

Doing good
every day

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*"Our purpose
is to provide
safe, nutritious,
affordable food
and clothing that is
GREAT VALUE FOR MONEY.*

*In doing these things well
we know we contribute
to making MILLIONS of
people's lives better."*

George Weston

Chief Executive, Associated British Foods

CHIEF EXECUTIVE'S INTRODUCTION

Associated British Foods is a company which thinks long term, invests consistently in its assets and finances itself conservatively. Our purpose is to provide safe, nutritious, affordable food and clothing that is great value for money. In doing these things well we know we contribute to making millions of people's lives better.



The reputation of Associated British Foods has been built over many years by conducting our business openly and honestly. However, our decentralised structure, combined with the wide range of our activities means it is not straightforward for people outside the Company to assess the difference we make to society. That is why, this year, we have begun to explore how we can better measure what we do so that we might provide more credible and tangible evidence of our impact.

The transformative power of being open with stakeholders is best seen in the new law brought in by the UK government: in 2015, it introduced the UK Modern Slavery Act, a groundbreaking piece of legislation which calls upon businesses to share what they are doing to uncover, understand and eradicate human rights abuses in their supply chain.

Rather than creating a raft of burdensome regulation, this mandatory disclosure puts businesses in control of defining the activities in which they will engage. In this way, businesses are empowered to intervene where they can make the greatest impact.

This approach is closely aligned to our own at Associated British Foods: our decentralised structure means each of our five divisions decides where they focus their efforts to benefit and protect people and the world in which they operate. I am proud of the work being done throughout our organisation to protect vulnerable people in our supply chain. You can read about our work to protect them in detail on page 13 and our Modern Slavery Statement is now published on our website.

The impact of our corporate responsibility activities, however, goes beyond our supply chain and includes our neighbours, our employees and our customers. In this report, for the first time, we have attempted to count the number of people who have benefited in some way from our operations and the activities in which our many different businesses are engaged. This includes counting up the new jobs we have created in the last year and the number of our people who have received some form of training. It also includes the number of suppliers who have received support from us, as well as those who have benefited from our charity and volunteering work.

For instance, our Grocery division is working closely with the communities from whom we source tea and vanilla to improve working conditions, and our Sugar division has provided support and training to boost the livelihoods of smallholder farmers in Africa.

In the last financial year, we have directly improved the lives of thousands of people. Calculating this has not been a straightforward process but we intend to build on this year's start to refine and mature this way of presenting our impact for future reports.

There is pressure from outside organisations to set targets as soon as counting begins. I believe it is more important to show, as transparently as possible, proof of the good we have already done, than to set a target of what we may do in the future. I know Associated British Foods is a company which thrives as the people around it thrive and I look forward to making an ever-greater contribution to improving people's lives. As they flourish and prosper, we achieve our target of making life better for everyone.

MEASURING OUR SOCIAL IMPACT

Ever since Associated British Foods was incorporated, our businesses have been making a difference to people's lives.

For the first time, we have sought to quantify our social impact in order to show the benefits of our collective endeavour on people's lives. This includes our own people, our suppliers, our neighbours and our customers.

To do this, we have asked our businesses to collect data on a range of measures. This is the first year we have requested this data, which means there are gaps. It is our intention to expand this data in the coming years so that we can provide an even fuller picture.

Where data has been estimated, we have done so cautiously, seeking to round down rather than up, and we have checked our assumptions with our partners. The numbers shown here are for the date range 1 August 2015 to 31 July 2016. To see how we defined our terms and calculated these numbers, please read our CR Reporting Guidance 2016 document which you can find on our website at www.abf.co.uk/cr_reporting_guidance_2016.



OUR PEOPLE

We aim to improve the lives of the people who work with us. Whether through providing fairly paid, stable jobs, or by offering training and development opportunities, thousands of people benefit from a career with Associated British Foods.



OUR SUPPLY CHAIN

We also aim to improve the lives of our suppliers, particularly those in developing countries where living standards differ from those in the Western world. We invest in a wide range of projects that boost the livelihoods of our suppliers, as well as support the wellbeing of their workforce and the families they support.



OUR NEIGHBOURS

Our corporate responsibility activities also reach into our communities and seek to make a difference to the lives of our neighbours. We donate products to food banks, as well as volunteering our time and raising money for charity. We are also improving the career prospects of the next generation by offering career guidance, coaching, work experience and training.



OUR CUSTOMERS

We have a clear agenda to sustain the wellbeing of our customers by reformulating our products to reduce the salt, sugar and fat content, making it easier for them to eat a healthy, balanced diet. We also aim to help them make appropriate choices about nutrition by providing the information they need to make informed decisions.

We've created **5,880**
NEW jobs


22,477 people have attended
a **TRAINING COURSE**
or **personal development**
workshop

We've trained **381** of our people
to recognise **unconscious bias**



72,367 people
in **OUR SUPPLY CHAIN**
have been helped by
health initiatives
we've funded



 Our programmes to
improve **PRODUCTIVITY** have
boosted the livelihoods of
11,398 smallholder farmers

We have supported
8,050
people in need
through **food programmes**



Our **STAFF** have
raised and
donated over
£100,000 to charity

We have helped
BOOST the **career prospects** of
26,103 young people



We helped **44**
business customers
create new or
improved
bakery products
in our **CENTRE OF EXCELLENCE**



Our **NUTRITION EDUCATION**
websites have helped
8 million
customers make more
informed choices
about what they eat



OUR BUSINESSES AT A GLANCE

Revenue

£3,274m 2015: £3,177m

Adjusted operating profit

£304m 2015: £285m

Adjusted operating profit margin

9.3% 2015: 9.0%

Return on average capital employed

24.2% 2015: 22.5%

Revenue

£1,798m 2015: £1,818m

Adjusted operating profit

£34m 2015: £33m

Adjusted operating profit margin

1.9% 2015: 1.8%

Return on average capital employed

2.1% 2015: 1.9%

A DIVERSIFIED BUSINESS

The Group operates through five strategic business segments



GROCERY

An enviable portfolio of leading food brands

Grocery 26



SUGAR

A world-leading sugar business focused on excellence

Sugar 42

International

Twinings and Ovaltine are our global hot beverage brands.

Europe

Silver Spoon and Billington's sugars, Jordans and Dorset cereals, Ryvita, Kingsmill, Patak's and Blue Dragon.

The Americas

In the US, Mazola is the leader in corn oil and we sell a range of baking brands through retail and food service channels. Capullo is a premium canola oil in Mexico.

Australia

Ham, bacon and smallgoods under Don and KRC brands. Tip Top Bakeries produce a range of well-known breads and baked goods.

Europe

Our UK beet sugar factories typically produce well over one million tonnes of sugar annually. Azucarera in Spain produces over 400,000 tonnes of beet sugar each year and has a cane refining capacity of a further 400,000 tonnes.

China

We operate two beet sugar factories in the north east of the country, with annual sugar production capacity of over 160,000 tonnes.

Southern Africa

Illovo is Africa's largest sugar producer with agricultural and production facilities in six countries. Typical annual sugar production is 1.7 million tonnes.

Revenue**£1,084m** 2015: £1,211m**Adjusted operating profit****£58m** 2015: £60m**Adjusted operating profit margin****5.4%** 2015: 5.0%**Return on average capital employed****17.7%** 2015: 19.2%**Revenue****£1,294m** 2015: £1,247m**Adjusted operating profit****£93m** 2015: £76m**Adjusted operating profit margin****7.2%** 2015: 6.1%**Return on average capital employed****13.1%** 2015: 11.1%**Revenue****£5,949m** 2015: £5,347m**Adjusted operating profit****£689m** 2015: £673m**Adjusted operating profit margin****11.6%** 2015: 12.6%**Return on average capital employed****30.2%** 2015: 31.1%**AGRICULTURE**

Driving value for businesses
along the food supply chain

Agriculture 56

**INGREDIENTS**

Technology and innovation
to meet customer needs

Ingredients 68

**RETAIL**

Up-to-the-minute fashion
at amazing prices

Retail 78

AB Agri operates at the heart of the agricultural industry. Its unique breadth and experience enable it to add value all along the food, drink and biofuel industry supply chains.

AB Agri supplies products and services to farmers, feed and food manufacturers, processors and retailers. It also buys grain from farmers and supplies crop inputs through its joint venture arable operation, Frontier Agriculture.

The business employs more than 2,300 people in the UK and China and market products in more than 65 countries worldwide.

Yeast and bakery ingredients

AB Mauri operates globally in yeast and bakery ingredients production with 49 plants in 26 countries supplying plant and artisanal bakers and the foodservice and wholesale channels. It is a technology leader in bread improvers, dough conditioners and bakery mixes.

Speciality ingredients

ABF Ingredients focuses on high-value ingredients for food and non-food applications. It manufactures and markets enzymes, lipids, yeast extracts and cereal specialities worldwide with manufacturing facilities in Europe and the US.

Primark

Primark is a major retail group employing 68,000 people. It operates stores in the UK, Republic of Ireland, Spain, Portugal, Germany, the Netherlands, Belgium, Austria, France, Italy and the US.

It offers customers quality, up-to-the-minute fashion at value-for-money prices.

Buying and merchandising teams in Dublin (Republic of Ireland) and Reading (UK) travel internationally to source and buy fashion items that best reflect each season's key fashion trends. Primark's range includes womenswear, lingerie, childrenswear, menswear, footwear, accessories, hosiery and homeware.

THE ESSENCE OF ASSOCIATED BRITISH FOODS

Associated British Foods started out as a bakery business in 1935. Over the past 81 years, we have grown and evolved into an international food, ingredients and retail business. A great deal has changed in that time but what has remained a constant is the essence of Associated British Foods. By this, we mean the ethical way in which we operate. Our intention has always been to do the right thing for our people and the wider community, believing that in feeding and clothing millions of people we do good every day.

An ethical business

At Associated British Foods we believe that an ethical business is primarily built by its people, not through codes or words on a page. We try to hire people who have integrity and demonstrate kindness towards others. Our employees should recognise the culture that we share and thrive in an environment where high moral standards are expected.

We nurture ethical business practices through the actions we undertake every day and if we observe something is not right we act quickly to correct it. Our Company is built on strong ethical foundations with a large proportion of our shareholder dividends supporting charitable works through the Garfield Weston Foundation.

A decentralised business

We aim to match our high moral expectations with the autonomy that we give to each business and the individuals employed within them. Of course there are some requirements common to all businesses, such as ensuring that our people stay safe at work, but the best and most ethical course of action will differ according to particular markets or businesses. We recognise that the people best placed to make a decision are those who understand the local circumstances and will apply our ethical mindset.

Although we have a highly decentralised structure, we are more than simply the sum of our parts. We share functional knowledge and expertise across businesses to the benefit of all. By being a group of businesses operating in different sectors, we are able to manage short-term financial cycles for long-term gain and maintaining our ethical culture fits naturally with this long-term thinking.

A guided business

The corporate centre plays an important governance function to complement our decentralised structure. Assuring our ethical culture involves a robust and rigorous process of internal verification:

- every division has a Corporate Responsibility (CR) lead and a Health, Safety and Environment (HSE) lead who meet regularly and are supported by the central CR and HSE teams within Associated British Foods;

- the chief executive of each business is required to submit an annual risk survey identifying all relevant risks for the business including safety, environment and other CR issues (see our 2016 Annual Report for our principal risks); and
- finance directors also annually provide a report on progress against each business' identified CR priorities.

We know that our people do not require policies to ensure that they behave ethically. The purpose of policies at Associated British Foods is to ensure those outside the Company know what we expect of ourselves; that employees have protection to maintain the highest ethical standards; and to give suppliers clear guidelines on the behaviour we require of them. Please see a summary of our policies below, which are available to view in full at www.abf.co.uk/responsibility.

- Anti-Bribery and Corruption
- Anti-Fraud
- Environment
- Genetically Modified (GM) Ingredients
- Health and Safety
- Payment
- Supplier Code of Conduct
- Taxation Principles
- Whistleblowing

A focused business

Since our 2013 CR report, each business within the group has been engaged in a process to prioritise the CR issues upon which they will focus. As with all our activities, our CR priorities are identified by each business and driven by them.

The process of identification, which was supported by Forum for the Future, took into account each business' unique impact and the CR issues that were found to be most material to them. By aggregating these priorities, Associated British Foods has identified its groupwide priorities. This approach creates focus whilst remaining true to our culture of decentralisation.

We recognise that the world in which we operate is constantly changing. Our businesses engage with and respond to a wide range of CR issues, including those which stakeholders have brought to our attention. We benefit greatly from these stakeholder relationships which include our customers, employers, suppliers, shareholders, non-governmental organisations (NGOs) and surrounding communities.

Our businesses have common areas of interest: every business strives to minimise its environmental impact, look after its employees, customers and suppliers, and be a good neighbour. We have categorised our corporate responsibility programmes into five pillars, which you will see reflected throughout our communications.

This is the first year that we have chosen to separate our work with suppliers into a distinct pillar. In previous years, this content has been spread between Neighbours and People but, as it is an increasingly significant part of our corporate responsibility agenda, it deserves greater prominence.

Similarly, we have broadened the focus of what was previously categorised as a responsibility for promoting good health to supporting our customers in their understanding of what constitutes a healthy diet.

The five pillars of our corporate responsibility approach are:



OUR ENVIRONMENT



OUR PEOPLE




OUR SUPPLY CHAIN



OUR NEIGHBOURS



OUR CUSTOMERS



Our belief is that
regularly assessing
risks
is crucial to ensuring
they are being properly
managed and
mitigated

OUR APPROACH TO CORPORATE RESPONSIBILITY

The external world is in constant flux, which means we must pay close attention to the risks and issues that may be – or might become – material to our business. We listen to our stakeholders and regularly review our approach to corporate responsibility to keep pace with change and maintain our status as an ethical business.

Determining our most material issues

This year, we have chosen to have our corporate responsibility report assured against the AA1000AS standard that considers materiality, inclusivity and responsiveness. We commissioned EY to provide assurance against this standard.

As part of its assurance, EY considered whether we have provided a balanced representation of material issues concerning our sustainability performance, whether the right stakeholders were considered in determining our approach to sustainability and whether responses to any stakeholder's concerns have been adequate. Details of the work steps undertaken by EY can be found in the full assurance statement on page 90 of this report.

Managing risk

Every year, the board of Associated British Foods reviews the material risks to the Company – both financial and non-financial. This process is led by our internal audit function, and is reported fully in our annual report.

Our belief is that regularly assessing risks is crucial to ensuring they are being properly managed and mitigated.

We have systems, processes and resources in place to ensure that tax returns are submitted, and correct taxes are paid, on time. As we prepare for increased transparency, we continue to liaise with all tax authorities to ensure compliance and to manage tax risk across the group. We will continue to structure our operations in a tax-efficient way and intend to simplify the group structure where it is economic to do so.

To help ensure we respect human rights throughout our supply chain we have strengthened our commitment around forced or bonded labour and added a new principle on land acquisition to our Supplier Code of Conduct. We have also updated our Environment and Health and Safety policies, and strengthened animal welfare practices.

One of the ways of ensuring that these high standards are maintained is through our whistleblower process which encourages employees and third parties to report anonymously activities which they suspect are in breach of our codes and policies, or the laws and regulations that govern our businesses.

Since our last report, we have introduced a new whistleblower hotline service provided by Expolink. Every business has now implemented this service, with the exception of Illovo which continues to use a well-established and effective service provided by Deloitte.

The whistleblower hotline is advertised to staff through posters which are displayed in all businesses, in the local language. When a call is received, senior executives at the Company are alerted so that an investigation can be initiated and appropriate action taken. This process is managed and overseen by our internal audit function which ensures that appropriate action is taken.

Between June 2015 and May 2016, our businesses received 118 notifications. The majority of these relate to low-level human resources (HR) grievances, theft or fraud. The management teams of each business treat all allegations seriously, assess and follow them up. In almost all cases, the allegations were found to be unsubstantiated and thefts or frauds were of small value. There are no recurring themes.

OUR APPROACH TO CORPORATE RESPONSIBILITY CONTINUED

Listening to external stakeholders

As a major multinational company with businesses operating in a wide range of sectors and markets, and sourcing from countries all over the world, it is only right that our activities are subject to significant scrutiny. We welcome feedback from investors, NGOs and campaigning organisations and listen carefully to what they tell us. Although we don't always agree with their findings we always take criticism seriously and use it to challenge ourselves.

Here, we share details of the major campaigns that have included Associated British Foods over the last 12 months, along with our response.

Sugar

In recent years, numerous public health bodies and campaigning organisations around the world have reinforced awareness of the health implications of consuming too much sugar. Added (or 'free') sugars, in particular, have been a focus of concern.

Our Grocery division has responded to increased consumer desire for products with reduced sugars by reformulating a number of lines to reduce the sugar content, particularly breakfast cereals. To provide transparency on what is in each of our products, we make sure everything is labelled clearly.

In August 2016, the UK government launched a new plan to curb childhood obesity 'Childhood Obesity: A Plan for Action' and a consultation on the new Soft Drinks Industry Levy, which it intends to introduce in 2018. We will respond as appropriate to these developments and will continue to monitor such changes to the regulatory landscape.

Illovo: accusation of land-grab

In December 2015, an organisation called the Centre for Research on Multinational Corporations published a report containing allegations of labour rights violations and land-grabbing by Illovo Sugar in Malawi. Illovo responded in detail to these allegations, which it considers were based on some inaccurate and misleading information. Illovo has a detailed policy and road map to avoid land-grabs. This is explained in more detail on page 50.

Oxfam's Behind the Brands campaign

In 2013, Oxfam devised a scorecard to compare the agricultural sourcing policies of ten of the world's largest food and drink companies, including Associated British Foods.

In the first year, we scored 19% on its scorecard, rising to 36% in 2016 reflecting our ongoing and deepening work, particularly in the areas of land management and climate change.

As Oxfam is aware, Associated British Foods has a very different business model from most of the other companies featured on the scorecard. Its survey can never reflect the breadth and depth of the work undertaken by our businesses. We allow our businesses to make decisions locally and we trust our people to make the right choices, which means we cannot present the outside world with the same kind of policy and target-driven culture that many other companies adopt. We believe this enables us to run a more ethical business that contributes positively to the communities in which we operate.

Oxfam's most recent publication about the benchmark is titled 'The Journey to Sustainable Food'. We acknowledge that this is, indeed, a journey: we can always do better and we continue to develop plans to improve our activities further. Our various businesses are each engaged with important initiatives that continue to transform our operations and supply chain.

Business Benchmark on Farm Animal Welfare (BBFAW)

Most of our businesses have no involvement with animals. However, George Weston Foods and AB Agri operate in environments where animal welfare is important.

Over the last year we have made significant efforts to communicate our approach to animal welfare more clearly. We expect to see this reflected in our designated tier in the BBFAW revised rankings in 2017.

Although AB Agri does not farm livestock, its employees are routinely on farms that rear livestock. In 2015, it introduced an animal welfare policy, which summarised well-established procedures built on the principles of the Animal Welfare Act 2006. This can be found in full on AB Agri's website www.abagri.com.

George Weston Foods rears pigs and purchases meat for a range of meat products. Animal welfare is a selection criterion for George Weston Foods when choosing a supplier for any meat product. All purchases of meat are covered by its Responsible Sourcing Code of Conduct which requires that all suppliers of animal products and services comply with local animal welfare laws, regulations and standards. Go to www.gwgf.com.au to read this in full.

Where pigs are owned and reared by George Weston Foods, they are grown 'Gestation Stall Free' in accordance with the Australian Pork Industry Quality Assurance Program standard.

The Corporate Human Rights Benchmark

The Corporate Human Rights Benchmark (CHRB) is the first-ever ranking of the world's largest publicly listed companies on their human rights performance. The CHRB began its pilot benchmark process in 2016 and is due to publish its benchmark in early 2017.

Associated British Foods maintains a focus on protecting human rights in our supply chain through our Supplier Code of Conduct, supported with unannounced audits of higher risk suppliers. This year, we have also published a statement on the steps we are taking to help eradicate modern slavery.

WWF Palm Oil Scorecard

Palm oil is an important commodity but unsustainable farming methods can cause deforestation, create greenhouse gas (GHG) emissions, drive social conflicts and lead to the loss of vital habitats and unique biodiversity.

We are members of the Roundtable on Sustainable Palm Oil and met our target to only buy 100% sustainable palm oil by the end of 2015. In September, this was recognised by WWF when it published its 2016 Palm Oil Buyers Scorecard and awarded Associated British Foods the maximum score, placing us in the 'Leading the Way' category.

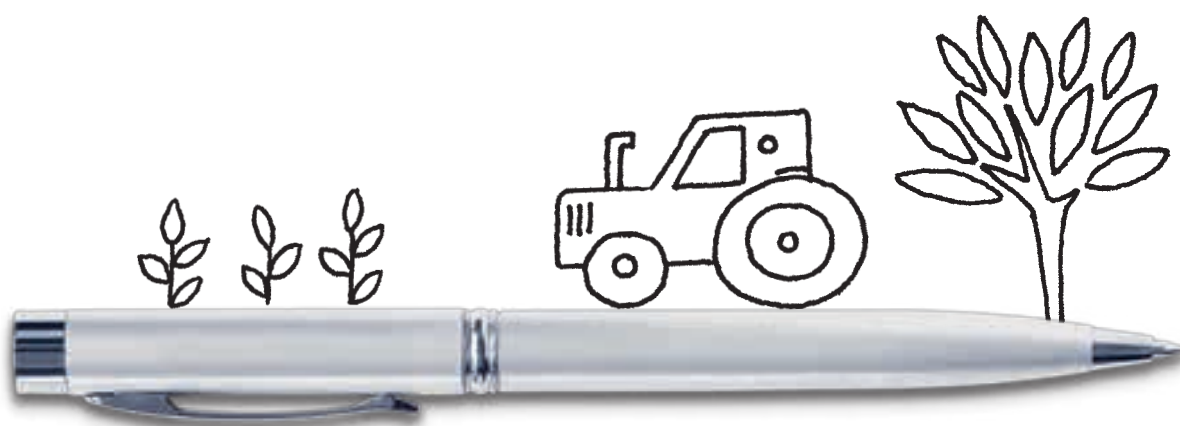


We welcome
feedback
from investors, NGOs and
campaigning organisations
and **LISTEN CAREFULLY**
to what they
tell us

Although we don't always
agree with their findings
we always **TAKE CRITICISM**
SERIOUSLY and use it
to challenge ourselves

OUR GROUP PRIORITIES

At group level, we continue to focus on the corporate responsibility issues that are important for all our businesses. Protecting the environment continues to be a priority, as is the safety of our people and the diversity of our workforce. Over the last year, we have put additional effort into addressing modern slavery and promoting ethical trade.



We expect
OUR SUPPLIERS
to sign our
Supplier Code of
Conduct and to
agree to be
subject to AUDITS

Without a strong supply chain, we would not have a strong business. That is why we have a long history of working closely with our suppliers to ensure that ethical standards are applied and maintained. We expect our suppliers to sign our Supplier Code of Conduct and to agree to be subject to audits. In addition, we have initiated various partnerships to protect vulnerable workers, such as our partnership with UNICEF which supports female workers on the tea estates that supply Twinings, or our work with CottonConnect to improve the lives of smallholders who grow cotton for Primark.

With the introduction of the Modern Slavery Act in 2015, we are now required to report on the steps being taken to address this issue. While this is by no means a new area of activity for us, this is the first time we have explicitly addressed the issue in a corporate responsibility report (see opposite). We have published a full statement on our website which covers all of our businesses and, in addition, a number of our companies have chosen to publish a statement of their own. Read our statement at www.abf.co.uk/modern_slavery_statement.

ADDRESSING MODERN SLAVERY

Modern slavery is a global issue that requires global action. It can occur in many different forms including, but not limited to, forced labour, child labour, domestic servitude or human trafficking. As an international business we have a role to play in eliminating these practices as well as respecting human rights across our own operations and supply chains.

We value our ongoing engagement and collaboration with a broad range of interested and concerned stakeholder groups. We operate in 50 countries and our supply chains are far-reaching and complex. The steps we take to try to ensure that any forms of modern slavery are not present within our own operations or supply chains are set out below.

Policy

Our comprehensive groupwide Supplier Code of Conduct sets out the values and standards we expect of our suppliers, representatives and the other people with whom we deal. It is based on the International Labour Organization (ILO) Fundamental Conventions and the Ethical Trade Initiative (ETI) Base Code. We engaged with NGOs in the creation of this code and periodically update it to ensure its continued relevance. The most recent amendment refers specifically to our intolerance of forced or bonded labour:

“Employment is freely chosen: There is no forced or compulsory labour in any form, including bonded, trafficked, or prison labour. Workers are not required to lodge ‘deposits’ or their identity papers with their employer and are free to leave their employer after reasonable notice.”

Suppliers are expected to sign and abide by this code.

As a group, we encourage an open culture in all our dealings between employees and people with whom we come into contact. Honest communication is essential if malpractice and wrongdoing are to be dealt with effectively. Our Whistleblowing Policy sets out guidelines for individuals who wish to raise issues in confidence which could include forced labour concerns. We provide an external third-party service for all staff, including casual or agency staff, and make every effort to protect the confidentiality of those who raise concerns.

Associated British Foods Supplier Code of Conduct:

www.abf.co.uk/supplier_code_of_conduct

Our Whistleblowing Policy:

www.abf.co.uk/cr_policies_whistle_blowing

In addition to these policies held at group level, a number of individual businesses have created tailored policy approaches to tackle modern slavery. For example, our Sugar division has a Modern Slavery and Human Trafficking Policy which underlines a zero tolerance position and supports our sugar businesses to manage any concerns.

Embedding

In 2015, we trained our senior procurement team across our divisions on the issue of modern slavery. This training included risk assessment, how to develop a response plan and auditing.

We are now expanding our training programme to the wider buying community including those responsible for cleaning and catering, construction and refurbishment contracts. Some of our businesses, for example Twinings, are also planning to conduct a workshop with local HR teams which will include a specific session about recruitment practices, working with recruitment agencies and labour contractors. In addition, Twinings has conducted training days for its suppliers aimed at raising awareness and providing guidance about modern slavery, specifically around issues relating to agency labour and document checks for new workers.

In 2016/17, Primark will launch mandatory dedicated training on forced and trafficked labour for all relevant Primark staff including buying, merchandising and sourcing teams, as well as all suppliers and factories. The training is being developed with international experts on forced and trafficked labour.

Due diligence

Our divisions have designed risk assessment processes to identify those supply chains that may be at higher risk of modern slavery. This may be due to the country of origin, the product or industry characteristics (such as seasonal life cycles) or workforce characteristics (such as migrant workers). Action plans are then being developed for any supply chains that may be at higher risk of forced labour.

Modern slavery is a complex problem. Our current risk assessment is supplemented with access to Sedex and Maplecroft's risk assessment tools, which provides an insight into some of our supply chains and suppliers with the highest risk. With this information we can plan the most appropriate action to be taken.

ADDRESSING MODERN SLAVERY CONTINUED

The risk of modern slavery is not confined to our supply chain, so we also scrutinise our own hiring practices. Background checks of employees' addresses and bank accounts are undertaken to identify any duplication or possible areas of crossover in verifiable records. When hiring a new employee, we always check identification documents and references.

Temporary workers are at particular risk and we have made special provisions to assess the main agencies that provide us with temporary workers. As part of this, we check whether they are members of relevant professional bodies as well as their understanding of modern slavery. We intend to deepen this level of engagement and conduct more detailed audits.

Improvement

We believe that real change can only be delivered through collaboration with our suppliers.

In order to ensure that our suppliers meet our standards, we audit high-priority suppliers either using approved external auditors, or our own internal team. We audit against our Supplier Code of Conduct to confirm the working conditions and labour standards of the factories that supply our products. In addition to this, we collaborate with other buyers using Sedex and AIM Progress to share audits and reduce audit fatigue for suppliers. These networks are also an opportunity to collaborate with other businesses on the issue of human rights. For example, AIM Progress's Human Rights Work Stream facilitates shared learning on topics such as risk assessments, supplier training and grievance mechanisms. However, we know it is crucially important to strike the right balance between reducing the administrative burden and tackling root causes.

If there are any cases where our suppliers are found not to be meeting the standards laid out in our Supplier Code of Conduct, we work with them, offering training and support to help them improve. We would only terminate commercial relationships with suppliers if no improvements are made over an agreed time frame or if there was no commitment to make them. If we uncovered situations of modern slavery or any other serious violations we would seek to verify and investigate immediately.

Measuring

Across the individual businesses we are working to develop the right measurements for both supply chain and people. A number of our businesses have key performance indicators in place in relation to labour standards and they report on these on a periodic and quarterly basis.

Read our Modern Slavery Statement at www.abf.co.uk/modern_slavery_statement.

Going beyond standard auditing processes

Twinings is going beyond standard auditing processes by starting to conduct community needs assessments, in order to assess topics not traditionally picked up during audits. Besides regular audits conducted by third-party organisations such as ETP, Rainforest Alliance or UTZ Certified, Twinings conducts its own needs assessments, based on survey and focus group discussions. The assessment was developed in collaboration with, among others, UNICEF, WaterAid, Conservation International, and Oxfam, and covers ten areas which we believe are important elements of improving the livelihood of communities in our supply chain.

In addition, we have also conducted an assessment in one of our key herbal supply chains – rosehips in Chile.

In Assam, in north-east India, we found that children and adolescents, who live on tea estates with family members, are vulnerable to a range of child protection concerns, including trafficking, exploitative or bonded labour, and physical or sexual abuse within the domestic household and the community. Twinings has therefore been working with UNICEF since 2011 on tea gardens to address these issues by teaching young girls life skills so they are equipped to protect themselves and their peers, while also creating a protective network within the community and government.

In the non-tea supply chain, Twinings has also worked with two audit firms to pilot a specific audit add-on which will focus on modern slavery risks in countries of highest risk. The first of these audits has taken place in Turkey and Malaysia and the findings are being reviewed with suppliers.



We have started to conduct community needs assessments on tea gardens in India, Sri Lanka and China



Modern slavery
is a global issue
that requires
global
action

PROTECTING OUR ENVIRONMENT

A number of our businesses are highly dependent on a range of environmental assets and ecosystems, from stable supplies of water to vibrant biodiversity. Therefore, we have a moral and commercial imperative to conserve and, where possible, enhance the environments in which we operate.

Our environmental management

We operate across a vast range of environments, which requires our businesses to adapt to local or national issues such as changes to regulation, increasing pressure on agricultural land, weather patterns and local social pressures. We are very aware of our duty of care to ensure we keep pace with change and implement solutions that address the environmental and related social challenges, such as food security, in order to remain sustainable and minimise impact.

Our material environmental issues

We annually review our environmental impacts through our risk management and CR processes. Our key impacts continue to be:

- the use of energy and resultant GHG emissions;
- the abstraction of water and discharge of effluent; and
- the generation and management of waste.

Measuring and reporting our impacts

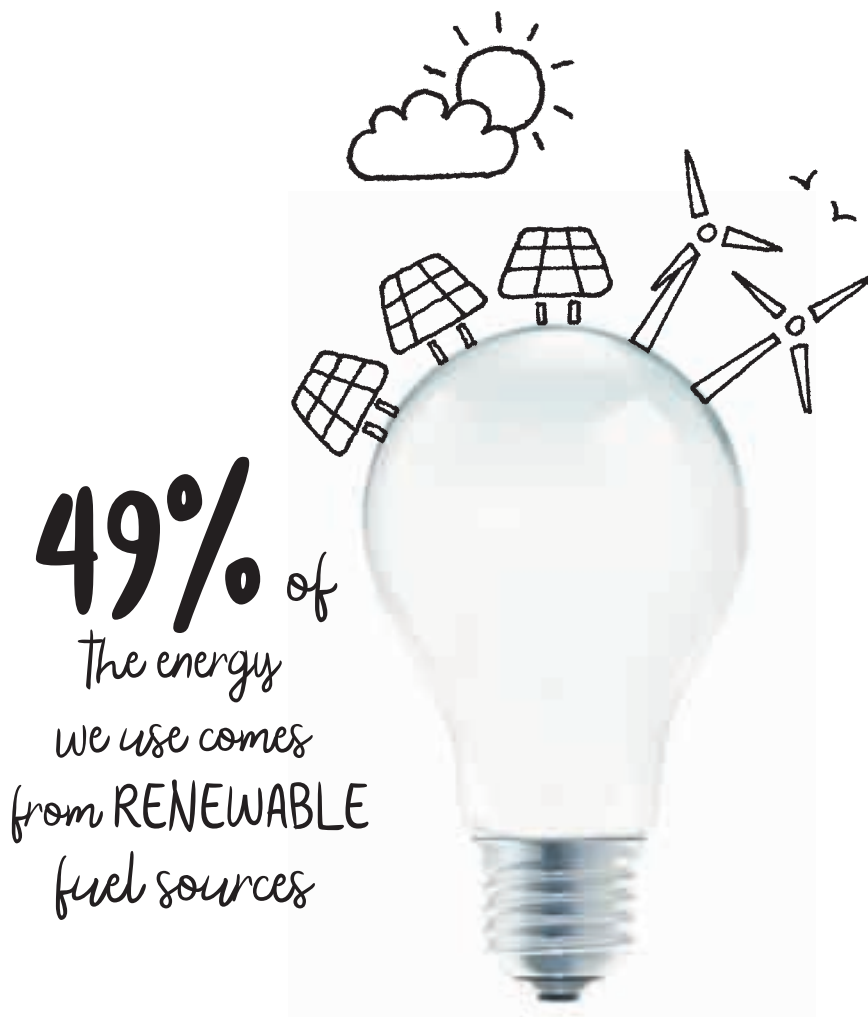
As we have measured our activity in these areas for numerous years, we are able to report five-year trends. This supports our aim of being transparent about our environmental performance. We engage independent environmental specialists to provide us with an objective opinion of our performance through a compliance and risk management audit programme.

EY also conducted an assurance for a range of our safety and environmental data to support our approach to transparency.

The triangle symbol (Δ) in this report indicates the data is within EY's limited assurance scope. The full assurance statement can be found on page 90. Details of our environmental reporting can be found in 'Our CR Reporting Guidance 2016' at www.abf.co.uk/cr_reporting_guidance_2016. Further detail on our approach to forestry, water and climate change can be found in our 2016 CDP disclosures at www.cdp.net.



We annually review our
**ENVIRONMENTAL
IMPACTS** through
our risk management and
CR processes



Challenges and achievements this year

We are pleased to report the following highlights from the year:

- increased the proportion of waste we recycled to 78% of total waste generated, thereby diverting significant amounts from landfill;
- sourced 49% of our total energy from renewable sources; and
- reduced the amount of gross GHG emissions by 9%.

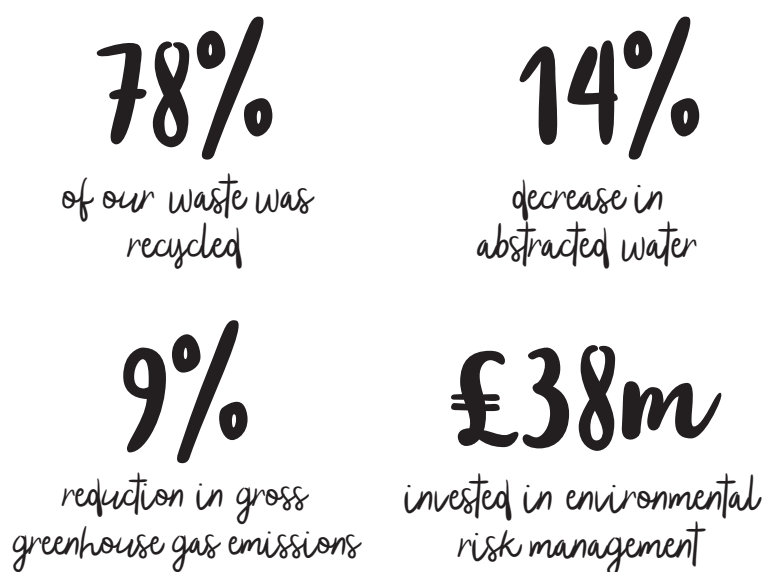
Our businesses are constantly responding to a range of physical, regulatory and financial risks associated with major environmental matters, including adapting to challenging weather patterns and temperatures, operating in water-stressed areas and responding to changing water- and carbon-related regulations.

We recognise that some of the reductions in our environmental impacts this year have been achieved through factors outside our control. For example, adverse weather conditions led to poor crop yields which reduced our need for energy and water and meant we generated less waste. Our total production output across all our businesses has reduced by 5% since last year. Despite some national economic or natural environmental challenges, our businesses have continued to invest in reducing their environmental footprints.

Environmental compliance

In 2016, 93% of our sites operated without any environmental complaints. We received 62 complaints during the year, 12 more than last year. We also received ten environmental fines Δ totalling just over £41,000 Δ, six more than received in 2015. The majority of complaints related to odour, noise, discharge standards for effluent, and transportation. The sites engaged with relevant stakeholders to maintain good relations and are working with regulators to help us meet or exceed regulatory standards.

Groupwide progress in 2016

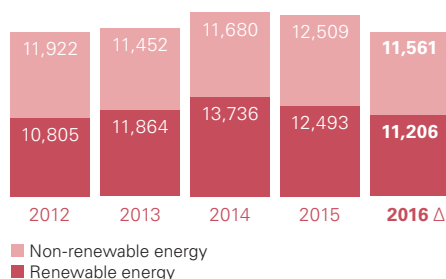


CLIMATE CHANGE

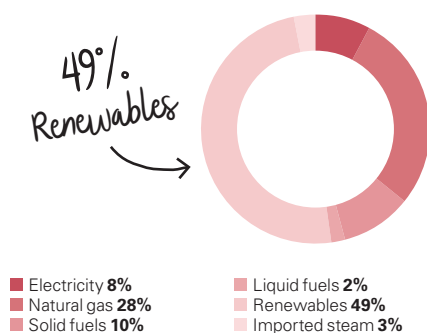
We recognise that Associated British Foods is a major consumer of energy, which we primarily use to fuel our global operations. This energy consumption results in the emissions of GHGs as does the use of transport, agricultural activities and some of our factory processes.

Total consumption of energy

In GWh, split by renewable and non-renewable energy



Types of energy used in 2016



The Associated British Foods board is kept informed of the group's energy and GHG performance and this year approved the updated Environment Policy which states that energy efficiency and reducing emissions are key responsibilities for every business. A number of our businesses have set targets including AB Agri UK which has an aspiration to reduce its energy use by 20% by 2024 based on 2008 levels.

While climate change is a global challenge, we believe we can have the greatest impact by implementing energy efficiencies at the local level at our sites, ultimately leading to reductions in both GHG emissions and cost. The focus remains on our own operations, although an increasing number of our businesses are working with their suppliers and customers to address shared climate issues.

Energy use

The efficient use of energy has been an inherent operational activity and strategic aim for Associated British Foods over many decades – it is a material risk and a significant business opportunity.

Our main energy-intensive operation is the processing of sugar which accounted for 82% of our total energy use this year. Sugar factories use energy to extract the sugar from the beet and cane, to concentrate by evaporation the sugar in solution and then to crystallise the sugar. To minimise energy use, the steam generated by the first evaporator is used as the heat source for the second evaporator and so on through the series of evaporators. Through this process, 1 tonne of steam can evaporate as much as 5 tonnes of water.

All of our sugar factories, whether in Africa, Britain, China or Spain, use combined heat and power technology (CHP) to provide the steam and electricity needed to operate the factories. Our sugar operations use both fossil fuels and renewable energy sources in large and highly efficient boiler systems to generate the required heat and electricity. In marked contrast to conventional power stations where the heat from burning fossil fuel is wasted, we capture that heat and use it for evaporation and other hot processes. As a result of these CHP plants, around 80% of the energy in the fuels is extracted and put to use in our factories, compared with standard power stations, which tend to extract around 40% of energy.

The next largest user of energy is AB Mauri's yeast manufacturing operations which account for just under 9% of the group's total energy use. The remainder, approximately 9% of our group energy use, is split between our other manufacturing and retail operations.

In 2016, our absolute use of energy was 22,800GWh Δ down from 25,000GWh in 2015. This 9% reduction in energy use is partly the consequence of a 5% reduction in production and partly due to energy efficiency projects.

A number of our sites not only generate their own energy but also export surplus electricity to national grids. In 2016, we exported 765GWh which is an 8% reduction on last year, mainly due to lower sugar production and therefore bagasse, the residual fibre which is used as an energy source across our southern African operations.

Energy from renewable sources

Of the total energy consumed across the group this year, 49% was from renewable fuel sources, equal to 11,200GWh Δ. This is a reduction from 12,500GWh in 2015. The majority of our renewable energy comes from bagasse with smaller but increasing quantities coming from biogas which is generated on-site using anaerobic biological digestion of effluents and various wastes.

The use of bagasse as a fuel results in the emission of carbon dioxide. However, an equivalent amount of carbon dioxide emitted in one year is captured during the next year's growth of the sugar cane crop. Therefore, the use of bagasse as a fuel is considered carbon neutral. We use a range of fuels according to local availability and suitability.

The impact of changes in weather

Our sugar operations account for over 82% of our total energy use. The impact of weather on the size and quality of the sugar beet and cane crops therefore directly affects the amount of energy needed to process those crops, and the efficiency with which we can do this.

Our sugar factories are based in parts of the world with different climates and significant variability in local weather patterns. This year alone, our operations have managed the impacts of excess rainfall and flooding, droughts and hard frosts which have generally led to reduced crop yields. Through appropriate risk management and adaptability, our businesses are prepared to respond to these extremes in weather patterns.

Energy management

The other factor in the group's annual energy trends is the underlying efficiency of our factories and stores. A robust approach to energy management is fundamental across our businesses and therefore all regularly review their operational data and respond with appropriate energy efficiency projects. In any one year, we can have hundreds of active energy projects addressing a spectrum of efficiency opportunities including expanding the use of solar panels, implementing sensor lighting, and investing in new machinery.

Over the last 12 months, our businesses have invested over £38m in environmental risk management of which £3.2m was spent specifically on energy efficiency projects. These include:

- investing in energy-efficient technologies such as LED lighting, improvements to evaporators and other large, energy intensive equipment;
- partnering with our customers, suppliers and others in our value chain to consider synergies and address localised climate issues; and
- closely managing our consumption and type of fuel used as well as investing in electric car charging.

Generating bioethanol

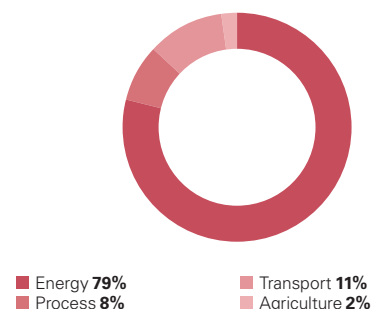
We are also increasing the production of energy for use in transport. Viverno, our bioethanol manufacturing plant in Hull, UK, converts surplus non-food-grade feed wheat into bioethanol and animal feed. It has the capacity to produce up to 420 million litres of bioethanol for UK and European markets. When blended with conventional petrol, this reduces GHG emissions equivalent to taking 180,000 cars off the road. Our sugar factory in Wittington, UK, also has a bioethanol operation using sugar syrups which has the capacity to produce 70 million litres a year.

Greenhouse gas emissions

In 2016, our total GHG emissions fell by 9% to 8.7 million tonnes of carbon dioxide equivalent (CO₂e) Δ. Gross emissions from energy, transport, our processes and agriculture all fell.

This year 79% of our total emissions came from the energy we use in factories, offices, warehouses and stores. 11% were generated by the transportation of our goods and people by owned or third-party vehicles. We report the emissions and fuel types associated with vehicle movement of materials for which we are responsible including: raw materials, ingredients, packaging, waste, processing aids, and finished products by land, sea or air.

Sources of GHG emissions in 2016



Process emissions from for example the production of enzymes, bread baking and the on-site treatment of waste water, accounted for 8% of the total emissions. Agricultural emissions accounted for the remaining 2%.

As the combustion of sugar cane biomass is regarded as carbon neutral, we also disclose our net emissions. Therefore, our net emissions, which were those from conventional fossil fuels, is 4.9 million tonnes of CO₂e Δ. This is 7% lower than last year which reflects the overall decrease in energy used.

Of the 6.5 million tonnes CO₂e Δ emitted by our Sugar division, 59% was generated from the use of bagasse and other renewable sources.

Our greenhouse gas emissions

	2016 emissions (tCO ₂ e)	2015 emissions (tCO ₂ e)
Combustion of fuel and operation of facilities	7,645,000 Δ	8,526,000
Purchased electricity and steam	1,054,000 Δ	1,081,000
Total gross emissions	8,699,000 Δ	9,607,000
Generation and use of renewable energy	3,807,000 Δ	4,361,000
Total net emissions	4,892,000 Δ	5,246,000
Emission intensity (gross)	649 tonnes per £1m of revenue	751 tonnes per £1m of revenue
Gross emissions by business division		
Sugar	6,468,000 Δ 74%	6,802,000 71%
Other	2,231,000 Δ 26%	2,805,000 29%

Total gross emissions includes emissions from the use of energy within our factories and stores, our manufacturing processes, the operation of owned and third-party vehicles and from directly controlled agricultural activities. See 'Our CR Reporting Guidance 2016' at www.abf.co.uk/responsibility for our GHG methodology and more detail about how we quantify our emissions including emission scopes.

WATER MANAGEMENT

The availability of good quality water is central to many of our manufacturing processes, to those in our supply chain and for growing the agricultural products we rely on. Over the last year, a number of our operations have faced water challenges due to climate events such as droughts, floods and hotter summer temperatures.

We have identified a number of water-related risks and opportunities, which vary depending on the location and type of operation. These include:

- operating in a number of water-stressed areas, and recognition that these are expected to increase;
- securing access to sources of water and maintaining water availability for all in the catchment;
- the potentially increasing cost of water (and associated energy costs); and
- increasing water and waste water regulation.

Some of the ways we are addressing these risks are:

- implementing water footprints to monitor water use and waste water;
- significantly investing in high efficiency irrigation systems;

- building partnerships to address local water issues, notably with regulators and community representatives; and
- continuing to develop our approach to measuring water and introducing more indicators to provide depth to our water data.

Water reporting

In 2016, we abstracted 800 million m³ of water. This is a decrease of 14% compared with 2015. In the main, this group level reduction is due to Illovo's reduction in water abstraction for agricultural use. Crop production was lower due to the extreme weather in many parts of southern Africa. With less water in the rivers the sites abstracted less water for irrigation and operated within the strict minimum flow requirements to ensure that they did not cause water supply issues for their local communities and natural habitats.

During the year, we have continued to analyse water abstraction data to improve the methodology and level of accuracy. On further investigation of water figures reported in 2015, we realise the group's disclosed water data was higher than abstracted. For more detail, please see 'Our CR Reporting Guidance 2016' at www.abf.co.uk/cr_reporting_guidance_2016.

Of the total amount abstracted by the group, 30% was used in our premises and 70% was for agricultural purposes, primarily to irrigate our extensive own-grown sugar cane fields in southern Africa and sugar beet fields in Spain. Of the water we abstract for agricultural purposes, a large amount returns to the watercourse as part of the natural water cycle.

Treated waste water was reused by 20 sites for a beneficial purpose before returning it to the natural watercourse. Of the total water abstracted, 27% was reused mainly for irrigation or land-spreading. This reduces the amount of water the sites need to abstract.

Using water efficiently

Water is a valuable natural resource which we share with other businesses and communities in the local catchments, up and down stream. Our sites are very diligent when using water to help ensure that as much as possible is returned to the natural water course to sustain availability for all users and to support the local ecosystems. The use of water also adds operational costs. For these reasons, all sites monitor and manage the quality and quantity.

As with energy efficiency, our operations continually seek to manage water efficiently and minimise abstraction. This year, efficiency projects in our factories have included: increased monitoring of all water pipes to stop leaks; fitting meters and investing in flow meters to accurately monitor and adapt water use; reducing the number of vehicle washes; and reducing the temperature on steam generators. See page 46 for examples of agricultural water efficiencies implemented by Illovo.

Providing safe domestic water

A priority of our water management is to provide safe drinking water and facilities on our sites and estates. In addition, we provide free, clean and safe drinking water and sanitation to almost 50,000 people living on our African cane estates, thereby reducing the transmission of waterborne diseases. During the drought in Swaziland this year, Illovo supplied potable water as part of its relief response to the national disasters.

Managing waste water

We return as much water as we can to the receiving watercourses aiming that after treatment we meet the local aquatic quality standards as a minimum, either treating the waste water on-site or using a municipal treatment plant.

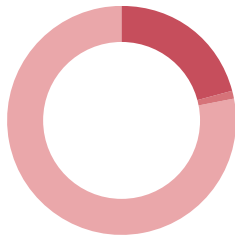


We provide free,
clean and safe
DRINKING WATER
and sanitation to almost
50,000
people living on our
African cane estates

WASTE MANAGEMENT

Our businesses achieve waste reduction through the efficient use of resources and by finding beneficial uses for waste materials. For some of our businesses, recovering waste materials from their operations and supplying other industries has become intrinsic to their business model.

Waste disposal during 2016



■ Non-hazardous waste sent for disposal **21%**
 ■ Hazardous waste sent for disposal **1%**
 ■ Waste sent for recycling or recovery or other beneficial use **78%**

In 2016, we created just over 1 million tonnes of waste Δ. Of this, 78% (or 787,000 tonnes Δ) was diverted from landfill because we reused or recovered it for a beneficial purpose. Of the remainder, 5,500 tonnes Δ was hazardous waste, a 6% reduction on the previous year, and 211,000 tonnes were non-hazardous waste Δ, a decrease of 4%.

We are proud that the majority of our wastes continue to be reused rather than directly disposed of as landfill. Our waste is utilised in a number of ways including environmental restoration, landscaping, soil pH treatment and fertiliser, and the production of paper and animal feed.

A number of our sites are working towards sending zero waste to landfill. Activities to help achieve this include improving segregation of waste streams and the use of recycling, composting and anaerobic digestion.

For more details about our recycled waste data for 2015 and 2016, please see 'Our CR Reporting Guidance 2016' at www.abf.co.uk/cr_reporting_guidance_2016.

Anaerobic digestion

Our Sugar and Ingredients divisions have invested in building anaerobic digestion plants which enables us to biologically treat a wide range of organic wastes. As well as reducing any potential landfill waste, this process provides us with biogas which we use in our factory boilers. This in turn reduces the amount of purchased energy from fossil fuels and increases the amount of renewable power available in the national grid.

In October 2016, AB Agri opened an anaerobic digester in North Yorkshire, UK which generates biogas from garden and kitchen waste from households and businesses in the neighbouring area.

Efficiencies in waste to product

A significant proportion of our total non-hazardous waste sent for disposal, 79%, is generated by two beet sugar factories in northern China. Sugar beet arrives at the factories covered in soil and other organic matter from the fields, which, due to Chinese regulations, must be treated and classified as non-hazardous waste. Our sites are exploring economic markets for these waste streams.

The amount of waste we send to landfill is 1.6% by weight of our total manufactured production tonnage. If we were to exclude the two sites in China from our group's total waste data, the amount of waste that is sent to landfill drops to only 0.34% by weight of our total manufactured production tonnage. This demonstrates that our operations are efficiently managing their waste.

Product packaging

Numerous businesses have worked with their packaging suppliers to improve the weight data of the various packaging materials. We continue to replace heavier materials such as glass with lighter materials such as paper and plastics.

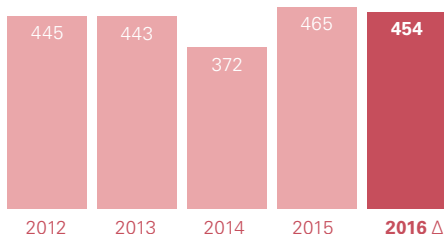
However, the quantity of packaging used for our products in 2016 was 248,000 tonnes Δ, a 4% increase on the previous year. This is due to an increase in the production of certain lines of goods, particularly within our Grocery and Ingredients divisions.

78% of our waste was
DIVERTED FROM LANDFILL by
 reusing or recovering it for a beneficial purpose

KEEPING OUR PEOPLE SAFE

In 2016, over 130,000 employees and numerous contractors across 50 countries worked for Associated British Foods, with a range of skills, expertise and backgrounds. Safeguarding the wellbeing, health and safety of our people and those who work with us continues to be a group priority.

Reportable injuries



Details of our health and safety reporting can be found in 'Our CR Reporting Guidance 2016' at www.abf.co.uk/cr_reporting_guidance_2016.

Health and safety

Loss of life in our operations is entirely unacceptable and we deeply regret that there were three fatalities Δ this year, all in Africa. They were as the result of a vehicle accident, a fall from height and an accident involving large moving machinery. Training continues to be provided to all employees and contractors on the importance of following safe working procedures and using safety equipment such as safety harnesses and seat belts.

Thorough root cause investigations of all fatalities are conducted to identify opportunities to strengthen our controls. The findings are shared beyond the site with the rest of the group to ensure that all other businesses can learn from their experiences. All work-related fatalities are reported to the group board and local management is held to account.

Injuries to employees

During 2016, we recorded 454 reportable injuries to employees Δ . This represents a reduction in our reportable injuries to 0.47%. We can also report a 2% decrease in employee Lost Time Injuries (LTIs) this year.

While all our divisions are very focused on minimising any injury to employees, contractors or visitors, we note a specific decrease in the number of reportable injuries from our Ingredients division. For more information on their efforts to make their workplaces safer, please see page 72.

Of our factories and stores, 61% achieved a year's operation without any reportable injuries and 48% did not have an LTI in 2016. We celebrate the achievements of these sites and all who work within them. However, we recognise that our biggest safety challenge is maintaining safety performance while our businesses grow and adapt to changing business requirements.

We strongly believe the tone set by leadership is key to developing a safe working culture. Safety performance is reviewed during group board meetings with clear accountability for actions. Over the last decade, our injury record has significantly improved. We have grown in size, are operating across many more countries, some with challenging national safety cultures, but nonetheless we have reduced our employee injury rate by 85% in our manufacturing operations during this period.

We invested
£36m
 in health and safety
 RISK MANAGEMENT
 in 2016



Over the last decade, our injury record has significantly improved

In 2016, George Weston, our Chief Executive participated in our global safety meeting and shared his vision for safety. The strong message continues to be that Associated British Foods must keep refining activities and procedures to ensure our approach to safety is fit for purpose within each site, that safety behaviour is engrained in all we do and that we continue to address the health and wellbeing of all our people.

During 2016, our businesses invested £36m in health and safety including £14m specifically on major safety improvement projects. Other significant amounts have been spent on a range of employee and contractor training programmes such as manual handling and handling dangerous goods, additional health and medical checks and personal protective equipment.

Health and safety fines

During 2016, we received two safety fines Δ totalling £4,600 Δ for breaches of safety regulations. The number of fines is half that of last year despite an increase in the number of operating sites during the year. The fines were for not maintaining relevant authority permissions and for breaching noise at work regulations. The businesses involved were required to report to the Group Safety and Environment Manager on their remedial actions and are now compliant.

61%
of our factories and
stores operated without
a REPORTABLE INJURY
This year



*Our employee
wellbeing
programmes have
provided a range of
MEDICAL CHECKS
to support healthy
lifestyles*

Keeping our people healthy

We have a focus on maintaining healthy working environments and practices as we believe that a healthy workforce has benefits for the business, such as reducing absenteeism, improving productivity and reducing safety incidents as well as giving direct health benefits for our people. We have legal obligations to meet country-specific standards such as minimising exposure to dust, noise and asbestos and conducting hearing and lung-function testing. Occupational health specialists monitor our working practices to ensure our sites are healthy places to work, which includes controlling heat and humidity and minimising risks during manual handling of heavy loads.

Building joint responsibility for health and wellbeing

We have been developing a health and wellbeing approach that goes beyond compliance to one which promotes the long-term health of our people.

We are leading this at a group level by engaging leadership in the issues and sharing the business benefits of investing in the welfare of our people. We have adopted the following to start embedding wellbeing practices:

- raising awareness of the implications of health issues and sharing experiences across the group;
- encouraging our businesses to clarify their wellbeing priorities depending on type of operation; and
- encouraging and supporting trial health activities.

A large number of our businesses have implemented wellbeing programmes to encourage healthy behaviours amongst employees and contractors. Examples include lifestyle campaigns, raising awareness of mental health, employee assistance programmes and providing a range of medical tests such as cholesterol and eyesight checks.

Our businesses are responding to site-specific workforce demographics and patterns such as shift working, high levels of obesity, an ageing workforce, sedentary lifestyles and high rates of transmissible diseases such as HIV/AIDs or malaria.

We will continue to strive for a culture of zero harm while developing our support for healthy workforces across our operations.

PROMOTING GENDER DIVERSITY

We are committed to running businesses which attract and retain the best female talent by creating a culture that is welcoming to women. The proportion of women in each of our businesses varies but, overall, the split is close to equal – in the last year the percentage of women in the workforce was 48%. A third of our senior management positions (32%) are held by women and we continue to strive to increase this.

Associated British Foods has a groupwide gender diversity task force which includes representation from across our divisions, with the exception of Primark which has its own diversity and inclusion programme. The purpose of the task force is to ensure that there are no barriers that prevent talented people from succeeding. The divisional CEOs are responsible for the work of the task force with accountability for ensuring delivery.

One of the main objectives of the task force is to ensure that women are receiving the individual development support they need. This includes training in leadership skills, two-way mentoring and carefully designed career development conversations that clarify and support each woman's specific ambitions and professional objectives.

We understand that becoming a parent is often a time when people find it hardest to achieve a desirable work/life balance. This is why, in April 2016, we introduced a groupwide online resource – the Parent Portal – to support parents (of both sexes) as they seek to manage the demands of having a career and raising a family. The portal also helps line managers to support their staff through the process.

Achieving true gender diversity can only be done when the entire workforce is committed to delivering it. Our HR policies and principles make our ambitions clear and all hiring managers and HR staff are aware of them. For a number of years we have included training in unconscious bias in our leadership development programmes and have begun extending the training to a wider group of managers. In the past year, 381 of our people have been trained to recognise unconscious bias with a view to building awareness and challenging commonly held myths around diversity.

Women who are in senior leadership roles, or may take on these roles in the future, are invited to join the Women's Business Education Forum. This group meets several times each year, providing an opportunity for networking and learning. Each meeting contains a presentation aimed at enhancing the members' business understanding or supporting their personal career development. The Women's Business Education Forum currently has 480 members.

Addressing unconscious bias at Silver Spoon

Over the last year, Silver Spoon has conducted six workshops to raise the awareness of 50 of its senior leaders and line managers about the issue of unconscious bias and its negative impact on the business.

The training aims to help people understand how our decisions are affected by our upbringing, culture or experiences. By increasing our awareness of bias, we can take steps to minimise the influence it has on how we relate to others.

After the training, 80% of the attendees said they made changes to their behaviour to reduce the chance of unconscious bias affecting their decision-making processes. For instance, one participant now reviews CVs without any personal information on show to ensure that he is not deselecting candidates based on his own preferences. Another explained that she was "thinking more about how I respond to different styles in others".

The business has found that the training has made such an impact that it is now extending the workshops to all line managers and shift leaders in the year ahead.

Gender metrics

	Total employees*	Men in workforce	Women in workforce	Percentage of women in workforce	Number of senior management roles**	Number of men in senior management roles	Number of women in senior management roles	Percentage of senior management who are women
Sugar	34,856	29,026	5,830	17%	229	180	49	21%
Grocery	17,444	11,769	5,675	33%	841	526	315	37%
Ingredients	6,720	5,032	1,688	25%	547	402	145	27%
Agriculture	2,320	1,725	595	26%	216	150	66	31%
Retail	68,262	19,644	48,618	71%	232	143	89	38%
Central	314	185	129	41%	68	44	24	35%
Total	129,916	67,381	62,535	48%	2,133	1,445	688	32%

* Full-time, part-time and seasonal/contractors.

** Includes directorships of subsidiary undertakings.

SUPPORTING THE COMMUNITY: THE GARFIELD WESTON FOUNDATION

The Garfield Weston Foundation was set up in 1958 by the founder of Associated British Foods, the late W. Garfield Weston. It is one of the UK's foremost philanthropic organisations. For almost 60 years, the Foundation has been donating money to charitable causes across the UK – a total of more than £906m since it began.

Eligible UK-registered charities can apply for support across a wide range of causes including education, community, welfare, youth, health, the arts and the environment.

Each year, the Foundation distributes the income it receives. Donations have continued to grow and 2015/16 was a record year, with the Foundation donating £58.7m.

The ongoing growth in donations is directly due to the financial strength of the Foundation's endowment, namely shares in the family businesses, and the Trustees are especially pleased that increased expenditure has been possible at a time when charities report that demand for their services has continued to rise, while many funding sources have contracted.

This year, more than 1,600 charities across the UK benefited from grants made by the Foundation, the significant majority of which are for small, local projects and community organisations. Indeed, 92% of the grants that were made this year were for less than £100,000.

The Trustees continue to look at ways to reach out to the most disadvantaged areas. As well as extending the Weston Charity Awards to the North West and Yorkshire in addition to the North East of England, they have commissioned a research report in the hope of encouraging applications from Wales.

While the Foundation funds across a broad range of categories, the underlying ethos remains consistent – to support charities with talented people and effective ways to meet a clear need. The Trustees adopt a deliberate strategy to empower people and charities to create their own solutions rather than to impose a particular model or viewpoint. It is this flexibility that enables the Foundation to respond and adapt to changes in need while embracing the most effective solutions and ideas.

Where does the Foundation's income come from?

The Garfield Weston Foundation holds a majority stake (79.2%) in a privately owned holding company, Wittington Investments Limited. Wittington has a diverse portfolio of investments, its largest being 54.5% of the shares of Associated British Foods plc.

The charitable donations made through the Foundation are related to the success of the investments held by Wittington; the business has continued to grow and as a result the donations to charity have also grown.

That donations have grown is a direct result of the success of the underlying investments such as Associated British Foods. The fact that our businesses are predominantly owned by a charity enables them to plan with a genuinely long-term view. This is a major factor in the sustainable growth that our businesses have achieved.

For more information about the Garfield Weston Foundation, please visit www.garfieldweston.org.



Ocean Youth Trust North uses sailing to support the personal and social development of young people

Ocean Youth Trust North

Based in North Shields, Ocean Youth Trust North (OYTN) inspires young people to rise above difficulties and change their lives through using sailing experience as a tool for personal and social development. Living and working together, sometimes under adverse conditions, young people are motivated by setting and achieving their own goals while accepting responsibility for all aspects of running an ocean-going yacht. As a Weston Charity Award Winner, OYTN has exciting plans to reach more young people in the North West of England through the purchase of a second yacht.

*This year, the
Foundation donated
£58.7m
to more than
1,600 charities*

GROCERY

Our Grocery businesses produce a wide range of household brands that are enjoyed by millions of people every week. Our primary function is to offer good value, safe and delicious food products but we are also motivated by a desire to have a positive impact on the wider world.

This is the driver behind our work to support our suppliers. Our supply chain is complex and includes many producers in the developing world. We therefore continue to place great emphasis on ethical sourcing and the importance of procuring commodities sustainably.

Our positive impact is felt closer to home too. We remain engaged with the communities around us, participating in fundraising and volunteering events as well as donating unwanted food to charities that pass it on to those who need it most.

Our people are the engine behind our corporate responsibility work. Their passion and commitment drives our CR programmes all over the world. In turn, we make sure that our people are safe and well looked after. We continue to place a strong focus on employee wellbeing, encouraging people to adopt a healthy lifestyle. We also invest in their ongoing career development, offering training courses to give people a chance to grow their careers with us. Most importantly, we maintain an attitude of inclusivity, welcoming people from all backgrounds, ethnicities and faiths because we know it makes our business stronger.

Jordans Farm Partnership
protects **44,500 acres**
of **British**
farmland

4,800 people
in India have benefited from
Twinings' **clean cook**
stove project

70 FARMER SCHOOLS
in Malawi are teaching
smallholders about **good**
agricultural practices

George Weston Foods'
SCHOOL BREAKFAST PROGRAMME
fed **8,000**
disadvantaged children
in Australia

We are
motivated
by a desire to have a
positive impact
on the wider world



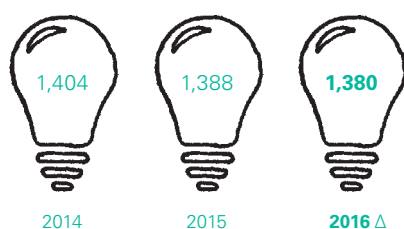
Our supply chain includes many producers in the developing world. We therefore continue to place great emphasis on ethical sourcing



OUR ENVIRONMENT

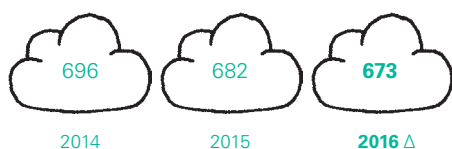
Over the last year, our Grocery businesses have significantly reduced their operational impact on the environment through specific efforts to reduce waste, with a number of sites working hard to achieve sending zero waste to landfill, and through efficiencies in energy use.

Energy consumption GWh



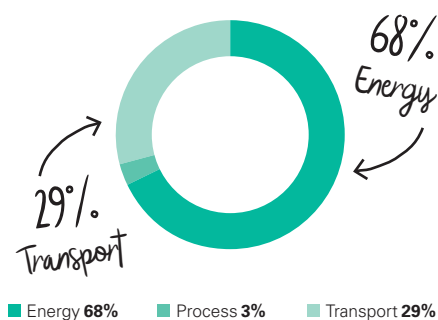
Over the last three years, energy use has decreased by 2%. This is the result of energy-efficiency activities, closure of some sites and the recent mild winters in Europe.

GHG emissions 000 tonnes CO₂e



GHG emissions have reduced by 3% over the three years, mainly as a result of the reduction in energy consumption.

Sources of GHG emissions 2016



During the last 12 months, our Grocery businesses have:

- reduced the non-hazardous waste sent to landfill by 12% and the hazardous waste by 4%;
- increased water withdrawals in line with the increase in production, with 9% of water reused for a beneficial purpose; and
- reduced GHG emissions from energy consumption by 4%.

In addition, we routinely review how we approach issues such as distribution or packaging to see if we can make adjustments that can lead to savings. Our Grocery businesses have made significant efforts to minimise the packaging used for their products. While production output has increased by 6%, our packaging tonnage per tonne of product has reduced by 6% over the year. This results in a lighter-weight product and therefore contributes to the efficiency of transporting our products.

Engaging employees

We know how important it is to have the full support of our people behind initiatives to drive sustainability.

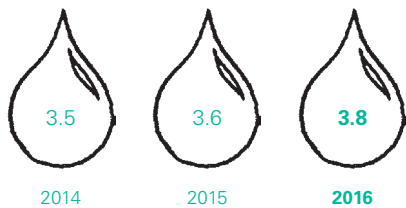
We encourage this attitude through awareness-raising campaigns and activities to engage employees around sustainability in the workplace. For instance, this year The Jordans & Ryvita Company created a series of posters to raise employee awareness of its efforts to improve the sustainability of both the business and its products. Employee engagement is also monitored through an annual survey.

Silver Spoon introduced 'green teams' tasked with turning its sustainability ambitions into site-specific plans. Each team is led by a Sustainability Champion and made up of volunteers. Employee engagement is the centrepiece of Silver Spoon's strategy: it conducts a biannual employee survey to measure how well sustainability is embedded into its corporate culture and during the year hosted a series of events where staff were invited to share their views about how the business should treat the environment, the local community and its people.

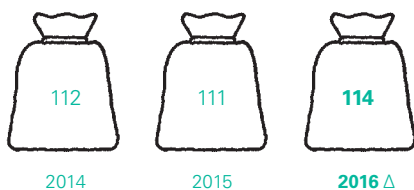
Engaging our people has been shown to make a significant difference. At the main Tip Top bakery site in Sydney, Australia, employees have received training on how to optimise the heating, ventilation and air-conditioning systems. These were previously being run at full speed, despite having variable speed



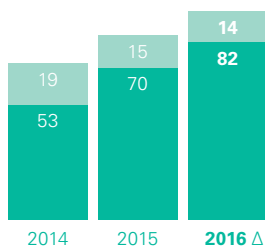
Training employees in the importance of sustainability at Sydney's Tip Top bakery site

Total water abstracted million m³

Water used in our premises and for agricultural activities has risen by 8% over the three years. This can be attributed to a 3% increase in production output over this period and an increased need for irrigation water.

Quantity of packaging used 000 tonnes

Total quantity of packaging has increased by 2% since 2014 supporting our 3% growth in production over this period.

Waste disposed 000 tonnes

■ Non-recycled waste
■ Recycled waste

Although total generation of waste has risen due to an increase in production, the amount sent for recycling has also increased resulting in less waste going into landfill. This year 86% all waste was diverted from landfill.

Westmill has saved **32 tonnes** of carbon a year by **REDUCING** the voltage of its power supply



drive control capability. Following the training, staff made simple changes to improve the energy efficiency and performance of the system, which is estimated to have reduced energy use by a third, reducing the site's total electricity demand by almost 7%.

Reducing energy use

All of our Grocery businesses continue to make efforts to use energy as efficiently as possible. For a number, this has been achieved by reconsidering their lighting. Intelligent LED lighting technology has matured considerably and investments can now be recouped in just a couple of years. Twinings in China, The Jordans & Ryvita Company in the UK and a number of George Weston Foods sites in Australia upgraded their lighting system to LEDs and introduced sensor controls this year. In a single George Weston Foods site in Melbourne, this investment has resulted in energy savings of over 90,000kWh and reduced GHG emissions by over 100 tonnes a year.

Many of our production sites rely on ovens for baking which consume significant amounts of energy. During the last year, many businesses concentrated their attention on making energy savings in this area.

The Jordans & Ryvita Company introduced a heat-recovery programme for some of its ovens, enabling heat to be captured from the oven exhaust system and reused, significantly cutting energy use. In Sydney,

George Weston Foods' main bakery site for Tip Top conducted a gas efficiency audit, subsidised by a government-run energy saver programme. The audit identified significant opportunities including: better gas sub-metering; balancing the bakery ovens; and installing systems on each of the main ovens to recover and reuse heat from the flues. These investments have now been made and the new heat recovery system alone will save 6,000GJ of gas each year. These opportunities to reduce gas consumption have been considered and the first investment has already been made in gas sub-meters.

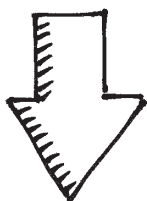
Energy can be saved without investing in new equipment and technology. Westmill has saved 32 tonnes of carbon a year by reducing the voltage of its power supply from 250V to 222V. This activity not only reduces the amount of electricity used but also increases the life expectancy of equipment.

Waste water management

Since 2015, our businesses are reporting a 37% increase in the amount of waste water reused for a beneficial purpose. In part, this is due to improved measurement of this new key performance indicator but it is mainly due to increased reuse of waste water for activities such as land-spreading and own-crop irrigation. This is particularly beneficial for our operations in Australia which experienced hotter, drier conditions this year.

OUR ENVIRONMENT CONTINUED

13%
reduction
in water consumption



*George Weston Foods
is on track to hit its 2020 target*

Twinnings Ovaltine in Thailand made a significant investment in a new waste water plant this year. Since the original factory was built in 1989, all waste water had been treated off-site by a contractor. The factory needed greater capacity as operations expanded so a decision was taken to build and run its own waste water treatment plant on-site. As well as saving money on outsourced services, this investment has also reduced logistical complexity and allowed the site to more than double the volume of water being treated.

Water management

Water conservation is a critically important environmental issue in Australia and our businesses there have stretching targets to reduce the water intensity of their operations. Twinnings reduced water consumption by a quarter by switching from high-pressure hoses to cleaning by hand. George Weston Foods has a target to reduce water consumption per tonne of production by 20% by 2020 (based on a 2010/11 baseline), in line with industry commitments; it is currently tracking at 13% below baseline. A significant contribution to this progress has been made by a site in Western Australia which has reduced water use by 4 million litres as part of its water efficiency management plan.

Fleet efficiency

Distribution is a key part of our operations and therefore of our environmental footprint. We continue to invest in more efficient vehicles, to explore ways to rationalise distribution routes and to improve driver behaviour.

In New Zealand, Tip Top has sought to improve the fuel efficiency of its delivery fleet. In part, this has been led by investment in larger capacity vehicles thereby reducing the number of trucks on the road. The new design has a curved 'teardrop' roof which makes the vehicle more aerodynamic, which means less fuel is used. Although this design is new to the southern hemisphere, data from the UK suggests these vehicles will reduce fuel use by as much as 12%. Indeed, we have been using them for our 'Kingsmill' lorries for several years. In addition, all drivers are being encouraged to fill tyres with nitrogen, which reduces wear and maintains optimal tyre conditions for greater fuel efficiency. A number of vehicles now have GPS installed, which is allowing more accurate monitoring of fuel use and driving behaviour.

The logistics team at Silver Spoon worked with key customers to increase the quantity of product moved in each vehicle journey. By ensuring loads are fuller, the company estimates it is saving around 230,000 miles each year.

Packaging

This year our total packaging has increased by 3% which reflects the increase in production output this year of 6%. We continually look for initiatives that might improve the environmental impact of our packaging. When we reduce the weight of our packaging, we cut post-consumer waste as well as improve the efficiency of our logistics by reducing transport movements.

In Australia, our George Weston Foods garlic bread products are now sold in an aluminium wrapper that is 8% lighter, resulting in an annual saving of 14.4 tonnes of material. Likewise, our DON sliced meat products now come in slimmer packets, meaning that 18% more product can fit in each outer carton and the number of pallets being shipped has been reduced by around 2,800 per year. The thinner pack has also enabled the product to be displayed in a smaller tray, saving yet more plastic.



**← SLIMMER
PACKETS**
*reduce the number
of pallets
shipped by 2,800
per year*

Our UK Grocery businesses have made a long-term commitment to reduce their packaging waste and weights. While total packaging increased by 3% in the last year reflecting an increase in UK production output of 6%, the businesses have collectively demonstrated improvements in packaging since 2013. Between 2013 and 2015, the businesses supported the UK Courtauld 3 Commitment to reduce ingredient, product and packaging waste in the grocery supply chain by 3%. They significantly over-delivered against this commitment, reducing their packaging weight by 11% and reducing the associated carbon impact. We are now signatories to the ambitious Courtauld 2025 commitment to reduce the resources needed to produce food and drink in the UK by 20% in ten years.



OUR PEOPLE

Our Grocery division is a collection of different businesses based all over the world. One thing that unites them is a focus on keeping our employees safe and ensuring their long-term wellbeing.

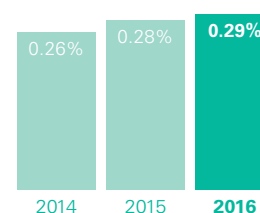
Our reportable injury rate has increased over the three years, however, the actual number of injuries has remained the same in 2015 and 2016. We have also seen a 17% reduction in the number of Lost Time Injuries between 2015 and 2016 due to the efforts of our businesses to continuously address safe working practices, as demonstrated by George Weston Foods, below.

We want our employees to be the best they can be and that means looking after their health. For instance, in Australia and New Zealand, George Weston Foods has developed an online programme for all employees which meets both their business needs and workforce health risks. These include stress management, physical activity, nutrition and dealing with fatigue.

We also share a commitment to develop our people. As the businesses grow we need good people to lead them and therefore invest in developing their leadership skills.

We recognise that our businesses are stronger when the workforce reflects the wider population. To that end, we continue to focus on supporting women in the workplace, and creating a culture of inclusivity.

Reportable injury rate



While our reportable injury rate has increased over the three years the actual number of injuries has remained static in 2015 and 2016.

Keeping people safe at George Weston Foods

In 2011, George Weston Foods conducted a review of its safety strategy and injury data, and concluded that accountability for keeping people safe at work was poor. In response, it launched an ambitious change programme designed to create a culture of safety. The programme, known as 'safety for everyone, everyday' was championed by the leadership team and embraced the core values of ambition, collaboration and accountability.

A new safety strategy was devised based on national standards, and supported by revised processes, stretching targets and strong governance. Staff received training in identifying risks or hazards and in how to manage injuries. Leaders were made accountable for safety targets and for actively identifying and mitigating poor practices. Since the safety programme was launched, the total reportable injury frequency rate has dropped by 86% and the Lost Time Injury Rate by nearly a third.

As one team member explained:

"Today, we are all visible and passionate champions of safety, and share the belief that health and safety is a critical aspect of our role. The prevention of all injuries and harm to all our people – at work and at home – is one of this company's core values."



Since the 'safety for everyone, everyday' programme was launched, the **LOST TIME INJURY RATE** has fallen by nearly a third

OUR PEOPLE CONTINUED

Supporting the health and wellbeing of our people

We recognise the importance of supporting our workforce to take care of their health and offer a wide range of information and support to help them.

At its simplest, this means helping people enjoy a healthy work/life balance. For example, Allied Bakeries, Allied Mills, The Jordans & Ryvita Company and AB World Foods all introduced adjusted summer working hours to allow people to work longer hours on Monday to Thursday, enabling them to finish early on Fridays. Likewise, over 95% of Silver Spoon's head office staff choose to work flexibly around the core hours of 10 am to 3 pm.

Our businesses also offer a range of opportunities to keep fit. In Thailand, Twinings offers yoga classes and lessons in Korean dance. In Switzerland, its staff are using a new activity app to share their progress – between them, 57 employees walked 26,000km and swam 169km over a four-month period. This year, AB World Foods placed exercise bikes in all its UK and Polish hub sites to encourage staff to cycle.

Educating our employees on health and wellbeing is another important contribution our businesses make, whether it is how to recognise and manage stress or helping ensure a good night's sleep if you do shift work. In the UK, Twinings runs monthly wellbeing workshops on topics such as nutrition, posture, mindfulness, creative thinking and resilience.

Twinings is a Great Place to Work

Twinings was ranked fourth in the medium sized business category in the UK's Best Workplaces survey in 2016, run by Great Place to Work. This is the sixth consecutive time that the company has made the list, reflecting high levels of employee engagement and trust.

Twinings credits this success to its 'Winning Organisation' work streams which are dedicated to creating a vibrant work environment and a strong team spirit. The survey was completed by staff, 96% of whom agreed with the statement: "taking everything into account, this is a great place to work". Twinings used the survey process to have open conversations, encouraging managers to explore the results with their teams and agree priorities for the year to come, specific to their area.

The CEO of Great Place to Work, Tom O'Byrne, commented: "We are delighted to see Twinings on our Best Workplaces list this year. It is a validation of the strength of their leadership and their commitment to creating the kind of culture where employees enjoy coming to work and want to do their best. The hallmark of a great workplace like Twinings is that their policies and practices are designed around the employee; this employee focus helps attract and retain the talent essential for driving and sustaining competitive performance."

*This year, Twinings was ranked
fourth in the UK's Best
Workplaces survey*

Building our leadership capacity

Over the last year, more than 160 employees have received some form of training in leadership which is helping to improve their self-awareness and coaching skills. This, in turn, is having a positive impact on the success of our businesses.

One example of this can be found in our building future leaders programme which aims to promote gender inclusion.

"Being on the programme has encouraged me to take a broader approach to my career path, and consider what other areas in Associated British Foods may hold opportunities for me."

Rosie Kaur, Sourcing and Business Administration Manager, Silver Spoon

The leadership programme is aimed at enabling women to fulfil their potential, while also helping leaders consider the underlying challenges facing women in senior management. So far, a total of 125 women have benefited from the programme, which over the course of five days covers a range of professional development topics.



These include:

- leadership versus management;
- power and influence;
- the confidence model;
- strategic positioning and visibility;
- assertiveness, influence and negotiation;
- business awareness and commercial acumen;
- change management;
- business improvement techniques; and
- creativity and innovation.

The programme has acted as a catalyst to create conversations, and enable women to participate in a broader agenda in a more engaged way.

Developing our people

Leadership is by no means the only skill we train our people in. Twinings in Australia has been holding training sessions that teach people to give constructive feedback and hold tough conversations. This has led to more staff engaging in challenging conversations for the good of the business. The business has also been training its managers in effective coaching skills so that they are better able to help the people who report to them to create effective development plans.

Similarly, 45 people from George Weston Foods attended a course on skilled negotiating this year, learning how to approach deal-making in a constructive and systematic way. Participants rated the course very highly, commenting that it had built their self-awareness and boosted their confidence in negotiating.

In Thailand, Twinings has furnished a former engineering building as a classroom in order to house the Ovaltine Academy, a development programme for its staff. In addition to technical training for staff working in particular areas, all managers have attended the courses 'Think On Your Feet' and 'Next Generation Leaders'. One of the objectives of the Academy is to provide permanent employees with new skills, to reduce the need for outsourced staff. As a result, 25 roles were brought in-house over the course of the last year. In total, 800 staff members have now received training.



By bringing marketers together for workshops, Twinings has seen cross-market collaboration rising

Building Twinings' marketing capability

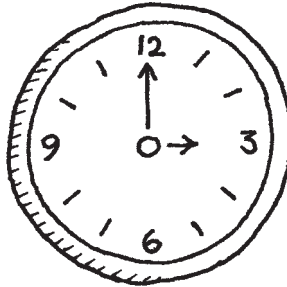
Twinings created a marketing excellence programme with the stated aim of delivering campaigns and results that are 'admired and envied'. The programme aims to build the skills of its marketers, as well as encouraging greater collaboration between teams in different markets. In this way, it hopes to be able to learn faster than many of its larger competitors.

To build the right skills, each member of the marketing team is expected to spend two days each month developing their functional capability, such as shopper marketing, brand building or applying insights. Each individual has a target competency score for their level of experience and they meet with their manager quarterly to review and discuss progress against these.

To encourage collaboration and build relationships between teams around the world, a central marketing excellence team brings marketers together for workshops throughout the year. A masterclass workshop aimed at marketing directors takes place twice a year, as well as marketing champion workshops for all heads of brands, marketing managers and insight managers. These face-to-face events are supplemented by local workshops and a series of learn fast, share fast webinars hosted by different teams, allowing them to share their projects and best practice.

As a result of this programme, Twinings has seen functional capability and cross-market collaboration steadily rising, while staff turnover has decreased.

Over **95%** of
Silver Spoon's head office staff
choose to **work flexibly**
around the core hours of 10 am to 3 pm





OUR SUPPLY CHAIN

The ingredients for our grocery products are sourced from all around the world. We recognise that this provides us with an opportunity and a responsibility to make lives better for people living and working in developing countries. We are committed to using our buying power to raise standards by refusing to accept poor treatment of people who work for our suppliers. We do this by working in partnership with our suppliers to improve conditions, and by conducting regular, thorough audits.

Sourcing commodities sustainably

Vanilla



As UK distributor for Nielsen Massey Vanilla, Silver Spoon has joined the Sustainable Vanilla Initiative (SVI) to support the long-term, stable supply of high-quality, safe, natural vanilla, produced in a socially, environmentally and economically sustainable way.

The SVI is made up of a number of different organisations involved in the vanilla industry that are committed to driving sustainable change. The SVI enables these organisations to discuss the key issues and develop strategies for transforming the sector.



Part of the SVI's work has been to create a sustainability road map to increase transparency in the supply chain and improve product traceability. The main areas of focus are improving product quality, sector governance, market stability and support services for farmers along with a sector wide labour code of conduct.

Strengthening our ethical supply chain in UK Grocery

For the past year, our UK Grocery businesses have been working with an independent ethical consultant to enhance management capability to develop a robust approach towards compliance with the UK Modern Slavery Act.

- Speedibake;
- Westmill;
- Silver Spoon;
- The Jordans & Ryvita Company;
- Allied Bakeries; and
- AB World Foods.

Using our Supplier Code of Conduct as a common framework, our businesses have worked with suppliers to help them meet the terms of this policy by embedding the requirement for compliance into

Spices



AB World Foods sources spices including chilli, coriander and cumin from India. It has begun working with Mercy Corps on a two-year pilot project involving 600 Indian farmers. The aim of the project is to educate them in business and agriculture management allowing them to make better decisions which, in turn, will enhance their margin and help them manage their crops in a more sustainable fashion.

The project also engages a number of Indian institutions and government agencies involved in farming and local agriculture. As a result, the farmers are offered loans at favourable rates allowing them to buy materials and machinery which can improve their productivity and boost their livelihoods.



commercial contracts and requiring all raw material and ingredient suppliers to be registered on the Sedex database.

We have empowered those working closest to our suppliers, in our procurement and technical functions, with responsibility for embedding the programme. This includes maintaining and evaluating up-to-date information about social conditions within supplier operations, supported by an ethical audit where it is considered appropriate.

Colleagues across our businesses have been trained in the requirements of the Act and we have shared best practice management approaches to mitigating the risk of modern slavery within our businesses and supply chains.

The HR departments of our respective businesses are using the 'Stronger Together' platform as a tool to help embed appropriate management policies into the operation of our businesses. Our procurement and technical management teams have undertaken detailed risk assessments and mapping exercises for high-risk commodities, working with suppliers to clearly determine the structure and operation of these supply chains.

Social audits of some commodities identified as high risk have been undertaken this year to clarify the nature of any risk and determine approaches to remediation if intervention is required. Elsewhere, group food safety auditors have been trained to the SA8000 standard to provide them with guidance on what to look out for when assessing supplier sites, and how to report any issues they may observe for further investigation.

Our UK Grocery businesses work in partnership to share approaches to responsible sourcing

Brazil nuts



The Jordans & Ryvita Company is working with one of its Brazil nut suppliers in Bolivia to assess working conditions in its supply chain. In June 2016, audits were conducted to assess conditions across multiple Brazil nut processing sites in the Riberalta area of the Bolivian Amazon, where the nuts are harvested from the rainforest. The aim is to develop a framework for wider industry collaboration.

Tea



Twinings is a founding member of the Ethical Tea Partnership (ETP) and, for a number of years, has been working to improve conditions in tea communities. In addition, the tea gardens Twinings sources from have either achieved independent certification (such as Rainforest Alliance, UTZ Certified or Fairtrade) or are monitored in line with the ETP Global Standard. We wish to go beyond certification and audits which is why, in early 2016, we developed a community needs assessment, to get a deeper understanding of the needs on the ground, allowing us to align our interventions appropriately. In order to ensure our assessment is credible, robust and relevant, we consulted relevant NGOs including UNICEF, Solidaridad and WaterAid. We then work with producers, other companies, NGOs and governments to address the issues identified, leading to greater sustainable change in the industry.

Rice



This year, we have entered into a partnership with the Sustainable Rice Platform (SRP). The SRP was co-convened by the United Nations Environment Programme and the International Rice Research Institute. It works in collaboration with partners in the public and private sectors with the mission to promote resource efficiency and sustainability in the global rice sector through an alliance that links research, production, policymaking, trade and consumption.



OUR SUPPLY CHAIN CONTINUED



Twinnings is working with Mercy Corps to provide more fuel-efficient cook stoves in tea-growing communities in Assam, India



Twinnings has been working closely with UNICEF since 2010 to improve the nutrition and protection status for young women in Assam's tea estates

Twinnings: supporting its producers and their communities

For a number of years, Twinnings has invested in projects that seek to raise the living standards and wellbeing of workers in its supply chain, as well as their families. Here we provide updates on the progress of a number of projects delivered in partnership with major international NGOs.

Piloting a new scheme for clean cook stoves in Assam, India

In June 2016, Twinnings completed a year-long pilot project with Mercy Corps aimed at supplying clean, fuel-efficient stoves to tea estate workers. Fifty-eight local potters have been trained in manufacturing two-pot mud rocket stoves with a chimney, and have been provided with a revolving fund from which the community members can borrow money to get their stove built. The project also raised awareness of the benefits of these new stoves through local demonstrations, creating a demand for the new product.

So far, new stoves have been sold or distributed to over 800 households. Baisaku Tanti, who lives on one of the tea estates in Assam, said "My family has benefited greatly from using the cook stove. It cooks food very fast with less wood being required. There is also less harmful smoke which improves our living conditions."

The new, clean cook stove requires less firewood than traditional ones. This means that people spend less of their income on firewood or less of their time collecting it, allowing more time for productive activities or schooling. The stoves also improve the air quality inside homes, reducing the health risks of smoke inhalation.

There is an environmental benefit to this project too: gathering firewood can lead to deforestation. Reducing demand eases the pressure on this resource and less fuel is burned creating lower carbon emissions.

By providing new cook stoves, the project is
REDUCING SMOKE
and improving the health of as many as
4,800 people

This has been a pioneering pilot project and Twinnings is looking to share the learnings across the sector in the hope that it can be scaled up across the region.

Supporting young women living on tea estates

Many young women living on tea estates with family members are anaemic, due to poor diet, leading to low learning levels, malnutrition and high maternal and infant mortality rates. They are also sometimes vulnerable to a range of child protection issues from abuse, early marriage, school dropouts and trafficking.

Twinnings has been working closely with UNICEF and ABITA (the Assam Branch of the Indian Tea Association) since 2010 to improve the nutrition and protection status for these young women.

Iron and folic acid tablets are given to the girls to treat and prevent anaemia, and the initiative is supported by the creation of health food shops and kitchen gardens to enable diet diversity. Newly created adolescent girls' groups teach them life skills and encourage them to look out for one another. Child Protection Committees also play a key protective role in the community, stepping in to prevent early marriage, school dropouts and potential trafficking.

The programme now covers 63 estates and aims to directly reach more than 5,000 adolescent girls who will, in turn, reach out as peer supporters to the other adolescent girls living on their tea estates – an estimated population of 34,000.

This holistic approach to child protection – combining nutrition with protection – is an innovative way of improving the lives of girls and young women on tea estates and is delivering great sustainable change.

Improving standards for workers and smallholders in Malawi

Malawi is one of the poorest countries in the world and, while wages in the tea sector are in line with national minimum wage and industry standards, a study co-commissioned by Twinings, Oxfam and ETP showed that they are often too low to afford a good standard of living. Twinings is committed to working with others to create a competitive Malawian tea industry where workers earn a living wage and smallholders can thrive. The business has signed the Malawi 2020 Memorandum of Understanding for the Revitalization of the Malawi Tea Sector, alongside producers, brokers, tea packers and development agencies.

The programme aims to improve smallholder farming practices which, in turn, will boost yields, leaf quality and income. It also aims to improve the wage-setting process through greater worker representation, support a healthier workforce through the provision of fortified meals, and provide greater opportunities for women. Already, 70 Farmers Field Schools have been established to teach smallholders about good agricultural practices, income diversification, climate change, and business skills. Although it is still early days, a new quality-based pricing structure has meant that farmers are producing a better, more valuable product than ever before.

Jordans Farm Partnership – enhancing biodiversity

At present, 42 British farms supply grain to make Jordans breakfast cereals. From summer 2016, all these farms have agreed to undertake a wide variety of measures to protect water and soil as part of the Jordans Farm Partnership, a collaboration involving The Wildlife Trust, Linking Environment and Farming (LEAF), The Prince's Countryside Fund, and Jordans.

The Jordans Farm Partnership was set up to address key issues facing rural communities today, including the decline in priority wildlife species, the need to produce more food to feed a growing population, and an equally important need to reduce GHG emissions associated with agricultural output. It also aims to provide support for rural communities, many of which are struggling because of social and economic changes.

This new model for UK farm sustainability sets high standards for nature-friendly farming and builds on the long-standing commitment made by each of these farms to support wildlife on at least 10% of their land.

Together, the farms in the Partnership manage over 44,500 acres of land – equivalent to a city the size of Bristol or Nottingham. All these farms are in the process of becoming LEAF Marque certified, which advocates optimisation of inputs, energy and waste management, and practices on-farm to protect soil and water and enhance biodiversity. Underpinning LEAF Marque certification are the nine principles of Integrated Farm Management, recognised as best practice for environmental farm management.

Together, the farms in the Partnership
manage over **44,500** ACRES OF LAND
– equivalent to a city the size of
Bristol or Nottingham





OUR NEIGHBOURS

Our Grocery businesses are involved with their local communities in a variety of ways. At the most basic level, this means respecting their neighbours by ensuring that all factories and sites are well managed and that disturbances are kept to a minimum.

Our employees choose to do more than that and all of our sites actively support local organisations and charities. Whether raising money, offering food donations or supporting young people, the desire to be a good neighbour is fundamental to our approach.

Community engagement

All our Grocery businesses offer donations, host events or run activities to raise money for charity. As well as benefiting local and national charities, we benefit from these team-building experiences, resulting in increased staff engagement. Below are some examples:

- George Weston Foods provides direct funding and support to The Smith Family, a charity which helps children to participate fully in their education, giving them the best chance at breaking the cycle of disadvantage. As part of this support, staff from George Weston Foods delivered a two-day career development programme where local high school students came to our site and met a range of employees in a variety of roles, introducing them to the world of work. In addition, 35 members of staff are offering their time as mentors.
- In Thailand, the Ovaltine Foundation aims to build literacy in Thai schools by donating books and shelving to create libraries. The Foundation supports 75 schools across the country, reaching as many as 23,000 students. It also runs an essay writing competition which encourages schoolchildren to articulate how they think positively and choose to do good things for their community. This year, 300 children were awarded a cash prize.



In Thailand, the Ovaltine Foundation runs an essay writing competition for schoolchildren

- One way Westmill engages with local cultures is by joining community celebrations. In April 2016, it helped celebrate Vaisakhi, the holiest day in the Sikh calendar with a donation of four pallets of chapatti flour, spices, pickle, rice and loose tea. Westmill also celebrated the Chinese New Year in February 2016 by giving 2,100 goody bags to children in the North of England.
- The Jordans & Ryvita Company sponsors LEAF's annual Open Farm Sunday event which encourages members of the public to visit local farms to understand more about how food is grown. At last year's event almost 300,000 people visited farms across the country.

Supporting food programmes

George Weston Foods donates a variety of food products to Foodbank, a non-profit organisation which acts as a pantry to the charities and community groups who feed the hungry. This year, it has participated in Foodbank's school breakfast programme which supplies food to children at 82 schools in disadvantaged areas in Queensland. Over the year, George Weston Foods supplied 26,000 bread products which have helped ensure that more than 8,000 students have started their day with a proper breakfast during term time.

In North America, ACH continues to provide financial support to No Kid Hungry, a charity which provides underprivileged children, who rely on school meals, with food during school holidays. It also supports local food banks, and its staff volunteer to assemble lunch packs.



Children participating in Silver Spoon's Baking Mad cookery competition, in support of Sky Badger

Working with schools

Silver Spoon's home baking website, Baking Mad, supports the charity Sky Badger which helps primary school children develop empathy, rather than sympathy, for children with disabilities, illness, and special educational needs. Silver Spoon partnered with Sky Badger to launch a disability awards programme for schools. This involved creating disability awareness lesson plans for primary schools that have been downloaded 11,000 times and a Baking Mad cookery competition.

The cutting-edge programme has helped children understand that disability is not something to be afraid of, as well as allowing siblings of disabled children to talk about their lives.

"Baking Mad worked closely with us in not only supplying the extraordinary prizes but also they helped us market the competition via their own social media platforms. Baking Mad has helped us change lives all over the UK, we are eternally grateful. Thank you."

Naomi Marek, Chief Executive,
Sky Badger

Being a considerate neighbour

Our Tip Top bakery in Bendigo, Australia, is located on land directly opposite a recent housing development. A steady increase in residents living near the bakery led to environmental noise complaints. George Weston Foods is committed to being a co-operative and considerate neighbour and held meetings at the bakery with both the city council and local residents in order to understand how to manage the issue.

Environmental noise monitoring determined that the bread cooler exhaust fans were a significant contributor to the noise levels. As a result, the factory invested in new fans which created less noise and also reduced the pitch of the sound being generated. The site then installed a dedicated noise control barrier around the rooftop to reduce noise transfer. Follow-up monitoring found that the reduced noise level was acceptable to both the city council and local residents and this year the site did not receive any noise complaints.

*George Weston Foods is committed to being a
**co-operative and
considerate neighbour**
and replaced its fans to reduce
the noise from its factory*





OUR CUSTOMERS

Ensuring our products are safe is our first priority. Our quality control processes are highly rigorous and any drop in our high standards is remedied immediately. We also continue to find ways to respond to consumer demand for healthier products. This has led us to work to reformulate our products, as well as to introduce new lines. Another way we support our customers to eat a healthy diet is by promoting nutrition education and sharing information.

Reformulating our products

In response to changing customer preference, we continue to look for ways to reduce the salt, fat and sugar in our products without affecting taste.

Over the past 18 months, The Jordans & Ryvita Company has removed almost 400 tonnes of sugar from its baked cereals – a 12% average reduction across its range. In addition, we have committed to reformulating some of our other best-selling products. Twinings Ovaltine is also working to reduce the sugar content of its cereal products and is a signatory to the Swiss government's pledge to reduce the amount of sugar in breakfast cereals.

One of Twinings Ovaltine's biggest successes this year has been reducing the amount of salt in products containing cocoa powder. A specific step in the production of cocoa powder involves the use of sodium so Twinings Ovaltine worked with its cocoa supplier over a number of years to find a different mineral to perform the function of salt. As a result, all Ovaltine and Caotina products created in Europe now contain lower amounts of salt.

Twinings Ovaltine has also introduced a new product called Ovaltine Smart, a malt drink which contains less sugar and fat and is supplemented with vitamins and essential fatty acids.

In February 2016, the bakery business introduced a new wholemeal variant to its Kingsmill 'no crusts' line. The 'no crusts' range appeals both to children who reject crusts and to those watching their weight as the smaller slices have fewer calories.

Our 'no crusts' range appeals both to children who reject crusts and to those watching their weight



Educating consumers

In 2015, our UK businesses provided financial support to the British Nutrition Foundation for its annual Healthy Eating Week, which reached more than 3 million schoolchildren with messages about healthy food choices. The British Nutrition Foundation is also piloting a programme to extend the communication materials into the workplace to reach a wider audience.

Tip Top Bakeries developed an education campaign to address myths about carbohydrates and eating bread called 'a grain of truth'. It partnered with the Grains & Legumes Nutrition Council and enlisted the support of a well-known nutritionist to tackle consumer confusion about what constitutes a healthy diet. The campaign targeted media, bloggers and key influencers. Tip Top created a website, www.agrainoftruth.com.au, which received over 22,000 unique users in 2015. In total, media coverage of the campaign is estimated to have reached around 8 million people.

Tip Top Bakeries' NUTRITION
EDUCATION CAMPAIGN, 'a grain
of truth', is estimated to
have reached around
8 million people



Addressing myths about bread
and other carbohydrates at
www.agrainoftruth.com.au

SUGAR



Our vision is to be a world-leading sugar business. AB Sugar is an international business with long-standing operations in the UK, Spain, China and southern Africa. It has its foundations in both food and agriculture, and its operating model depends on sustainable agriculture, advanced manufacturing practices and productive, prosperous rural economies.

The world in which we operate is changing quickly. This year we have developed a sustainability framework to respond to some of the new demands on our businesses and to provide direction in support of their continued success. Although the nature of our business is different in each country, our approach remains the same: to set local priorities and programmes to meet the demands on the ground.

We understand that sustainability is key to our success. To thrive and prosper with all our stakeholders we must continue to safeguard the people, resources and relationships that have built our business so far. We take seriously our obligation to operate in a collaborative, connected and dynamic way in every local market. Our approach has always been to adapt and strive to deliver economic, social and environmental benefits.

This means taking the lead in shaping innovative new ideas, approaches and norms that will define our industry in the future, while responding in a sensitive way to the environments in which we work. Our aim is to embed a long-term collaborative approach. In many of our locations we are a key player and with that comes the responsibility to demonstrate real commitment to all our stakeholders: growers, suppliers, customers, shareholders and governments.

New world, new connections

Sustainability, to us, means building a stronger future by using the economic, rural, environmental and social opportunities to create long-term stakeholder value while safeguarding the needs of the next generation. Our three-pillar strategy gives structure, direction and unity to all our sustainability efforts. These are the issues that matter most to us, our stakeholders and the communities where we operate, and are where our knowledge and resources enable us to make a positive change.

- Economic: building rural economies;
- Social: thriving, healthy communities; and
- Environmental: consuming resources responsibly.

In this chapter we highlight a few of our initiatives under these pillars. For further information please refer to:

- www.absugar.com/sustainability;
- www.azucarera.es/rsc/informes.html;
- www.illovosugar.co.za; and
- www.vivergofuels.com

59% of the
ENERGY WE USE comes
from **renewable
sources**

For the last eight years,
ALL THE SUGAR BEET
supplied to
BRITISH SUGAR has been
**Red Tractor Farm
assured**

We're **improving**
the livelihoods
of around **2,500**
SMALLHOLDERS
in Mozambique

Since 2014, we have donated
36 tonnes
of SUGAR to Spanish
**food banks
and charities**

Global mind, local champions – growing a sustainable future



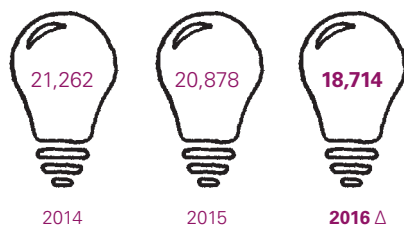
We set local priorities
and programmes to
meet the demands on
the ground



OUR ENVIRONMENT

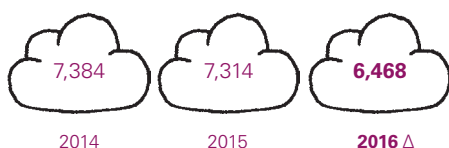
Climate change, population growth and the depletion of (and increasing constraints on) natural resources are real threats to the long-term success of our business. Our businesses depend on the availability of water, energy and soil, which is why the environmental pillar of our sustainability framework is focused on ensuring responsible resource consumption.

Energy consumption GWh



Energy use has reduced by 12% over the three years due to energy-efficiency activities, smaller crop yields and site closures. In 2016, over 11,000GWh were sourced from renewable sources.

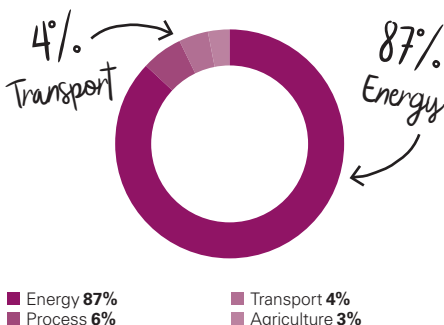
GHG emissions 000 tonnes CO₂e



Sugar's GHG emissions data presented in this graph include emissions from Vivergo for the three years to demonstrate the annual trends for the division.

In the Our greenhouse emissions table on page 19, the 2015 Sugar data does not include emissions from Vivergo as it was then a joint venture and their emissions were captured in Other.

Sources of GHG emissions 2016



Our goal is to maximise all the resources we have at our disposal and to extract as much value as possible from the beet and cane we process. Our advanced manufacturing capability and a responsible approach to agriculture drive regeneration, diversification and careful stewardship. We will innovate to use less while creating more value for our business and communities.

Over the last year alone, our businesses have invested nearly £9.5m in environmental risk management of which £3m was spent in energy improvement, reduction and innovation.

Our sugar factories are in the UK, Spain, China and southern Africa which means they are subject to significant variability of local weather patterns and, often, resultant water and energy supply constraints.

During 2016, we have focused our environmental efforts on a range of issues relevant to local operating environments. For example, Illovo has continued to focus on the effective management and measurement of water quality and abstraction. This has been particularly relevant over the last 18 months while operating in drought-affected countries. Another example is our sugar business in China which has improved processes to segregate and measure the waste it generates. This approach has enabled the recycling of some of its waste such as soil from the beet it received from growers.

Over the last 12 months, our sugar businesses have:

- exported 765GWh of energy to their national power networks for use by others;
- sourced 59% of their energy consumption from renewable fuels, maintaining the same proportion as used in 2015; and

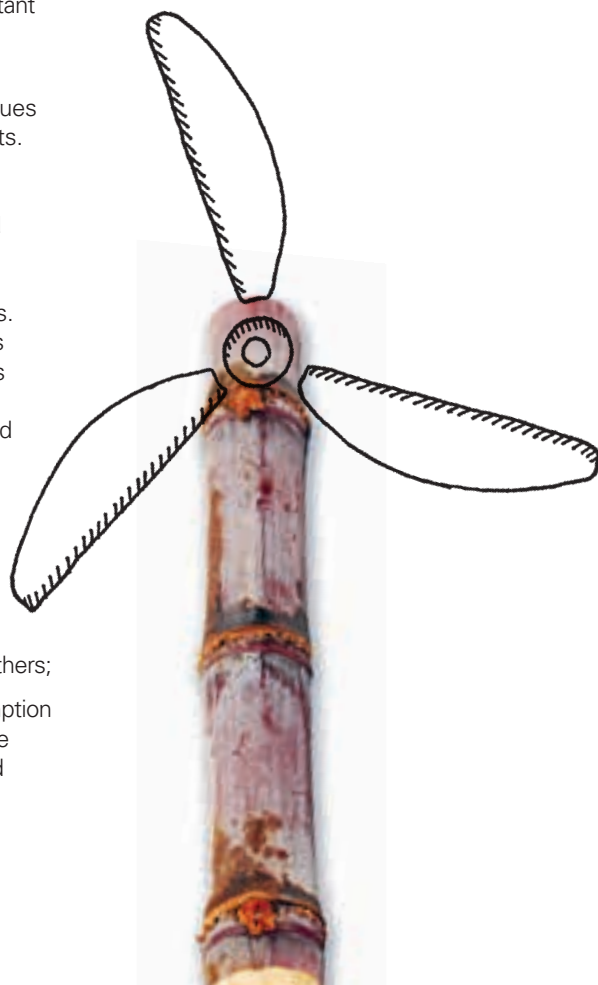
- reduced the amount of water withdrawn from natural resources by 14% due to a shorter growing season in Africa and lower water levels resulting from the drought conditions.

We continually push to improve our performance, and have a wide-ranging improvement programme with over 1,600 current projects. Key focus areas are energy and water with the aim of improving plant performance, securing reductions and championing efficiencies.

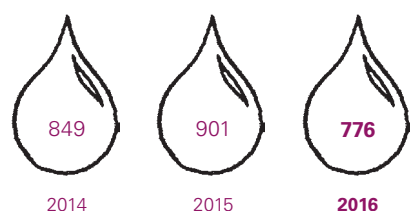
Reducing energy use

Using energy efficiently continues to be a priority for us.

One way we achieve this is through the use of compressed air, which is key to the operation of processing equipment in our factories. We have focused on generating it more efficiently, reducing its use where possible and repairing leaks, in order to cut electricity consumption and associated costs. In 2015, we implemented 28 specific initiatives ranging from a large-scale investment in a new compressed air station at Nakambala, Zambia, to improvements in our preventive maintenance programmes across all British Sugar factories.

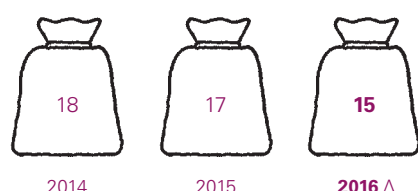


Total water abstracted million m³



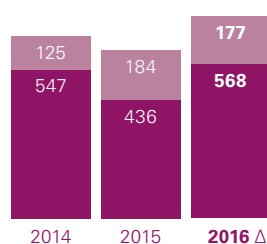
Total water abstracted has decreased by 14% compared with 2015. Illovo has reduced water used for irrigation due to lower water levels resulting from drier weather. Operations in southern China and Spain also reduced their irrigation water.

Quantity of packaging used 000 tonnes



The total weight of packaging has decreased by 17% over the three years. While production is down by 10% compared with 2015, this is also due to efforts to reduce packaging weight at a number of sites.

Waste disposal 000 tonnes



■ Non-recycled waste
■ Recycled waste

Improvements in waste management, segregation and measurement account for much of the 20% increase in waste figures between 2015 and 2016. This year, 76% of total waste was recycled.

59%
of the energy we use
comes from
RENEWABLE SOURCES

British Sugar has a history of energy integration and reduction in its manufacturing process. The business has reduced the number of UK factories from 18 to four since 1980 while still processing the same tonnage of sugar beet by doing so in a more efficient manner. Now the average energy use is 481GJ per 100 tonnes of sugar, representing a reduction of 55% over that time.

The Energy Savings Opportunity Scheme was introduced in 2015 which places a requirement for energy audits to be completed by large enterprises in the UK. As part of an ongoing commitment to energy reduction, British Sugar has used this opportunity to implement a stand-alone Energy Management System, achieving accreditation to the internationally recognised ISO 50001 standard in November 2015.

In 2008, British Sugar first calculated, certified and published the carbon footprint of its sugar and, this year, it has completed the fourth edition. As well as helping the company track the impact of particular projects and understand its carbon footprint, the analysis also enables it to identify potential opportunities to generate further savings.

Energy efficiency remains important to Illovo, given the growing demand for and increasing cost of energy and the corresponding impact on the environment, together with the risk of power outages from national grids.

Renewable energy

The responsible use and creation of renewable energy is key to creating value for our business and local communities. As reported in previous years, we generate our own renewable energy, purchase renewable energy where possible and continue to expand our use of the sun's energy to dry pulp. We have expanded our operations in these areas over the past year.

Across southern Africa, Illovo plays an increasingly significant role in reducing consumption of non-renewable energy and increasing generation of electricity from renewable energy sources. It uses renewable energy within the business and also exports it to the national grids. Bagasse is widely used by Illovo as a renewable fuel source. In addition, several operations in South Africa supplement their cogeneration capacity by using additional

Reducing emissions

Our total GHG emissions have fallen by 12% this year mainly due to less availability of bagasse for burning as a fuel source. This is because of the reduction in crops as a result of the shorter season and drier weather. There has also been a drop in energy and transport emissions due to this decrease in processing.

Although a proportion of our GHG emissions reduction is due to factors beyond our control, our businesses continue to focus on cutting their emissions.

By 2020, British Sugar will have reduced the amount of carbon dioxide emitted per tonne of sugar produced from 636kg CO₂ to 612kg CO₂.

In South Africa, a significant investment in the Sezela Coal and Energy Savings Project – to reduce the site's reliance on coal by 10,800 tonnes per annum and the site's electrical demand from the national electricity grid by 21GWh – was implemented during the reporting period and completed in time for the start of the 2016/17 cane-crushing season. The impact of this project is expected to be realised during the 2016/17 season.

green cane biomass, wood and woodchips as boiler feedstock. In 2016, 91% of the energy used by Illovo was derived from renewable sources with 57GWh of excess energy exported to the local grid. Illovo's Ubombo mill in Swaziland, with its integrated cogeneration facility, exported 50GWh alone of electricity to the national grid.

At sites where fossil fuel is used, reduction targets have been set and significant investment has been made to help deliver them. The largest use of non-renewable energy across Illovo occurred at the three sugar mills and two ethanol distilleries in South Africa. Here, a reduced cane crop limited the availability of bagasse for generating electricity, requiring the use of coal as a substitute.

OUR ENVIRONMENT CONTINUED

Over the last
year, Illovo's
WATER ABSTRACTION
decreased
by 12%
compared with 2015



British Sugar has invested £15m in a new anaerobic digestion plant at Bury St Edmunds, Suffolk. Commissioned in summer 2016, the plant produces biogas from the pressed sugar beet pulp that is produced alongside the sugar-making process. The methane generated from the biogas is fed into a combined heat and power plant (CHP), generating green electricity with additional heat recovery from the exhaust. The plant is expected to use around 97,000 tonnes of pressed pulp each year and export 38GWh of electricity to the national grid, making a contribution to the UK's renewable energy targets under the Renewable Energy Directive. In addition to electricity, the operation will also create digestate, which will be used in the local farming area for both soil conditioning and fertiliser replacement.

Waste reduction

In the UK, implementation of site-based waste recycling and reduction initiatives such as waste segregation had driven waste recycling rates up to 74%, at which level it was proving difficult to increase any further. To improve performance, British Sugar partnered with a new waste management company which is targeting zero non-hazardous waste to landfill. In the first year of the contract being in place, the waste recycling rate has increased to 98% of all waste generated – equivalent to 162 grams of waste for each tonne of sugar made.

Our sugar operations in China have increased their segregation and management of their different waste streams over the last two years. This has allowed the sites to identify suitable waste contractors to provide a range of treatment, recycling and reuse opportunities. Despite challenges with costs and limitations to the waste infrastructure in their remote locations, the sites have recycled nearly 50% of their waste this year.

Wastes or by-products from our operations can be recycled or processed for other uses in a number of ways. Examples include environmental restoration and landscaping, soil pH treatment and fertiliser. Our European sugar beet operations receive large quantities of soil and stones with the deliveries of beet from farmers. These materials are recovered and treated during the initial sorting of the beet crop. They are then returned to agricultural land or used for construction projects and road building by the landscaping industry.

Water reduction

Our sugar businesses use water for various activities throughout their supply chain and operations such as irrigating crops, cleaning the sugar beet and cooling the machinery. All sites measure various points along the supply of water to help ensure that they use it efficiently, appropriately return it to the natural watercourse either through disposal or further re-use such as irrigation, and that they maintain or reduce costs.

Over recent years, we have developed how we monitor and measure the volume of waste water we reuse. Instead of discharging water after one use, our operations are reusing water that has been used within the factory for irrigation. This year, over 27% of the water our Sugar businesses abstracted has been reused for a beneficial purpose before final discharge.

As Illovo's total water abstraction counts for 96% of Associated British Foods' total water abstracted, much attention is placed on their approach to water management, response to water challenges and reporting of water use.

During the year, Illovo abstracted 769 million m³ of water for use within their factories, to distribute to workers and communities living on their estates and to irrigate their sugar cane estates. Compared with 2015, this is a 12% reduction which is in part due to improvements in the accuracy of water reporting, particularly through metering and because there has been inadequate water in the rivers and other sources to fulfil irrigation requirements.

Illovo has 11 sugar cane plants, four of which receive cane from rain-fed farms and the others receive cane from irrigated estates. Illovo's own cane estates cover approximately 70,000 hectares.

Illovo relies on rainfall and other sustainable and legally compliant water resources such as rivers, lakes, dams and municipal service providers. Water is required for all agricultural, milling and downstream operations.

This year, Illovo's operations across southern Africa have responded to the impact of widespread drought or delayed summer rains. Along with continuous investment in water infrastructure, the application of technology to improve water efficiencies and strategies to mitigate water-related risks, Illovo has also invested heavily in improving irrigation systems. The aim is to improve the journey of water from point of abstraction, such as a river, to the field and into the crop. There are varying losses due to evaporation, surface run-off and deep percolation which can be minimised depending on the choice of irrigation system. Other factors determine which system is best for which estate such as suitability to soil type, water and power availability and financial returns.

Centre pivot and drip irrigation systems are increasingly being used over the less efficient furrow and portable pipe sprinkler technology. A remote sensing project is being developed which will combine satellite imagery and weather data to help improve the timing of water application.

Partnering with sugar cane suppliers on climate change

More than half the sugar cane processed by Illovo is cultivated by outgrowers. Some growers are reliant on rainfall while others use irrigation systems. Where irrigated, Illovo insists that appropriate water supply agreements are in place with the relevant national water authorities. Illovo is represented at local catchment forums, allowing the company to understand local water issues, assist with monitoring consumption and remain informed of any potential changes to legislation regarding water use.



*Our southern African operations are already
MANAGING THE IMPACT OF DROUGHTS, extreme
weather and fluctuations in temperature*

Following an assessment in 2014 of its main suppliers, Illovo's supply chain work continues to grow, with a focus on working with suppliers to minimise water abstraction through efficient irrigation methods, helping them to adapt to climate change, and improve cane yields and quality. This partnership also supports small-scale farmers with their own food security by providing access to irrigation.

As part of its water and climate change mitigation and adaptation strategy, Illovo has partnered with the UK Department for International Development (DFID), the Climate Resilience Infrastructure Development Facility and various local stakeholders to investigate the wider impact of climate change on these smallholder farmers.

The investigation included vulnerability assessments of smallholder communities supplying Illovo's operations in Malawi, Mozambique, Swaziland, Tanzania and Zambia. Whilst some risks were specific to a particular location or even specific smallholder organisations, a number were common across the group.

The principal physical risk was erratic rainfall causing a shorter, later and heavier rainy season, leading to flooding, followed by a prolonged dry season. Water shortages affect the ability to irrigate crops as well as causing power issues in regions reliant on hydroelectricity.

Socio-economic issues include a poor understanding of climate change and its effects leading to oversubscription and unregulated use of water sources, inefficient or inappropriate irrigation systems, and deforestation up-river leading to high siltation levels. These issues are compounded by growing populations, migration, rising unemployment, low association management capacity and business understanding, increasing input costs and limited access to affordable finance.

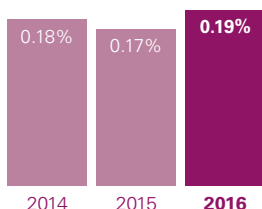
We are now working with smallholders to identify opportunities and develop strategies to minimise the risks and challenges, and to identify partner organisations that can assist in providing opportunities to improve their climate resilience.



OUR PEOPLE

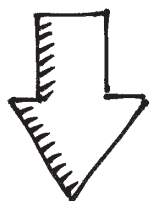
Safety in our operations continues to be non-negotiable; it is a fundamental part of the way we do business. Our success is built on the effectiveness of our workforce and we continue to invest in training and developing our people and contractors. We encourage them to share their knowledge and have facilitated this through improving connectivity between our sites and businesses.

Reportable injury rate



Our reportable injury rate has increased since 2015 and all sites continue to address the root causes of the incidents.

32%
reduction
in Lost Time Injuries
over 3 years



As a consequence of the three tragic fatalities Δ in our African operations this year, thorough investigations were completed with findings shared across Associated British Foods. Analysis to better understand the root causes of these events has been, and continues to be, undertaken so that fundamental errors leading to accidents and fatalities are reduced. We have maintained high levels of employee and contractor engagement during these investigations to assist with learning and to implement practical improvements to our working processes.

Keeping our people safe

Over the last three years, our businesses have reduced their Lost Time Injuries by 32%. Seven Illovo operations worked for 12 months or longer without a Lost Time Injury. This is a tremendous achievement and demonstrates the efforts placed on reducing injuries in our workplaces. We note that these successes are overshadowed by the fatalities on our sites and address all safety issues with the aim of achieving zero harm.

Improving the wellbeing of our people

To promote the wellbeing of our people, we offer access to services and information about health and are developing research with experts to fit the needs of the locations where we operate. Our aim is to help our employees adopt healthier lifestyles and manage illness.

Developing our people

A strong talent pipeline is important for the long-term health of the business which means providing training, mentoring and opportunities that allow our people to realise their potential.

AB Sugar China has created a graduate trainee programme to provide a pipeline of future managers. Although the programme supports graduates for three years, it typically takes five to seven years for them to be ready for a mid-level manager position so the scheme includes a clear progression path. Although the factory management teams are responsible for the success of the programme, it is shaped and monitored by the HR team who clearly define the different roles at the start of the recruiting process.

Illovo has identified a capability gap at the level of factory foremen and farm managers, as the majority of employees in these roles are approaching retirement. To address this Illovo developed an agricultural programme for farm managers and the fifth cohort began their training in July 2015. The Illovo Technical Academy has also been established to train factory delegates on campus through eight-week residential courses. To date, seven training programmes have been held at the Academy, which is located next to one of our factories to enhance the delivery of the practical aspects of the curriculum. Delegates receive on-the-job practical assignments, ensuring the swift transfer of learning to operations. Formal training programmes to develop future leaders were attended by more than 100 employees.

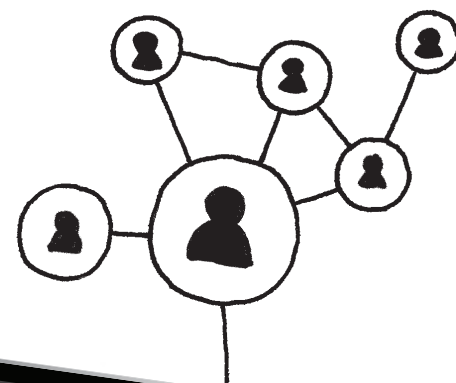
Promoting gender diversity at Azucarera

Azucarera has launched a campaign called Visibles to promote gender diversity. The campaign has sought to engage the entire workforce by holding focus groups at the factories to talk about gender discrimination and harassment. In addition, processes have been put in place for reporting any incidents of harassment so they can be acted on appropriately.

One of the ways it is making it easier for people to manage their work/life balance is by increasing the opportunities for working from home. Although this isn't specifically for women we have found the majority who have taken this up are female. In 2015, it initiated a study to explore whether teleworking was a feasible option. Over a six-month period, 28 people from across the business were given the opportunity to work from home on one or two days each week. They were supported with appropriate computer equipment, a secure connection to the company's server and a mobile phone. The pilot was a success and, in 2016, the option to work from home was extended to people in all appropriate positions. At present, 52 staff members are occasionally working from home.



We have a networking website which aims to enhance collaborative learning. It now has 1,500 users



Supporting our workforce

This year, Illovo launched a financial awareness training programme which was attended by 850 employees. It advises employees on how to deal with retirement planning, avoidance of moneylenders and a variety of other financial challenges. The initiative is to be launched groupwide in the coming year.

To encourage employees to further their own education, Illovo provided financial assistance to 180 staff members. It also covers the costs of educating 272 children of its employees, and contributes to the cost of running numerous schools.

Connecting our people

Four years ago, AB Sugar introduced a website, AB Sugar Community, aimed at enhancing social and collaborative learning by encouraging employees across the group to share ideas and seek help. In the last year we have worked hard to promote this more widely, resulting in a doubling of active users to more than 1,500. There are now 150 different groups in the community covering a huge range of topics and business areas. As a result of this collaboration between businesses, best practice is now being shared more easily and individual networks are growing. Examples of successful knowledge transfer include Illovo supporting AB Sugar China on electrical safety and British Sugar advising Azucarera on cheaper and more efficient cleaning chemicals.

Another way that we help our people grow their networks and their awareness of the wider business is through the international experience programme. The programme is now in its fourth year and, to date, 37 employees from across AB Sugar have completed a six-month placement in another part of the group. As well as increasing their cultural awareness, participants develop networks across the business, which can support them as they seek to build an international career. They also enjoy accelerated development through a structured and supported experience which enables them to see their role from a different perspective, while further developing existing skills. In turn, the business benefits from having future leaders with diverse experience who can help deliver our vision to be the world's leading sugar business.





OUR SUPPLY CHAIN

The global context for our work is one where food security and agricultural supply chains are precarious and pose constant concerns, and where urbanisation is a growing threat to rural economies.

An overarching task is to remove the barriers to the development of rural economies, discard outdated ways of working and create a more modern sugar industry. This means producing the highest quality product for our customers and consumers but also respecting our workforce, communities and the environment in which they live.

By contributing to economic growth, we can ensure that benefits are recognised by our stakeholders for the long term. However, it is essential that we focus on the areas where we have a role to play. By assessing our entire supply chain, we can identify the optimum places for both global and local investment and achieve genuinely inclusive growth.

Protecting land rights

In March 2015, Illovo announced the launch of its Group Guidelines on Land and Land Rights, which takes a zero tolerance approach to land-grabs and land rights abuses. Since then, it has developed a three-year road map which is guiding its interventions around land-related matters.

The first step on the road map was to establish a Land Policy Roundtable committee consisting of key Illovo personnel and external experts, NGOs and development organisations. The committee meets regularly to promote transparency and share knowledge.

The next priority was to understand what land conflicts apply to Illovo's own land or that of its growers. It will be undertaking self-assessments on land matters at each of its operations with the assistance

of external experts and input from relevant stakeholders. The assessments seek to identify current and potential problems that require further investigation or verification by an independent third party, as well as identifying potential interventions to resolve these issues.

Illovo has partnered with Landesa, an international NGO specialising in land rights, to secure funding from the Department for International Development (DFID) to support this work and build the capacity of local civil society organisations in the sugar cane estates. This will enable Illovo to implement the road map in a much more comprehensive and inclusive manner, ultimately improving the outcomes.

Illovo has committed to develop a grievance and dispute resolution procedure for stakeholders, including local communities and outgrowers, to allow individuals to raise areas of concern or grievances related to land anonymously and in their own language.

The Company provides its staff with training so that consideration of land issues continues to form part of its operational procedures and are fully understood. This is underpinned by the introduction of ethical cane guidelines which support the implementation of land and other human rights policies.

In addition, Illovo is actively engaging with international forums, civil society, industry forums and other organisations on land-related matters in the areas in which it operates.

Illovo has developed a **THREE-YEAR ROAD MAP**



which is guiding its
interventions around
land-related matters





Fairtrade farmer Thembilile Mzila surveying her sugar cane fields

Fairtrade

The South African Fairtrade Sugar Project was launched in 2014, and the first Fairtrade-certified crop of cane sugar became available in December 2015. The Fairtrade business model is a voluntary certification system based on internationally recognised labour and environmental standards. It focuses on improving farming practices and working and living conditions in ways that are sustainable for business, people and the environment.

Farmers are encouraged to form co-operatives which are then eligible to receive a Fairtrade Development Premium of £34 for every tonne of refined Fairtrade sugar produced from their sugar cane. The premium is intended to help grow and develop their community or business by investing in building capacity, buying transport vehicles or seed cane, or assisting with the overall infrastructure of the farms and surrounding communities.

Thembilile Mzila is a sugar cane farmer in Noodsberg, South Africa, who chairs her local co-operative. She has seen her resources grow exponentially following support from Fairtrade and Illovo, enabling her to renovate her home and put her daughter through university: "They taught me everything and trained me and I am doing well."

*In Mozambique we
are improving the
livelihoods of
2,500
sugar cane
smallholder farmers*

Supporting smallholder farmers

Illovo's operations in Mozambique, Maragra Açúcar, have received funding from the EU to improve productivity and increase the participation of local farmers in the industry. The three-year Maragra Smallholder Sugar Cane Development Project (MSSDP) is expected to improve the livelihoods of around 2,500 individuals through income, training and improved food crops and will significantly boost their earnings per hectare. In turn, Maragra Açúcar will receive an additional 100,000 tonnes of sugar cane each year enabling it to run its mill almost at capacity and thereby operate more efficiently.

The MSSDP also enables smallholder farmers to increase their household food security by providing technologies that reduce vulnerability to climate shocks such as drought. The project introduced a new human-powered water pump that means smallholder farmers are less reliant on rainfall.

One part of the project aims to empower women growers. Studies in Mozambique have shown that men tend to make most of the decisions about planting, the application of fertiliser and – crucially – the use of profits. In addition, men are reported as having preferential access to farm inputs, agricultural extension services and markets. The intention is to address challenges faced mostly by women sugar cane farmers and to develop strategies that can support gender equality in smallholder sugar cane farming.



Smallholder farmers and family members participate in gender discussions in Mozambique



Illovo has operations in six countries in southern Africa, four of which are among the least developed countries in the world

Economic impact in southern Africa

Any successful business brings financial benefits to the wider community by providing jobs and procuring goods and services. Illovo has operations in six countries in southern Africa, four of which are among the least developed countries in the world, making its economic contribution all the more important.

Illovo is committed to contributing to, and promoting, social transformation particularly through black economic empowerment. Last year, Illovo purchased 6.9 million tonnes of sugar cane from 16,658 independent, outgrower farmers, more than 60% of whom were black. These outgrowers employ more than 200,000 people, 40% of whom are women.

In addition to buying sugar cane, Illovo also procured goods and services. Three-quarters of the expenditure was incurred in-country, benefiting hundreds of small, local businesses. Much of the remainder was sourced through the Illovo group procurement function in South Africa.

Improving supplier productivity

All of AB Sugar's businesses in 2015 have focused on productivity and making tactical improvements in the supply chain to create greater value for us and our growers. Improving yield, creating more from less for farmers, and developing robust and productive crops year-on-year is crucial.

AB Sugar China's sustainable agriculture programme was launched in March 2014 aimed at increasing productivity, embracing conservation and improving lives. The programme has a target to double sugar beet yields in its operating regions by 2030 compared to a base year of 2000. These yield gains will come from a combination of advanced plant varieties and improved farm-management practices. Success depends on innovation as well as on applying a new grower-centric model that encourages and rewards hard work and dedication.

AB Sugar China strongly encourages growers to undertake soil tests and match their fertiliser applications to the needs of their crop. The company uses demonstration trial plots to educate growers that reducing fertiliser applications is not necessarily detrimental to crop quality or final yield but can reduce the overall cost of production and environmental risk.

The company offers significant levels of support to its growers. As one beet grower, Gao Zhan, commented:

"The staff from Zhangbei have been really great; they worked with me to make a growing plan and helped me estimate my costs and profitability. All season I have received regular contact with my area manager from the factory, with us normally meeting at least twice a week. My yields have been in line with the original plan and met my expectation. The service and guidance has been much appreciated and I plan to increase my growing area next year by 30%".



AB Sugar China's sustainable agriculture programme has a target to double sugar beet yields by 2030

For the last eight years,
ALL THE SUGAR BEET supplied to British
Sugar has been Red Tractor Farm assured



Our commitment to sustainable agriculture

Sustainable agriculture is important to us and our customers. We continue to drive standards across the group and are committed to various initiatives including Susfarms and the Sustainable Agriculture Initiative (SAI). In the last financial year, British Sugar continued to work on creating an approach that promotes environmental protection, delivers a quality product and drives safety in the efficient production of sugar beet for us and our farmers.

For the last eight years, all of the sugar beet supplied to British Sugar has been Red Tractor Farm assured, which means it is certified to the Red Tractor's sugar beet and cereals assurance standard. The sugar beet produced by British Sugar achieves the globally recognised standard of Silver level equivalence with SAI Platform's Farm Sustainability Assessment (FSA) 2.0.



OUR NEIGHBOURS

We know that being a good neighbour means minimising any negative impacts as well as maximising the positive impacts on the people around us. In addition to aiming to receive no complaints, we play a proactive role in the local community through investing in community projects and donating products. We also recognise that we have a role to play in training the next generation of workers and, through bursaries, work experience and partnership working, we continue to invest in supporting young people.

Supporting the community

Over the last three years, British Sugar has given £100,000 to local community projects. It aims to invest where it is most likely to make a lasting difference. Initiatives have included improving community facilities, promoting physical exercise and supporting education. As well as strengthening relationships with its neighbours, British Sugar also benefits from the increased engagement levels of staff and future employees.

In Spain, Azucarera supports the underprivileged in its local communities by supplying sugar. This aid is channelled through NGOs and food banks, which have the appropriate infrastructure to reach the largest possible number of recipients. Since 2014, Azucarera has donated more than 36 tonnes of sugar to different NGOs and food banks. In addition, employees of Azucarera receive an allowance of sugar and many chose to donate it to different aid organisations. In total, staff members donated another tonne of sugar last year.

Recruiting the next generation

The production of sugar occurs in rural areas and, because of demographic change, it is becoming more difficult to find the right people to grow and make sugar. Encouraging young people to consider a career in agriculture is therefore a key focus of our businesses.

British Sugar has been a member of WISE for three years and is proud to have been a member of the operations team on the Young Women's board. WISE inspires girls and women to study and build careers using science, technology, engineering and maths (STEM) and aims to encourage 1 million more women into the UK STEM workforce. It achieves this by working with businesses and boosting the talent pool from classroom to boardroom.

Azucarera has an ongoing commitment to combating youth unemployment. In 2015, it signed a specific agreement with the Public Employment Service of Castilla y León to provide work experience at its Benavente Packaging Centre.

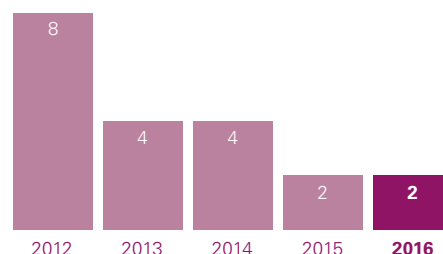
Furthermore, last year, Illovo offered full bursaries to 45 students to allow them to further their education. Upon the successful completion of their studies, they are invited to apply to join Illovo's management trainee programme.

Respecting our neighbours

We pride ourselves in being good neighbours and a positive member of the communities in which we operate. If there are any operating issues which may cause disturbance to our neighbours we address them as soon as possible. Any event which causes a neighbour to complain is unacceptable. Our compliance and operations teams have introduced management programmes targeting processes specific to each site to reduce any negative impact of our operations.

British Sugar has set a target of receiving zero environmental complaints by 2018 and is pleased to have significantly reduced the number of complaints each year, recording only two in 2015 and two in 2016. As an example, one of the complaints was as a result of factory emissions during steam trials which we accept was our error and have now addressed.

Complaints received



*We pride ourselves
in being GOOD
NEIGHBOURS and
a positive
member of the
communities in
which we operate*



OUR CUSTOMERS

We play an active role in addressing obesity in Britain and are helping consumers make informed decisions about what they eat.

Collaborating to tackle obesity

AB Sugar is committed to playing a role in finding real, workable, evidence-based solutions to the issue of obesity and we regularly engage with all aspects of the obesity debate to understand different views. Since its launch, we have provided '2020health' (an independent, social change think tank) with two unrestricted educational grants which have funded two pieces of groundbreaking research. The first identified a broad range of policy solutions whilst the second study exposed shortcomings in previously simplistic approaches to obesity and explored 'Who exactly is becoming obese?'. This research has been shared with political, campaigning and governmental stakeholders both directly and indirectly through a partnership with the Spectator which included a roundtable discussion with key influencers and a supporting podcast.

Funding has also been provided to the British Nutrition Foundation (BNF) to undertake an impact assessment of its education work in schools, which is based on the government's 'Eatwell Guide' and eight tips for healthy eating. BNF was directly responsible for the establishment of the intervention and its methodology. An independent third party (University College London) collated the data from the intervention and has assisted the BNF in drawing conclusions from the results. Learn more about the project at www.britishnutritionfoundation.org.uk.

We regularly engage with all aspects of the obesity debate to UNDERSTAND different views

Educating our consumers

The Making Sense of Sugar website (www.makingsenseofsugar.com) aims to help inform and educate people about sugar and the role it can play as part of a healthy balanced diet. It uses factual information based on robust science to help consumers make more informed choices about their own and their family's diets.

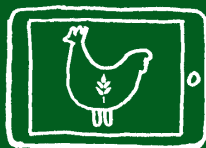
We commissioned an in-depth piece of research among our audience of parents which enabled us to gain a deeper understanding of their views and perceptions of sugar, obesity, diet and nutrition. This research delivered a broad range of insights, from how parents like to receive information (practical advice which could easily fit into their busy daily lives) through to who they trust for advice (nutritionists, doctors and other health professionals).

We have established a team of experts comprising dietitians, dentists and chefs who work with us to develop simple information and tips to help parents make informed choices. Working with these experts, we have developed our digital and social media presence with a focus on delivering engaging, practical and straightforward content whilst always being based on fact. For example, we developed a range of blogs looking at issues around children's diets and providing tips on how to encourage good eating habits from an early age. We have also developed a series of short videos to help busy parents know what to look for on product labels when shopping.

Since launching the campaign, the website and social media content has reported over one million views.



AGRICULTURE



AB Agri is a group of leading agricultural businesses that operate across the food supply chain. We are active in over 70 countries around the world and we directly employ more than 3,000 people.

We are committed to changing agriculture for the better. To do this, we focus our corporate responsibility efforts on six ambitions under an overarching programme we call Formula 24:

- helping our customers to be more efficient;
- leading on feed safety;
- lowering our environmental footprint;
- sourcing responsibly;
- being a great place to work; and
- making agriculture a first choice career.

Each of these six ambitions is owned and championed by a board director thereby ensuring that the work is given the profile and support necessary to drive results. Every ambition is underpinned by a comprehensive series of goals and targets which are reviewed regularly and reported to the board.

Our corporate responsibility activity is steered and overseen by our Formula 24 leadership team which meets every other month. It has representatives from across our businesses and is organised and led by the Director of Sustainability who reports to the AB Agri chief executive.

848 of our people have been involved in our **health and wellbeing initiatives**

480 of our people have received **career development training**

Our **safety posters** have been shared with over **1,000 dairy farms**

This year, we have **coached and encouraged 1,500 YOUNG PEOPLE** through our involvement with Bright Crop



*We are
committed
to changing
agriculture for
the better*



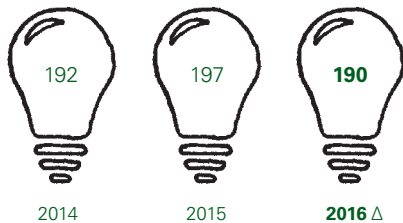
*We focus our corporate responsibility efforts
on six ambitions under an overarching
programme we call Formula 24*



OUR ENVIRONMENT

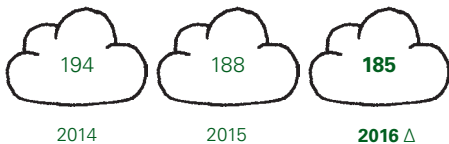
As a member of the global agricultural industry, we are committed to safeguarding the natural resources needed for food production. This means playing our part in addressing climate change by reducing the energy intensity of our operations, exploring the role of renewables, and seeking to cut transport miles.

Energy consumption GWh



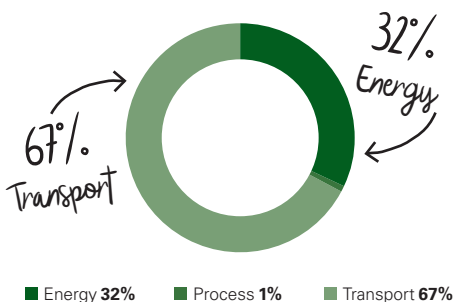
Energy consumption is largely influenced by production levels and product mix. Energy use has decreased by 3% this year.

GHG emissions 000 tonnes CO₂e



GHG emissions have reduced by 5% over the three years with reductions in emissions from both energy and transport.

Sources of GHG emissions 2016



Cutting our energy use

Our total energy use has dropped 3% in 2016 primarily due to reduced coal consumption in China and a number of energy-efficiency measures.

By 2024, we aim to reduce our UK energy footprint by 20% compared with where we were in 2008. To deliver this, we are making sure we are being as efficient as possible with the energy we use. This includes exploring ways to reduce the amount of energy required to produce each tonne of manufactured feed.

One of the ways we are cutting energy use is through devising and implementing site-specific action plans. In 2015 we introduced the ISO 150001 environmental management system which gives us more detailed and accurate information about energy usage at each of our sites. Using this knowledge, we have been able to make guided investments to tackle energy hot spots and improve efficiencies.

We have also been supporting our staff to cut fuel use. In 2014, we introduced a new company car policy which offers financial incentives to employees who choose lower carbon vehicles. Only a third of the fleet has been up for renewal since then but, already, the average CO₂ per car has dropped 15% from 136g/km in 2013 to 116g/km today. In fact, one in five of our cars now has CO₂ emissions of 100g/km or less.

Cutting transport miles

We have made two significant investments this year to reduce the miles that our products travel from production to customer.

In Langwathby, Cumbria, we have leased a mill next to one of our major customers. Instead of driving tens of thousands of tonnes of products across the country from our own mill in North Yorkshire, we now manufacture it right next to where it is needed. We estimate that this has saved us from driving around 350,000 miles. The new mill has also created 15 new jobs in the area, with more to follow as the business grows.

The second investment is in Singapore where we have established a blending facility that enables us to ship concentrated enzyme products from the supplier and dilute it on arrival. Prior to this, we were shipping the finished product which was

The average CO₂ from
our fleet of cars has
DROPPED 15% since 2013



25 times the volume of the concentrated product. We estimate that this investment is cutting our freight usage on this route by more than 40%, which not only reduces our carbon footprint but also improves the service to our customer as we can now supply bespoke feed blends locally.

Using renewable energy

Alongside our energy reduction initiatives, we are also introducing ways of increasing the use of energy from low-carbon sources. For instance, we have installed solar panels on the roof of our Peterborough office that provide an estimated 6% of our energy needs. We are now investigating whether we can repeat this success at three other UK sites.

Anaerobic digestion

In common with many leading manufacturing businesses, we have a goal to send zero waste to landfill. However, we are now going a step further by investing in anaerobic digestion. In October 2016, we opened a plant in North Yorkshire which generates biogas from garden and kitchen waste from households in the neighbouring area. This gas is then fed into the mains supply. We estimate it will produce around 1.3 million m³ of gas each year, enough to meet the needs of more than 8,000 households. What little remains after the process is complete is then used as an agricultural fertiliser.

Creating more efficient and sustainable forms of protein

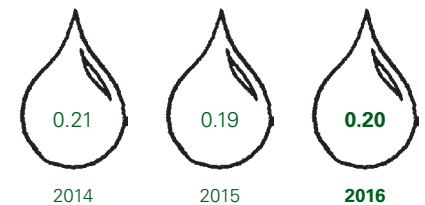
Soya is one of the most effective imported protein sources for animal feed but increased production has contributed to deforestation and other issues in South America. We have participated in the development of European industry standards for sourcing soy responsibly (see the following section on supply chain, page 62) and are also exploring ways of using it more efficiently.

In 2016, we acquired AgroKorn, a Danish business that produces AlphaSoy, a soy protein that has been enzyme enriched and made easier to digest through heat treatment and mechanical manufacture. This makes it a more efficient product so less soya is required to provide young, growing animals with the protein they need.

We have also made more efficient use of the grain left over by distillers and ethanol producers. Dried distillers' grains – as they are known – have long been sold as a livestock feed but it is a bulky, fibrous product which means it is best suited to beef and dairy animals. We have created a yeast-based protein product out of dried distillers' grains that enables it to be used in aquaculture and with pigs and poultry too, making it a more useful and valuable co-product.

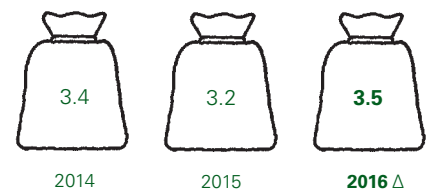
In addition, we have been looking for closed-loop solutions that would allow us to generate protein from the co-products of the agricultural industry. Working in collaboration with FERA, the Food and Environment Research Agency, we have conducted a three-year project to see if the larvae of the housefly might be a potential future source of protein. House fly larvae can grow effectively using animal manure as a feedstock – of which there is a plentiful supply on farms. Our work proves that the larvae are a very digestible, high-quality source of protein for animal feed and that they can potentially be a viable source. The challenge now is how to mechanise and scale production.

Total water abstracted million m³



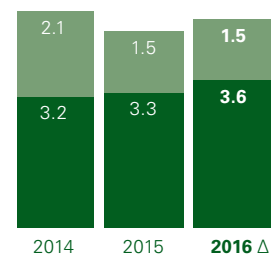
Water abstraction remains largely consistent over recent years, with a 5% reduction since 2014 due to production levels.

Quantity of packaging used 000 tonnes



An increase in packaging since 2015 is due to our acquisitions during the year.

Waste disposal 000 tonnes



■ Non-recycled waste
■ Recycled waste

Total waste generation has decreased by 4% compared with 2014 and each year, the proportion of waste which has been recycled has increased.



OUR PEOPLE

We are a fast-growing business with a workforce of over 3,000 employees and contractors around the world. To ensure we continue to have the capacity to expand, we are committed to promoting diversity and developing our staff.

Encouraging diversity

AB Agri is an increasingly international business – we now have employees working for us in 29 different countries, and customers in many more. To ensure we have the flexibility and capability to deliver our products and services internationally, we aim to recruit a diverse workforce and develop the best talent, regardless of background.

We conducted focus groups to understand how diverse and inclusive we are as a business, providing us insight as to where we need to develop. As a result, we are redoubling our focus on talent management, particularly talent acquisition, career development and valuing differences. This work is now being led by a taskforce of five senior leaders across the business – including three board members – who have collaborated to create a stretching set of objectives and metrics.

As part of this work, our talent acquisition strategy has evolved and our recruitment suppliers know that we want them to help us recruit the best talent, regardless of background, and are challenged to demonstrate this diversity in their services.

We have introduced unconscious bias training for all our HR managers, and are in the process of extending this to all hiring managers and employees across the business to help our people understand how our decisions are affected by our upbringing, culture or experiences. By increasing our awareness of bias, we can take steps to minimise the influence it has on how we relate to others.

We proactively support female employees who choose to have a family and are proud of the fact that 90% of the women who took maternity leave during the last five years returned to work with us.

Developing our people

We recognise that most of our personal and professional growth happens on the job but there is an important role for formal learning and development too. We emphasise the importance of making sure that everyone has the training and support they need to do their job well. Over the last year, 480 of our people have received some form of career development training.

We are growing quickly and to continue at this pace, we need to have talented people ready to step up and lead our business. Our leadership development programme is therefore crucial to our long-term success.

We have invested considerable resources in creating a year-long development programme, called APEX, for aspiring senior leaders. As well as receiving one-to-one support from a coach, the programme includes several week-long off-site training courses to develop commercial and strategic thinking skills. Participants develop and refine their leadership skills by deepening their knowledge of themselves and their impact on others. They also learn how to coach and support others and how to use their influencing skills to make things happen.

Over the last three years, 39 potential leaders have taken part in the APEX programme. As well as enjoying the personal development opportunity, participants commonly report that the course gives them the confidence and skillset to lead teams to deliver bigger and better results for our business.



We now have
EMPLOYEES
working for us in
29 DIFFERENT
COUNTRIES

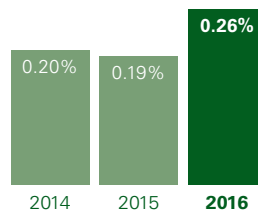
Keeping people safe

Our delivery drivers visit thousands of farms every year. To keep them safe, we developed a series of straightforward guidance manuals to train our drivers to assess and avoid risks.

Having delivered this training for our own workforce, we have extended it to help people who work on farms too. We teamed up with Dairy Crest to create a series of safety posters designed especially for dairy farms. We used clear language and simple pictures to make the information easy to follow, and focused on the biggest hazards, such as working with machinery or mixing slurry. These posters have now been shared with over 1,000 dairy farms, and most have chosen to display them. We are now expanding the series to include manual handling and how to safely use all-terrain vehicles and hazardous substances.

We continue to invest in our working environments to help ensure the safety of our people and visitors. In parallel, we support employees to take greater responsibility for managing and mitigating workplace risks and ensure we share good practice across our sites. In 2016, we spent £1.6m on health and safety risk management.

Reportable injury rate



The reportable injury rate has increased by 0.06% since 2014 due to newly acquired businesses in Europe. We are working to embed our rigorous safety systems.

Our SAFETY POSTERS have been shared with over 1,000 dairy farms



Apprentice scheme

We currently have seven people enrolled on paid apprenticeships with us and aim to offer three more places each year. An apprenticeship generally lasts between 18 months and two years and results in either an NVQ or HNC qualification. This hands-on approach to learning provides young people with real-world experience that makes them highly employable.

Kelvin Robinson was the first apprentice to join AB Agri and is training to be a mechanical engineer at our Northallerton mill:

"After studying for a BTEC at college, I chose to do an apprenticeship rather than go on to university and I'm so glad I did because now I'm getting paid to learn how to be an engineer. I get on-the-job training as well as doing a day a week at college which is helping me learn the theory. When I've got my HNC qualification, I'd like to continue working for AB Agri: I get on really well with my colleagues and I enjoy the work."





OUR SUPPLY CHAIN

Increased traceability is a cornerstone of our approach to managing ethical issues in our supply chain. We already track compliance with feed safety standards and are now upgrading our system so that we can use it to assess compliance with wider ethical standards.

To support the upgrade of our internal systems, we have also chosen to join Sedex this year. These steps help us to better understand our complex supply chain and to put in place processes to manage risk. If we know where our suppliers are struggling to meet our standards, we can focus our attention where it is needed most, with the hope of helping to raise labour standards in our supply chain.

Palm oil

We are fully committed to promoting the growth and use of sustainable palm oil products and support the work of the Round Table on Responsible Sourcing of Palm Oil. We purchase Green Palm Certificates to cover 100% of our palm oil-derived ingredients.

This year, we visited our three main palm oil suppliers in order to physically review their sourcing and production methods and standards from both an ethical and safety perspective. This visit improved our awareness of likely issues as well as provided us with a clearer view of what we can do to mitigate and manage potential risks.

Soy

Soy is a key ingredient in animal feed and we buy thousands of tonnes of it each year. In recognition of the specific sustainability challenges related to soy production, we are a long-standing member of the Round Table on Responsible Soy (RTRS). This global, multistakeholder platform has enabled the creation of a voluntary certification system for global production and consumption of certified responsible soy.

At the present time, just a fraction of the soy that is imported into Europe meets the RTRS standard. Although we aim to source all soy to this standard eventually, the feed industry requires significant volumes of soy and cannot rely on small, niche supply chains to meet this need.



We are fully committed to promoting the growth and use of **SUSTAINABLE PALM OIL** products, and purchase Green Palm Certificates to cover **100%** of our palm oil-derived ingredients

In addition to the RTRS, there are many other schemes and programmes available for purchasers of responsibly sourced soy. However, there is little clarity about the differences and similarities between them, which makes the market complex. It can be difficult to determine which schemes demand an adequate level of responsible soy production.

To help address this, we played an active part in introducing the European Feed Manufacturers' Federation (FEFAC) Soy Sourcing Guidelines in October 2015. Indeed, AB Agri chairs the federation's Sustainability Committee. The Guidelines comprise 59 criteria covering a range of issues including environmental responsibility, respect for legal use of land and working conditions. They also stipulate verification requirements and reflect what we consider to be the baseline criteria for any scheme or standard that claims to supply responsible soy.

By using a bespoke, online benchmarking tool, the different schemes and bodies are able to show buyers that they meet the FEFAC Guidelines, bringing clarity to the market by enabling comparison. Ultimately, we hope this will increase the available volumes of responsible soy.

The FEFAC Guidelines offer an achievable model that encourages producers to continually improve and validate their sustainability credentials, thereby improving the understanding of sustainable soy imported into Europe. As more responsible soy is covered by the Guidelines, FEFAC intends to improve the criteria and raise the base level.

The next step is to encourage companies further along the supply chain to buy soy that meets the FEFAC Guidelines. The Consumer Goods Forum, a body that represents 400 retailers around the world, recently committed to do so, as has Marks & Spencer for its animal feed.



We played an active part in introducing the FEFAC Soy Sourcing Guidelines in October 2015

Protecting human rights

In September 2016, we introduced a Human Rights Policy which demonstrates our commitment to operate our own business to the same high standards that we expect of our suppliers. As a responsible part of the agri-food industry, we are committed to the enrichment and protection of the communities and individuals touched by our business operations. The new Human Rights Policy sets out our commitment to respect and protect fundamental human rights as stated in The Universal Declaration of Human Rights and the International Labour Organization's Fundamental Conventions.

The policy clearly sets out the behaviours and standards we expect colleagues in our businesses to observe. These are the same values that appear in the Supplier Code of Conduct, as we seek to do business with suppliers who are equally committed to respecting human rights.

As our organisation continues to grow within existing and in new geographies, our Human Rights Policy provides clear guidance on how we run our businesses, wherever they are in the world.

To read the policy in full, please visit www.abagri.com/human_rights_policy.



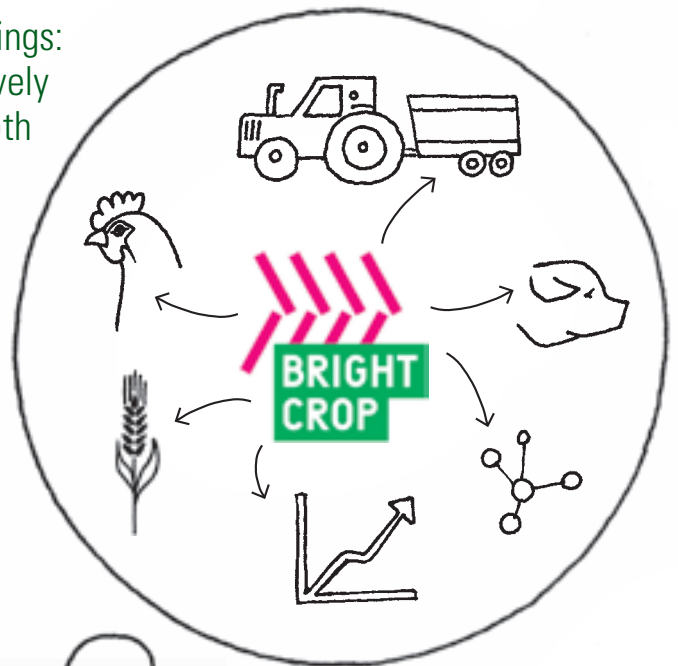
OUR NEIGHBOURS

At AB Agri, being a good neighbour means two things: promoting agriculture as a career choice; and actively engaging with the communities that we affect, both local to our operations and more widely across our industry. In particular, we have a strong relationship with the agri-science community.

Attracting talent

The food and farming sector employs 3.5 million people in the UK, which is almost one in every seven jobs. Careers within the agricultural industry are not traditionally seen as intellectually challenging or particularly high-tech. These are stereotypes that we are working to challenge. As the world's population continues to increase, we need bright people with a wide range of different skills to tackle the challenge of finding sustainable ways to feed us all.

We support Bright Crop, a careers initiative with a mission to inspire young people to consider careers in food and farming and inform them of the diverse skills and qualifications needed to succeed. In total, 66 AB Agri employees voluntarily gave up their time over this past year to mentor, coach and encourage 1,500 young people. These volunteers also attended careers fairs reaching a further 95,000 youngsters, spreading the word about the interesting and well-paid work that the agricultural industry has to offer.



INSPIRING
young people to
consider careers
in food and
farming

Working with local schools

Another way we support the next generation is by building relationships with local schools. Most of the staff working in our sites are drawn from the local community and we want to make sure young people know what opportunities there are for them with AB Agri in their area.

At our largest office site in Peterborough, we have formed a strong relationship with a local college and 18 employees mentor students in the first year of their A-levels, helping them to decide what to do next. Whether they opt for further education or employment, we ensure they have a good understanding of the opportunities available to them in the food and farming sector.

1 in 7



jobs in the UK
are in food
and farming



Supporting scientific research

From the very beginning, we have had close ties with the academic community. In 1984, a small company called Trident, one of the founding businesses of AB Agri, set out to prove the nutritional benefits of using sugar pulp as an animal feed. It worked with national agricultural universities and colleges to do that and soon had farmers lining up to buy its co-products from sugar production.

Since then, across all of our business units, we have established direct relationships with more than 90 universities and colleges around the world. We work in partnership with them to advance the science of animal nutrition, finding new ways to feed the growing human population as sustainably as possible.

AB Agri was one of the main industrial drivers of a new research hub, The Centre for Innovation Excellence in Livestock (known as CIEL), the brainchild of the UK government's Department for Business, Innovation & Skills. CIEL brings the livestock industry and academia together to develop new, precompetitive solutions to problems that the industry is seeking to address. The Centre's ambition is to speed up rates of innovation and discovery in livestock research and development, then to drive productivity by quickly translating these findings into best practice.

Now up and running from an administrative head office in York, the Centre is operating as a conduit between industry and 12 academic institutions. Along with other businesses involved in the livestock industry, AB Agri is providing strategic direction and will propose projects for development. We will then work with the academics to conduct real-world tests of new ideas, ultimately commercialising any relevant opportunities that arise from the research.

The UK government has committed £27.7m to fund CIEL over the next five years, which is being more than match-funded by the academic institutions. The expectation is that CIEL will deliver transformational change, increasing the economic performance of UK farming by £12 for every £1 spent in research. To find out more, visit www.cielivestock.co.uk.



The CENTRE is operating as a conduit between industry and 12 academic institutions



Sharing our knowledge

We have an extensively researched portfolio of products for the animal nutrition industry that has been developed to bring ever-greater nutrient release from animal feed. In 2012 we launched a new phytase enzyme, Quantum Blue, which helps animals extract and absorb more nutrients from their feed.

Since its launch, we have learned that doubling or even tripling the quantity of Quantum Blue to animal feed results in additional performance benefits. These include improved animal welfare and a reduced environmental impact since superdosing – as it is known – makes more minerals digestible to the animal so reducing amounts excreted into the environment and polluting soil and water courses. In addition, improved feed efficiency ultimately means improved profitability for the producer.

To share the benefit of this new approach to phytase use across the industry we have hosted two International Phytase summits. These conferences facilitated discussions around phytase and brought together experts from around the world to share independent opinions. The summits also stimulated new research projects and partnerships and have driven industry understanding around superdosing and phytase use. We have always sought to pursue science and research that can lead to practical, commercial application. Superdosing is fast becoming the industry standard and we are proud of the role we have played in testing the science and leading the debate.



OUR CUSTOMERS

Unlike some other divisions of Associated British Foods, our customers are not consumers who buy our products in shops. Instead, we are part of the agricultural food supply chain, supplying goods and services to farmers who grow or rear the food we eat.

Feed safety is therefore a key area of focus. We treat animal feed with the same concern for safety as we would food for human consumption.

Responding to antimicrobial resistance

When Alexander Fleming first identified penicillin in 1928, he revolutionised medicine. Antibiotics like this one have played a leading role in eradicating and reducing disease all over the world.

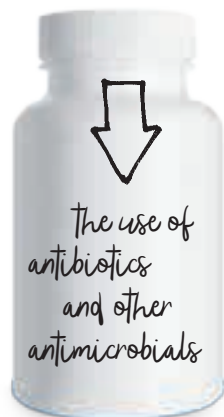
Unfortunately, the incredible effectiveness of antibiotics has led to them being overused, which has caused certain bacteria to develop resistance – known as antimicrobial resistance.

Antibiotics can be used to treat disease in livestock. They can be added to water or feed or administered as, for example, creams and injections. Prior to January 2006, some specific antibiotics were widely fed – predominantly to pigs and poultry – at a fraction of the therapeutic dose with the intention of maintaining gut health and thereby promoting growth. Since then, it has become illegal in Europe to add antibiotics to animal feed to enhance performance. In line with EU legislation, our products only contain antibiotics and other therapeutic antimicrobials when and if veterinary surgeons provide prescriptions for the animals under their care.

We are exploring ways we can help our customers reduce the use of antibiotics and other antimicrobials, as nutrition and health are closely interlinked. We strongly believe that appropriate nutrition is the key prerequisite to producing strong, healthy farm animals which, in turn, reduces the need for antimicrobials. This includes applying the science of micronutrition such as supporting and stimulating an animal's immune system with vitamins and prebiotics, or using specific essential oils and peptides to kill off unwanted bacteria and promote good gut health.

In this way, we are contributing to the reduction of pathogens in livestock, and therefore reducing the need for farmers to use antimicrobial medicine.

We are
EXPLORING
ways we can help
our customers
REDUCE



Leading on feed safety

To provide our customers with every assurance that the product they buy from us is as safe as possible we are constantly looking for ways to reduce risk within our supply chain and our own sites. This includes using appropriate measures, whatever the geography, to enable a rigorous supplier monitoring process and to keep our manufacturing sites in excellent working condition. We are also proactive in moving the feed safety agenda forwards through our membership of key trade bodies and think tanks.

UK

We source ingredients and transportation for our feed from over 1,000 suppliers and it is essential that we make sure that every one of them is providing consistently safe inputs and services. To do this, we implemented Authenticate, a sophisticated web platform that tracks the various feed assurance schemes used by our suppliers. If a supplier fails to renew its certification to the assurance schemes, we are alerted, enabling us to take appropriate action. Our UK sites are certified by the Universal Feed Assurance Scheme which has 'earned recognition' status with the regulators. In other words, the rigour with which we are increasing the transparency in our supply chain and sites has been acknowledged and we receive fewer regulatory visits as a result.

China

We have been making animal feed in China since 1996 and now have eight feed mills across the country. The Chinese Ministry of Agriculture recently introduced a new regulation on feed quality safety management. Recognising that it would take time to bring all the country's mills up to this new standard, it launched a competition to find model feed mills that could pass the audit and be held up as examples for others to follow. Hundreds of feed mills have now been audited against this new standard and, to date, only 123 have passed.

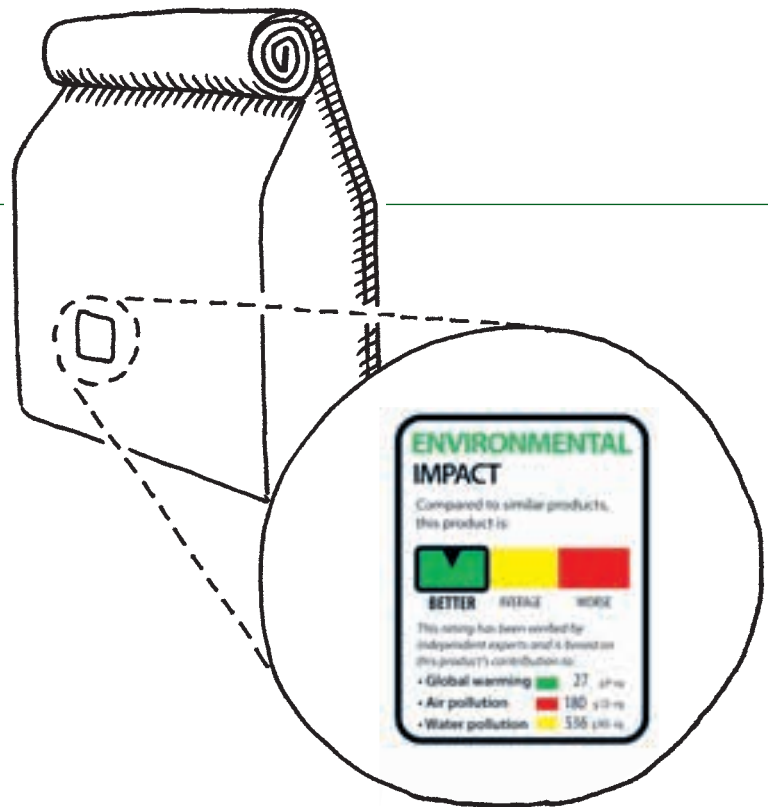
All of our mills were audited and passed, and we were proud that our Rudong mill achieved the highest ever score in China. This is a result of the way we designed this new mill, incorporating state-of-the-art technology and operational processes.

Understanding the environmental footprint of our products

Most people want to make purchasing decisions that do not harm the planet but few of us have the information we need to allow us to do that.

An EU Commission project is currently under way to understand what it would take to assign an environmental footprint to every product we buy. The idea is to inform consumers about the environmental 'baggage' that a product has picked up on its journey to them, and enable them to select a lower-impact product if they wish. The data behind the label would include how much energy was used to grow, make or transport the product and the raw materials or ingredients that went into it. It would also consider the use of natural resources and any impact on water or air quality.

AB Agri volunteered to undertake a study to validate the methodology for calculating the environmental footprint of producing feed for chicken – one of only five pilot projects on animal feed in Europe. Since feed products are a key link in the food supply chain, this methodology will be used by other organisations to determine the environmental footprints of their livestock.



Once a product's entire food supply chain has been mapped, we could start to find **PRODUCT ENVIRONMENTAL FOOTPRINT LABELS** on product packaging. This is an early mock-up of how it could look

Our feed mill in Rudong, China achieved the **highest ever score** in a FEED QUALITY SAFETY AUDIT. This model mill is now held up as an example for others to follow

Our mill in Anshan was also put forward as a 'model' mill, despite being one of our oldest sites. We credit our success here with the quality of the management team who ensure all staff are appropriately trained, as well as the enthusiasm and professionalism of everyone employed there.

Improving the sustainability of sugar production

We support many agricultural businesses to improve their social and environmental profiles and, this year, have introduced a new sustainability programme for sugar producers.

The sugar programme is designed to help producers make incremental changes to their activities, and to track and share their progress with their customers. It also supports them to ask the right questions of their direct suppliers. It is underpinned by software that allows sugar producers to complete a full sustainability assessment of their production facilities, supply base and the supporting supply chain.

As well as proving their compliance with sugar sustainability standards, such as those devised by the Sustainable Agriculture Initiative Platform, or customer-specific standards, the programme enables a producer to demonstrate where it exceeds existing standards.

The Coca-Cola Company recognises this programme as a route for sugar producers to help it meet its 2020 goal of sustainably sourcing key agricultural ingredients such as sugar.

The programme is currently being used with sugar producers all around the world, including Brazil, Indonesia and the Middle East. We have run a pilot at one of Azucarera's sites which AB Sugar is currently evaluating.

Although we developed the framework for assessing the sustainability of sugar production, the programme has been designed so that it can be adapted to assess other agricultural commodities.

INGREDIENTS



Our Ingredients division's footprint is truly global, with a presence in 34 countries and sales in more than 90.

The division is split into two separate businesses: AB Mauri and ABF Ingredients. AB Mauri produces yeast and bakery ingredients used by bakers – large and small – the world over. ABF Ingredients is a family of specialised ingredients businesses that produce high-value ingredients such as enzymes, speciality lipids and yeast extracts for a wide range of food, beverage, animal feed, pharmaceutical, personal care and other industrial applications.

These businesses have a common focus on operating responsibly, both by taking good care of their workforce and keeping them safe and by being thoughtful about the use of natural resources such as energy and water, and protection of the environment.

As suppliers of products to the food and pharmaceutical industries, we recognise we have an important role to play in providing safe and healthy products. We continue to expand our range, focusing in particular on the health and nutritional needs of consumers while continually looking for opportunities to reduce salt, fat and sugar content.

We helped **PREPARE**
100 disadvantaged
young people
for work in Brazil

77%
of the **waste** we
generated **THIS YEAR** was
RECYCLED

AB Mauri has
reduced Lost
Time Injuries
by **60%** compared to last year

In drought-hit California,
we have **cut our**
water abstraction
by **64%** **SINCE 2015**



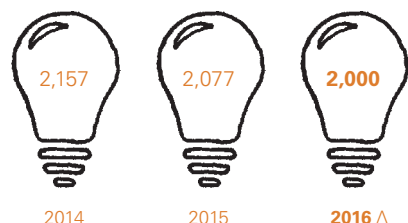
As suppliers to the
food industry,
we recognise we have
an important role
to play in providing
safe and
healthy
products



OUR ENVIRONMENT

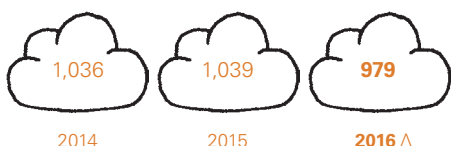
Over recent years, our Ingredients businesses have invested significant time and capital in effective water and waste water management and in improving energy efficiency. This has been in response to helping ensure compliance with regulations and to improve operational costs. As a result of this concerted effort, they have continued to reduce the volume of water withdrawn from natural water sources and increased the amount of waste water reused on-site. Over the last five years, the businesses have invested over £19m in effluent treatment plants.

Energy consumption GWh



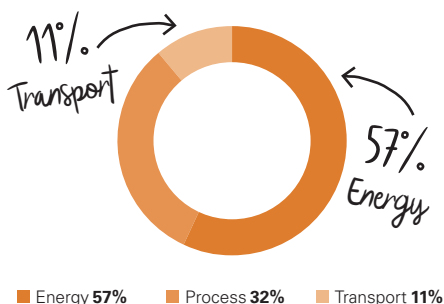
Energy use has reduced by 7% over the three years with the largest decreases in the use of coal and heavy fuel.

GHG emissions 000 tonnes CO₂e



There has been a 6% reduction in the amount of GHG emissions since 2014. Significant emission reductions come in the main from imported steam and third party transport. Many sites have worked with suppliers and customers to rationalise their transport routes and vehicle types in order to make cost and GHG savings.

Sources of GHG emissions 2016



During 2016, the Ingredients businesses have:

- decreased water withdrawals by 1% compared with 2015;
- reduced the total amount of waste generated by 2%, with 77% of this being recycled; and
- reduced energy consumption by 4%.

Our Ingredients businesses strive to use natural resources as efficiently as possible by extracting the maximum value out of the energy and water we consume. We continue to search for opportunities to reduce our usage, as well as cut the amount of waste we create.

Reducing our energy use

The production of yeast is an energy-intensive process, so improving efficiency here is central to our environmental programme. The process requires heat to pasteurise the inputs and clean the equipment, and electrical energy is needed in order to dry or chill the final product in order to preserve it.

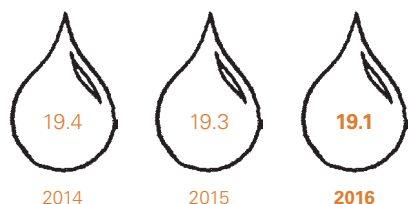
Our Palmira plant in Colombia conducted a focused programme of energy reduction, targeting the largest uses in the plant. In the last year it achieved a 13% reduction in electricity use, most of which was achieved through optimisation of air in the fermentation stage, resulting in reduced energy use by the operation blowers.

The AB Mauri plant at Veracruz, Mexico, has instituted energy-reduction initiatives. Electricity efficiencies were achieved by optimising several different steps in the production process and making changes to the cleaning protocols. Overall, the electricity used per tonne of product reduced by 11% between 2015 and 2016. The plant has also reduced the amount of liquefied petroleum gas (LPG) used to produce each tonne of product by 35% by reducing the amount of hot water used for cleaning and by substituting LPG with biogas, a sustainable source of energy.

In a number of our plants, the purchase and installation of Variable Speed Drives (VSDs) has been a significant factor in reducing energy usage. These devices ensure that motors (such as those on the large pumps used in yeast production) operate no faster than absolutely necessary, thus saving energy. Our plant at Hull, in the UK, introduced VSDs on the cooling towers enabling the plant to reduce the electricity used per tonne of product by 3% (equivalent to an annual reduction of 400 tonnes of CO₂). A similar initiative in Peru resulted in an 8% reduction in electricity used per tonne of product.

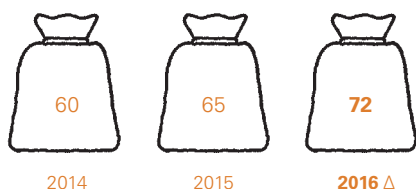
We have also found ways to cut energy use from our distribution network. In China, we move significant volumes of product between our factories and distribution depots. Traditionally we have relied on road transport but, this year, we have increased our use of sea freight for domestic movements, resulting in significant carbon savings.

Total water abstracted million m³



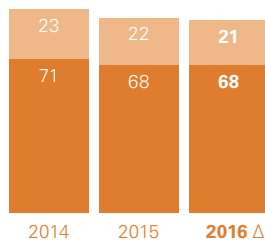
Water abstraction has fallen each year since 2014 due to investments in on-site water treatment plants which have helped sites improve control over their water use.

Quantity of packaging used 000 tonnes



The amount of packaging has increased by 11% since last year. This is mainly due to increases in production for packaging-intensive goods and improvements in obtaining more accurate data from suppliers.

Waste disposal 000 tonnes



■ Non-recycled waste
■ Recycled waste

Since 2015 there has been a 2% decrease in waste in line with the 2% reduction in production. This year 77% of total waste was recycled.

Cutting our water use

We continue to invest in reducing water consumption by adjusting and improving our factory processes. Several factories have adopted new, less water-intensive processes for separating and cleaning yeast, resulting in significant water savings by as much as 23% at our Colombian plant.

Where our sites operate in water-stressed areas, every effort is made to minimise water usage. In drought-hit California, we have cut water abstraction by 64% since 2015 by reducing water pressure and landscaping outdoor areas. In Ecuador, the amount of water being used to clean the factory floors and equipment has halved since 2013.

Reusing waste water

Yeast production requires substantial amounts of water and the recovery and reuse of this water is an important challenge for AB Mauri, especially in India, where clean water is a scarce resource.

The Chiplun yeast plant in India has invested in sophisticated waste water treatment technologies to treat its liquid waste in order to meet local compliance standards. Above and beyond this, the plant has invested in membrane systems to allow it to reuse some of the treated waste water. The recent investments in this plant, together with the efforts of the local team, have resulted in the plant being able to reduce the amount of water it abstracts from local water sources by 24% saving 44,000 m³ of water since 2015.

77%
of the WASTE we
generated this year was
recycled

Improving how we manage our waste

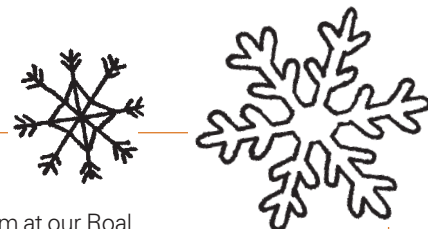
We continue to improve our waste management processes and have reduced the total amount of waste generated year-on-year over the last five years. Over the last year, a number of our sites have undertaken further work to improve sorting processes and engage production teams to understand better the importance of managing waste. As a result, we have increased the proportion of waste we recycle from 75% of total waste generated in 2015 to 77% this year

At our site in Ecuador we identified that waste was not being managed as effectively as possible. To address this issue, a collection and classification centre was created so that solid waste could be appropriately sorted, resulting in nearly four times the amount of waste being recycled in just one year. Likewise, in Spain, we have installed specific additional containers that allow for the segregation and containment of hazardous waste.

Letting nature lend a hand

In October 2015, we upgraded the cooling system at our Roal factory in Finland. Previously, the site had relied on a 20-year-old cooling tower which had become technically obsolete and increasingly unreliable. The water cooling system also consumed an amount of water equivalent to that used by 40,000 households.

The new system is driven by a heat pump, which works in a similar way to domestic refrigerators and freezers. In winter, the system uses the cooler air outside the factory to remove the emitted heat load, which means that, for four or five months of the year, the system requires almost no electricity to operate it.

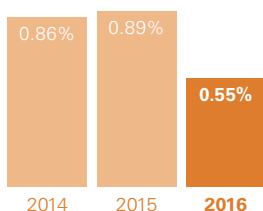




OUR PEOPLE

We continue to put considerable energy into keeping our people safe and are proud of the progress made year-on-year. Since last year, we have reduced Lost Time Injuries by 51% and reportable injuries by 38%. We also maintain our focus on growing the skills of our workforce and retaining talent by ensuring that our businesses are enjoyable places in which to work.

Reportable injury rate



The significant improvement in the reportable injury rate is mainly as a result of concerted efforts to change the culture and thoroughly integrate safe working practices.

Keeping our people safe

Many of our sites require a culture change so that safety is seen to be a shared responsibility that all team members are committed to. This requires changes to the interactions between the working environment, equipment, systems of work and the people in the organisation over an often extended period of time.

Driving the cultural change required to improve health and safety has been a major focus for AB Mauri in recent years. As a result, the number of Lost Time Injuries has reduced by 60% compared with the previous year. This significant improvement is a result of dedication and commitment

from all employees. In addition to the various safety initiatives, we have also changed our focus from measuring lagging indicators to leading indicators. Some of these are highlighted below:

- 255 examples of safety best practice were shared across the business compared with 184 in the previous year.
- 404 employees attended our Leading For Safety and refresher training course. This training is a joint partnership with the British Safety Council and the objective is to apply a standardised safety training programme across the group. Participants must also pass a written exam and practical test to ensure competence and understanding of the training provided.

We also ran bespoke courses for specific groups. For instance, our drivers in Turkey have all been trained in safe driving techniques and we have seen an improvement in safety awareness as a result. In South Africa, we identified that many accidents were happening on the way to and from work and trained the workforce on ways to keep them safe on their commute.



Our aim is for safety to be seen as a shared responsibility that all team members are committed to

Making
workplaces
safer

In addition, we are reviewing ergonomic risks to improve our manual handling activities. At our site in Italy, we recognised that operators were at risk of muscle strain from handling heavy packs of our products and installed a new automated lifting platform to minimise manual handling.

Due to the nature of our products and production process, there is a risk of a fire in our factories and this is therefore an area of additional focus. Workers in our factories in Vietnam and India have attended a fire safety and prevention course which equipped them with basic knowledge about fire-fighting, training in the use of available equipment and how to escape a burning building. These new skills were put to good use in India, when six members of staff at the Cochin factory were able to keep a fire under control at a neighbouring factory while they waited for the fire brigade to arrive. Officials from the fire department later visited the company to express their gratitude for our efforts to support the wider community.

Update on Project SAFE

In last year's Corporate Responsibility Update, we shared information about Project SAFE, AB Mauri's health and safety programme which aims to create an environment where there are zero injuries and zero incidents of work-related ill health – known as Target ZERO. Project SAFE has now been successfully rolled out to 30 AB Mauri operations around the world. It is implemented locally by the operations and health and safety teams at each site, which means it is fully owned at the operational level.

Fernando Monroy, who manages the Colombian plant said, "Project SAFE has allowed us to reach all levels of the organisation, making a difference to safety and health at work. It has facilitated improved organisational culture focused on self-care and continuous improvement."

In China, Project SAFE was launched with a two-month campaign that encouraged employees to report any unsafe behaviours they observed around the site. The findings were collated and analysed in order to identify patterns or root causes. As a consequence, the briefing procedure for each shift was changed to include a formal safety briefing. A different topic is scheduled each day, helping to keep safety top of mind at the start of every shift.

In Brazil, the team introduced a Guardian Angel programme where staff are encouraged to look out for each other by spotting risks and hazards. As one fork lift driver explained, "when I see someone doing something that places them at risk, I now politely explain why it is important to be more careful. We have to help each other."



Project SAFE has now
been **successfully**
rolled out to 30
AB Mauri operations
across the world

OUR PEOPLE CONTINUED

In Vietnam,
a total of
236
employees were
provided with a
**health
examination**
this year, using state-of-
the-art equipment

Developing our people

In common with the rest of the Associated British Foods group, our Ingredients businesses are committed to giving all staff the opportunity to progress. We do this by offering training and development courses all year round, as well as providing management support through personal development discussions.

A focus of our training effort is on preparing the next generation of leaders. We run courses for our senior management teams to help them expand their knowledge and strengthen their leadership skills, with a particular focus on creativity and innovation. The AB Mauri facility at Hull recently offered support to an initiative run by the local vocational training institutions by taking on apprentices in engineering and manufacturing. This benefits the local community by training young people in specific skills, as well as providing a pipeline of fresh talent for the business

Promoting good health in the workforce

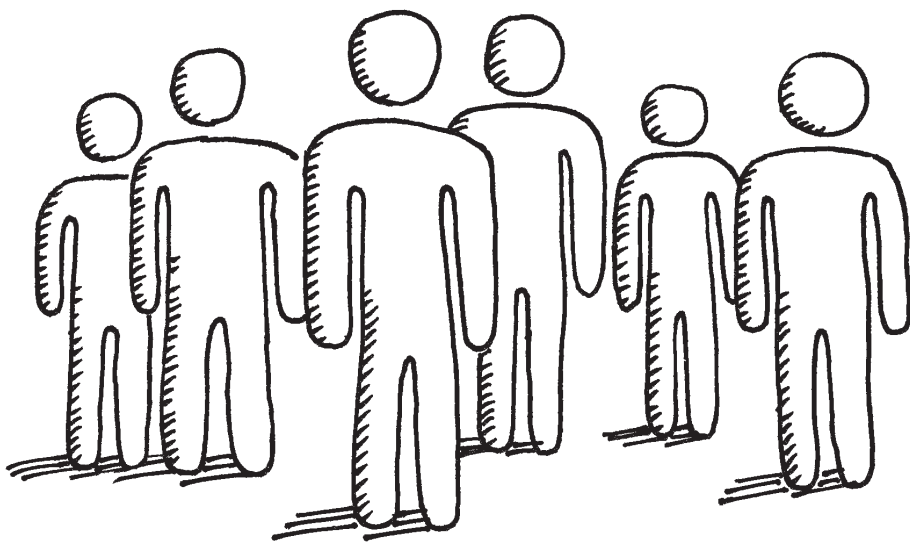
Keeping our employees in excellent health is in everyone's best interests and our businesses offer a range of services and information to support wellbeing. Many of our sites offer comprehensive health checks for staff. For instance, in Vietnam, a total of 236 employees were provided with a health examination this year, using state-of-the-art equipment brought in from a nearby hospital. As needed, staff were offered chest x-rays, ECGs and ultrasound scans.

Our factories are routinely screened for risks to occupational health. The inspection of the working environment checks that noise, temperature and humidity levels are comfortable, as well as ensuring there are no toxic gases or excess dust. Encouraging staff to engage in physical activity is one of the primary goals of our wellbeing programmes. In North America, we have launched a new wellness initiative that enables employees to create a customised programme using various tools, such as *WellnessConnect*. This provides employees with access to a health risk assessment, as well as the opportunity to connect with a wellness coach or participate in challenges or events.

Our Ohly business in Hamburg, Germany, conducted an extensive survey to measure employee satisfaction, following several years of restructuring. Human Resources Director, Rita Jurgeleit says, "there has been a huge change in terms of processes and improvements. Our people are very valuable to us and we know that having them on board and supporting our goals is essential to our success."

The survey asked staff how satisfied they were with a number of aspects including development opportunities and remuneration, the effectiveness of the senior management team, and their daily workload. Once the data had been analysed, the senior team devoted a one-day workshop to creating action plans to address the issues raised. Department heads were then empowered to create bespoke plans for their teams.

One of the issues identified was insufficient internal communication. This has now been remedied with the introduction of a regular printed newsletter and the introduction of 'town-hall' meetings with employees.





OUR NEIGHBOURS

We aim to play a positive role in the communities in which we operate in a wide variety of ways. Whether it is helping young people into work or volunteering our time to support underprivileged groups, we know these efforts help us come together as a team, as well as bringing benefits to others.

Supporting the next generation

One of the most powerful ways we can support young people in their career planning is by inviting them inside our operations to see for themselves what it is like to work in a factory.

In the last year, AB Mauri hosted a number of students in the maintenance and quality departments of its plant in Casteggio, Italy, as part of its schools in the factory project. The project is designed to introduce young people to the work environment, expand their knowledge and experience and facilitate a stronger and more useful connection between schools and the workplace.

In Mexico, students from the local university were invited to spend four months working at AB Mauri's Atzala site, working on projects relevant to their specific area of study. The projects were then evaluated by both the company and the university.

Engaging with the local community

Whether through volunteering their time, or raising money for charity, our people are playing an active part in supporting needy groups in their local community. We share some of the many examples below.

In Sri Lanka, 60 employees organised free food and drink for the local neighbourhood to celebrate the annual Buddhist festival of Poson Dansala. Through our involvement, we were able to connect with more than 4,500 members of the community.

In Brazil, we make a monthly donation to support 100 adolescents from underprivileged backgrounds in Pederneiras, preparing them for the labour market by helping them develop their personal and professional skills. We also support a charity which works with people with disabilities to provide them the training and qualifications necessary to enter work.

In North America, AB Mauri provides baking process and ingredient support, as well as financial assistance, to Bridge Bread Bakery in St. Louis, Missouri. This social enterprise – which provides job opportunities for people who have experienced homelessness or whose housing arrangements are unstable – started in 2011 with a focus on creating new baking skills and going to market with a range of baked goods. The goal of the organisation is to help those who are disadvantaged by engaging them through a programme that enhances self-worth, promotes dignity and enables people to help themselves.



We provide FINANCIAL ASSISTANCE and BAKING INSIGHTS to Bridge Bread Bakery in St. Louis, Missouri, an organisation of bakers who were formerly homeless



OUR CUSTOMERS

We aim to provide our business customers with ingredients of the highest quality, able to meet consumers' ever-evolving dietary, lifestyle and food requirements.

Ensuring our products are safe

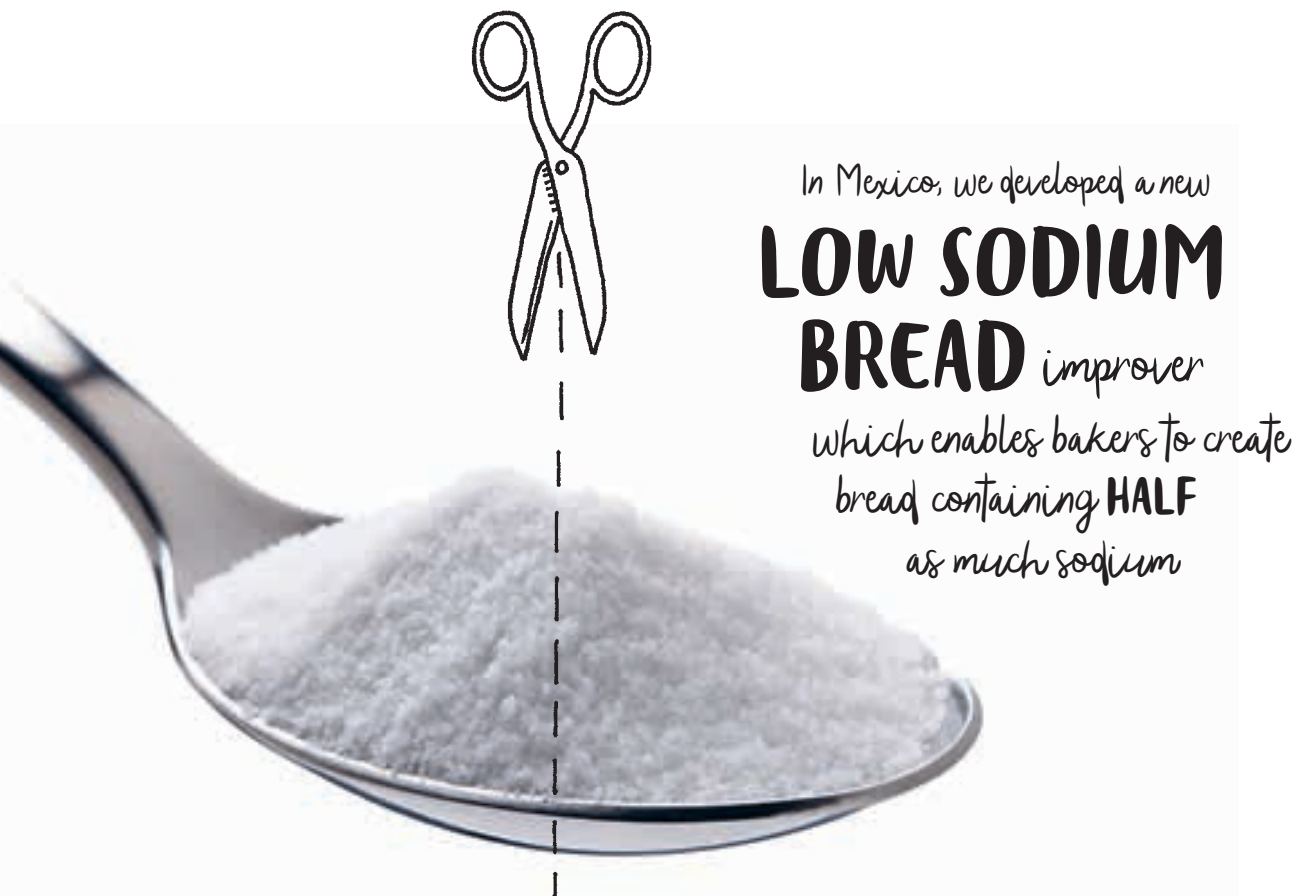
In the US, we received near perfect scores in a recent audit for food safety and quality at PGP's sites in Woodland, California and Evansville, Indiana. They were audited against version 7 of the BRC Global Standard, the most recognised and well-received certification standard, providing customers with confidence that they are receiving high-quality, safe goods from a company with exceptional supply chain management.

The BRC Global Standard covers seven areas including quality management, process control, and site standards.

Reformulating our products

With obesity rates continuing to rise and consumers increasingly seeking help to eat a healthy diet, our businesses are focused on new product development that can offer enhanced nutritional composition. This can mean adding nutrients such as fibre, vitamins or seeds, or reducing the fat, salt or sugar content of a product. Whenever we make a change, we also endeavour to improve the taste, texture and appearance – or at least ensure they remain the same.

Some examples of our efforts to meet consumer demand include new bread products made with pulse flour – a healthy source of fibre and protein. We have also fortified some of our products with protein for consumers looking for an increased feeling of fullness.



Innovation at AB Mauri's new Centre of Excellence

Responding to changing consumer demands requires a spirit of innovation and a willingness to experiment to create new products. Our customers want help and support in developing and improving products and, for many years, we have worked in partnership with them to do this.

In November 2015, we opened the AB Mauri Centre of Excellence (ACE) in Northamptonshire, UK, to offer technical support for the baking industry. The Centre is fitted with state-of-the-art equipment able to create any kind of bakery product, as well as an analytical laboratory where the quality and texture of a product can be tested. Whether they are industrial bakers, wholesalers, variety businesses or confectioners, our state-of-the-art facility is available to help them find solutions.

ACE helps our customers create products that fit their precise requirements, including formulating a gluten-free product, making a product allergen-free, reducing its sugar content or enhancing its shelf life. The new facility has dramatically improved lead times for new product development: projects that would previously have taken up to 18 months are now able to be completed on-site in just a few weeks. Since opening, we have worked with 44 customers to help them develop and improve their products.

Responding to consumer desire for natural products

Whilst a GM policy exists at group level, (www.abf.co.uk/responsibility/our_policies) in North America consumer demand for natural products with clear labelling continues to grow. Our ingredients businesses have responded by launching a number of products that are organic or non-GMO certified which has allowed the business to simplify ingredient information on packaging. Customers have reacted favourably to these new products and early orders have been robust.

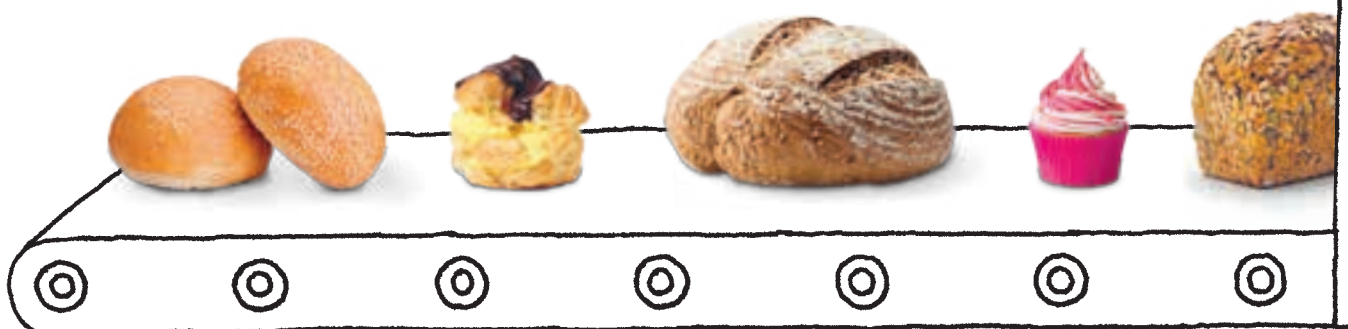
None of our bakers' yeast strains are genetically modified as defined by the Non GMO Project (NGP) and the National Organic Programme. For most bakers, this level of certification is adequate for their needs. However, there is a market segment for which a greater level of verification is required. For these customers, we recently introduced a line of six dry yeast products that have received the NGP Verified seal.

Going through the verification process has provided the business with a critical lens into its supply chain, which is of utmost importance to a small but growing segment of the baking industry. Achieving this verification validates the processes, procedures and practices AB Mauri has in place across the organisation.

We recently introduced a line of six dry yeast products that have received the NGP Verified seal



Our new Centre of Excellence allows our customers to create a product that fits their precise requirement



RETAIL



Primark is one of Europe's largest clothing retailers and an expanding international business.

Our success relies on more than 62,000 employees and 730,000 people who are employed by our suppliers to make our products. With a global supply chain and a growing retail base, we have a corporate responsibility to act and trade ethically and by doing so, we can be a force for good. We share 98% of the factories which supply us with other brands and retailers, and believe that a collaborative approach is essential to bring about industry-wide change.

We know that by working together we can have a greater influence and impact than if we worked alone. With this in mind, we have joined forces with other brands, our suppliers and trade unions in a number of multistakeholder initiatives to address such issues as improving working conditions and safe handling of chemicals.

Our partnership with
COTTONCONNECT
has **empowered**
1,251 female cotton
farmers

WE HAVE SAVED
30 million
kWh by implementing
ENERGY-SAVING initiatives
in our stores

We provided
11,000 hours of
TRAINING
to our suppliers

Our work with SAVE has helped
6,000 FACTORY
WORKERS
understand and articulate
their rights

We know that by
working together
we can
have a **GREATER** influence
and **impact**
than if we
worked alone

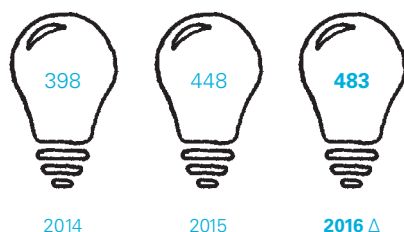
We have a
responsibility
to **ACT AND TRADE**
ethically



OUR ENVIRONMENT

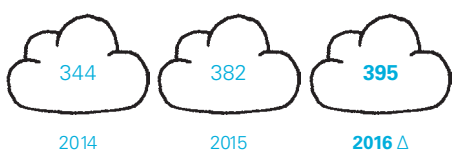
The environmental issues for Primark vary between those associated with our stores and those affecting our supply chain. While at its core the issues relate to efficiency, resources and waste management, the focus in our stores is on reducing energy and increasing recycling while the imperative for our supply chain is cleaner manufacturing. This includes energy and water use, water quality, and waste and chemical management.

Energy consumption GWh



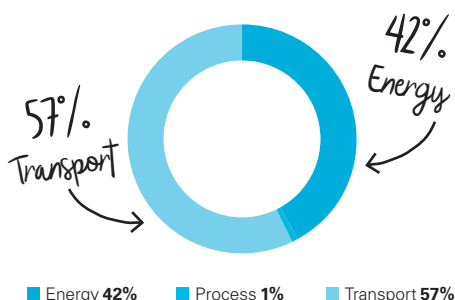
The increase in the number of stores and therefore sales area has resulted in a 21% increase in energy consumption over the last three years. However, through energy-efficiency projects, the energy intensity (kWh/sq ft) has reduced by 11% since 2015.

GHG emissions 000 tonnes CO₂e



GHG emissions have increased by 15% over the last three years, largely due to our expanding network of stores across Europe and the United States resulting in more transport movements of our product.

Sources of GHG emissions 2016



Over the past year, our retail business has continued to expand with 312 stores now in operation across 11 countries. Our data presented here is absolute and therefore much of our store-based environmental data shows an increase reflecting this business growth. In 2016, this has been the equivalent of a 21% increase in floor space. During the year, our Retail business has:

- increased total energy consumption by 8%;
- recycled or beneficially reused 94% of waste generated by our stores and warehouses; and
- increased total transport emissions by 8% which includes a 7% increase in sea container movements and a 16% reduction in aeroplane movements. The increase in transport emissions reflects the growth and international expansion of our business.

In total, our GHG emissions increased by 3% last year with 57% of all emissions resulting from transporting goods. With a large supply chain and increasing number of stores, we have an extensive logistics framework for our retail business. As this continues to grow, we are constantly reviewing our routes, type of vehicles and shared services to ensure we minimise miles and resultant emissions.

Store operations

We were first awarded the Carbon Trust Energy Standard in recognition of our continued commitment to energy efficiency in our stores in 2014. We have retained this standard and have built on our success by also achieving the Carbon Trust Standard for Waste.

Energy reduction

We have established an energy reduction group in order to consider and implement energy-saving initiatives at our stores. This group implements technical measures (such as variable frequency drives) and encourages behavioural changes in energy management through training, advice and standard operating procedures. We are very proud of the progress made and are delighted to report that, to date, savings of approximately 30 million kWh have been achieved.

As part of this project we have also designed a bespoke software system called ERICC (energy reduction information and control console) to drive behavioural change by empowering store management. The ERICC system provides the management team with real-time information on the primary energy drivers within the store. It shows how a store should be performing from an energy management perspective and enables use of the system's intuitive controls to modify heating, cooling and lighting systems.

Waste reduction

Primark is working to assume direct control over much of the recyclable material that we generate as part of our core retail activities. As part of this process we have established a resource recovery unit in our German depot where the cardboard, plastic and hangers collected from our Belgian, Dutch, Austrian and German stores are reprocessed and sent for recycling. We ensure that all recyclables are collected from the stores using our delivery trucks and transported back to the central distribution centre. As well as enabling Primark to be more actively involved in the recycling process, this has significantly reduced the volume and frequency of waste collections at each store.

This backhauling arrangement has been in place for a number of years in the UK and has been extended to our northern European operations since July 2015. We are reviewing opportunities to include additional regions over the coming months. Other general non-hazardous wastes are sent for energy recovery which leads to a contribution of electricity to the national grids.



We provide suppliers and their factories
with **formal training,
tools and support**
on Primark's standards to make
improvements throughout the
manufacturing process

Promoting cleaner manufacturing

Textile factories can use large amounts of energy, water and chemicals in the manufacturing process. To address this, Primark takes a proactive approach to reducing any negative environmental impact through engaging in a range of activities.

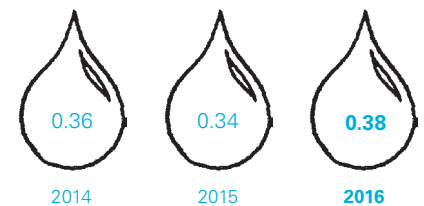
Our suppliers are required to adhere to strict chemical management requirements that comply with EU and US legislation. However, we also look for opportunities to go beyond legislative requirements to reduce the environmental impact of the textile manufacturing processes. We actively engage with our suppliers, chemical experts, other retailers and organisations to help bring about sustainable change.

We provide suppliers and their factories with formal training, tools and support to enable improvements to be made throughout the manufacturing process including washing, dyeing and printing.

Primark supports the Partnership for Cleaner Textile industry (PaCT), which is an holistic programme that supports the Bangladesh textile wet processing factories in adopting cleaner production methods. PaCT aims to contribute to the sector's long-term competitiveness by engaging with brands, government, communities, financial institutions and other stakeholders to bring about systemic, positive environmental change for the sector, its workers, and surrounding communities.

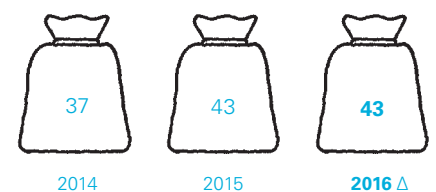
In total, 12 factories in Bangladesh have already benefited and a further seven will be benefiting from the PaCT training via Primark's nominations. As part of the programmes, we have conducted buyer workshops facilitated by trainers from our partners Solidaridad and Made-by. The training focuses on denim and jersey production with particular attention to the environmental impact of the main technologies used in the dyeing and washing processes.

Total water abstracted million m³



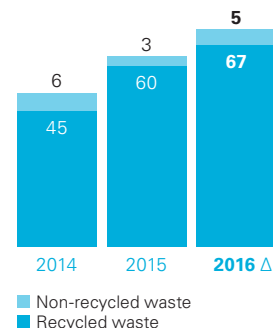
Over the three years, there has been a 6% increase in water used which reflects the expansion of our stores and warehouses.

Quantity of packaging used 000 tonnes



Despite a 17% increase in packaging since 2014, there was no increase during the last year. This highlights the efforts of recent work to reduce resource use.

Waste disposal 000 tonnes



The total tonnage of waste disposal has increased by 43% since 2014 which is in line with our store expansion. The percentage diverted away from landfill has increased from 88% in 2014 to 92% in 2016.

Working toward zero discharge of hazardous chemicals (ZDHC)

In 2014, we signed up to Greenpeace's global Detox campaign and committed to phase out the use of certain chemicals by 2020. Since then, Primark has become an active member of the ZDHC programme, a group of leading brands that are committed to working towards zero discharge of hazardous chemicals in the global textile and footwear industries. In total, 22 brands are working together to drive this industry-wide change. The group has identified the key areas that must be addressed to improve the environment and protect the wellbeing of workers and the wider community. Some of the valuable outputs of this initiative include the creation of a list of restricted manufacturing substances and the development of audit protocol tools and waste-water quality guidance. Group members are also working together to devise a common training tool on chemical management.

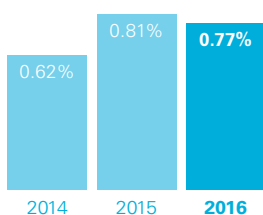




OUR PEOPLE

We employ over 62,000 people and are firmly committed to developing all our people to support the growth of our business into the future. Primark continues to grow in our mature and new markets, operating in 11 countries worldwide.

Reportable injury rate



Our reportable injury rate has decreased by 5% since 2015 as a result of our efforts to reduce injuries in targeted locations. However, improving overall safety performance remains a high priority for the business.

Our challenge over recent years has been to improve safety standards across our retail operations. Over the past year, Lost Time Injuries have increased by 11%. This is not acceptable for our working standards and is being addressed by the business. Our reportable injury rate has decreased by 5% over the year, due in part to an increase in our workforce but also reflecting the fact that we are working to improve our safety performance.

We have implemented a structured programme with full leadership endorsement to improve safety behaviours across all markets. Over the last few years, our financial investment in safety improvements has also grown. In addition to our efforts to improve working environments, we are also investing significantly in the health and wellbeing of our employees.

Employee health and wellbeing

Employee health and wellbeing is a key focus for Primark. We launched a wellbeing programme in the Dublin head office in July 2015 which now provides nearly 20 classes per week in a state-of-the-art exercise studio. Nearly two-thirds of our head office staff have used the facilities and benefited from a wide range of exercise classes delivered by certified trainers.

Throughout the year we also ran a number of fun, team-based challenges for employees to boost engagement. We have recently concluded the Primark wellbeing summer challenge which ran for four weeks and saw over 100 employees take part.

Our fitness and catering providers work closely together to provide nutritional advice and tips, tailoring their offering to match the latest challenge. The Courtyard café in our head office provides a variety of healthy and nutritional meal and snack options, with 'clean counter' offerings recommended by our fitness trainers.

As we continue to grow internationally, we understand the importance of developing an employee environment that both reinforces and celebrates our brand. In 2016, we expanded our retail back-of-house environment not only in new stores but also by refurbishing a number of existing stores to create an inspiring and enjoyable work space. The back of house is of equal importance to the contemporary environment our customers experience when visiting Primark. The newly transformed open plan areas were designed with a fresh, modern look and feel that encourages team interaction and information sharing at all levels.

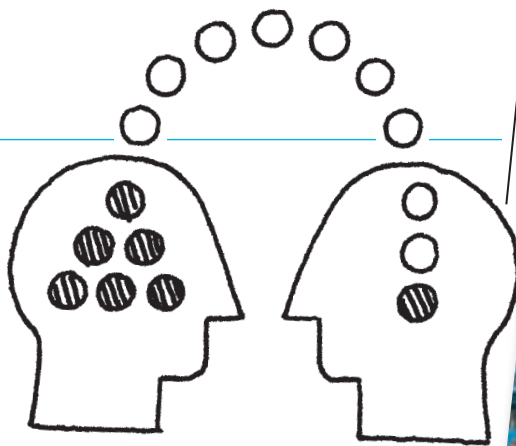
Safety

We deliver a consistent health and safety approach across all our regions, which is constantly being reviewed for improvements. While our injury rate is being addressed across all regions for improvement, we are targeting efforts in certain countries where national safety standards are different from those we expect from our operations. Our people undertake an online health and safety induction programme in their local language at a time and pace that suits them. This highly interactive course covers key areas such as: health and safety responsibilities; hazard identification; correct use of in-store equipment; fire and emergency precautions; and manual handling.

The cloud-based platform also offers the facility to run a broad range of additional safety topics such as fire warden, office safety, emergency preparedness and night shift working.

Primark has opened new stores in many regions in the past 12 months including our new markets of America and Italy. All new stores are fully supported by safety specialists and a programme to help ensure our Primark standard of robust safety management is in place from the start. While this equates to having the relevant documentation and legal compliance in place, it also means that senior people have been coached so that safety culture is embedded, safety responsibilities are integrated into role descriptions and that a thorough training programme has been executed before any employee can work on the shop floor.

We have a DEDICATED
Team of 75 experts
who support our
suppliers in our nine
Key markets



Developing our business whilst we develop our people

We have created a Coach role to support new store openings in the US. The Coach aims to transfer knowledge, skills and experience to new hires while also spreading the Primark culture and way of doing things which promotes and strengthens our DNA.

Every Coach attends a formal training programme to build their coaching skills. To date over 100 Coaches have benefited from this opportunity.



We created the role of Coach to transfer knowledge, skills and experience to new hires and impart the Primark culture and way of doing things

Developing our people and investing in talent

Our supervisors hold an important role in the Retail business. To reflect this, we have extended our core manager development proposition: Retail Manager Development Programme (RMDP) with a bespoke supervisor development programme in the UK and northern Europe. We are currently working on translating the course to enable its roll-out across other countries.

In Germany, we have implemented a pilot apprenticeship programme called 'Amazing Fashion, Amazing Careers'. This programme offers a combination of intermediate- and advanced-level paid apprenticeships. Both enable the development of a range of skills that can be used across the retail sector. The advanced-level apprenticeship is a three-year programme focusing on specific retail and management skills. On completion of the three years, employees will then become supervisors.

Expanding our ethical trade team

In 2007, Primark had an ethical trade team of just two people. Today we have a dedicated team of 75 experts, mainly based on the ground in Primark's nine key sourcing regions where they provide direct support to our suppliers.

Our teams on the ground are an important resource in monitoring workers' rights. Recruited from a range of different organisations including other companies,

development agencies and NGOs, they include specialists such as a former senior member of the Bangladesh fire service, who are able to bring their expertise to bear in addressing risks in the supply chain.

Our most recent recruits are a civil engineer to oversee the roll-out of our structural safety programme monitoring building integrity, our chemical specialist supporting our commitment to remove certain chemicals from our supply chain by 2020 and an environmental specialist in Bangladesh.



Our people undertake their ONLINE SAFETY INDUCTION PROGRAMME in their local language at a time and pace that suits them



OUR SUPPLY CHAIN

Our ethical trade team is truly global. We operate with a common set of standards wherever we source in the world and have a team of more than 75 specialists based in nine key sourcing countries. This is one of our most important resources in monitoring supplier factory standards and working with suppliers to identify and address any issues in a timely manner.

Code of Conduct

Our Code of Conduct is based on internationally recognised labour standards, the International Labour Organization (ILO) Conventions and the Ethical Trading Initiative's Base Code. We have one set of standards no matter where in the world Primark products are made and our Code of Conduct sets out the core principles to our suppliers regarding working conditions, including working hours, fair wages and workers' rights. Compliance with Primark's Code of Conduct forms part of our general terms of business and we require all our supplier factories to comply with the Code as a condition of doing business with us. All proposed factories are audited against the Code, and must demonstrate they meet these requirements before they are approved for production of Primark products.

Auditing and assessing our suppliers

Once production has been approved, we continue to carry out inspections at least every 12 months to ensure the Code's continued application. The frequency of these inspections will typically be greater if remediation is required.

Primark's teams on the ground are local people who speak the local language and understand the local context. They are supported by third-party auditing companies, and are critical to monitoring standards.

We have an online supplier management system which allows us to analyse key trends and report in detail on supplier

performance at country, product and departmental level. This information feeds into our training programmes and how we work with suppliers to improve their capacity.

In 2015, Primark carried out 2,629 audits and over 11,000 hours of supplier training was delivered by our in-country teams. Our approach is rigorous and is based on global best practice and international standards; our audits are often unannounced, and always include confidential worker interviews.

In Indonesia, Vietnam, and Cambodia we partner with Better Work, an IFC (International Finance Corporation) and ILO programme which provides audits, remediation advice, and training for suppliers. Primark is also a signatory to 'The Accord on Fire and Building Safety in Bangladesh' an agreement between almost 200 brands, companies, international and local trade unions and NGOs working towards sustainable improvements to working conditions in the Bangladesh garment industry. All factories that supply Primark in Bangladesh are included in our structural safety programme. Our structural surveys are conducted by accredited structural engineers and we have recently employed our own engineer to oversee the roll-out of our structural safety programme.

Last year our in-house teams delivered over **11,000 hours** of supplier training in China, Bangladesh, India, Sri Lanka and Pakistan



We have one set of standards no matter where in the world Primark products are made

Working in partnership

Recognising that suppliers may need further support to understand and implement our Code of Conduct, we undertake training programmes to ensure that they have the skills and capabilities to meet our standards. We also work with partners on programmes that are focused on supporting workers and their communities to understand their rights.

For example, in January 2016, Primark announced the start of a new partnership with the UK Department for International Development (DFID) to improve working conditions for garment workers in developing markets. DFID leads the UK's work to end extreme poverty and aims to end the need for aid by creating jobs, unlocking the potential of girls and women, and helping to save lives when humanitarian emergencies arise.

The partnership will combine the presence, networks and expertise of both organisations to improve the health and wellbeing of local workers, bolster national economic development and help alleviate poverty in five of Primark's major markets: Bangladesh, Pakistan, Myanmar, Ethiopia and India.

Together, Primark and DFID will concentrate on achieving transformational change across three key areas:

1. Women's economic empowerment

Supporting the empowerment of women factory workers in global supply chains to eliminate issues surrounding health, housing, gender inequality, career progression and skills (vocational and life).

2. Market development

Developing ethical and sustainable garment industries in sourcing countries to contribute to national economic development and thereby help to alleviate poverty.

3. Disaster response

Primark and DFID will share lessons learned from responding to the Rana Plaza disaster, including Primark's work with local partners in Bangladesh, to provide short-term and long-term support to victims of such disasters and their families.

Supporting female cotton farmers in India

Primark has identified that it can play a role in empowering and protecting female cotton farmers. In partnership with the Self-Employed Women's Association (SEWA) and CottonConnect, we are investing in smallholders in a meaningful way. SEWA is a member-based organisation of low-income, self-employed women workers, predominantly in India. The project has already trained 1,251 women in India and is being extended to a further 10,000 female farmers.

Our collaboration reduces the smallholders' input costs by reducing their outgoings on things like pesticides, fertilisers and labour. It also emphasises the importance of training, explaining how to use techniques that make conditions optimal for increasing their cotton yields and/or producing better quality cotton. Through education, we encourage them to employ these techniques to reduce the environmental impact of the cotton they grow.

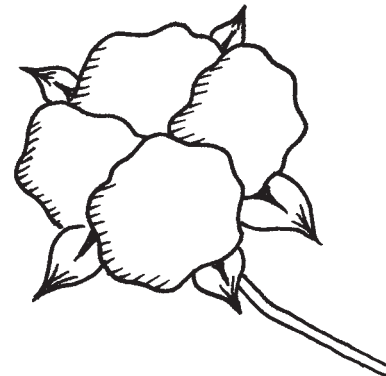
Last year, the amount of pesticide used by these women farmers was halved and water usage was cut by almost a third. Due to reduced input costs and increased yields, on average, the farmers made a 211% increase in profit. The results show that the programme has been successful in helping smallholder farmers to produce more sustainable cotton and, ultimately, improve their livelihoods.



Primark is helping female smallholders in India increase their yield while decreasing the cost of inputs

Our sustainable cotton programme

We are committed to improving the lives of the people who work in our supply chain, and the surrounding communities. Although we do not buy any raw cotton directly, sourcing cotton more sustainably is one of our key objectives. The overarching aim of our sustainable cotton programme is enhancing smallholders' livelihoods by increasing their income and training them to grow more sustainable cotton, thereby reducing their environmental impact.



OUR SUPPLY CHAIN CONTINUED

Enhancing supplier human resource management systems

Primark has partnered with Impact to support the benefits for business and workers programme (BBW) in seven factories in Bangladesh and five factories in India. The project, which receives DFID funding, introduces factories to ways and means of enhancing productivity with a focus on improved resource management to help secure benefits for business and workers.

Improving productivity is a challenging and technical task. BBW raised awareness and confidence amongst management that improvements could be made and introduced new, enhanced processes. These include production method improvements, efficiency measurements and quality checks. New processes allowed managers to identify areas for improvement and consequently reduce waste, enhance quality and support efficiency improvements.

The introduction of interdepartmental feedback mechanisms and problem-solving techniques meant communication improved in the factory. Stronger worker/management dialogue has been supported by improved worker participation committees, simplified leave policies that allow supervisors to respond to workers' requests for leave quickly and independently, and the introduction of buddies who offer support to new workers.

Worker participation committees are the formal channels through which workers and management can discuss ongoing factory operations and collectively resolve grievances. The BBW project encourages factory management to take steps to improve these worker participation committees by providing clear roles and responsibilities for members. Support from local labour inspectors has also ensured that elections for committee members are independent and fair.

The value of increased communication and greater feedback between workers and management has enabled blockages behind some continuing issues to be tackled and resolved.

Training and developing workers in our supply chain

A significant success of the training and development project was the introduction of a buddy system. This is where more established workers are selected as buddies to support new workers by providing information on factory facilities, accompany new workers at breaks, advise on production tasks, and act as a first point of contact for any queries.

The buddy system has proved to be very popular. Management found the system a great way to help retain new workers, which is a major challenge in the industry. Buddies receive training on their roles and responsibilities, and meet management every month to share their experiences and suggestions. Through this role they therefore become empowered to play an important role in the factory and many requested further training in areas such as compliance and production to further support workers. Feedback from new workers was positive too. One worker at a Bangladeshi factory explained:

*"My buddy is
a real buddy,*

*she not only helped me to understand the
environment when I was new, but she also
helped me with my work and sometimes
gave me suggestions about my
personal/family matters too."*



Collaborating with others

To meet our corporate responsibility goals, Primark works in partnership with industry leaders, governments, NGOs, multistakeholder initiatives and international organisations. Collaboration is key in order to bring about a positive, long-lasting change across the garment industry.

One of these partners is the Ethical Trading Initiative (ETI). The ETI is an alliance of companies, trade unions and voluntary organisations that works to improve the lives of poor and vulnerable workers across the globe who make or grow consumer goods.

Primark has been a member of the ETI since 2006, and has been rated as a leader by the ETI since 2011. Along with other member brands, NGOs and trade unions, we contribute to the development and implementation of tools, policies and projects under the ETI's remit.

As part of our ongoing partnership with the ETI, this year Primark was part of a tripartite advisory group for the ETI's new Human Rights Due Diligence Framework, alongside five other representatives from brands, unions and the NGO sector. The Framework was based on the ETI's existing standards – its Base Code and Principles of Implementation – alongside United Nations' standards, including the UN Guiding Principles on Business and Human Rights.

Improving supply chain sustainability

Primark is also a member of the Sustainable Apparel Coalition (SAC). The SAC is a coalition of more than 150 global brands, retailers and manufacturers, as well as government, non-profit environmental organisations, and academic institutions, that are collectively committed to improving supply chain sustainability in the apparel and footwear industries. This pledge builds on the robust processes Primark already has in place to support improvement within its supply chain.



Many workers said that they did not know about their workplace rights before SAVE's training

Helping Indian workers understand their rights with SAVE

Since 2009, Primark has supported the South Indian NGO, SAVE, to ensure that garment factory workers understand and can articulate their rights, through the formation of worker education groups (WEGs) based in the community. This partnership has supported 436 WEGs with nearly 6,000 workers, reaching an estimated additional 30,000 workers through viral networks.

Community-based education for workers provides information on life skills and their rights as workers. The programme develops workers' skills and confidence to communicate with their peers, factory management, community members, family, and government officials. It also teaches them how to raise and resolve grievances. Many workers interviewed said that they did not know about their workplace rights before SAVE's training. WEG members are encouraged to tell at least five neighbours or co-workers about what they have learned.

SAVE is embedded within the local communities in which it works and the trusted relationships that it has built have provided Primark with a valuable understanding of the challenges and changing dynamics in the industry from a worker's perspective. This helps us to understand the local context with respect to the enforcement of workers' rights and other factors affecting workers' welfare.

The members of the WEGs are seen as leaders in their communities and the workplace. Their increased awareness of their rights, growing confidence and communication skills have enabled them to negotiate or address a range of issues in the workplace such as wage and bonus increases, access to drinking water, and the provision of staff canteens and crèches.

Primark's support for South Indian NGO, SAVE, has helped 6,000 factory workers understand and articulate their rights



OUR NEIGHBOURS

We use our profits and unsold products to bring benefits to two organisations that do important work to help disabled or needy people.

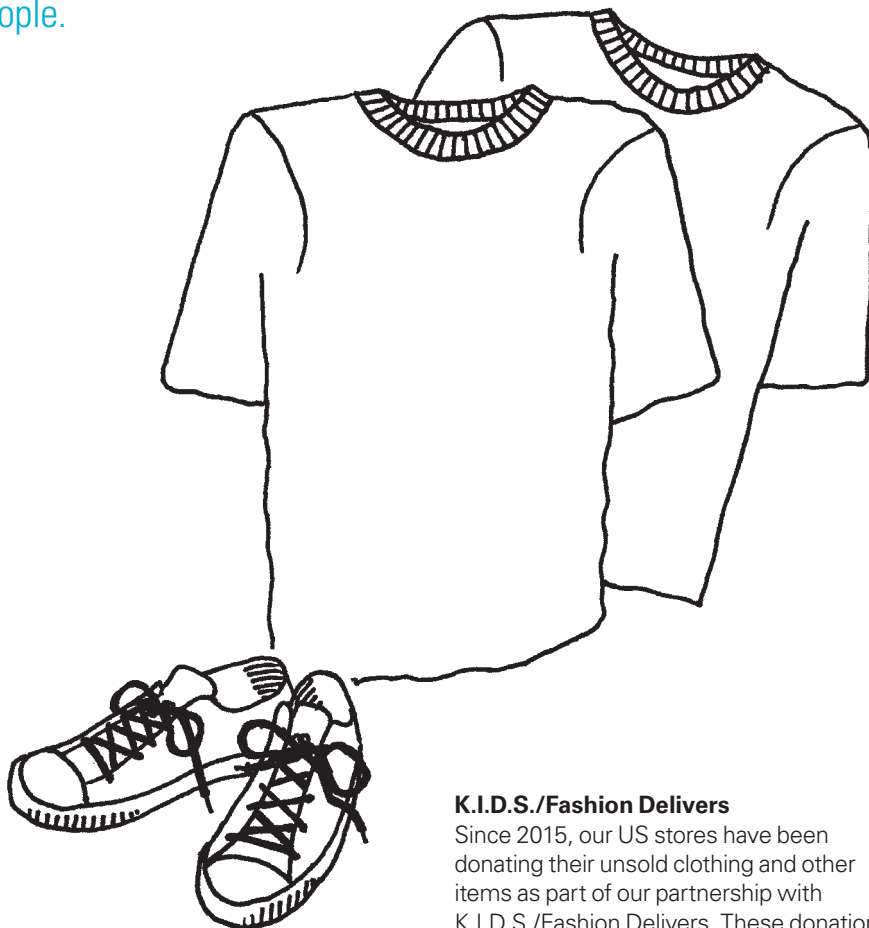
Supporting charities

Newlife Foundation

Our partnership with the Newlife Foundation started in 2010. Since then, Newlife has generated a total income of more than £2m (almost €3m) due to Primark's donations. These funds go towards purchasing equipment such as wheelchairs, pain-relieving beds, communication aids, nurse services, medical research, and campaigning and awareness activities. In 2015 we worked together to enhance our in-store communication, which resulted in our European stores donating 100,000 cartons of goods during the year.

Red Cross European Refugee Appeal

We donated 4,500 cartons of goods to the Red Cross in September and October 2015 to support their European Refugee Appeal.

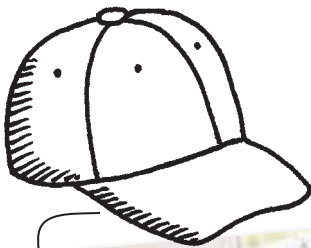


We donated **4,500** cartons
of goods to the Red Cross in
September and October 2015
to support their
**European Refugee
Appeal**

K.I.D.S./Fashion Delivers

Since 2015, our US stores have been donating their unsold clothing and other items as part of our partnership with K.I.D.S./Fashion Delivers. These donations are distributed through community partner non-profit organisations in all 50 states and around the world.

K.I.D.S./Fashion Delivers is a non-profit organisation that was founded in 1985 to provide new products to families and individuals in need or those recovering from natural disasters. Since its inception, K.I.D.S./Fashion Delivers has provided over \$1.2bn in new product donations to help millions of children and their families. With a network of over 1,000 local community partners located in all 50 states and an overhead of less than 3%, K.I.D.S./Fashion Delivers is able to effectively and efficiently deliver products directly to children, adults and families when and where they need them.



Our US stores donate unsold clothing and other items as part of our partnership with K.I.D.S./Fashion Delivers

K.I.D.S./Fashion Delivers
has provided
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**new product
donations** to help
MILLIONS OF CHILDREN
and their families

INDEPENDENT ASSURANCE STATEMENT TO THE DIRECTORS OF ASSOCIATED BRITISH FOODS

We have performed a limited assurance engagement on selected performance data and statements presented in the Associated British Foods plc Corporate Responsibility (CR) Report 2016 ('the Report').

Respective responsibilities

Associated British Foods management is responsible for the collection and presentation of the information within the Report. Associated British Foods management are also responsible for the design, implementation and maintenance of internal controls relevant to the preparation of the Report, so that it is free from material misstatement, whether due to fraud or error.

Our responsibility, in accordance with our engagement terms with Associated British Foods management, is to carry out a 'limited level' assurance engagement on selected data and performance claims in the Report ('the subject matter information'). The subject matter information in the scope of the EY assurance has been indicated with a Δ symbol in the Report. We do not accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Report is entirely at its own risk.

Our assurance engagement has been planned and performed in accordance with the International Standard for Assurance Engagements (ISAE) 3000 Revised, *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, and to meet the requirements of a Type 2 assurance engagement as defined by AA1000AS (2008)¹. The AA1000AS (2008) assurance principles of Inclusivity, Materiality and Responsiveness have been used as criteria against which to evaluate the content of the Report, and Associated British Foods' CR reporting guidance (accessible at www.abf.co.uk/cr_reporting_guidance_2016) as criteria to evaluate the selected data defined below.

Summary of work performed

The procedures we performed were based on our professional judgement and included the steps outlined below:

1. Interviewed a selection of Associated British Foods' executives and senior managers to understand the current status of Corporate Responsibility (CR) and Health, Safety & Environment (HSE) activities and progress made during the reporting period of 1 August 2015 to 31 July 2016.

2. Reviewed selected documents

including Board minutes, CR leaders' group and HSE leaders' group minutes to assess management awareness of CR and HSE issues, review CR and HSE progress, and to test the coverage of topics within the Report.

3. Reviewed Associated British Foods' approach to stakeholder engagement

through interviews with employees with responsibility for managing engagement activities at Group and selected site locations.

4. Performed detailed data testing on selected Group and Division HSE data ('selected data').

The worksteps performed included:

- Site visits to seven Associated British Foods locations to review local level data collection processes.

Selected data subject to detailed review in the Report

- Number of work-related deaths to employees
- Number of work-related deaths to independent contractors as a result of Associated British Foods work activities
- Number of reportable injuries to employees
- Number of health and safety fines against sites
- Cost of health and safety fines received
- Number of environmental fines against sites
- Cost of environmental fines received
- Energy consumption (GWh) consisting of: electricity imported, natural gas used, coal and anthracite used, heavy fuel oil used, renewable fuel (bagasse, residue and wood) and imported steam used
- Greenhouse gas emissions (tCO₂e) consisting of: energy consumption inputs, process emissions, transport emissions and agricultural emissions
- Quantity of non-hazardous waste sent for disposal (tonnes)
- Quantity of hazardous waste sent for disposal (tonnes)
- Quantity of waste sent for recycling or recovery or other beneficial use (tonnes)
- Quantity of packaging used for the containment, protection, handling, delivery and presentation of goods (tonnes)

¹ AA1000AS (2008) – The second edition of the AA1000 assurance standard from the Institute of Social and Ethical Accountability.

- Reviewing the disaggregated health and safety and environmental data for a sample of local companies within each Division back to source evidence.
- Assessing whether the health, safety and environmental data has been collected, consolidated and reported appropriately at a Group and Division level in line with Associated British Foods' CR reporting guidance.

5. Reviewed Associated British Foods' processes for determining material issues to be included in the Report.

6. Reviewed the coverage of material issues within the Report for the reporting period against the key issues raised by Associated British Foods' stakeholder engagement activities, material issues and areas of performance covered in external media reports, and the topics discussed by the Board, CR leaders' group and HSE leaders' group.

7. Reviewed information or explanations about the Report's data, statements and assertions regarding Associated British Foods' CR and HSE performance.

Limitations of our review

Our evidence gathering procedures were designed to obtain a 'limited level' of assurance (as set out in ISAE3000 Revised) on which to base our conclusions. The extent of evidence gathering procedures performed is less than that of a reasonable assurance engagement (such as a financial audit) and therefore a lower level of assurance is provided.

The scope of our engagement was limited to the reporting period of 1 August 2015 to 31 July 2016, and did not include and assessment of performance information relating to prior reporting periods.

We have not sought any supporting evidence for data that has been sourced from Associated British Foods' Annual Report and Accounts.

We have not provided assurance over claims made by Associated British Foods that are statements of belief or forward looking in nature.

Completion of our testing activities has involved placing reliance on Associated British Foods' controls for managing and reporting HSE information, with the degree of reliance informed by the results of our review of the effectiveness of these controls. We have not sought to review systems and controls at Associated British Foods beyond those used for HSE data.

The responsibility for the prevention and detection of fraud, error and non-compliance with laws or regulations rests with Associated British Foods management. Our work should not be relied upon to disclose all such material misstatements, frauds, errors or instances of non-compliance that may exist.

Our conclusions

Based on the scope of our review our conclusions are outlined below:

Inclusivity

Has Associated British Foods been engaging with stakeholders across the business to develop its approach to sustainability?

- We are not aware of any key stakeholder groups which have been excluded from engagement.
- We are not aware of any matters that would lead us to conclude that Associated British Foods has not applied the inclusivity principle in developing its approach to sustainability.

Materiality

Has Associated British Foods provided a balanced representation of material issues concerning its sustainability performance?

- We are not aware of any material issues raised in our review of media and Board papers which have been excluded from the Report.
- Nothing has come to our attention that causes us to believe that Associated British Foods management has not applied its processes for determining material issues to be included in the Report.

Responsiveness

Has Associated British Foods responded to stakeholder concerns?

- We are not aware of any matters that would lead us to conclude that Associated British Foods has not applied the responsiveness principle in considering the matters to be reported.

Completeness and accuracy of performance information

How plausible are the statements and claims within the Report?

- We have reviewed information or explanations on selected statements on Associated British Foods' sustainability activities presented in the Report and we are not aware of any misstatements in the assertions made.

How complete and accurate (in line with Associated British Foods' CR reporting guidance) is the 'selected data' presented in the Report (outlined above in step 4 of 'Summary of work performed')?

- With the exception of the limitations identified in the Report, we are not aware of any material reporting units (as defined by Associated British Foods) that have been excluded from the selected data relating to the topics above.

INDEPENDENT ASSURANCE STATEMENT TO THE DIRECTORS OF ASSOCIATED BRITISH FOODS CONTINUED

- Nothing has come to our attention that causes us to believe that the data relating to the above topics has not been collated properly at a Group or Division level.
- We are not aware of any errors that would materially affect the data as presented in the Report.
- We identified a number of instances where Associated British Foods' safety and environment data approval processes at a site and company level were not effective in identifying errors. Whilst these errors were corrected during the course of our work, Associated British Foods should consider improving these data review and sign-off processes at the site, company and additionally, the Division level.

Observations and areas for improvement

Our observations and areas for improvement will be raised in a report to Associated British Foods management. Selected observations are provided below. These observations do not affect our conclusions on the Report set out earlier in this statement.

- In 2016 Associated British Foods experienced three fatalities across their operations, two of which involved contracted staff. Although these fatalities have been publically reported, Associated British Foods do not report contractor injuries at a Group level. In order to improve transparency in contractor safety, Associated British Foods should consider reporting performance in this area across their operations.
- Associated British Foods currently discloses reportable injuries, the definition of which is based on the local regulatory requirements in different countries. The difference in definitions for reportable injuries can cause difficulty in using this metric to understand relative performance across the business. Associated British Foods should consider publishing their LTI performance and LTI frequency rate (LTIFR) alongside their reportable injuries in the future.

Our independence and competence

We have implemented measures to comply with the applicable independence and professional competence rules as articulated by the IFAC Code of Ethics for Professional Accountants and ISQC12. EY's independence policies apply to the firm, partners and professional staff. These policies prohibit any financial interests in our clients that would or might be seen to impair independence. Each year, partners and staff are required to confirm their compliance with the firm's policies.

We confirm annually to Associated British Foods whether there have been any events including the provision of prohibited services that could impair our independence or objectivity. There were no such events or services in 2016. Our assurance team has been drawn from our global Climate Change and Sustainability Services Practice, which undertakes engagements similar to this with a number of significant UK and international businesses.

Ernst & Young LLP
London

8 November 2016

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For an accessible version
of the CR Report please visit
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