the UK by 20% by 2025, as well as reducing food waste by 20% by 2025. We will achieve this through advanced energy monitoring software and implementing an ISO 50001 certified energy management system. This gives us continuous monitoring on the effectiveness of measures to reduce energy consumption and water usage.

### Champions 12.3

We have signed up as a 'Friend of Champions 12.3', an initiative to deliver the United Nation's Sustainable Development Goal 12.3 – to halve our food waste by 50% by 2030. Case studies from our UK factories are featured on the Tesco website. Innovation in packaging materials and process controls is already delivering waste reduction across our product ranges.

### UK Plastics Pact

By 2025, the UK Plastics Pact will transform the UK plastic packaging sector by meeting four world-leading targets for plastic packaging.

1. Eliminate problematic or unnecessary single use packaging through redesign, innovation or alternative (re-use) delivery models by 2025
2. 100% of plastics packaging to be reusable, recyclable or compostable by 2025
3. 70% of plastics packaging effectively recycled or composted by 2025
4. 30% average recycled content across all plastics packaging by 2025

### UK Soy Roundtable on Sustainable Soya

We are committed to sourcing soya that is legal and cultivated in a way that protects against conversion of forests and valuable native vegetation, and achieving meaningful and demonstrable progress towards this goal by 2020.

## Introduction

Hilton recognises the social, ethical and environmental responsibilities associated with being the first choice partner for our retail customers. Our total partnership approach and commitment to non-negotiable ethics is framing the development of our global CSR strategy. The Group is committed to working in an ethical, open and honest manner to produce products of the highest quality, responsibly and sustainably. Our reporting will demonstrate that we are incorporating sustainability into how we do business, going well beyond disclosure.

Our vision is to deliver to consumers a choice of quality sustainable and accessible proteins and drive innovation and best practice in our supply chains and factories.

Hilton is informed by the scientific reports that give a compelling challenge to the global food industry to work together to ensure a sustainable food system for the future. We understand that no single company can tackle these challenges alone. We recognise our responsibilities to measure and reduce the impacts of our own operations, our supply chains, and our products by a long term collaborative effort.

Our social commitment is to look after the wellbeing of our people and to assess, and where necessary help improve, the wellbeing of people in our supply chains collaboratively with our suppliers.

The Board has general oversight for CSR activities, along with corresponding risks and opportunities. The CEO has overall responsibility for the Group's operations, which inherently includes the sustainability of our business. The Board is updated on the CSR agenda and progress towards our own, and our customers' targets, at least every six months.

The Executive Leadership Team (ELT) is the operational tier immediately below the Board and reports into the CEO. They are responsible for ensuring that the business strategy considers climate related risks and mitigation. The Chief Quality and CSR Officer is responsible for the Group CSR strategy within the ELT. Hilton is enacting a strategy to address climate related risks as described on page 33.

The descriptions of our actions and the associated declarations contained within this Corporate and social responsibility report are structured as far as possible in accordance with the recommendations from the Task Force on Climate-Related Financial Disclosures, to provide decision-useful information to investors and others.

## Quality and Food Safety

Hilton is committed to working in an ethical, open and honest manner to produce products of the highest food safety and quality. This is underpinned by our Group quality policy which outlines our commitment across the Group to:

- food safety, product quality, legality and integrity;
- the achievement of customer satisfaction by adherence to product specifications and service requirements;
- adequate resources in the pursuit of 'continuous improvement' for our products, processes and our people; and
- a programme to develop a food safety culture.

Our commitment to food safety and quality combined with our first-class manufacturing facilities and our customer focus makes us the first choice for our retail partners.

### Retail packing at Hilton

We are proud of our modern specialised processing and packing facilities which use state of the art production equipment, including a high degree of automation and use of robotic equipment which minimises handling. This combined with our high standards of hygiene and our temperature controls ensure we meet our customers' expectations for quality throughout the product's shelf life.

Our well trained production operatives are responsible for the quality of our retail partners' products and they are supported by highly qualified and experienced quality assurance and technical teams at each site. Each of our sites undergo independent third party accreditation to a GFSI Global Food Safety Initiative recognised certification scheme.

Our retail customers make frequent visits to our sites, which in some cases includes unannounced audits and visits as part of their own surveillance.

This level of attention is a valuable part of our partnership with our retail customers and gives consumers confidence that Hilton can consistently meet their expectations. All of our sites received the highest levels of third party and customer audit results in 2018.

We maintain strong links with academia and technological advances, working alongside Campden BRI, Danish Meat Research Institute and Teagasc Ireland and attending the annual International Conference of Meat Science and Technology. We are also members of a number of trade associations such as British Meat Processors Association, Food and Drink Federation and Seafish.

### Product standards

The quality of the raw materials used in our products contributes significantly to the achievement of consistent finished product quality. We work closely with our suppliers to set clear specifications for the products they supply. Monitoring incoming raw material quality combined with close control of the processes we follow in our manufacturing operations ensure we are able to consistently meet the best in class specifications our retail partners set for our products.

### Supply chain integrity and traceability

Hilton strives, in partnership with our retail customers, to successfully deliver safe, consistently high quality, convenient and ready to use products that ensure the highest level of consumer satisfaction. Our products are governed by EU and international legislation and food safety standards throughout the supply chain. Additionally our retail partners, who support the Global Food Safety Initiative, demand the best animal welfare standards, food factory standards and quality systems to enhance their levels of brand integrity.

# Corporate and social responsibility report

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We partner with the best suppliers that share our absolute commitment to quality, food safety, welfare of people, animal welfare and sustainability. We are committed to ensuring the integrity and traceability of the raw materials we use in our products, this includes the meat, fish, ingredients and packaging. We have developed our own supplier standards for each raw material group which clearly state the standards we expect our suppliers to operate to. Every meat supplier is audited by our audit team at least every two years. For ingredients and packaging, the audit frequency is determined by risk assessment which looks at a combination of raw material and supply chain threat and vulnerability, horizon scanning and supplier history. We use this information to determine whether we will audit the supplier ourselves or approve them based on independent third party audit such as the BRC Global Standard for Food Safety.

We have full traceability back to the farms and fishing vessels that supply the slaughter operations and primary processing factories in our supply chains. We also buy directly from many fishing vessels that freeze their catch at sea giving us direct relationships with the major fishing quota owners. Our supplier approval process gives us full transparency on the safety, quality, traceability and provenance of the raw materials we use. This ensures our product labels correctly describe the provenance of the product, including its species and country of origin so that consumers can have trust in the products we produce.

Hilton continually develops and refines testing methods, data collection and reporting. Samples collected from raw material deliveries are assessed for compliance to microbiological standards and compliance to agreed quality specifications including increasing use of DNA testing. Results are used to assess the performance of suppliers and achieve continuous improvement.

We are members of the Food Industry Intelligence Network where we compile industry wide compliance statistics and share intelligence on suspected food fraud.



### Animal welfare

At Hilton, animal welfare is central to our values and integral to our business, to enable us to meet our customers' expectations for high quality, sustainably reared livestock and farmed fish. Together with our retailer partners, suppliers and farmers we are committed to the development and implementation of high welfare standards for animals and farmed fish across our global supply chains, from breeding and rearing to transportation and slaughter. As a global business, we aim to share learnings across the different markets in which we operate, using our influence to drive progressive improvements in animal welfare that meet and exceed legal requirements.

Our approach is based on the Five Freedoms of the Farm Animal Welfare Council (FAWC):

1. Freedom from hunger and thirst
2. Freedom from discomfort
3. Freedom from pain, injury or disease
4. Freedom to express normal behaviour
5. Freedom from fear and distress

It is necessary that all parties in the supply chain work together collaboratively to ensure high welfare standards for animals from breeding and rearing to transportation and slaughter. This is detailed in our animal welfare policy which contains the following principles:

1. All applicable laws and legislative requirements are met, and where possible slaughter facilities and farms are certified to independent farm assurance schemes
2. Antibiotics are used as little as possible without compromising animal welfare, through better site hygiene, husbandry, biosecurity and other preventative measures
3. All animals and farmed fish are effectively stunned prior to slaughter
4. The avoidance of routine procedures such as tail docking and the use of suitable pain relief where they are used
5. The avoidance of close confinement and, where appropriate to the species, the promotion of environmental enrichment
6. Travel times are kept to a minimum and for livestock are not greater than eight hours
7. No animals/farmed fish are from cloned stock or subject to genetic engineering
8. No use of growth promoting substances or hormones
9. The use of welfare outcome measures to monitor standards objectively, and to use targets and benchmarking to drive best practice across the countries from which we source

We are committed to publicly reporting our progress and regularly review our policy in a process of continual improvement based on our own learnings, the future needs of our customers, the latest developments in scientific research and our ongoing engagement with experts in the field including NGOs.

The policy is enacted via purchasing from farm assurance certified sites, audits of abattoir and fish slaughter standards, and sample farm audits by either our own team or specialist welfare auditors. Hilton are also directly engaging to continuously improve welfare standards in collaboration with our suppliers.

## Hilton's supplier engagement in animal welfare

Hilton works with supply chain partners to understand where further improvements can be made on animal welfare. This includes:

- Facilitating the provision of fish welfare training by European experts to fish farmers in Turkey and Vietnam.
- Sharing the findings from an audit of a salmon slaughter plant in southern Norway, which revealed an opportunity to improve the flow of salmon into the entrance of the electrical stunner to ensure a head first alignment and thus a more effective stun. In Norway, the actions agreed from a salmon slaughter audit resulted in the improved segregation of lumpfish (which help clean sea lice from salmon) during live grading, to ensure both species are stunned correctly.
- Working collaboratively with Tesco and other leading protein producers as members of Tesco Producer Groups to assist in developing their welfare and environmental farming standards.
- Participating in UK food industry innovative on Antimicrobial, which is looking at the livestock industry's use of antibiotics for the treatment and prevention of disease and the actions that can be taken to reduce usage and contribute towards a reduction in the growth in human antibiotic resistance.
- Contributing to the development and improvement of global welfare standards, for example providing expert fish welfare input into the development of the fish welfare standards within GlobalG.A.P. and other standards.
- Working with its farmed salmon suppliers in Norway to support improvements in sea lice prevention.
- Investing in the exploration of farming technology innovations including closed containment systems and offshore salmon farming.

## Partnerships for growth

We forge partnerships across all aspects of our supply chain to enable us to strengthen our position as one of the leading global business to business food companies. Our core competency has always been building strong and productive partnerships with our retail customers in each geographical zone we are active in to supply high quality products at the right price to meet their demands. However, in an ever-changing business environment, the requirements of a true partnership go beyond the supply and demand approach. Our focus is to provide a unique, unrivalled service to our customers to support their market growth aspirations. We work closely with each of our customers to identify both global and local market trends which will help us create the next generation of products that will meet the everyday needs of their consumers. We have established three culinary innovation centres fully equipped with state of the art culinary equipment and staffed by some of the leading industry chefs and food technologists. The ambience of our culinary innovation centres has been designed to create an open and stimulating environment in which creativity can flourish.

There is nothing like good food to bring people together so it is in our culinary innovation centres that we discuss and share concepts with our customers. Cooking, tasting and then making those all-important final tweaks to create the perfect concept. Our skilled chefs and technologists then set to work on the scale-up process taking the concepts from the kitchen pan to industrial products that can be consistently produced, on an industrial scale, maintaining organoleptic quality, product integrity and operational efficiency throughout the supply chain to meet all of our customers' expectations. With these facilities we deliver exciting, innovative and delicious product range extensions, seasonal product ranges and market leading innovative new products.

We have established partnerships with key suppliers whose core capability is the development of innovative ingredients. By working closely in partnership with our suppliers we can combine our extensive, in-depth understanding of food production on an industrial scale with their expertise to develop a delicious portfolio of innovative products designed to match consumer expectations.

In parallel to our ingredient partnerships we also realise the value of building stronger alliances with key suppliers of the processing equipment that is required to deliver the large volumes of products that leave our manufacturing sites every day. Technology is changing at an ever increasing rate across the food industry resulting in new and exciting equipment entering the market which can improve the efficiency of operations and deliver new and innovative products whilst continuing to enhance the stability and security of the products offered to the consumer. Rather than waiting for new technologies to arrive on the market we are working in close partnership with key equipment suppliers to develop equipment that specifically meets the needs of our operations. To facilitate this, we are creating a number of product focused centres of excellence which are the custodians of our internal technology know-how where we focus development programmes carried out in conjunction with our key partners. As well as being technology custodians the centres of excellence are responsible for the rapid roll out of successful innovations and developments across our businesses to ensure we consistently deliver operational excellence at each of our manufacturing sites.

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### Awards and innovation

Hilton takes great pride in its products and we are delighted when the quality and innovation of these products is recognised. During 2018 we received a number of national food and taste awards.

In the UK we won Bronze with the Tesco Finest Dry Aged Ribeye Steak. The Saucy Fish Co.'s Cook from Frozen Herb Crusted Salmon with Lemon Butter Sauce came second in the 'Best Protein' category of Coach Magazine's Healthy Food & Drinks Award.

In Ireland we won a number of awards with the most notable being Gold at the World Steak Challenge for the Tesco Finest Irish Angus Beef Fillet Steak and the product also won two stars at the Great Taste Awards and was a winner at the Irish Quality Food Awards. Tesco Finest West Cork Dry Aged Ribeye won awards at the Quality Food Awards, Bronze at the World Steak Challenge and three Golden Stars at the ITQI Awards. Several other awards were achieved in Ireland at the Great Taste Awards, Blas na hEireann, Free From Awards, World Steak Challenge and ITQI across a number of product categories including roasting joints, steaks, sausages and rashers.

Sweden's minced meat was the winner in Sweden's leading and largest evening paper Aftonbladet and our Portuguese Beef Burgers won 'Product of the Year' with our customer.

## Sustainability

### Sustainability initiatives in supply chains

Hilton Food Group is engaged in collaborative action to address the sustainability challenges and opportunities that we have identified together with our suppliers and customers. Our global CSR programme will integrate existing work streams on meat and seafood.

Hilton Food Group actively participates in the following collaborative initiatives:

- UK Food Industry Initiative on Antimicrobials – measuring and addressing the root causes of antimicrobial usage in animals.

- UK Roundtable on Sustainable Soya – a 'pre-competitive' forum for companies and industry associations to work together, with the support of government, towards a sustainable soya supply chain for the UK. Hilton have conducted on farm surveys of soya use in feed and therefore estimated our total soya footprint. Certification credits will be purchased equivalent to this volume. The next step is to engage with the major feed producers and farming organisations to purchase certified soya directly where possible.
- European Roundtable for Beef Sustainability – where we agree measures and objectives with the aim of recognition in the beef value chain for delivering measurable positive impacts and continuous improvement towards key sustainability priorities.
- UK Cattle Sustainability Working Group – to deliver the ERBS objectives in the UK. Hilton are testing and helping to further develop the Cool Farm Tool for beef, on rearing farms together with our suppliers.
- WRAP Beef working group – supporting implementation of sustainable production indicators and collaboration in sustainability focused innovation.
- Sustainable Seafood Coalition – we were the first members and helped to write the industry codes that define responsible sourcing.
- We are founder members of the two UK Common Language and Seafood Ethics Common Language Groups for environmental and social sustainability. These convene industry, retailers, government, NGOs and scientists to inform and address the issues in the ocean, land based aquaculture, and their supply chains.
- We chair the Seafood Ethical Action Alliance – a coalition of retailers and processors dedicated to improving the lives of the workers in our collective supply chains.
- We chair the Seafood Industry Alliance – the voice of the industry to the UK government.
- We helped negotiate and manage the Barents Sea Agreement – a voluntary agreement to protect vulnerable marine ecosystems in the far North Atlantic, together with Greenpeace.



Our seafood CSR programme, Quality Naturally, has three pillars:

- Sustainability – growth from responsible aquaculture and ensuring there are enough fish in the sea for future generations;
- Ethics – respecting people who work in our supply chains and factories and working to safeguard good welfare and working conditions; and
- Authenticity – transparency and trust in our supply chain to assure to our customers that we sell what it says on the label.

### Supporting eco-labelling of seafood

#### Wild capture fisheries

Where possible wild catch species are independently certified to the Marine Stewardship Council's standard for a well managed and sustainable fishery. Where fisheries are not yet certified we actively engage in and help fund the fishery improvement projects and certification assessments.



#### Aquaculture

All of our aquaculture species are independently certified to either GlobalG.A.P., BAP, or the Aquaculture Stewardship Council's standards for responsibly farmed seafood.



- We are members of several fishery improvement projects aimed at achieving MSC certification, including nephrops (scampi), lemon sole, and Chinese squid.
- We are on the main board and technical committee of the global Responsible Fishing Scheme.
- We are members of the aquaculture standards committee for GlobalG.A.P.

## Environment

The Group takes all practicable steps to manage carefully the impact on the natural environment of our own operations. We comply with regulations, identify climate related risks, and we plan to set Science Based Targets to ensure our efforts are backed by science and recognised as sufficiently ambitious to deliver our contribution to society wide climate change mitigation.

### Regulatory compliance

The Group is in full compliance with all environmental regulations, permits and consent limits which apply to each of its packing plants in each country of operation and views such compliance as a high priority, looking to make continuing improvements with respect to the environment in all its operations whilst ensuring that we manage our environmental performance in accordance with evolving legal and regulatory requirements and international standards.

Anticipated regulatory compliance is also taken into account. Future impactors include, but are not limited to, evolving packaging and environmental tax systems in the countries that we operate. For example the UK is aiming to reform packaging tax in 2022 for higher tax rates for packaging materials with less than 30% recycled content, which could impact our business.

## Climate related risk identification and mitigation

We are committed to assessing and continuously reducing the impacts of our operations. This includes reducing our waste, reusing or recycling where practicable, and exploring how we can improve biodiversity around our sites.

Climate related issues are integrated into multi-disciplinary Company wide risk identification, assessment, and management processes. We consider short term to be 0-1 years, medium term 1-5 years and long term 5-50 years. Our assessment shows climate related risks will impact in the medium and long term.

The Group operates a Risk Management Committee to identify risks, which are compiled into a risk register. The size and relevance of these risks are evaluated on the basis of the size of impact they would have on volume produced and the potential for shareholder or customer concern. If these risks were to pose a greater than 1% reduction in profits, they would be considered as 'substantive'.

We also utilise our customers' processes for continually identifying climate related risks by maintaining constant communication between our mutual CSR teams. Please review the Risk management section on pages 24-27 for additional detail.

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### Relevant climate related risk types

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|                            |   |
|----------------------------|---|
| <b>Current regulation</b>  | Full legal compliance to regulation forms the basis of our systems and responsibilities across all of our business activities. We take this seriously as there is a possibility of financial and reputational impact of not complying with legislation related to climate impacts.  |
| <b>Emerging regulation</b> | We are a progressive and strategic business and therefore it is important to consider the changing landscapes of regulation in the countries that we operate. Regulation can change quickly with regards to sustainability so it is essential to monitor emerging regulation and where appropriate engage in its development.   |
| <b>Technology</b>          | Technology forms much of the foundation of control and efficiency of our operations. Risk mitigation is often possible by investment in technology and we consider the risks and impacts from failure of systems and processes.   |
| <b>Market</b>              | The retail partners that we supply can often dictate the direction and speed of change towards climate related objectives for their products. Therefore it is important that we include market forces in our risk assessments. Costs associated with inputs (energy/water) and outputs (waste) will also continue to fluctuate in the market.   |
| <b>Reputation</b>          | Inherently important for a public company with multiple customers, employees and investors. Our reputation is as a responsible supplier focused on improving the sustainability of our supply chains with trusted supply chain partners. We take our responsibility for the reputation of these supply chains very seriously. Customer demand for products could also be affected by climate related reputational issues which could indirectly affect our business.    |
| <b>Acute physical</b>      | We assess the liability to extreme weather events such as flooding. It is imperative that we assess and monitor the evolution of these acute physical risks to our direct operations, and upward through our supply chain. Using a diverse number of suppliers mitigates our inherent acute physical risk.  |
| <b>Chronic physical</b>    | These include the rise in average temperatures and sea levels. Climate changes may also affect supply chain productivity resulting in increased costs and add complexity to the supply chain.   |
| <b>Upstream</b>            | If our supply base was subject to climate risks this would have an impact on the availability, and quality of our fresh products. It is important for Hilton to monitor potential impacts from climate change through our supply chain to ensure we uphold our reputation for quality and service.  |
| <b>Downstream</b>          | We collaborate in mitigation of risks with our retail partners. This process has formed much of the basis of our current sustainability initiatives and commitments. Therefore understanding possible climate related risks downstream in distribution and customer choice of products is vital for our Company. Understanding the impact on consumer choices in the food they consume is important to guide the future development of food products and supply chains. |

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### How the identified risks and opportunities have impacted our business

|                                      |                  |   |
|--------------------------------------|------------------|---|
| Products and services                | Not yet impacted | We have not seen a clear indication of reduced consumer demand on a broad spectrum.     |
| Supply chain and/or value chain      | Not yet impacted | We have not encountered recent, substantive and measurable effects on our supply chain. |
| Adaptation and mitigation activities | Impacted         | Some increased capital investment costs to increase energy efficiency.                  |
| Investment in R&D                    | Not yet impacted | We cannot attribute this solely to climate related influences in our business.          |
| Operations                           | Impacted         | We have realised reduced energy usage in certain sites and processes.                   |

### How the identified risks and opportunities have factored into our financial planning process

|   |   |   |
|---|---|---|
| Revenues                                | Impacted in line with operating costs                     | Through our cost plus agreements with our customers changes in operating costs feed into revenues. We are dedicating more resources to CSR which has the potential to positively affect revenue.  |
| Operating costs                         | Impacted  | Certain examples of reduced energy costs due to efficiencies and technology such as LED lighting, the latest machinery and carbon management software. Increased costs may come, for example, from higher compliance costs or insurance premiums in the future. |
| Capital expenditures/capital allocation | Impacted  | Specification of equipment that Hilton purchases and the design of any new factories will have regard to the latest climate related risks and opportunities where Hilton strives to be efficient with as low an impact on the planet as possible.               |
| Acquisitions and divestments            | Not yet impacted  | Climate related issues yet to be attributed to acquisitions and divestments. Seachill, acquired in 2017, has a strong track record for driving sustainability through the fish supply chain.  |
| Access to capital                       | Impacted for some suppliers, facilities, or product lines | Increased internal funding for climate related innovation is available subject to normal commercial justifications.   |
| Assets                                  | Impacted for some suppliers, facilities, or product lines | Future proofing our assets in terms of climate related issues is factored into the building process for new and upgraded buildings.   |
| Liabilities                             | Not yet impacted  | Yet to calculate the financial planning process to liabilities with regards to the impact of climate related influences.  |

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### Carbon footprint and greenhouse gases

The Group has complied with all the mandatory reporting requirements under the Companies Act 2006 (Strategic report and Directors' reports) Regulations 2013. The Group's scope 1 and scope 2 carbon footprint has been calculated using a mixture of DEFRA and IEA emissions factors. An appropriate ratio to express the Group's annual emissions in relation to its activities by way of product volumes produced is given below.

We assess the climate related risks and energy saving opportunities in our factories and develop improvement plans for our site operations and process efficiency aimed at meeting our carbon reduction targets.

Our target is to reduce our scope 1 and scope 2 intensity in line with the Science Based Targets Initiative (SBTI) requirements. To this end we are submitting targets for approval by the SBTI based on a 34% reduction in intensity by 2030.

Hilton is not directly engaged in the breeding, growing and slaughtering of animals, so the proportion of the total GHG footprint of retail meat and fish which can be influenced directly by the Group's packing activities is very small. We are however using our influence to engage in industry wide collaboration to help address climate related risks and opportunities in our supply chains in partnership with our key suppliers and retail customers. We are committed to supporting our customers supply chain target to reduce processing and agricultural emissions.

To address the greenhouse gas impacts from beef farming we have joined the European Roundtable on Sustainable Beef and we are carrying out on farm measurements in the UK to help develop the measurement tools needed to quantify the impacts of changes in practices and feed formulations.

Our seafood supply chain partners are investing in more efficient catching and farming operations that can also withstand the impacts of extremes in weather and longer term climate impacts.

Examples include:

- The connection of salmon farms to the mainland electricity supply in Norway that utilises fully renewable electricity generation.
- The use of water re-circulation technology in freshwater farms.
- The replacement of wild caught fish oils with cultured algal oils produced using energy generated from by-products of sugar and corn crops.
- At sea the catching vessels are using more efficient engines and lower drag fishing gear to reduce the energy needed and to be more selective to eliminate unwanted by-catch.

|              | Tonnes of CO <sub>2</sub> e |               |               |
|--------------|-----------------------------|---------------|---------------|
|              | 2018                        | 2017          | 2016          |
| Scope 1      | 9,450                       | 3,987         | 4,069         |
| Scope 2      | 35,598                      | 22,275        | 21,195        |
| <b>Total</b> | <b>45,048</b>               | <b>26,262</b> | <b>25,264</b> |

|             | Tonnes of CO <sub>2</sub> e per tonne of product |  |
|-------------|--|--|
| <b>2018</b> | <b>0.13*</b>                                     |  |
| 2017        | 0.11   |  |
| 2016        | 0.11   |  |

\*Increases in 2018 are due to the first full year of accounting for Seachill's emissions, along with the addition of Portuguese and Australian joint ventures. The majority of our pre-established sites have reduced their CO<sub>2</sub>e per tonne produced from 2017.

### Energy usage

Our processing and packing operations consume electricity, gas, water and industrial gases at all our sites and our management teams work to identify areas for further efficiency gains in terms of energy usage. The Group invests heavily in measuring and reducing energy usage within our state of the art high speed packing facilities which progressively reduce energy costs per unit packed. Over time the development of packing technology means that any given volume of meat can be packed with fewer high speed lines.

We are introducing advanced sensors and software across the Group to manage energy and water usage in real time and demonstrate the improvements made by better management, investment in efficiency and process and packaging innovation.

Hilton is introducing an Energy Management System (EnMS) in compliance with ISO 50001, the first site to be certified was Ireland in 2018.

Hilton is establishing Environmental Management Systems (EMS) systems to appropriate standards at each site. Whilst we are not committing to achieve certification to ISO14001 at all sites the systems are based on this framework, and the EMS at the Portugal site is certified.

Water use is driven by the need to deliver the highest standards of hygiene and its inclusion in the processing systems we use. Our water management control systems include local monitoring of individual processes and optimising the use in hygiene, to use it efficiently and responsibly. Performance on water usage is shown below.

|             | Cm <sup>3</sup> of water use per tonne of product |  |
|-------------|---|--|
| <b>2018</b> | <b>2.33*</b>                                      |  |
| 2017        | 1.68  |  |
| 2016        | 1.65  |  |

\*The increase in 2018 is due to the first full year of accounting for Seachill water usage along with the addition of Portuguese and Australian joint ventures. Fish processing is inherently more water intensive.

### Food waste

Hilton Food Group have committed globally as a 'Friend of Champions 12.3', an initiative dedicated to accelerating progress towards achieving the UN Sustainable Development Target 12.3 by 2030. This target aims to halve per capita global food waste at the retail and consumer level, and reduce food losses along production and supply chains by 2030. We published case studies highlighting the progress we are making to achieve this target in the UK on the Tesco website in 2018.

Our commitment will be achieved by addressing the root causes of food loss and waste, while continuing to meet stringent standards for quality and presentation. We are monitoring and centrally reporting food waste to understand our progress towards our targets. The food yield (comparing the weight of raw material with that incorporated in finished products) is monitored continuously across the entire product range at every Hilton site.

Hilton are also working with our retail partners to ensure that waste is minimised both in store and in the home, by maximising the available shelf life and offering consumers a choice of single and multi-serving pack sizes.

### Sustainable packaging

Our ultimate goal is to have fully recyclable and widely recycled packaging containing a high proportion of recycled material, which has the lowest possible carbon footprint. This applies to all formats and types of packaging.

Through the extensive use of state of the art packaging including skin pack technology our products benefit from an extended shelf life thereby providing food safety security and reduced food waste.

Hilton understands the sustainability goals of our customers and we are closely aligned with them in our joint desire to minimise the environmental impact of our packaging. Whilst the packaging formats used for our products are selected by our customers we bring expert advice and best practice to the selection process.

We ensure that when we develop new packaging we 'design for recyclability'. Every decision that we make considers the environmental impact that the new packaging will have, thereby ensuring that all decisions made are working in alignment with our goals.

We have strong partnerships with our key suppliers of packaging materials and work together closely as part of our sustainability agenda. We are conscious of the potential impact the use of plastic has on the environment. We are working with our key suppliers in three work streams. Firstly we are striving to maximise the use of recyclable trays across the Group and have started to move to the use of recyclable trays in our production.

The second work stream is focusing on the use of recycled plastic in product trays that we purchase. This also uses significantly lower energy consumption in their manufacture. Finally we are continuously setting the industry standard for lighter product trays which require less plastic. These trays are jointly developed and tested with our key packaging suppliers to ensure that although lighter they are still robust enough to maintain the required functionality and stability attributes.

## Workplace

### Health and safety

One of Hilton's top priorities is to achieve continual improvements in health and safety. The Group requires all its subsidiaries to achieve high health and safety standards within their individual operations. All subsidiaries conduct regular formal health and safety reviews. Managers and employees review policies, processes and procedures in order to ensure that risks are properly assessed, with appropriate actions taken in order to protect the safety of employees. At Board level Philip Heffer, Chief Executive Officer, is responsible for health and safety and environmental matters across the Group.

We monitor and review all near misses, incidents and accidents in the workplace so that we can take appropriate action to improve working conditions whilst remaining focused on reducing both the absolute number of accidents and the number of serious accidents. Formal reporting procedures are in place at every site so that the Group can monitor safety performance at a local level. There is a full time safety officer at each site who monitors the key measures for safety performance which include the number of serious and non-serious

accidents and the number of working days lost through injury, together with short and long term sickness levels. Key statistics are as follows:

|      | Average number of employees | Serious accidents | Recorded accidents per 100,000 hours worked | Sickness rate (%) |
|------|-----------------------------|-------------------|---|-------------------|
| 2018 | 4,127                       | 68                | 5.3   | 3.3%              |
| 2017 | 3,545                       | 40                | 4.5   | 4.8%              |
| 2016 | 2,948                       | 40                | 5.2   | 3.6%              |

### Our people

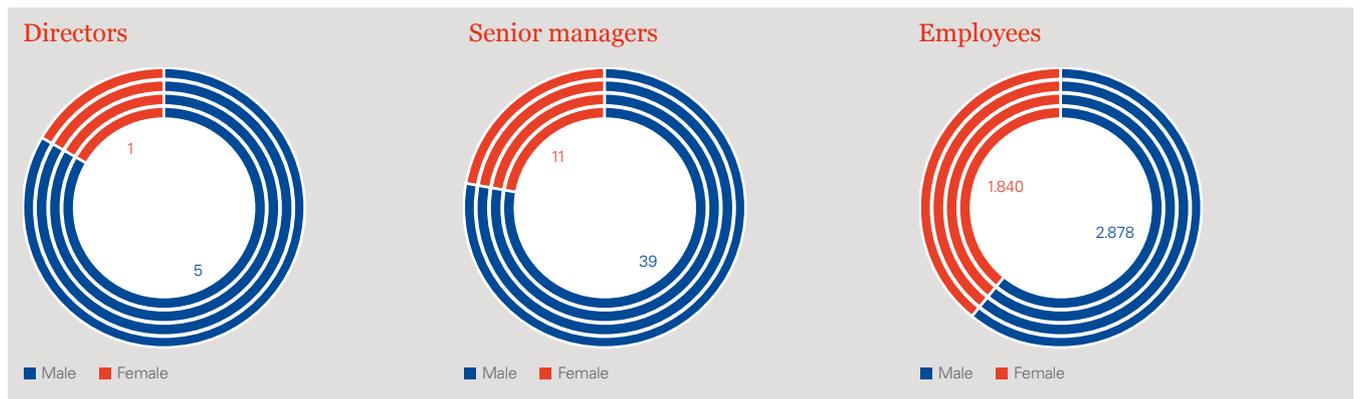
At Hilton we believe in a very simple equation which is that happy people at work results in happy customers and happy customers ensure our future successful growth. This is why we have in place a people strategy that sustains and builds colleague engagement and ensures that Hilton continues to be an attractive employer. This strategy and plan has three simple thoughts at its heart:

- The need to prepare for the future
- Creating engagement and advocacy
- Sustaining a high performance culture

### Preparing for the future

Attracting and developing the kind of talent we will need in the future, whilst also developing existing colleagues to their full potential is vital. We are an inclusive business. All our people are talented, and we ensure that we give equal access to all opportunities.

To support our aspiration a new learning and development blueprint has been developed which paints a picture of our ambition for learning and development within Hilton and provides a framework showing how we will support our people during their career lifecycle.



# Corporate and social responsibility report

## continued



Built on a common leadership competency framework, we have in place succession and capability management approaches that provide a clear picture of succession to our most senior roles and bespoke programmes to support the development of high potential colleagues. Our approach supports diversity and inclusion by ensuring that the capability of all leaders is reviewed and conclusions regarding future potential stem from high quality, evidence based conversations incorporating the consistent criteria established through the leadership framework. The approach is facilitated by our human resources teams to encourage healthy challenge and broad thinking and plans are in place to cascade this approach further into the organisation. The recruitment process for senior roles has also been updated to incorporate the same leadership competency framework. This ensures a balanced assessment of the candidate with greater emphasis on transferable leadership behaviours.

Gender diversity increased during the year through three female appointments into senior leadership roles, of which two were internal appointments, including our first female managing director. To further develop our diversity and inclusion agenda we have commenced a policy review which we will complete next year.

### Creating engagement and advocacy

Making sure that our people are genuine advocates for Hilton and that they feel connected and committed to the business is essential.

This year we launched a number of new initiatives including our first annual leadership conference and operating company town halls. Designed to ensure our colleagues are fully engaged and understand their contribution in delivering and supporting our purpose, ambition, principles and values as described by our new strategic compass. These vehicles also enabled the sharing of company performance.

We have also implemented our MyHFG app. Communicating with colleagues is always a challenge in a manufacturing environment. MyHFG enables us to get the information our colleagues need to them. It is also the vehicle by which our colleagues can submit questions and feedback to our Board. Additionally we continue to listen to our colleagues. In 2018, we conducted engagement surveys in a number of our operating companies and ensured robust follow up to continuously improve colleague experience. In addition, our operating companies ensure mechanisms are in place to consult our colleagues and their representatives in keeping with legislative requirements and cultural norms.

### Sustaining a high performance culture

Sustaining a high performance culture in which excellence is appropriately defined and rewarded is critical and even more so as Hilton experiences further growth.

A percentage of our senior leaders' short term incentive payment is linked to the delivery of their personal objectives. This is because we focus on ensuring that we reward the 'how' as well as the 'what'. Because, at Hilton, we believe the way we behave when we deliver is just as important as what we deliver. A particular focus of our leaders' objectives is one team and collaboration. This focus ensures we truly deliver on our principle of networked people & knowledge.

We have developed a total reward approach and commenced a review of roles to develop a Group wide approach to grading our managerial and support positions. In 2019 we will finalise our approach to total reward and grading.

For some time we have offered all colleagues the opportunity to participate in a Sharesave scheme. This enables those who choose to participate the chance to further gain from the success of Hilton, creating an even better understanding of company performance and supporting our high performance culture.

The Group, in common with most commercial undertakings, utilises external consultants, but, as their services could be contracted for with other similar parties, there are, in the opinion of the Board, no persons with contractual or other arrangements with the Group which are essential to its businesses.

### Social risk assessment and assurance for our people and those in our supply chains

Hilton Food Group are members of The Food Network for Ethical Trade (FNET) where we are elected members of the Strategic Advisory Group. FNET are developing an online risk assessment tool together with Anthesis that we will be using to evaluate all of the Hilton supply chains. This helps us to make informed business decisions about the need for social compliance audits and/or further collaborative improvement work. FNET are also developing global tools for addressing supply chain risks related to modern slavery such as addressing recruitment fees and we are integrating these into the training and development plans we are developing with our suppliers.

In our own factories we are implementing training programmes in the UK using materials provided by Stronger Together, an initiative supporting fair recruitment processes and to help identify victims of people trafficking.

Hilton are A/B members of SEDEX which is a collaborative platform for confidential sharing of responsible sourcing data and social compliance audits by our supply chains. SEDEX helps us to assess supplier performance around labour rights, health & safety, the environment, and business ethics and to drive continuous improvement.

We will be carrying out our first human rights impact assessment in a key supply chain in 2019 in cooperation with key suppliers and an international human rights NGO. This is an approach that goes beyond the first tier of supply right back to the suppliers of feed ingredients.

### **Trading relationships with partners and suppliers**

Strong and fair long term relationships with partners and suppliers are very important for Hilton. The Group's approach to corporate social responsibility is reflected in the way we behave with our suppliers which is open, consistent and honest. In the UK the Group follows the Better Payment Practice Code which requires a company to agree the terms of payment with its suppliers, to ensure its suppliers are aware of those terms and to abide by them. The Group policy is also to apply the requirements of the Code in each of its subsidiaries.

### **Ethical standards**

Hilton is committed to integrity. Ethical standards are very important in relation to the way we conduct our businesses and all the Group's employees are expected to behave ethically in their work and adhere to the Group's ethical standards. As an international group of companies we are fully aware of the broad spread of our responsibilities in all the countries in which we operate from protecting the environment to safeguarding the health and safety of our employees, respecting human rights, ensuring honesty, integrity and fairness in all our business dealings and operating our businesses in a safe and responsible manner.

### **Anti-bribery and corruption**

Hilton has a zero tolerance approach to bribery and corruption including the giving or receiving of bribes for any purpose. Our anti-bribery and anti-corruption policy contains our commitment to conducting business in an honest way and explains how any suspicious activity can be reported. A whistle-blowing policy continues to operate so that staff can in confidence raise any concerns about any actual or potential improprieties in relation to matters of financial reporting or any other aspect of our businesses.

### **Modern slavery**

We aim to ensure that the way we run our business prevents and deters any form of modern slavery and human trafficking from occurring anywhere in our business and supply chain. Hilton is dedicated to maintaining a fair and ethical workplace for all of our staff, and prohibits the use of all forms of forced labour and human trafficking. We have introduced a Modern Slavery Policy within the Group to ensure that slavery and human trafficking is not taking place in any part of our business or our supply chains.

We work to identify, assess and monitor any potential areas of risk in relation to our business and supply chains, and carry out regular quality audits of our meat suppliers. We also train relevant employees in the steps to be taken in the event of any modern slavery specific concerns.

### **Tax strategy**

Hilton is committed to paying the right amount of tax at the right time and complying with all relevant laws and regulations. With a low risk appetite we have a simple corporate structure based around our commercial operations. We do not engage in planning schemes or arrangements that could be considered aggressive or artificial in nature. Tax forms part of Hilton's policy whereby risks are assessed and appropriately managed.

## **Community**

### **Supporting our local communities**

As part of our commitments to wellbeing and sustainability, we continue to support the communities and local charities where we operate. We give food donations to local charities, sponsor sporting events, and provide work experience for local secondary schools and internships for graduates. During 2018, Hilton made charitable donations amounting to £97,256 (2017: £60,000).

The Hilton Food Group Charitable Foundation promoted our second charitable golf day during the year raising funds of £82,000 for East Anglia's Children's Hospices and The Cure Parkinson's Trust.

The Group seeks to be a good neighbour in all its locations. We are committed to social responsibility and believe that the success of our businesses will reflect the quality of the relationships we build with our communities and legitimate public interest groups. As an example in Denmark we have started a cooperation with Blue Cross to supply our surplus meat products to a local home for vulnerable people and their children.