

2019 Sustainability report

CEO Introduction 2019



Philip Heffer
Chief Executive Officer

I am pleased to report continued progress in 2019 against our strategic objectives by launching our comprehensive corporate social responsibility strategy, Quality Naturally. Our ambitious CSR strategy works across eight pillars in partnership with our customers and suppliers.

I am committed to continuing to foster the culture of sustainability across our business as it reflects the core values of our strategic compass. We are committed to working in an ethical, open and honest way to produce products of the highest quality.

Globally, society is demanding increased transparency from food operations, together with measurable progress against ambitious commitments. Many countries are declaring climate emergencies and setting a net zero carbon target. Our strategy demonstrates our commitment to transparent science based action in our factories and in our supply chains. We are supporting innovation that has the potential to deliver step change improvements in sustainability at scale.

We are analysing trends in consumer attitudes and behaviour, with particular reference to the younger generations, to help us to align our product ranges to meet their needs and aspirations for food that is both healthy for them, and healthy for the planet.

We will publish an assessment of how we are mitigating climate change risks and maximising opportunities in our next annual report. This will be in line with the developing guidance from the Task Force on Climate-related Financial Disclosures "TCFD".

In 2019 we demonstrated significant progress towards our sustainability targets:

- We have achieved a 70% average recycled content across our entire tray range;
- We increased our CDP climate score to B, combined with a supplier engagement score of A-;
- We built on our success of highest new entrant in last year's Business Benchmark in Farm for Animal Welfare by a further step up to Tier 2. This recognises that animal welfare is integral to our business strategy;
- Our Irish, British and Dutch operations are directly supporting soy farmers who are not contributing to further deforestation in South America, by purchasing sustainable soy credits;
- We committed to set Science Based Targets in Sweden, a first step in our ambition to set global targets in 2020;
- We have joined the European Roundtable for Sustainable Beef and we are founding members of the UK Cattle Sustainability Platform, both of which we see as pivotal in reducing the footprint of beef cattle farming;
- We have introduced sustainable algal oil into salmon feed to replace oils from wild captured fish, which has already achieved a 14% reduction in fish oil use in our largest supply chain; and
- We have reduced food loss and waste by 23% in our UK operations, meaning we are well on track to meet our 2030 commitments.

Hilton are taking the opportunity to use our influence and expertise at a global level to make real change. We do this through our partnerships with market leading retailers, driving innovation and supply chain collaboration to deliver sustainable food to our consumers. This is to ensure that our business remains resilient to the environmental, social and economic issues that affect us all.

Introduction to 2025 strategy



Our strategy leverages the influence of our scale, and builds on the many examples of leadership in sustainability within the Group. 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.

We have formed a dedicated team to build and deliver this strategy, who have engaged widely with our stakeholders to ensure our work is prioritised and aligned with the business strategy. The processes we used to develop the strategy are described in this report, together with the key objectives and how we will deliver them.

We decided on eight pillars of focus as the foundations of our ambitious CSR strategy. In each pillar we have set clear objectives and activities, closely aligned to our customers' long-term objectives, to deliver our global ambitions through local action.

INNOVATORS IN SUSTAINABLE PROTEIN

Our responsible business vision is to be the first choice partner for sustainable proteins. Driving innovation and excellence in our products, supply chains and factories.

EIGHT PILLARS OF OUR STRATEGY



Our people

Lead from the top, built into our DNA. Delivering our commitment to working safely and with regard for the wellbeing of others and the environment



Sustainable proteins

Leading collaboration of environmental sustainability for our key animals and crops



Packaging

Innovate to reduce plastic, maximise recycling and the use of sustainable packaging. Using our scale to drive transformational development of retail packaging materials aligned to the circular economy



Resourceful factories

Reducing environmental impact by waste reduction and energy efficiency



Transparency

Developing industry leading transparency solutions and openly reporting our responsible business progress



Animal health and welfare

Collaborating with suppliers to improve the lives of animals and reduce the use of antibiotics



Ethical supply chains

Collaborative action to improve the lives of workers across our supply chains



Consumer health innovation

Enabling balanced consumption and enhanced health options with solid sustainability credentials

Sustainability report

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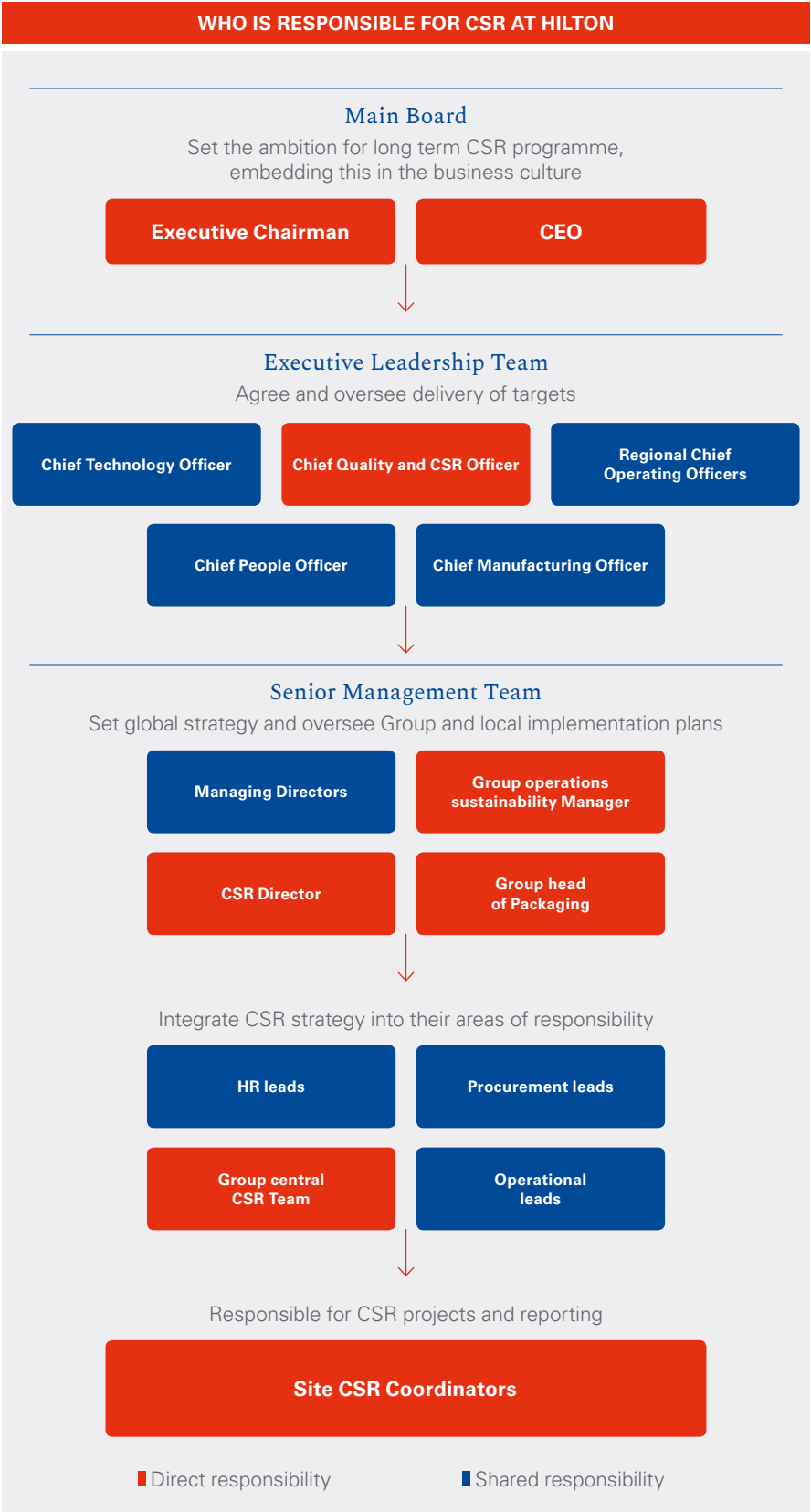
Governance

The Hilton commitment to sustainability is led from the top, fully supported by the Board, and is core to the growth and success of Hilton. Supporting our retail partners to achieve their Corporate Social Responsibility “CSR” objectives is integral to our business model. The CSR team (led by the Chief Quality and CSR Officer and the CSR Director) have developed the strategy.

Our CEO and the Executive Leadership Team are updated on the CSR agenda and progress towards our own commitments, and our customers’ targets, on a monthly basis, with the main Board being updated every six months.

Hilton are in the process of producing a detailed evaluation of climate change risk and opportunity, aligned to the Task Force on Climate – Related Financial Disclosures “TCFD” framework. We are now mapping the climate change implications on the rest of our value chain to inform our collaboration with suppliers and customers in order to mitigate risk and capitalise on opportunities. Our approach is to understand the full life cycle impacts of the choices we take on our products and packaging, and champion the innovations that can deliver step change at scale.

The CSR and risk management teams work together to integrate climate change risks and opportunities into the wider business strategy. For more information see our latest climate change Climate Disclosure Project “CDP” disclosure. See CDP website www.cdp.net

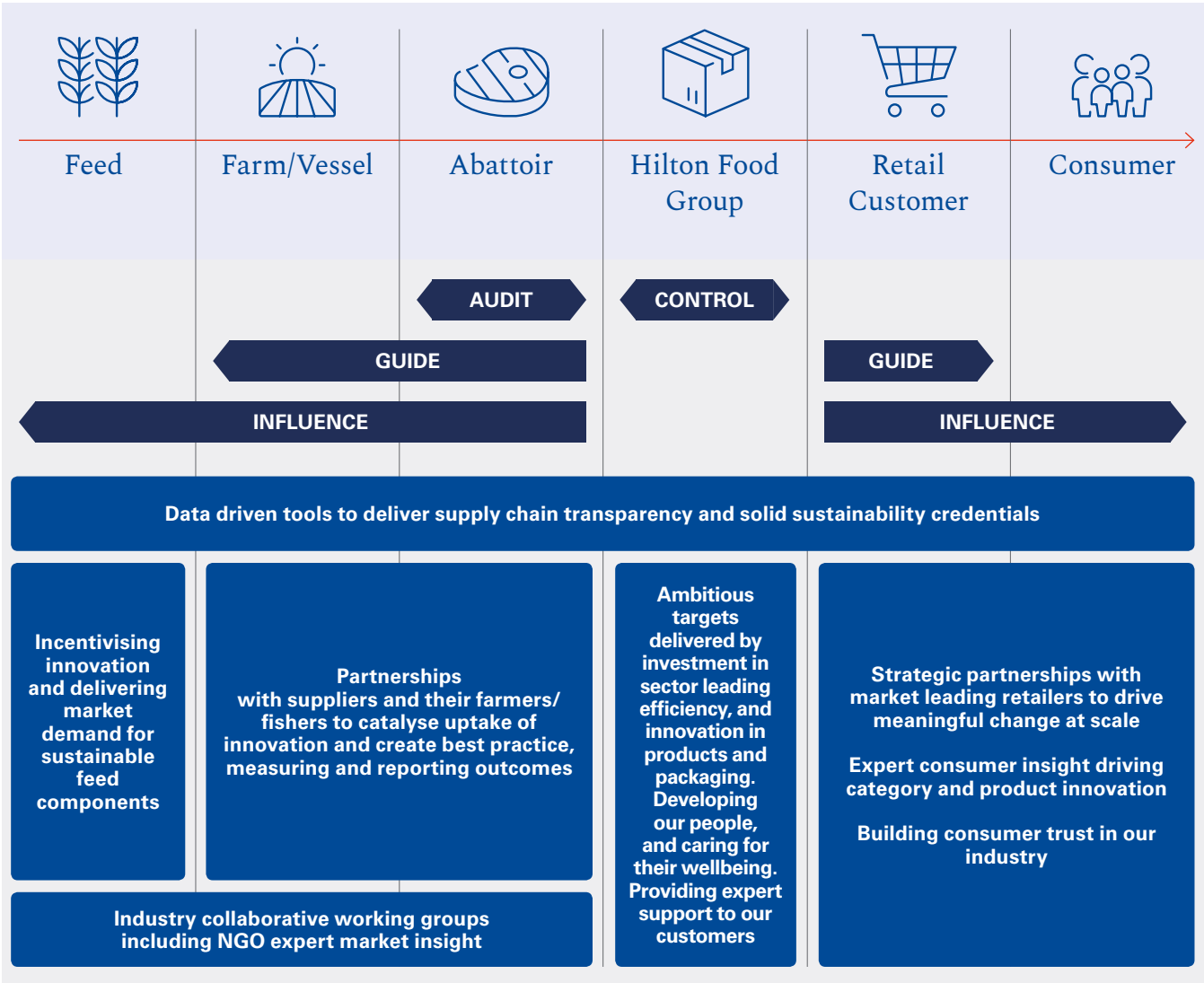


How we work through the value chain

Hilton engage and convene the whole value chain to incentivise investment in step change improvements, which are economically sustainable at scale. Our focus is to deliver our customer priorities by collaborating with our supply chains.

We do not own farms, fishing vessels or abattoirs which gives us the freedom to work with the leaders in innovation and sustainability.

The diagram shows how we guide and influence at each stage of the chain.



Sustainability report

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UN Sustainable Development Goals

Hilton supports the Sustainable Development Goals. Our CSR strategy contributes to many of the Sustainable Development Goals which were set out by the United Nations in 2015 to create a sustainable future by 2030. These goals can only be achieved through collaboration between NGOs, industry, individuals and governments. Our engagement with our suppliers, customers, governments, and NGOs covers the entire value chain. Our focus is on the four goals opposite.

THE GLOBAL GOALS For Sustainable Development	
<div> <div>1 NO POVERTY</div> <div>2 ZERO HUNGER</div> <div>3 GOOD HEALTH AND WELL-BEING</div> <div>4 QUALITY EDUCATION</div> <div>5 GENDER EQUALITY</div> <div>6 CLEAN WATER AND SANITATION</div> <div>7 AFFORDABLE AND CLEAN ENERGY</div> <div>8 DECENT WORK AND ECONOMIC GROWTH</div> <div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div> <div>10 REDUCED INEQUALITIES</div> <div>11 SUSTAINABLE CITIES AND COMMUNITIES</div> <div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div> <div>13 CLIMATE ACTION</div> <div>14 LIFE BELOW WATER</div> <div>15 LIFE ON LAND</div> <div>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</div> <div>17 PARTNERSHIPS FOR THE GOALS</div> <div>THE GLOBAL GOALS For Sustainable Development</div> </div>	
SDG	How we are contributing
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Hilton have committed to halving our food waste by 2030 as a “Friend of Champions 12.3”(Champions12.3.org). We are measuring our food waste at every site and reporting globally. We have made Group-wide commitments to deliver sustainable packaging in a circler economy.
13 CLIMATE ACTION	We have set carbon reduction goals and are investigating the implementation of Science Based Targets for our own sites and supply chains. We are reporting our emissions of GHGs and water use through our annual report and CDP. We are investing in onsite electricity generation and renewable energy.
14 LIFE BELOW WATER	We lead in fishery and aquaculture supply chain collaboration and innovation in sustainability and welfare. Together with industry partners and NGOs we have negotiated voluntary marine protected areas and funded Fishery Improvement Projects. Our target is 100% MSC certified wild caught fish in our direct supply chains. In aquaculture we have introduced innovative solutions to address welfare and sustainability challenges including using algal oils to replace oils from wild caught fish.
15 LIFE ON LAND	We are setting targets to address deforestation, green house gas emissions, antibiotic use and productivity of our meat and vegetable proteins supply chains. We are members of the European Roundtable in Beef Sustainability. We are incentivising soy farmers to protect the forests through payment of credits equivalent to all the uncertified South American soy used in animal feed for our UK, Irish and Dutch markets.

This diagram demonstrates how we have developed our strategy to deliver specific outcomes that are relevant to our business and stakeholders. We worked with expert partners to map the issues that are most relevant to our stakeholders. We used these to create a prioritised list of objectives in each of the eight pillars of our strategy. The outcomes of this strategy will deliver tangible progress against the Sustainable Development Goals.

The roots of our CSR strategy and what we will deliver

Stakeholders

Retail partners	Suppliers (abattoirs, farmers, feed producers, fishers, ingredients, packaging, equipment, services)	Trade Organisations
Investors		Trade unions and workers' councils
Our people	Farming Associations	National/Federal/Local Government
Neighbours/Local Communities	Academia/Scientists	Regulators
Environment and social NGOs	Certification schemes	Consumers

MATERIALITY MATRIX



Outcomes

Industry leading animal welfare	Sustainable farming and fishing	First choice employer/responsible recruitment
Minimal material usage and effective Closed Loop recycling	Transparent reporting to our customers	Choice of healthy, affordable and sustainable products
Low carbon and resource efficient operations	High ethical standards in our supply chain	Supporting local communities

Positive impacts



Sustainability report

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Materiality Matrix

We use a materiality matrix to decide our priorities in order to identify the areas which have the greatest impact on our business and deliver the most benefit for our stakeholders.

This is developed with internal and external consultation including independent expert advice.

These material topics are considered within the wider risk management process. It was the first step in developing the Hilton CSR strategy as it ensures we focus on the right priorities.

Key:



Our people



Sustainable proteins



Packaging



Resourceful factories



Transparency



Animal health and welfare

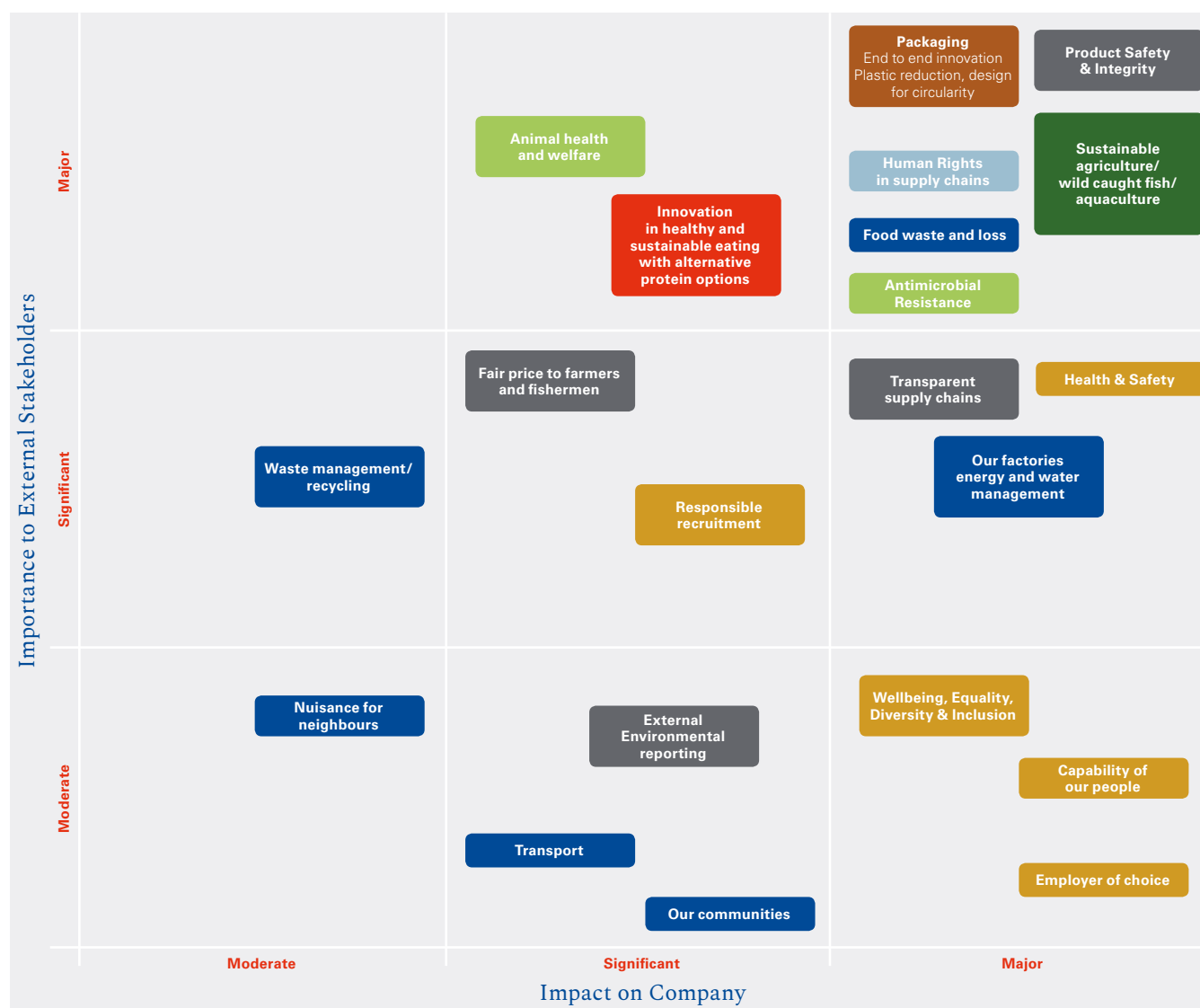


Ethical supply chains



Consumer health innovation

GROUP LEVEL MATERIALITY MATRIX





Our people

Hilton is committed to ensuring our people are working safely and with regard for the wellbeing of others and the environment. This culture is led from the top, to ensure that it is embedded in everything that we do. Our greatest business strength is our people who ensure we are the leaders in our sector and trusted first choice partners.

Stronger Together

We work with Stronger Together to establish best practice recruitment procedures for our own people and those in our supply chains. We attend their training workshops and promote their helplines to our staff. We also train our managers and team leaders to look for signs of anybody having been affected by modern slavery.

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. In addition, during 2019 new roles were introduced at Group level to drive and share best practice in respect of Health and Safety across the business.

Key statistics are as follows:

Sickness rate (%)	Reportable accidents	Recorded accidents per 100,000 hours worked
3.5%	103*	4.4
2018: 3.3%	2018: 68	2018: 5.3

* Increase on 2018 is mainly due to the first full year reporting for Australian sites along with increased volumes and activity across our European sites.

Attracting and developing the best 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:

- People who have the capability to deliver great results;
- People who want to work for us and love working for us; and
- People who are supported to perform at their best.

People who have the capability to deliver great results

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 learning and development blueprint is being implemented 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.

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.



Sustainability report

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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 also incorporates the same leadership competency framework. This ensures a balanced assessment of the candidate with greater emphasis on transferable leadership behaviours.

Gender diversity is of great importance to the business and this year we developed and implemented a Diversity and Inclusion policy. In 2020 this policy will inform the development of our three year Diversity and Inclusion strategy.

People who want to work for us and love working for us

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 continued our programme of engagement initiatives including our 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 strategic compass. These vehicles also enabled the sharing of Company performance.

We have also continued to develop 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 2019, we conducted our first global engagement survey 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.

People who are supported to perform at their best

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 and 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.

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.

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.

As an example Hilton Seafood's Learning and Development Advisor is the chair of the Seafish Yorkshire and Lincolnshire Training Network, that promotes Seafood Industry careers. They hosted a visit from Careers Advisors from schools and colleges, where they met enthusiastic employees and discussed the huge array of job roles within the industry. They also held a seafood lunch in the largest local school where they talked to pupils about career opportunities in Hilton.

During 2019, Hilton made charitable donations amounting to £78,879. The Hilton Food Group Charitable Foundation promoted our third charitable golf day raising £120,000 for East Anglia's Children's Hospices and The Cure Parkinson's Trust.

300 tonnes

We have donated around 300 tonnes of product surplus during 2019 to local food charities supporting vulnerable people in the communities in which we operate.



Sustainable proteins

At Hilton we are engaged in helping to shape and guide the sustainability agenda in our supply chains. The transition to a low carbon future will require action by factories, farmers and fishermen, but it is possible to produce sustainably at scale by driving uptake of the best technology and practices.

Our approach is to help form collaborative action forums, and take a leading role in addressing the most important environmental issues in our supply chains.

We recently joined the Sustainable Agriculture Initiative “SAI” Platform as we are committed to help drive the innovations that will reduce the footprint of our supply chains. To achieve this goal we need to collaborate with like-minded companies across all of our main proteins, to encourage uptake of these innovative solutions at scale.

The objectives include reducing the greenhouse gases produced by farms and fishing vessels, stopping deforestation, protecting biodiversity on land and in the oceans, and the sustainable harvesting of fisheries.

To address land animal sustainability we are engaged in collaboration across the meat industry to measure and mitigate the impacts of farming. We are also investigating the use of innovations in feed and farming that can step change the reduction in Greenhouse Gases, such as feed supplements that reduce the methane produced by cattle.

Oceans cover 70% of the globe yet only produce 2% of our food. There is a huge opportunity to grow sustainably farmed fish and shellfish in the ocean and on land. Wild caught fisheries need to maximise their yields, select only the species and sizes they are targeting, and minimise their impacts on sea birds, marine mammals, and vulnerable marine ecosystems. At Hilton we are engaged in setting sustainability standards and actively working in improvements for both industries.

For fisheries this includes supporting and funding fishery improvement projects aimed at certification, promoting uptake of selective fishing gear, and helping establish voluntary protected ocean areas. For aquaculture we are promoting the uptake of innovative feed ingredients that replace wild caught fishmeal and oil, and supporting the development of best aquaculture practice standards.

We have been working with WRAP through the Courtauld 2025 Meat Working Group to address climate change. Within the UK the government and National Farmers Union have set net zero targets. This group has been set up to facilitate working across the supply chain including academics, government and other stakeholders.



Sustainability report

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Sustainable proteins objectives

Objective	How we are achieving it
Zero net Deforestation in our supply chains by 2030	<p>Our ambition is that we will source all our animals, plant proteins and all the soy used as animal feed in our global supply chain from areas which are verified as zero deforestation. To create the critical demand for physical supply of sustainable soy we are working in collaborative soy roundtables.</p> <p>As a first step our Irish, British and Dutch operations are using market forces by purchasing credits equivalent to all the volume of uncertified South American soy consumed by the animals that we have purchased. This is supporting farmers directly ensuring their supply chains do not contribute to further deforestation.</p> <p>As part of our UK Roundtable on Sustainable Soya commitments, Hilton have aligned with our UK key customers and developed a UK Zero Deforestation Soy Transition Plan. To achieve this we will work with our supply chain partners to transition our South American soy from farm level certification towards sourcing from verified zero deforestation areas, through the following phases:</p> <ol style="list-style-type: none">1. Transition to zero deforestation soy credits schemes, this has started with 2018 purchases for Tesco, where we have estimated the soy consumed.2. Transition to Area Mass Balance (or Mass Balance) certified soy, by end of 2020.3. Transition to sourcing from verified zero deforestation areas, by 2025. <p>Our transition plan phase 1 roll out started in partnership with Tesco in 2018. We mapped the soy used in animal feed through direct traceability back to the feed manufacturers, where possible. The transition to phases 2 and 3 has started with the development of sustainable soy specification standards between processors, farmers, feed suppliers and soy producers. Hilton are actively contributing to these processes.</p> <p>Hilton are signatories to the Cerrado Manifesto Statement of Support https://cerradostatement.fairr.org/, which sends a clear market signal that there is widespread industry support to halt deforestation in the Cerrado, adopt sustainable land management practices and mitigate financial risks associated with deforestation and climate change.</p> <p>By this collective response we can help safeguard global forest loss. We are looking forward to playing our part and working in collaboration with industry partners and others to achieve this goal.</p>
To set Science Based Targets for our supply chains. This will ensure we play our part to stay below the IPCC global warming thresholds	<p>The key to this is to deliver reductions in our supply chain footprints in collaboration with our suppliers. We are engaging with the key suppliers to encourage them to set their own science based targets and for us to collectively influence the farmers and fishermen that produce the raw materials.</p>
An intensity reduction of 15% in GHG emissions of cattle by 2025 (aligned to the European Roundtable for Beef Sustainability)	<p>We are forming expert science based partnerships to develop measurement models, evaluate solutions, and monitor the impacts of the mitigation strategies. Our engagements include being founder members of the UK Cattle Sustainability Platform and joining the UK Centre for Innovation and Excellence in Livestock. The aim is to demonstrate how mitigation and sequestration can significantly reduce the climate impact for farming and potentially positively contribute to global cooling.</p> <p>With our suppliers and WWF we are agreeing a comparative measurement process to assess the impact of interventions including improving the genetics of the herd, using feed additives that inhibit methane production, and improving farming practices such as pasture and manure management.</p> <p>We also have an aim of setting a future target that recognises the positive role beef production can contribute to mitigating climate change through reduction strategies and sequestration.</p>

Sustainable proteins objectives continued

Objective	How we are achieving it
100% of our direct supply of wild caught fish to be certified as sustainable	We are sourcing wild capture fish from certified fisheries and for the few remaining fisheries we are establishing and helping to fund credible fishery improvement programmes "FIPs".
Reducing the dependence on wild capture fishmeal and oil in aquaculture feeds	<p>We are working directly with the feed companies to facilitate workshops where alternative novel feed ingredient suppliers, farmers, and retailers can meet and find collective solutions to bringing these ingredients to the mainstream market.</p> <p>Our salmon suppliers have led the industry in the adoption of alternative ingredients such as algal oils and insect meals. The aspiration to use these has been included in the supplier standards and uptake is rising year on year.</p> <p>Our principal salmon suppliers achieved a 14% reduction in use of wild caught fish oils in Salmon feed by replacing these with sustainable Algal oil.</p>

Replacing wild caught fish oil in our salmon feed with sustainable algal oil

Hilton Seafood are actively working with our farmed salmon suppliers to improve the sustainability of what is one of the biggest volume seafood products that we sell. We are looking for innovations that have the potential to deliver step changes at scale, and this is an example of how we are achieving this in partnership with our suppliers.

Salmon is rich in Omega-3, which is essential for both our health and that of the salmon. The specific Omega 3 fatty acids that they need come from feeding the salmon with oils from wild fish that are a limited resource. We are answering this problem by replacing a large portion of traditional fish oil with algal oil, rich in Omega-3 oils extracted from microalgae. To improve our

supply chain sustainability, our salmon is going flexitarian.

Hilton Seafood are the supplier of fresh salmon to Tesco and we have worked together to encourage our key farmers to introduce then scale up the use of its Omega-3-rich algal fish oil. Algal oil can be grown sustainably on an industrial scale, in tanks on the land, using renewable energy. You would have to harvest approximately 20 tonnes of wild fish to provide the equivalent amount of Omega-3 from one tonne of algal oil.

One of the largest salmon farmers in Norway, the Lerøy Seafood Group, have taken a leading role by introducing algal oil to all of their salmon feed. Harald Sveier, the Technical Manager of Lerøy Seafood Group, has researched the best ways to reduce the reliance on fish oil and he is convinced of the benefits.

"A fish fed on microalgae as part of the diet also has a lower carbon footprint compared with a fish fed on traditional fish oil. We include more algal oil than the fish needs under normal conditions, increasing the omega-3 fatty acids in the feed by 25% from 6% to 7.5% of the total fatty acids."

Harald Sveier

“

The good thing with Hilton and Tesco is that we have discussion partners who really know the pros and cons of all the raw materials. We can always have a long wish list for reducing our carbon footprint, but there's a difference between having a wish list and really producing something. Tesco and Hilton have really supported us in our work to move from a wish list to actually getting a more sustainable product on your plate."

Harald Sveier,
Technical Manager of Lerøy Seafood



Sustainability report

continued



Packaging

Our Hilton packaging sustainability strategy is to use our scale to drive transformational development of retail and supply chain packaging materials aligned to circular economy recycling infrastructures.

We achieve this through working on innovative solutions in partnership with our suppliers and industry experts to ensure we are using the minimal and most sustainable packaging across our value chain.

PACKAGING TARGETS



All packaging will be fully reusable, recyclable or compostable by 2022



All paper and board used will be 100% sustainable by 2020



Achieve a minimum of 50% average recycled content across all plastic packaging by 2020

Our UK Plastics Pact commitments

The UK Plastics Pact is a world first initiative that tackles plastic pollution and will make single use plastic packaging a thing of the past.

It is led by WRAP in partnership with the Ellen MacArthur Foundation.

By 2025

- Take actions to eliminate problematic or unnecessary single use plastic items through redesign, innovation, or alternative (reuse) delivery models
- 100% of plastic packaging will be reusable, recyclable or compostable
- 70% of plastic packaging will be effectively recycled or composted
- To achieve a 30% average recycled content across all plastic packaging

Achieved 70% average recycled content across entire tray range.

70%



Packaging objectives

Objective	How we are achieving it
All our retail packaging will be fully reusable, recyclable or compostable by end of 2022	<p>We have eliminated the use of PVC and polystyrene in all products sold to our retail partners.</p> <p>The majority of our black and coloured trays are already detectable, and we have solutions for the remainder.</p> <p>A high proportion of our meat trays are made from 100% recycled PET and are fully recyclable.</p> <p>We are investigating ways to get all our plastic packaging to be recyclable by switching to mono materials where possible.</p> <p>Alternative packaging solutions are being investigated in order to reduce our plastic usage.</p> <p>We are working in partnership with innovative solution providers such as chemical recycling to achieve our 100% recyclability goal.</p>
All paper and board used will be 100% sustainable by end of 2020	<p>All our main paper and board packaging are sourced from FSC or PEFC sustainably certified forests. We have identified solutions for the remaining small percentage.</p>
Achieve a minimum of 50% average recycled content across all plastic packaging by end of 2022	<p>We are investigating innovative solutions to provide circular recycling for meat and fish trays.</p> <p>We are working to achieve a 100% recycled content of our trays and a higher percentage of recycled content in our films and bags.</p> <p>We are currently exceeding our target but are mindful of the availability of recycled materials in the future.</p>
Reducing the weight of our plastic packaging whilst ensuring it remains fit for purpose	<p>Where possible down-gauging plastic trays while maintaining their rigidity through innovative design.</p>
Working with the fish industry to replace polystyrene boxes	<p>Trials with circular recyclable cardboard and reusable trays.</p>
To explore recycling solutions for our primal bags	<p>We have joined with WRAP in the UK to test their suitability for chemical recycling.</p>

Sustainability report

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Resourceful factories

At Hilton we want to reduce our environmental impact by improving resource efficiency and reducing our greenhouse gas emissions. We are world leaders in processing innovation and our factories are the most efficient in their sectors. Consumers are increasing their awareness and expectation that food and energy should not be wasted at any stage.

In 2019 we committed to setting Science Based Targets for our Swedish operations as a first step towards our ambition to set Group-wide targets in 2020, which we are currently evaluating in detail.

We are improving our data collection capabilities in our factories to give us a detailed breakdown of live energy and water use, allowing us to actively manage our energy in real time and enabling us to be as efficient as possible.

We are constantly investing to upgrade our facilities and have seen major success in our latest efficiency projects, for example heat recovery pumps in our refrigeration systems are proving to be around 38% more efficient at heating our hot water requirements. Whereas smart refrigeration controls have improved efficiency in energy consumption of refrigeration system by around 30%.

The Group has also placed a strong focus on Food Loss and Waste as food should not be wasted at any stage in our supply chains. We have been publicly reporting our food waste data in the UK since 2018 through the Champions 12.3 initiative and we are using this framework through the Group to target and reduce food waste by 50% by 2030 as a "Global Friend of Champions 12.3" (Champions 12.3.org). This is directly linked to helping us meet the goals of SDG 12 alongside our retail partners.

1,881,810

Electricity renewable generation KWH

11,552

**Tonnes CO₂e
Scope 1 emissions
(Location based)**

52,218

**Tonnes CO₂e
Scope 2 emissions
(Location based)**

0.17

**Tonnes of CO₂e
per tonne of product***

2.09

**Water usage in cubic metres
per tonne of product**

23%

**Reduction in food waste
in our UK sites in 2019**



* This figure has increased due to the inclusion of our first full year reporting for Australian sites, compounded by the fact that Australian electricity consumption carries a relatively high location based emission factor.

Smart energy management

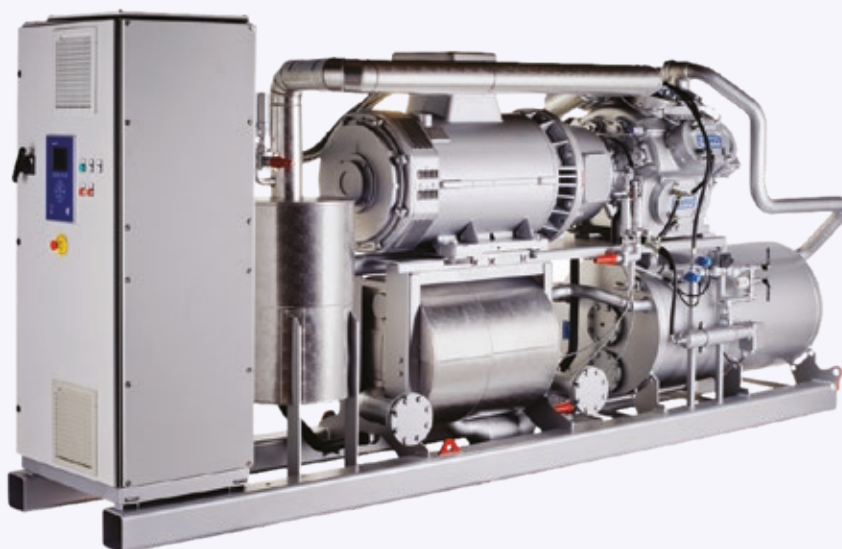
As part of mitigating our carbon footprint and making our factories as resource efficient as possible, we have a number of smart refrigeration controls. Firstly, we use heat pumps to recover heat produced by our refrigeration, we then use this as a source to heat our water demands for processing. This process is very suitable to our factories as we have large cooling requirements and this waste heat would otherwise be lost into the atmosphere.

The heat pump mitigates around 40% of carbon emissions compared to separate gas heated equivalent systems.

Another example of our smart refrigeration is the active energy management control system. This uses weather, production and energy usage data to ensure we are using the minimal amount of energy for our cooling requirements at any given time.

Our wider energy management system integrates all our significant energy users such as refrigeration, compressed air and water heating. The system alerts users when equipment is potentially running inefficiently by flagging when the equipment is consuming more than a set threshold.

Overall we use these controls to lower equipment maintenance cost, reduce consumption and lower carbon emissions.



Heat recovery pump

Resourceful factories objectives

Objective	How we are achieving it
Science Based Targets	Commit to setting Science Based Targets as a Group to ensure our carbon reduction targets are ambitious and in line with the latest climate science. This will also ensure we encourage our supply chain to reduce their impacts.
Reduce food waste by 50% by 2030	Implement action plans at each site using the Champions 12.3 framework, sharing best practice with all sites throughout the Group.
Standardised energy management	Extend ISO 50001 energy management framework to all sites.
WRAP Initiatives	We are signatories to the Courtald commitment 2025, which is an initiative to cut the carbon, water and waste associated with our food production, by 20% by 2025 in our UK operations.

Committed to setting **Science Based Targets** in Sweden, our first step towards setting global targets



Sustainability report

continued



Transparency

Food Safety and Quality Policy

Hilton Food Group 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.

Factory standards and quality systems

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 the 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 2019.

We maintain strong links with academia and technological advances, working alongside Campden BRI, Danish Meat Research Institute and Teagasc Ireland.

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 ensures we are able to consistently meet the best in class specifications our retail partners set for our products.

Supply Chain Integrity and Traceability

We partner with the best suppliers that share our commitment to quality, food safety, 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. 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 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 agreed quality specifications.

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.



Ensuring the sustainability of food requires transparency across the value chain to prevent negative environmental and social impacts. New technologies and tracing methods will inform consumers about the origin and methods of production, and how human rights are ensured.

The visibility of supply chains provides a platform for action and is the foundation on which all our sustainability objectives are built.

We are actively involved in developing and implementing industry leading transparency solutions to capture and report CSR metrics to give our customers full visibility and assurance of standards in our supply chains.

As an example, we have supported a global programme to develop common protocols to ensure interoperability of traceability systems used for seafood.

This represents a material shift in fostering a sustainable and healthy ocean.

Sustainability Reporting

We publicly report, and are benchmarked, in the following areas;

- Animal Welfare through the Business Benchmark on Farm Animal Welfare
- Carbon footprint and deforestation through the Carbon Disclosure Portal

Improved CDP Climate score from C to B and received an A- in supplier engagement



Animal health and welfare

At Hilton our customers expect us to take animal welfare seriously when sourcing their products. We have set out our thinking on animal welfare in our Animal Welfare Policy, which was updated in July 2019. It applies to all species, in all markets, however we recognise that the different markets in which Hilton Food Group operates are at different stages in their development and implementation of animal welfare standards. This allows us to share learnings across the Group and across geographies.

At Hilton animal welfare is integral to our business strategy as recognised by the Business Benchmark for Farm Animal Welfare who have elevated us to tier 2 in latest report building on our highest new entrant status last year.

We use a combination of welfare standards and outcome measures to assess animal welfare. These allow us and our suppliers to demonstrate improvements and benchmark best practice.

We are involved in a number of industry working groups to influence the progression of animal welfare including the European Roundtable on Sustainable Beef and Global GAP standards committee.

Antimicrobial resistance is a real and significant health threat, so we ensure that antibiotics are used responsibly in our supply chains as a last resort when no other course of treatment is viable. We are active members of the Food Industry Initiative on Antimicrobials, where retailers, food service and food production companies are coming together to create common commitments.

We work with our suppliers and retail partners to progress our animal welfare standards and encourage innovation, for example we are working with the Centre for Innovation in Livestock. Last year Hilton Seafood UK worked with Global Gap and Tesco to develop new aquaculture standards to improve health and welfare standards in our farmed fish supply base. We have commissioned the world's first electrical stunner for farmed prawns.

Transparency objectives

Objective	How we are achieving it
We will include a climate change impact assessment (using the TCFD framework) in our 2020 report	We will expand our existing risk assessments on physical impacts on our operations to include the potential impacts, both positive and negative, from climate change mitigation. This will be done using expert advice, our market and consumer insight knowledge, and alignment with our customers' assessments.
To have fully interoperable seafood traceability systems from boat and farm through each step of the supply chains	Support implementation of the seafood traceability protocols created through the Global Dialogue for Seafood Traceability.
To be able to collate environmental and welfare data from our suppliers. To drive continuous improvement and report progress	In partnership with Foods Connected we are creating a data platform that suppliers can utilise to report relevant data and metrics.

Sustainability report

continued

In 2019 we published our Animal Welfare Statement. In this we detailed our eight animal welfare objectives along with our progress against them.

1. No animals from cloned stock or subjected to genetic engineering.
2. Animals are free from confinement.
3. Animals are provided with environment enrichment that promote species' natural behaviour.
4. Animals are free from routine painful procedures. Where procedures are deemed necessary, appropriate anaesthetic and pain relief are used.
5. No routine use of antibiotics.
6. Travel times are kept to a minimum.
7. All animals and farmed fish are effectively stunned prior to slaughter.
8. All slaughter facilities and farms in major markets are certified to recognised farm animal welfare standards.

Electrical stunning of farmed fish and shellfish

The Hilton Seafood aquaculture team were recently featured in a Compassion in World Farming report on how we worked together with Tesco and our suppliers to introduce humane stunning of seabass and bream in Turkey. We took them to see how we utilised an innovation from the salmon farming industry, a dry electrical stunning system produced by Optimar. The normal method for bass and bream was rapid chilling in ice slurry, but this does not give an effective instant stun.

This project was part of our goal to achieve 100% humane slaughter of all of our aquaculture species.



The proven benefits of electrical stunning are:

- Improved animal welfare as they are pumped in water up to the point of stun;
- Better product quality due to lower pre-slaughter stress and less handling;
- Faster processing speed;
- Easier to operate;
- Lower labour requirements; and
- Improved health and safety on board harvest vessels, especially during bad weather.

This innovation has led to welfare improvement for millions of fish per year as the technology is now used to slaughter 100% of the fish they produce.

Animal health and welfare objectives

Objective	How we are achieving it
Encourage innovation and the adaption of best practice that improves the lives of animals	Data led approach driven by outcome measures; with business insight to understand how we can support supply chains.
Ensure responsible antibiotic use throughout our supply chain	Work through the Food Industry Initiative on Antimicrobials in the UK to ensure consistent approach in the UK. Map each supply chain to understand the current approach and share leanings across our supply chains.
Lead in the development and implementation of humane slaughter of fish and shellfish in aquaculture	Optimar developed an electrical stunning system for aquaculture, initially focused on the salmon industry where it has been utilised by many of our suppliers. We have brought this technology to our sea bass and sea bream supply chains, which was verified by Compassion In World Farming "CIWF".

Hilton have moved up to Tier 2 in the global Business Benchmark for Animal Welfare





Ethical supply chains

Hilton promotes the principle of non-negotiable ethics and uses collaborative action to improve the lives of workers across our supply chains. We have strong ethical objectives built into our new strategic framework alongside our Group ethical policy and guidelines.

We are conducting risk assessments utilising the most accurate and detailed industry information available. We are actively engaged in the development of global ethical risk assessment processes, as A/B members of Sedex (a global ethical data and audit platform) and as an elected member of the strategic advisory group to the board of the UK Food Network for Ethical Trade "FNET". We are integrating these risk assessments into the Foods Connected platform that we use to house all of our suppliers' information and shared specifications.

To have good visibility of our suppliers' standards we use tools like Sedex to link what is often several tiers of supply chains to ourselves and our customers. We use collaborative forums to work together to tackle ethical issues in supply chains and share best practice on ethical recruitment. Hilton have helped to initiate a number of such programmes to assure the ethical integrity of our supply chain.

Risk assessments

- Utilising the Sedex platform to link suppliers through the tiers of our supply chains to our sites
- Building risk assessments, which may lead to further work with our suppliers such as visits or audits
- Where the tools were not in place we have helped fund their development such as the Sedex Fishing Vessel Ethical Questionnaire



Audits and investigations

Commissioning audits by independent third party specialists. The standards they use include SMETA (developed by Sedex) for factories and farms, and the Responsible Fishing Vessel Standard for fishing vessels that we have helped to develop as board and standards committee members.

- We are commissioning Human Rights Impact Assessments in partnership with our customers

Collaboration

- We co-ordinate and lead the responsible recruitment working group within the UK Food Network for Ethical Trade "FNET"
- We are founder members and the first chair of the UK Seafood Ethical Action Alliance (SEA Alliance) alongside our key customers and other seafood companies
- We are engaging in industry ethical forums such as the SEDEX conference, and the Seafish Ethical Common Language Group
- We uphold and apply the principles of the Stronger Together initiative in tackling Modern Slavery in our supply chains. We publish our Modern Slavery statement annually

Ethical supply chains objectives

Objective	How we are achieving it
All key suppliers to have agreed to comply with Hilton minimum standards and completed Hilton (or SEDEX) ethical declarations	Provide key suppliers with Hilton minimum ethical standards and request compliance. Assure suppliers have completed either Hilton or Sedex SAQ.
Independent ethical risk assessment of highest risk supply chains	Using third party independent risk analysis, draw up risk rating for key suppliers and develop plan for further engagement where necessary in order for suppliers to meet Hilton ethical standards.
Conduct human rights impact assessment in accordance with OXFAM guidelines in Vietnamese farmed prawns	The assessment is being conducted in partnership with Tesco and our suppliers in Vietnam. We will use its outputs to guide further engagement. Assess result for further engagement and publish summary report in public domain.

We have commissioned our first Human Rights Impact Assessment within our Vietnamese Farmed prawn supply chain in collaboration with Tesco.

Sustainability report

continued



Consumer health innovation

Our consumer insights show that there is a shift in consumption amongst proteins and an increasing demand for food that is both healthy for them and healthy for the planet.

Social consciousness and through it, sustainability, is growing in importance to consumers when making decisions about their lives, food and grocery shopping. This heightened awareness is creating a demand for retailers to make changes, offer sustainable and healthy alternatives, and educate consumers on those solutions. It is clear to see that the speed of change is getting faster but it must gain more momentum and the consumer is waiting.

The definition of sustainability is evolving to include the entire product lifecycle. Collaboration is required across all participants in the product lifecycle to ensure sustainability opportunities are maximised to achieve a circular approach.

The need for dietary shifts worldwide is made clear with the rising challenge of obesity and public health concerns, and the gap between recommended dietary choices and actual consumption. It is critical to bridge the gap between theory and practice in dietary choices through better information – a credible communication platform providing facts about food to consumers to support in making healthy food choices in line with dietary recommendations.

Consumers want to make ethical and sustainable choices but only if their other needs are being satisfied. It is a balance of value, convenience and choice. We have to view sustainable solutions through the lens of convenience as this is driving the greatest gap of what we would like to do and what time we have to do it.



Healthy for me,
Healthy for the planet



Consumer health innovation objectives

Objective	How we are achieving it
To provide consumers with a choice of healthy proteins so that they can balance their consumption	By sector leading product innovation in all of our markets supported by responsible sourcing strategies for each protein to ensure that they all have solid sustainability credentials.
To collate Life Cycle Assessments for each of our major proteins	Collate Life Cycle Analysis “LCA” studies of all of our major proteins and, where required, work with suppliers to carry out additional studies to further understand their environmental status. To give a balanced view of the contribution of these proteins in a diet that is great for us and great for the planet.