# 1. Introduction

Welcome to Associated British Foods' Health, Safety and Environment (HS&E) Report for the year ending September 2006 which complements the ABF Annual Report and Accounts 2006. The information in this report encompasses all our 23 operating businesses and our 45,000 employees at the main operational sites in 30 countries. It includes for the first time recently acquired companies: the BTC Group and Innovative Cereal Systems companies within AB Mauri, and Protient Inc as part of ABF Ingredients. The safety and environmental contribution from Illovo Sugar Ltd. will be included in the 2007 HS&E Report.

We firmly believe that ABF has a positive role to play in contributing to the quality of peoples' lives by providing wholesome and nutritious foods, food ingredients, animal feedstuffs and quality affordable clothing. Sugar, tea, flour, bread, cereals, meat, dairy products and clothes are part of our daily lives all over the world and ABF plays an important part in making sure that these are produced efficiently and to a high quality.

Safeguarding our workforce and our products, consideration for our environmental impacts and ensuring legal compliance are core requirements for all our managers. Our HS&E priorities are to:

- Reduce the number of workforce injuries and their severity;
- Continue improving our management of key HS&E risks;
- Prevent incidences of non-compliance;
- Continue independent auditing of our operational sites;
- Continue independent verification of our key HS&E data.

Over the last year we have continued to focus on practical ways to improve our health & safety performance and reduce our environmental impacts. In accordance with ABF's decentralised approach to running our business, progress has been driven by our operating companies in response to the needs they have identified as most important. There has been excellent performance by many of the operating companies. For example: 60 out of 236 factories and 78 out of 142 retail sites had a whole year without any reportable injuries, the AB Mauri sites at Uruguay and Tucuman halved their lost time injuries and the Allied Bakeries sites reduced their reportable injuries by 24%. Companies have been exploring ways to reduce their environmental impact, particularly by increasing energy efficiency. There has been an increase in the number of sites gaining certification from their national authorities for their safety and environmental risk management systems.

We aim to improve our HS&E performance even more over the coming year.

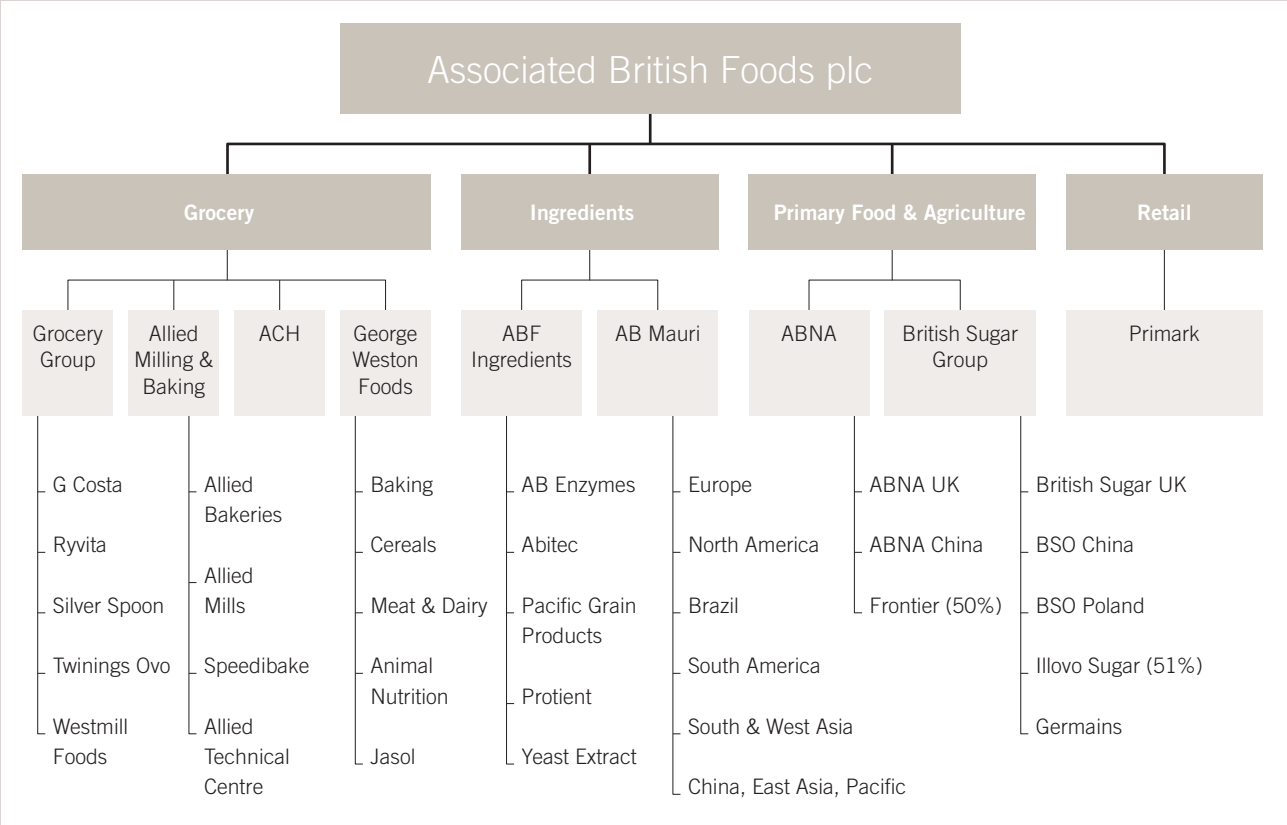
ABF takes its responsibility to the environment very seriously and constantly seeks to control the risks and comply with all applicable legislation. In particular ABF is concerned about energy and resource conservation, emissions to air, water consumption and releases to water and the disposal of solid wastes. As part of our renewable energy strategy, British Sugar has started to construct a major bioethanol plant at Wissington in Norfolk. The plant is due to start production in 2007 and will process sugar beet into 55,000 tonnes of bioethanol each year, providing a sustainable energy source for over 1 million cars. This bioethanol will be the first to be produced in the UK from UK-grown crops.

If you would like to comment on this report, please email ABFinfo@abfoods.com.

**George Weston**
Chief Executive

# 2. Governance & Risk Management

ABF is a holding company with very few direct employees. Our organisational structure is highly decentralised.




Our companies devise procedures appropriate to and compliant with local laws, cultures and operating conditions. These procedures, however, must comply with our overriding corporate requirements set out in the ABF Business Principles. Management responsibility is devolved to the individual businesses and consequently their Boards are responsible for achieving compliance with the Group Health & Safety and Environment Policies (as laid out in section 3 of this report). In addition, every subsidiary company has an accountable Board director and a senior manager responsible for safety and environmental matters.

**Risk Management**

CEOs of subsidiary companies are required to sign and submit an annual risk questionnaire which covers all types of business risks including HS&E risks. The broad HS&E risks we have identified are:

1. Significant environmental damage;

2. Violation of health and safety practice or significant injury to employees, contractors or visitors, principally from:

   i. Fires and explosions. Our businesses handling organic powders such as sugar and flour take great care to ensure that they are stored and handled in appropriately designed vessels and equipment. The risks have been assessed at each site, as has compliance with the European Explosive Atmospheres (ATEX) Directive.

   ii. Workplace transport accidents. The scale of our operations necessitates the use of heavy goods vehicles, forklift trucks and other vehicles within our site boundaries, sometimes near to our employees, which causes risk and requires stringent controls.

   iii. Poor training and awareness of contractors. Each of our businesses uses contractors for either specific projects or for routine specialist tasks. The risks associated with managing a transient workforce are significantly greater than for a fixed permanent workforce and we recognise that additional controls are needed to minimise them. Our businesses have managers with special responsibility for managing contractors.

3. Product contamination;

4. Legal and reputational risk from the above.

Des Pullen, Human Resources Director, reports to the CEO and is responsible for ABF's HS&E Policies and performance. He is supported directly by a Group HS&E manager who also works with the Director of Legal Services on compliance issues. Each subsidiary company must comply with the ABF HS&E policy as a minimum and must carry out an annual self-assessment of their risk-management activities and performance. Companies submit a detailed annual HS&E performance questionnaire which provides information regarding:

- Key H&S data (deaths, reportable injuries, lost time injuries, reportable diseases, regulatory visits & enforcement actions);
- Key environmental data (energy usage, water usage, waste production, complaints, regulatory visits & enforcement actions);
- Improvement plans for significant issues; and
- Details of any targets for coming year.

We require all subsidiary companies to implement the requisite level of risk management controls to ensure compliance with our HS&E Policies. This enables the companies to install the level of risk management system which best suits their business needs and local circumstances.

Managers, operators and HS&E specialists work together to identify the main hazards and assess the risk of harm. Appropriate operational procedures and controls are put in place and all employees are provided with relevant information, training and supervision to reduce and manage those risks. Strong emphasis is placed on preventing accidents and incidents but, should they happen, companies have appropriate emergency plans which they rehearse routinely.

### a. Management Systems

Twenty-eight of the 236 manufacturing sites have an environmental management system externally certified to the internationally recognised ISO 14001 standard or equivalent. They include British Sugar's UK sites, the ABN sites, three Allied Mills plants, six George Weston Foods sites, two Nambarrie Tea sites, an Allied Bakeries site and the AB Mauri yeast factories in Turkey and Portugal. In fact, ABN was the first animal feed company in the UK to gain accreditation to ISO 14001. The remaining manufacturing operations and Primark stores have environmental management systems which aim at compliance with the key aspects of ISO 14001.

British Sugar was the first company in the world to have its occupational H&S management system externally certified by Lloyds Register Quality Assurance to OHSAS 18001. In total, 23 of our manufacturing sites are certified to nationally recognised health and safety management systems. They are British Sugar's UK beet factories, the Allied Mills' operations, the two Nambarrie Tea sites in Belfast, the AB Mauri yeast factory in Turkey and 13 George Weston Foods' factories in Australia and New Zealand (to AS/NZA 4801).

During 2006 the company safety specialists met as a group to update themselves on developments and exchange examples of good practice. In addition and for the first time, the senior operational managers from all of our operations in China met to review their safety standards and performance. These specialists will meet again in 2007 to continue the process of sharing learning and experiences. Guidance on HS&E legislation is issued to UK companies using the H&S and Environment websites and work has started on developing mechanisms to improve networking and mutual support between our global operations, which will be available later in 2007.

### b. Acquisitions

Before we decide to acquire a new company we always engage external independent specialists to carry out detailed safety and environmental due diligence investigation. The purpose of this is to understand the risks and potential liabilities, to assess how well the target company is managing them and to allow us to plan how best to address any material compliance and governance issues on acquisition. When a company has been acquired it has to undergo a transitional period to upgrade its performance to that required by ABF. The length of that transition depends on the degree of improvement required but is minimised by use of ABF corporate support and guidance to directors.

### c. Performance Targets

Due to the considerable diversity of operations it is not appropriate for ABF to impose HS&E improvement targets on subsidiary companies. Instead, each company sets itself targets as appropriate to the nature of their operations and risks. The safety performance of the businesses is reported monthly to ABF and forms part of formal quarterly reviews between ABF and the directors of the operating companies. The environmental performance of companies is reported and analysed annually.

### Auditing and Verification

In 2006 we again employed Environmental Resources Management Ltd (ERM) to continue their rolling programme of audits of the management of HS&E risks at a representative range of group companies. To date, external specialists have carried out 74 independent audits. The sites are selected on the basis of materiality with regard to the range of issues as well as the contribution to the HS&E performance of ABF as a whole. The sites audited in 2006 were located in Australia, Brazil, China, Finland, India, Portugal and the UK.

ERM also carried out a sample data verification process on ABF's global HS&E data to check completeness and accuracy. Their verification statement is available.

Each year the ABF Board reviews the verified results of these questionnaires and provides strategic direction. Companies are required to develop action plans as appropriate and progress is monitored by the Group HS&E manager.

# 3. Policies

**Health & Safety**
We are committed to providing a safe and healthy workplace in line with local regulations to protect all employees, visitors and the public insofar as they come into contact with foreseeable work hazards. We consider health and safety as equal in importance to that of any other function of the Company and its business objectives. We require the operating companies to build a culture of sustained improvement.

People's health and safety at work is a prime responsibility for all those who manage and supervise.

All employees and those working on behalf of the Company have a responsibility for the health and safety of themselves and others who may be affected by their actions. We will ensure that they are well informed, appropriately trained and are consulted on matters affecting their health and safety.

The chief executive/managing director of each operating company has overall responsibility.

**Environment**
ABF recognises the impact that its businesses have on the environment. Therefore, as a minimum, we will comply with current applicable legislation of the countries in which we operate, and our operations will be conducted such that:

i. Emissions to air, releases to water and land filling of solid wastes do not cause unacceptable environmental impacts and do not offend the community;

ii. Significant plant and process changes are assessed and positively authorised in advance to prevent adverse environmental impacts;

iii. Energy is used efficiently and consumption is monitored;

iv. Natural resources are used efficiently;

v. Raw material waste is minimised;

vi. Solid waste is reduced, reused or recycled where practicable;

vii. The amount of packaging used for group products is minimised, consistent with requirements for food safety and product protection;

viii. Products are transported efficiently to minimise fuel usage, consistent with customers' demands, production arrangements and vehicle fleet operations;

ix. Accidents are prevented so far as is reasonably practical; and

x. Effective emergency response procedures are in place to minimise the impact of foreseeable incidents.

# 4. Performance Data

**Scope and Reliability**
The safety and environmental data in this report cover our 236 manufacturing sites and 142 Primark stores plus the numerous depots, offices and distribution centres. During the year we acquired BTC Group, Cereal Systems and Protient Inc and Primark opened 19 new stores.

Within ABF and the operating companies there are multiple layers of checking of the completeness and accuracy of the performance data. All site managers must satisfy themselves that the data they submit to their corporate headquarters provide an accurate and a fair representation of performance. Each operating company employs one or more safety and environmental specialists at a corporate level who have accountability for reviewing those data and for aggregating them into the corporate submission to ABF. The ABF Group Safety and Environment Manager reviews the individual corporate submissions and, once satisfied, aggregates them for the board and for publication.

In addition to these internal processes, we have recruited independent third party verification of our HSE data since 2001. From 2001 to 2003, the UK data were externally verified by URS Verification Ltd. Although the 2001 and 2002 UK data were externally audited they were not deemed to be sufficiently accurate to present a true picture of our operations; nevertheless they represented our best estimate. Since 2003, our global safety and environmental data have been externally verified by Environmental Resources Management Ltd. ERM's independent verification statement regarding our 2006 performance is available.

As a result of this year's HSE data collection and quality review, we have found that the majority of the ABF Group businesses had satisfactorily met our Group HSE data reporting requirements with the exception of AB Mauri, a major business in our ingredients segment. Given the significant contribution this business has on the Group HSE performance (up to 20% for certain KPIs), we acknowledge that this is affecting the overall quality of our reported Group performance. Work is under way to address this and we expect improvement of data quality for next year.

**Health & Safety**
ABF is committed to providing safe and healthy conditions for its employees, contractors and visitors. We try very hard to reduce injuries in every location. In 2006 ABF invested heavily in H&S improvements, mainly on segregating people from vehicles on site, the prevention of explosions, reducing injuries from manual handling of heavy and awkward loads and improving the working environment.

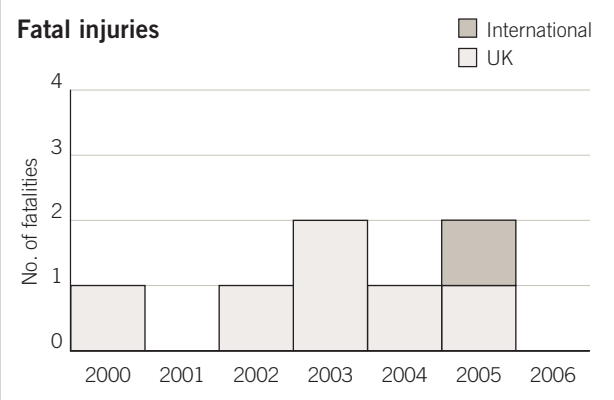
The following sites received external safety awards during the year:

- ABF Ingredients' Deutsche Heferwerk site won an award from the Hamburg Safety Authority as a site with an exemplary health and safety system
- The British Sugar factories at Cantley, Newark and Wissington each received the 'President's Award' from the UK's Royal Society for the Prevention of Accidents for their very high standards of safety over many years
- BSO Poland's Ostrowite site came 3rd in a national safety competition
- The Twinings Ovo Ovaltine factory in Shanghai was awarded an 'A Grade' in manufacturing safety by the local authority.

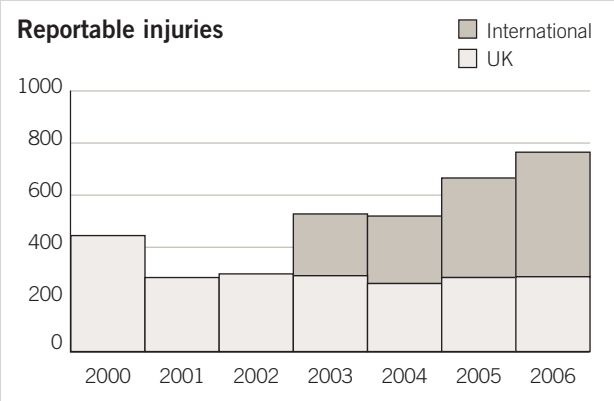
The following safety performance data relate to our employees.

## Fatal Injuries

We are pleased to report that in 2006 there were no deaths in our factories.



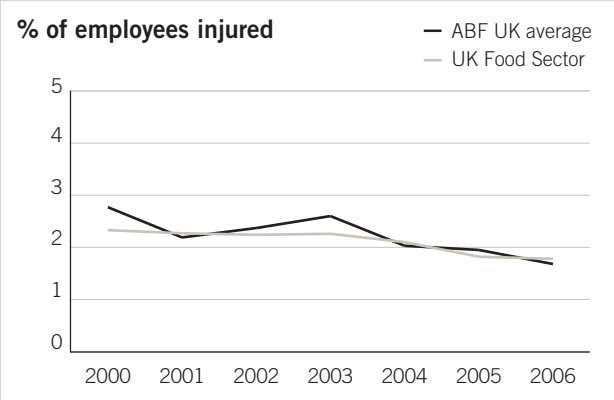

## Reportable Injuries




In 2006 the absolute number of reportable injuries rose by 15% to 765 and the overall reportable injury rate rose by 10%. This was due in part to the continuing acquisition of 10 factories, the expansion in the number of Primark stores and in part by higher injury rates in some companies. This increase was offset by good performances and safety improvements in other established ABF companies.

This category of injury is defined as reportable to the regulators according to the laws of the countries in which we operate. The requirements vary markedly between countries and hence are not comparable. Before 2003 we did not have any injury data for our international operations. In 2001, we disposed of a number of poorly performing businesses which, as a result, reduced the number of injuries.

In the UK there were 287 reportable injuries which, when expressed as a proportion of employees, equated to 1.6%. The injury rate for our UK manufacturing operations (i.e. excluding Primark) was 1.68%, similar to that for the UK food industry as a whole.




Source: Health & Safety Executive

Since the start of this decade there has been a 40% reduction in the UK injury rate.

For all our manufacturing and retail operations the working environment and physical safety standards, for example, machinery guarding, electrical safety and control of hazardous substances, are carefully monitored and upgraded as needed using guidance published by the national regulatory authorities as the benchmark. The operating companies have continued to develop the breadth and depth of their risk management systems, which include clear objectives and targets, effective physical controls and management procedures, routine performance monitoring and improvement action plans.

### Health and Safety Prosecutions

During the 2006 reporting year one site was prosecuted for the fall of an employee from a raised platform and was fined £6,000. The graph for 2005 has been revised to include a case which had been reclassified.

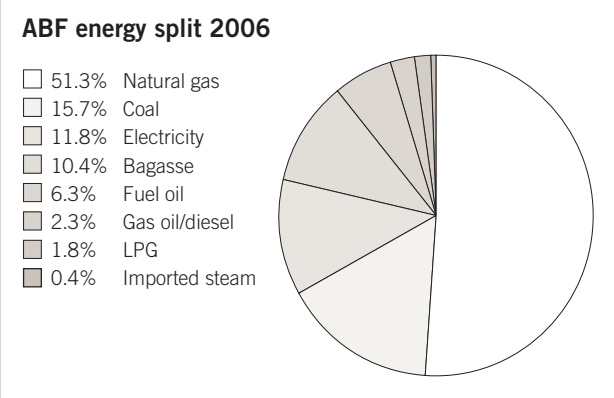

## Environment

### Energy Use

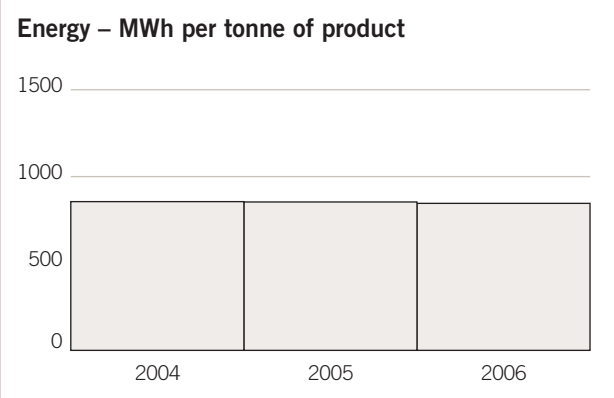
The efficient use of energy is a major plank of our environmental policy. ABF manufacturing operations in the UK are participating in the UK Government's Climate Change Agreement Scheme to reduce specific energy consumption and thereby reduce emissions of carbon dioxide and combat the serious threat of climate change. Those sites which are subject to the EU's Pollution Prevention and Control regime are under a statutory requirement to minimise energy consumption by use of best available techniques.

In 2006 ABF's factories and stores consumed 10,500 GWh of energy of which 45% was consumed outside the UK. Given the variety of our operations and products there is a correspondingly wide range in the amount of energy used per tonne of product manufactured. Our most energy intensive businesses are British Sugar, BSO China, AB Mauri, ACH, BSO Poland, George Weston Foods and Allied Bakeries. Because of this variety it is inappropriate for ABF to set corporate energy and $CO_2$ reduction targets. Operating companies set their own reduction targets according to their business needs.

Our companies use a balanced portfolio of fuels. Across the Group, natural gas, one of the cleanest fossil fuels, provides half of our energy, while 10% is generated from bagasse, the fibre from sugar cane, which is a renewable energy source. Other fuels used include coal, electricity, heavy fuel oil and liquid petroleum gas.



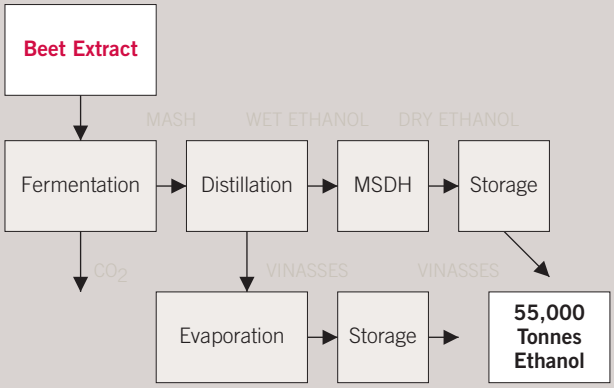

Although the absolute quantity of energy used by the company has grown over time this is a reflection of ABF having grown. The following chart shows that despite the growth, the rate of energy usage per tonne of product has remained steady.




### Renewable Energy

More than 10% of ABF's energy requirement is met by burning bagasse in the BSO China factories. Bagasse is the fibrous residue from sugar cane once the sugar has been extracted. In fact over 95% of the energy used in the BSO China factories is renewable, being derived from bagasse. Boilers burn the bagasse to produce steam for the process and for electricity generation. Part of the bagasse is also baled and sold to the paper industry.

Having investigated the feasibility of a UK manufacturing facility for bioethanol from renewable crops, British Sugar has started to construct the UK's first bioethanol plant at Wissington in Norfolk. Bioethanol is a pure alcohol produced by fermentation of the sugars in sugar beet followed by distillation, as illustrated below.




The resultant end product is denatured and added to ordinary unleaded petrol at a 5% blend rate. This bio-fuel will provide a sustainable energy source for vehicles and will reduce the amount of carbon dioxide emitted per mile from a typical car by 3%. Overall the bioethanol from the Wissington plant will produce greenhouse gas savings equivalent to taking 33,000 cars off the road.

The plant is due to start production in 2007 and will process sugar beet into bioethanol. The factory is a substantial undertaking, as can be seen in this photograph taken during its construction.

In addition, British Sugar is considering developing a larger, grain-based, plant and this is the subject of a joint feasibility study with BP and DuPont.

## Energy Case Studies

BSO Poland has invested heavily at its flagship plant in Glinojeck specifically to improve energy efficiency and reduce energy consumption. They used a three-pronged approach of elimination of losses and waste in the production process, increased automation of the process to produce a more stable and efficient operating environment and investment in new energy-reduction technology. The largest investment was the modernisation of the sugar juice evaporation operation, which accounts for 75% of the site's total energy consumption. The photograph shows part of the new evaporator train located outside the building. In total the site reduced emissions of carbon dioxide by 20,000 tonnes last year.

New sugar evaporators at Glinojeck

British Sugar at its Wissington plant in the UK designed and piloted a system to capture waste heat from their animal feed dryers and introduce it into the dryer combustion chamber in order to reduce significantly the total amount of energy required. One of the factory's three dryers was converted in 2006 and saved over 1,100 tonnes of carbon dioxide. Next year, when all three dryers have been converted the annual savings should be in the region of 3,500 tonnes of carbon dioxide. In addition their Bury St Edmunds factory is installing a system to capture biogas from their effluent treatment plant and use it as a supplementary fuel in their combined heat and power gas turbine system which will increase the efficiency of the power plant, reduce reliance on fossil fuels and reduce emissions of carbon dioxide by around 2,000 tonnes a year.

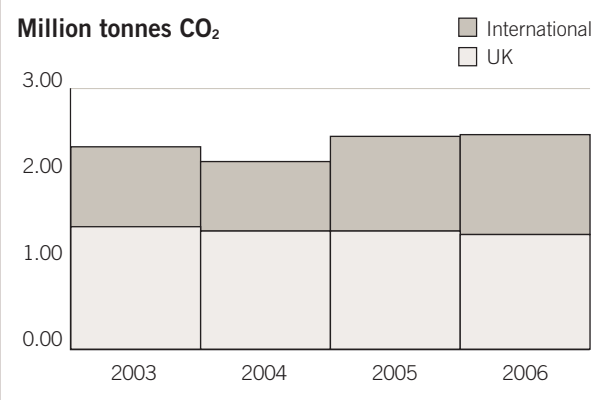
AB Mauri operated 47 yeast and bakery ingredients plants in 27 countries. Its Hull factory in the UK is set to reduce its consumption of electricity generated by fossil fuel by more than 25%. It has added to its existing natural gas powered CHP generator a further on-site generator which burns biogas captured during the yeast production process. Not only does Mauri benefit from this highly cost-effective and renewable energy source but the environment benefits from a reduction of 2,700 tonnes a year of carbon dioxide. Similarly, several other Mauri factories capture biogas and use it as fuel for their boilers. Their Camellia site in Australia has just invested in a system to capture the biogas from the effluent digester and to use it as a boiler fuel which should reduce the amount of energy from fossil fuel by 5 million kilowatt hours a year.

Tip Top Bakeries on New Zealand's South Island benchmarked its energy consumption against other similar processes in Australia, America and the UK. They were able to highlight several areas for improvement, such as the operation of tray washers and improved baking controls and dough mixer cooling systems. This has resulted in savings in both energy usage and over £20,000 in operating costs.

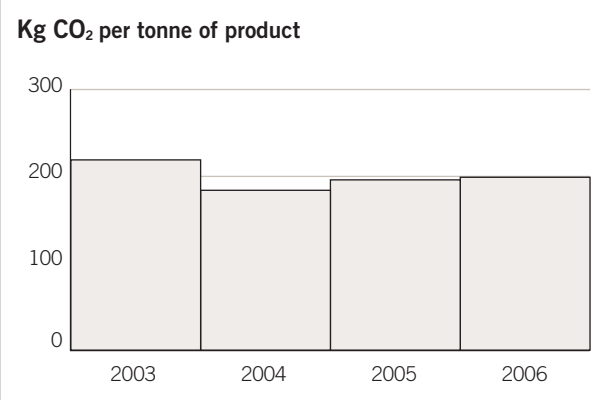
## Emissions to Air

### Carbon Dioxide

Carbon dioxide ($CO_2$) is emitted both directly by the combustion of fossil fuels at our sites to create steam, heat and electricity, and indirectly by the power stations from which we buy electricity. Our use of energy in 2006 led to the emission of 2.47 million tonnes of carbon dioxide, both directly and indirectly. The energy generated from the burning of bagasse, sugar cane waste, is rated as $CO_2$ neutral as it is a renewable energy source. The use of bagasse last year prevented the emission of approximately 400,000 tonnes of $CO_2$ which would otherwise have been released by burning fossil fuels.




Energy consumption at our UK plants, and hence $CO_2$ emissions, have remained broadly static overall during the past three years. The international energy usage figure for 2003 was the first time we had gathered such data. The significant increase in energy from 2004 to 2005 reflected the acquisition of the Mauri yeast and bakery ingredients factories, which are heavy energy users.



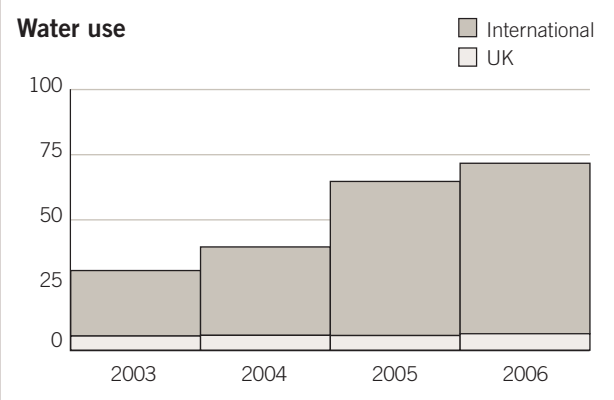

### Other Emissions to Air

Most manufacturing sites, with the exception of the sugar factories, only have single points of release to air from relatively small steam boilers. Emissions to air from most of our factories are not significant and do not impact on local, national or transboundary air quality. The dominant boiler fuel is natural gas which creates limited emissions of acid gases and particulates. Atmospheric emissions from the other fuels have to comply with local environmental standards. The emissions from those large boilers which are subject to the EU's Pollution Prevention and Control regime are stringently limited by statutory controls.

We recognise that some manufacturing processes do emit low levels of odour from the cooking and drying of food and some may emit fine dust, especially where bulk powders are handled. However, our companies are very conscious of their responsibilities towards their neighbours and work hard to prevent any nuisance.

## Water Use

In 2006, ABF factories took in almost 72 million cubic metres of water, mainly from local rivers. The main water users are AB Mauri, BSO China, SPI and British Sugar.




The significant increase in the quantity of water brought onto sites over recent years is due to the acquisition of yeast and ingredients factories such as Protient whose processes require considerable quantities of water, although around half of it is used for cooling the process.

### Water Case Study – George Weston Foods

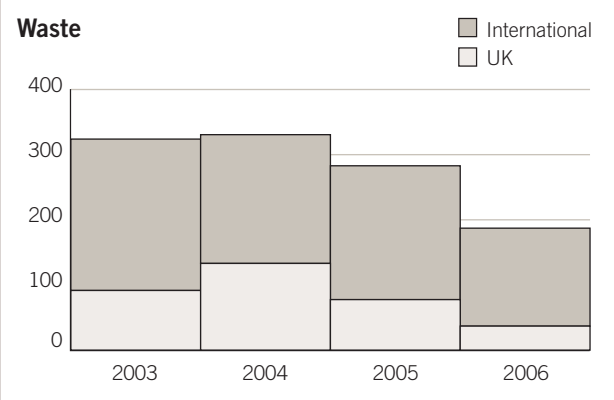
The George Weston Foods' Speedibake factory in Australia joined the Every Drop Counts Business Programme in 2005. Since then it has been actively pursuing simple and effective water-saving initiatives. Water is at the core of their business and is used for cleaning the manufacturing lines, cooling the process and servicing the amenities as well as conditioning the bread. Speedibake has installed new and more efficient cooling towers, replaced the old steam boiler with a much more efficient one, fitted timers and aerators to all hand-washing stations, installed dual-flush toilets and installed more efficient showers. As a result the company has cut water use by 30%.

## Wastewater

Food manufacturing operations usually produce considerable quantities of wastewater. The polluting load primarily takes the form of dissolved, emulsified or suspended food particles in water as a direct consequence of the processing and cleaning operations. A small number of our plants, mainly the sugar factories, have in-house treatment facilities. The majority of our manufacturing sites discharge their process effluents directly to the sewer to be treated at a municipal sewage works before discharge to a watercourse. All of these discharges are controlled by legally binding discharge consents which are enforced by the national environment regulators to ensure that local rivers are not harmed.

## Waste

In 2006, ABF's operations generated some 187,000 tonnes of waste for disposal, of which 2,600 tonnes were classified as hazardous waste. The weight of waste which we finally dispose of equates to 1.5% by weight of the tonnage of products manufactured.




Managing our wastes is a two-stage process. Firstly we always seek ways to minimise the quantity of waste produced as this makes good environmental sense and has commercial benefits. This applies not only to inert and non-hazardous wastes such as production residues, spoilt finished products, paper, cardboard and plastic packaging materials, but also to the small quantities of hazardous substances such as unwanted laboratory chemicals, used lubrication oils and asbestos removed from buildings. Where possible, to reduce consumption and to prevent waste, we have minimised the packaging for our products whilst still guaranteeing product integrity.

Secondly we ensure that any waste is stored, handled, transported and finally disposed of under a strict duty of care to ensure that the waste is disposed of to appropriately engineered and licensed facilities.

### Waste Case Studies

The AB Food and Beverages Ovaltine manufacturing site in the Philippines was presented with an award from the City of Pasig for their exemplary achievements in recycling, waste reduction, cleaner technologies and for implementing appropriate environmental management systems.

Speedibake operates two sites in northern England manufacturing frozen and chilled bakery products. They introduced a waste minimisation culture in an attempt to reduce total waste and to minimise disposal costs. The company also focused on recycling as much as possible of the waste originally sent to landfill by better segregation of materials at point of use, recycling office paper and even recycling the 1.5 tonnes of paper towels from their washrooms. Ingredients and chemical suppliers have been encouraged to use returnable containers. In the past two years the company has halved the amount of waste they landfill which halved the landfill tax paid. They are continuing their waste minimisation and recycling efforts and aim to be cost-neutral on waste disposal in two years' time.

Their activities have been recognised by one of their main customers, '3663', who awarded them the 3663 Environmental Performance Annual Award. In addition, Groundwork, a government sponsored business group, presented them with the Waste Minimiser award for 2006.

British Sugar Poland has been working with the sugar beet growers encouraging them to improve the cleaning of soil from the harvested sugar beet on the farms before it is delivered to the sugar factories. Therefore more of the soil remains on the farm rather than being transported into the sugar factories and the amount of soil which the factories must dispose of (soil discharged from our factories is classified as waste under Polish law) is reduced.

British Sugar in the UK invests considerable effort to use productively as much of its sugar beet raw material as possible. It also endeavours to minimise or make productive use of by-products, principally:

- Soil

Annually British Sugar receives around 350,000 tonnes of soil, which accounts for 4% of the nine million tonnes of sugar beet it purchases from UK farmers. Working in partnership with growers, combined with developments in harvesting and loading machinery, has led to a reduction in the amount of soil removed from fields by more than half in the last 15 years. The UK has the lowest soil tares and the highest delivery standards in the EU. This improvement benefits the environment, and not just by minimising soil erosion at the farm. Transport of soil with the crop is also reduced; so saving energy and road congestion and reducing soil handling and treatment at the factories.

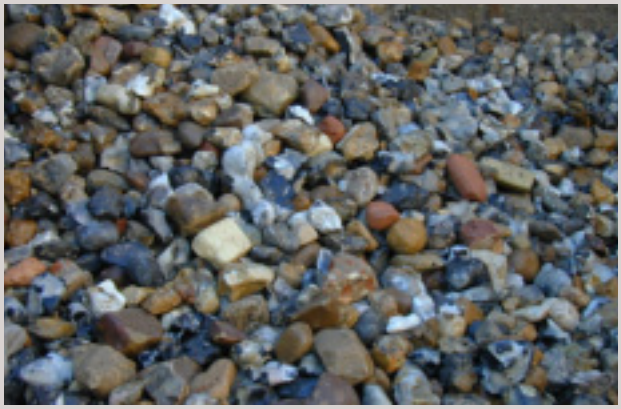
Topsoil being delivered and applied

The soil received with the crop is recovered and marketed under the brand 'Topsoil'. Over the last six years Topsoil has established itself as the largest supplier of quality topsoil in the UK. Sold primarily into the landscaping industry, Topsoil is ideal for shrub planting, seeding or turf laying. Topsoil is also widely used in restoration, civil engineering projects and sports ground construction.

All soil received is used in productive applications, around half of it is returned to agricultural land to replenish stocks and provide textural benefit. This ensures that this valuable non-renewable resource is used in a sustainable way, contributing to UK and EU soil protection strategies.

• Stone

Typically about 70,000 tonnes of stone each year is received with the crop, which equates to approximately 0.75% by weight of the crop. This is recovered and marketed for civil engineering, road building and construction applications. Substantial capital investment (totalling approximately £1 million to date) has been made to improve stone separation, washing and product quality.



Clean washed stones ready for delivery

• LimeX

Each year approximately 350,000 tonnes of liming material (equivalent to around 3.5% of the delivered crop) is produced by the industry as a co-product of the sugar manufacturing process. This is marketed throughout the country under the 'LimeX' brand and sold primarily to agriculture for soil pH management.

LimeX provides a sustainable option for soil pH correction, significantly reducing the volume of limestone and chalk that would otherwise be mined and crushed for agriculture and other lime markets, thereby supporting the government's objective of encouraging environmental recycling.

British Sugar is the largest supplier of liming products to UK agriculture and the LimeX range has Soil Association approval for use in organic farming systems. Increasingly, LimeX is being used as a sustainable soil-forming material in brownfield restoration, to simultaneously adjust soil pH and supply useful plant nutrients. Most recently, LimeX is being used directly by the mushroom-casing industry for mushroom production and is an essential ingredient to good casing.

Free-flowing LimeX70 ready to be applied to fields

## Chemicals

In most cases the main use of chemicals in our manufacturing facilities is for cleaning the food processing equipment. Bulk chemicals are used also by engineers for boiler water treatment and the maintenance of food processing equipment, although some of the oils and greases are of food grade. Many chemicals are used in very small quantities by our laboratories for routine quality control analyses.

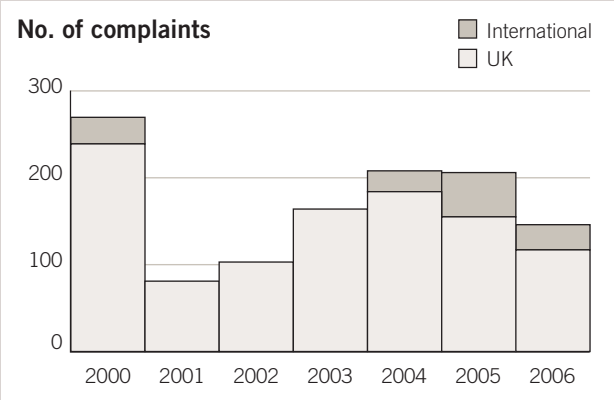
## Transport

The operating companies place great importance on minimising the amount of fuel used to deliver our products to our customers in line with ABF's Environment Policy and good business practice. As an example of how the fuel is minimised, British Sugar monitors closely the driving performance of each of their sugar delivery drivers. The monitoring includes fuel consumption trends, driving speeds, driver breaks and the use of a special driver trainer accompanying drivers periodically to assess their techniques. Their performance is discussed with them during structured reviews. Where necessary to improve performance and reduce environmental impact, additional training is provided.

To help minimise the distance to be driven we try to maximise vehicle usage by the use of back-loading where practicable, i.e. using the vehicle to carry products and loads both to and from our customers.

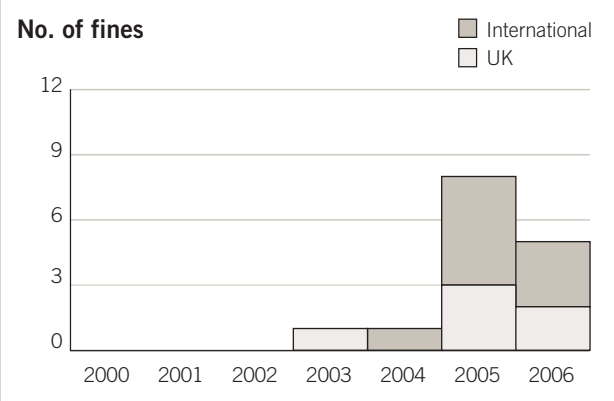
## Environmental Complaints

The number of environmental complaints varies significantly year on year and tends not to reflect the actual number of events causing complaint. There were various causes of complaints including factory noise, traffic movements, particulate emissions and odours, but there were no clear trends. The companies involved regret any inconvenience caused and have all taken remedial action.




As the complaints related to site-specific issues they were addressed locally. As an example an ABNA site received numerous complaints regarding odours. The company investigated the sources and invested in remedial technology. Since then there has only been one complaint in over four months.

## Environmental Fines




In 2006 there were five environmental fines totalling the equivalent of £51,000 which were imposed on companies within the Group. Four of the incidents related to effluent and one related to litter. The most serious of these incidents involved an uncontrolled release from the process into a local river. The factory immediately conducted a thorough survey of all the site drains and discovered that a new item of plant had been connected inadvertently to the wrong drain. This was immediately corrected and all other sites belonging to the company carried out similar drain reviews.

## Biodiversity

There is no biodiversity plan which applies to the whole of the ABF Group and its subsidiaries since each company takes action as appropriate. As an example, British Sugar takes considerable effort to encourage beet growers in the UK to minimise their environmental impact and enhance conservation of the countryside. In 1999-2000, British Sugar engaged an external ecology expert to audit the factory sites and produce a full assessment of the flora and fauna.

## Supply Chain Management

ABF believes that pursuing environmental improvements can also have beneficial commercial benefits. Wherever possible, therefore, subsidiary companies are encouraged to use their influence within the supply chain.

British Sugar, which is the sole processor of the UK's sugar beet crop, has extensive positive influence on the environmental impact of the country's 7,000 beet growers:

i. Pesticides. One of the benefits has been that since 1982 there has been a 52% drop in the volume of pesticides used on the sugar beet crop, including a massive 95% reduction in organochlorine, organophosphate and carbamate insecticides.

ii. Fungicides. The quantity of fungicide applied to sugar beet is low in comparison to other crops. In recent years, powdery mildew, which damages sugar beet, has been targeted for late season control, so that a single application of fungicide is becoming standard practice. In comparison, three applications of fungicide are usually made to cereal crops and as many as seven applications to potatoes.

iii. Fertilisers. By providing high quality agronomic advice to growers, British Sugar has been able to encourage growers to reduce nitrogen fertiliser applications to beet crops. Over the last two decades there has been a reduction of around one third. Sugar beet now has the lowest nitrogen usage of any major arable crop in the UK. The use of organic manures is widespread and offers a continued food source and an increase in soil invertebrate biomass.

iv. Re-use. British Sugar has become the UK's largest grower of classic round salad tomatoes, producing over 34 million tomatoes a year, through the innovative re-use of by-products of sugar processing. The low-grade hot water from the CHP plant at our Wissington sugar factory in Norfolk, which would otherwise be sent to cooling towers, is instead channelled through 70 miles of pipes to heat the 5-hectare glasshouse where the tomatoes are grown. Similarly, the carbon dioxide produced by the CHP plant is pumped to the glasshouse to increase the growth rate of the tomatoes. Water used primarily to wash the sugar beet delivered to the factory carries vital nutrients from Norfolk's soils and is re-used to irrigate the tomato plants.

Further information can be found on the web site at http://www.britishsugar.co.uk and follow the links to the environment section.

Germain's Technology Group, which is based in England's East Anglia and specialises in the development of seed treatments, has also played a key role in pesticide and insecticide reduction. Over the last 10 years, seed treatments replacing soil granules and foliar sprays have helped to substantially reduce pesticide use. For example, prior to the introduction of modern systemic insecticide seed treatments, the beet crop often received granular controls at drilling, and over five sprays of contact insecticides during the spring. Now over 70% of the crop is protectd with soil and foliar pest seed treatments, which very often have more than halved the number of spray programmes, and increasingly have seen no sprays being needed at all for the control of pests. Germain's input in seed treatments fulfils the exact strategy of overall Integrated Crop Management systems, relying on accurate forecasting of crop protection needs and monitoring of pest and predator activity.