

**Associated  
British Foods**  
plc

# **CORPORATE RESPONSIBILITY REPORT**

## **2013**

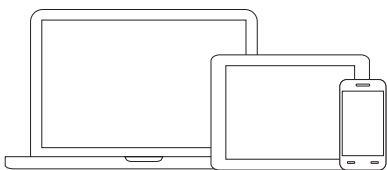
## OVERVIEW

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**Associated British Foods is both diversified and decentralised. We are successful because we trust the people who run our businesses. Close to their markets, they use their knowledge, skills and judgement to serve their customers and so our businesses thrive.**

George Weston Chief Executive, Associated British Foods plc

► Read more from George Weston in his introduction on p2



To read our corporate responsibility report online, visit [abf.co.uk/responsibility](http://abf.co.uk/responsibility) which will update you on our CR journey.

HIGHLIGHTS

51%

proportion of energy obtained from renewable sources in 2013

£32m

amount spent on Health and Safety improvements in 2013

7%

reduction in CO<sub>2</sub> emissions since 2012

71%

of sites that achieved a year's operation without any reportable injuries in 2013

420m

litres of bioethanol that can be produced annually at our plant in Hull

8,222

tonnes of materials saved through packaging reductions in 2013

£1.2m

amount invested in waste water treatment plants in 2013

450,000

annual number of patient visits to our free staff medical facilities in Africa

59%

of sites without a Lost Time Injury in 2013

300,000

approximate number of meals donated to Fareshare in 2013

£136m

donations made by the Garfield Weston Foundation in the last three years

4,818

the number of supplier audits conducted by Primark between 2010 – 2012

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# CHIEF EXECUTIVE'S INTRODUCTION



**George Weston**  
Chief Executive  
Associated British Foods plc

Associated British Foods is both diversified and decentralised. We are successful because we trust the people who run our businesses. Close to their markets, they use their knowledge, skills and judgement to serve their customers and so our businesses thrive.

The centre engages enthusiastically and deeply with leaders across our portfolio of businesses, but it doesn't dictate what operating companies' agendas or methods should be. The same is true of our CR agenda. Just as the commercial strategy of Associated British Foods is the collection of the commercial strategies of our individual businesses, so the Associated British Foods CR agenda is the collection of our individual businesses' CR priorities, set by leaders who are close to the needs of the communities and supply chains in which they operate every day. Just as the centre engages with our businesses on their commercial progress, so we also engage with our businesses on the progress of their CR work. We firmly believe this is the best way to be effective in taking our social responsibility seriously.

I also believe that our principal value to society lies in what we do every day: providing people with access to good quality, affordable food and clothing. People benefit immensely when the real cost of their food comes down; and we are all liberated when we know that food will be safe and plentiful. If the rapidly growing global population is to be fed, then it will be fed by companies like Associated British Foods,

working in developed and emerging economies to encourage reliable and efficient supply. We have a modern and efficient food supply chain and we are constantly improving our productivity, investing in new assets, reducing waste and making more from less. Of course, we must do this for generation after generation, so our actions will be sustainable.

There are very practical implications of these beliefs for us. We must consistently invest in our cost base and our distribution reach, but we must also use science to improve productivity and to inform us of the effect of a particular food type on the human body. We will label our products properly and market them appropriately to customers and we constantly strive to improve food safety. When we do all this well, then we are a powerful force for good.

We have other obligations too. We have obligations to be a good employer to the more than 113,000 people who work for us across 47 countries. We have obligations to the communities in which we operate to be a good neighbour. We have obligations to the people working for us and for our suppliers. We have obligations to the wider environment.

Firstly, our own employees. What does it mean to us to be a good employer? At one level it means providing a safe working environment as we have to do as a matter of law, but we go beyond that and we continue to be diligent in reducing the injuries sustained by our workforce, often in challenging environments. It also means that we try hard to provide career advancement and training for employees who want those, regardless of gender or race. It means that we genuinely want to know when something is going wrong in someone's working life; so our whistleblowing policies are serious. It means too that, in order to maximise the long-term returns for our shareholders, we recognise we have a duty to support and potentially invest in all parts of the Company as, through such investment, we support the careers of everyone who works with us. Finally, it means that we

exercise financial prudence and will finance the company responsibly. Too many careers have been wrecked and too many pensions destroyed by cavalier corporate level financial behaviour.

Secondly, our obligation to be a good neighbour. We have operations in over 200 locations worldwide. Some are in prosperous communities, some are in locations that are very vulnerable. Our management teams in each location must decide what we must do to be welcomed wherever we are and to contribute to the local community wherever we operate. Sometimes that may require little more than providing employment, respecting the immediate environment and obeying the law. Sometimes, as with our sugar operations in Africa, to be welcomed may require us to provide healthcare, education, housing, sanitation and fresh water on a huge scale. Further to these corporate actions, I will always salute the innumerable of our people who personally contribute to their community by serving on school boards, volunteering with local fire services, and in so many other ways.

Thirdly, we have an obligation to people who work for our suppliers, particularly where other sources of protection for them are absent or only marginally effective. This is particularly true in Primark's sourcing of clothes, but it is also true in Twinings' tea supply chain and in the sourcing of spices. We have an obligation to work to prevent abuse and reduce risk wherever we can and we have an obligation to foster good operating standards. When things go wrong, most awfully at Rana Plaza, we also have an obligation to contribute to tackling the consequences of disaster. You can read in the Retail chapter on page 52 a full account of our response to the tragedy at Rana Plaza. We remain certain that in trading with developing, and therefore vulnerable, parts of the world we bring huge benefit to the hundreds of thousands of people who work to supply us.

Finally, we have an obligation to our wider environment which we must protect as a common resource for future generations.

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We acknowledge that we create a footprint wherever we operate. Sometimes it is deep. We have an obligation to be as efficient as we can reasonably be in the use of non-renewable resources and in particular in our use of fossil fuels. We recognise also that some raw materials are produced in an unacceptable manner. We will work with others to avoid using these materials.

We believe that if we are true to the principles above, and if we are guided by the ethics and the knowledge of our leaders close to their communities, then we will have a CR strategy that is not only ethical but also effective. Ethical behaviour cannot be imposed. It has to be owned. That is why I have asked our business leaders to report to me regularly on the CR priorities and measurements that are relevant to their

businesses and communities, and where they think they can make the most difference.

We acknowledge, however, that we cannot fix every problem that exists around us, and that we cannot achieve anything alone. We acknowledge that our agenda and priorities will not always coincide with those of others who also think and care deeply about social and environmental issues. We will always respect other people's agenda and try to learn from them, but we will have confidence in our own, always remembering that in feeding and clothing millions of people we do good every day.

**George Weston**  
5 November 2013

### Above

The Rana Plaza complex in Bangladesh which collapsed in April 2013 due to structural failures.

[▶ Read more on p52](#)

## OVERVIEW

# GROUP AT A GLANCE

Associated British Foods is a diversified international food, ingredients and retail group with sales of £13.3bn, and 113,000 employees in 47 countries.

### SUGAR

Revenue

**£2,677m**

2012: £2,666m

Adjusted operating profit

**£435m**

2012: £510m

Adjusted operating profit margin

**16.2%**

2012: 19.1%

Return on average capital employed

**23.4%**

2012: 26.5%

#### Sugar, Europe

Our UK beet sugar factories produce 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.

#### Sugar, China

We operate five cane sugar mills in Guangxi Province and four beet sugar factories in the north east of the country. Continuous investment has raised annual sugar capacity to over 900,000 tonnes.

#### Sugar, Southern Africa

Illovo is Africa's largest sugar producer with agricultural and production facilities in six countries. Annual sugar production is 1.8 million tonnes.

► [Read more on p28](#)

### AGRICULTURE

Revenue

**£1,410m**

2012: £1,265m

Adjusted operating profit

**£47m**

2012: £40m

Adjusted operating profit margin

**3.3%**

2012: 3.2%

Return on average capital employed

**16.4%**

2012: 16.5%

AB Agri operates at the heart of the agricultural industry with activities that stretch from field to fork. 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.

We employ over 2,000 people in the UK and China and market products in more than 65 countries worldwide

► [Read more on p38](#)

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## RETAIL

## Revenue

£4,273m

2012: £3,503m

## Adjusted operating profit

£514m

2012: £356m

## Adjusted operating profit margin

12.0%

2012: 10.2%

## Return on average capital employed

26.1%

2012: 19.2%

## Primark

Primark is a major retail group employing 48,000 people. It operates stores in the UK, Republic of Ireland, Spain, Portugal, Germany, the Netherlands, Belgium and Austria.

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.

[► Read more on p48](#)

## GROCERY

## Revenue

£3,840m

2012: £3,726m

## Adjusted operating profit

£232m

2012: £187m

## Adjusted operating profit margin

6.0%

2012: 5.0%

## Return on average capital employed

15.8%

2012: 12.2%

## International

Twinings and Ovaltine are our global hot beverage brands.

## Europe

Market leader in UK sugar with Silver Spoon and Billington's. Jordans cereals, Ryvita, Kingsmill, Patak's and Blue Dragon.

## The Americas

Mazola is the leader in corn oil in the US. Capullo is a premium canola oil in Mexico. Tone's, Spice Islands and Durkee are US herbs and spices brands.

## Australia

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

[► Read more on p60](#)

## INGREDIENTS

## Revenue

£1,088m

2012: £1,067m

## Adjusted operating profit

£1m

2012: £27m

## Adjusted operating profit margin

0.1%

2012: 2.5%

## Return on average capital employed

0.1%

2012: 4.4%

## Yeast and bakery ingredients

AB Mauri operates globally in yeast and bakery ingredient production with 52 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.

[► Read more on p74](#)



## OVERVIEW

# ENCOURAGING ETHICAL BUSINESS

Providing high-quality and good value food and clothing will be an ongoing challenge as the global population grows. In the coming years, this simple purpose is going to be more difficult to achieve than ever before. Population growth, changing consumption patterns and increasing urbanisation combine to put pressure on the world's limited resources.

### Business challenges in the 21st century

Diets are changing. Consumers across the world are choosing to eat more and different types of food and, coupled with that, the world's population is set to grow from 7 billion in 2011 to 9 billion in 2050. This population growth means we will need more food and clothing from the same natural resources. Increased consumption of food and changing shopping habits also lead to added pressure on global natural resources: livestock and farmed fish need to be fed and more water is needed to grow the larger quantity of crops required.

The movement of people from rural to urban settings in many countries is a further pressure on the agricultural sector. Whilst agriculture remains the world's largest source of employment, it is declining as a proportion of total employment. In 2009, the UN announced that, for the first time, more people lived in cities than the countryside. This poses the challenge of supplying food and clothing to meet the demands of urban lifestyles, when there are fewer people in the rural areas producing the crops.

Whether it is tea, wheat, cotton or any other crop that is central to our business, these factors present us with a challenge which we intend to meet. We will only be able to meet these challenges and continue to provide good quality, affordable food and clothing if we are highly innovative and our businesses operate ethically and sustainably.

### Ethical business practices

Encouraging ethical behaviour makes sound business sense. We want to grow our businesses while supporting local communities, avoiding damage to the environment and meeting the triple challenges of population growth, changing consumption patterns and urbanisation.

Our employees tell us that this is more important to them than ever before. We are a company for which our staff feel proud to work and with which our suppliers

are happy to do business. We are committed to keeping it that way.

We choose not to impose a CR agenda on the many different businesses that make up the Associated British Foods group. However, to ensure that each of our businesses operates to the same high standards, we have a number of ethical business policies which we regularly review and strictly enforce:

#### Anti-fraud

We take actual or attempted fraud against group businesses very seriously, and take all appropriate measures to deter, prevent and detect it. We encourage employees to report any suspicions and investigate vigorously all instances of suspected fraud. Please visit our website to read our Anti-Fraud Policy.

#### Anti-bribery

All our employees and anyone acting for us or on our behalf are strictly prohibited from offering, paying, soliciting or accepting bribes or facilitation payments. Please visit our website to read our full Anti-Bribery and Corruption Policy.

#### Business gifts and hospitality

Gifts, other than items of very small intrinsic value, are not accepted. Employees who receive hospitality must not allow themselves to be put in a position whereby they might be deemed by others to have been influenced in making a business decision as a consequence. However, giving and receiving reasonable business-related products, marketing materials and entertainment are permitted.

#### Competition

We are committed to free and fair competition and we will compete strongly but honestly, complying with all relevant competition laws.

#### Confidentiality and accuracy of information

The confidentiality of information received in the course of business will be respected and will never be used for personal gain. False information will not be given in the course of commercial negotiations.

#### Conflict of interest

Any personal interest, which may prejudice, or might reasonably be deemed by others to prejudice, the impartiality of employees must be formally declared to a senior manager. Examples of this include owning shares in business partners' companies and personal or family involvement in trading contracts. All senior managers and their nominated employees are bound by our Code of Conduct for dealing in securities.

#### Political donations

Financial donations to political parties within the European Union are not permitted. The consent of the Chief Executive is required for any other donation to a political party.

#### Taxation management

We know that taxation has become an issue of public concern since our last CR report. We recognise the importance of complying fully with all applicable tax laws as well as paying and collecting the right amount of tax in every country in which the group operates. The group has had a board-adopted tax policy for many years. This tax policy is based on seven tax principles which are embedded in the financial and non-financial processes and controls of the group. We want to be transparent about our approach to taxation and for the first time have published our tax principles on our website.

#### Whistleblowing

We encourage an open culture in all our dealings between employees and people with whom we come into contact. Effective and honest communication is essential if malpractice and wrongdoing are to be dealt with effectively. Our whistleblowing procedure sets out guidelines for individuals who feel they need to raise certain issues in confidence with Associated British Foods plc or their own business. We make every effort to protect the confidentiality of those who raise concerns, and employees may come forward without fear for their position. Please visit our website to read our Whistleblowing Policy.



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## ETHICAL POLICIES

To ensure that every business in the group operates to the same high standards, Associated British Foods has a number of ethical policies, such as:

- Anti-Fraud Policy
- Anti-Bribery and Corruption Policy
- Taxation Principles
- Whistleblowing Policy
- Supplier Code of Conduct
- Environmental Policy

To read the full text of each policy, please visit [http://www.abf.co.uk/responsibility/our\\_policies\\_and\\_appendices](http://www.abf.co.uk/responsibility/our_policies_and_appendices).

## Treating our staff and suppliers ethically

Our employees are at the heart of our business and their welfare is of great importance to us. Acting ethically ought to be standard practice. To a reader in the developed world, some of the commitments listed below may seem self-evident or even to be standard legal requirements. However, as an international business it is important that we articulate and enforce these as our minimum standards. The 2013 tragedy at the Rana Plaza building in Bangladesh which killed at least 1,127 people is a horrifying reminder of what can happen when suppliers do not make worker wellbeing a priority and when local laws are not enforced.

Even where we do not have complete control, such as in the factories of our suppliers, we recognise that we have an important and influential role to play in ensuring the wellbeing of workers. Conditions in the developing world sometimes fall short of the high standards we expect for our own employees and we are working with a range of international aid agencies and NGOs to support workers throughout our supply chain.

### Communication

We will brief employees and their representatives on all relevant matters on a regular basis.

### Equal opportunities

We are committed to offering equal opportunities to all people in their recruitment, training and career development. Full and fair consideration is given to applicants with disabilities and every effort is made to give employees who become disabled whilst employed by the group an opportunity for retraining.

### Health and safety

We consider health and safety to be as important as any other function of the group and its business objectives. We are committed to providing a safe and healthy workplace to protect all employees, visitors and the public from foreseeable work hazards.

## Harassment

We will not tolerate sexual, mental or physical harassment in the workplace. We expect incidents of harassment to be reported to the appropriate human resources director.

## Human rights

Managers must take account of the core International Labour Organization (ILO) labour conventions and strive to observe the UN Universal Declaration of Human Rights by respecting the dignity and human rights of our employees. We:

- show “universal respect for an observance of human rights and fundamental freedoms for all without discrimination as to race, sex, language or religion.”
- remunerate fairly with respect to skills, performance, our peers and local conditions

## Prompt payment

We are a signatory to the Prompt Payment Code which commits us to paying our bills promptly.

## Security

The security of our staff and customers is paramount and we will at all times take the necessary steps to minimise risks to their safety.

## Supplier Code of Conduct

As an international business with suppliers and representatives all over the world, we accept that we have a duty to trade responsibly. Every business in the Associated British Foods group has applied our Supplier Code of Conduct which is designed to ensure that our suppliers, representatives and the other people with whom we deal adhere to our values and standards.

As well as being compliant with all local laws, we expect our suppliers and representatives to comply with the Code's 14 principles and to develop relationships with their own supply chains that are consistent with them.

An abbreviated version of the Code is printed overleaf and the full text is published on our website.

## Ethical standards for our products

Our products are the public face of our Company and, typically, are what the consumer judges us on. Over recent years, we have increased our focus on ethical procurement, adapting to emerging customer expectations and our own improved understanding of the environmental or health impacts potentially associated with our products. Ultimately, Associated British Foods strives for a global farming system and environment that is sustainable. For instance, AB Agri has been at the forefront of understanding traceability from source in the animal feed supply chain, seeking to ensure that soya fed to animals in Europe is not contributing to deforestation in Brazil.

## Animal testing

We avoid the use of animal testing wherever possible. In each of the markets where we are active we comply with all relevant laws and only use animals for research where it is a legal requirement.

## Environment

We recognise the impact that our businesses have on the environment and comply with applicable national legislation wherever we operate. In addition, we seek to use energy, materials and natural resources efficiently, and to minimise the impact of any waste and emissions.

## Genetically modified (GM) ingredients

We understand that consumers around the world have differing views on the use of GM ingredients in the food chain. We therefore seek to meet consumer expectations as they vary, country by country, as well as complying with local regulations on the use and labelling of GM ingredients.

## Health and nutrition

The quality and safety of our food products are our highest priority. The constituents of our products are regularly reviewed and reformulation is conducted as necessary to optimise their nutritional profile. Products specifically intended for children are marketed responsibly, following accepted codes of practice. We actively support nutrition labelling that makes

## OVERVIEW

it clear how specific products contribute to a balanced diet and work with partners around the world to educate people about health and nutrition. In the UK, we have made a number of voluntary commitments as part of the government's Public Health Responsibility Deal.

### Soya

We recognise the environmental challenges presented by the increasing global demand for soya and, via AB Agri (the largest purchaser of soya within the Associated British Foods group), are working within the industry to build the capability of the supply chain to ensure that all soya in UK animal feed is sustainable.

### Palm oil

As members of the Roundtable on Sustainable Palm Oil (RSPO), we are committed to promoting an increased supply of Certified Sustainable palm oil, together with the necessary processing facilities, by 2015. By this date we have committed that, provided supply is available, all of our businesses will use only Certified Sustainable palm oil.

## SUPPLIER CODE OF CONDUCT

The full text is available to read on our website [http://www.abf.co.uk/responsibility/our\\_policies\\_and\\_appendices](http://www.abf.co.uk/responsibility/our_policies_and_appendices).

1. **Employment is freely chosen**  
There is no forced, bonded or involuntary 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.
2. **Freedom of association and the right to collective bargaining are respected**  
Workers, without distinction, have the right to join or form trade unions of their own choosing and to bargain collectively.
3. **Working conditions are safe and hygienic**  
A safe and hygienic working environment shall be provided and adequate steps taken to prevent accidents and injury to health. Workers shall receive health and safety training and be given access to clean toilet facilities and potable water.
4. **Child labour shall not be used**  
Companies shall develop policies and programmes which provide for the transition of any child found to be performing child labour to enable her or him to attend and remain in quality education. There shall be no further recruitment of child labour.
5. **Living wages are paid**  
Wages and benefits paid for a standard working week meet, at a minimum, national legal standards or industry benchmark standards, whichever is higher. In any event, wages should always be enough to meet basic needs and to provide some discretionary income.
6. **Working hours are not excessive**  
Workers shall not be required to work in excess of 48 hours per week and shall receive at least one day off per week. Overtime shall be voluntary, shall not exceed 12 hours per week, shall not be demanded on a regular basis and shall always be compensated at a premium rate.
7. **No discrimination is practised**  
There is no discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation.
8. **Regular employment is provided**  
To every extent possible, work performed must be on the basis of recognised employment relationships established through national law and practice.
9. **No harsh or inhumane treatment is allowed**  
Physical abuse or discipline, the threat of physical abuse, sexual or other harassment, and verbal abuse or other forms of intimidation are prohibited.
10. **Confidentiality**  
The confidentiality of information exchanged in the course of business must be respected and never be used for illegal purposes or for individual gain. False information must not be given in the course of commercial negotiations.
11. **No bribery or corruption will be tolerated**  
The offering, paying, soliciting or accepting of bribes or facilitation payments is strictly prohibited.
12. **Environmental management**  
We support and encourage operating practices, farming practices and agricultural production systems that are sustainable. The supplier and representatives will continually strive towards improving efficiency and sustainability of their operations.
13. **Quality**  
Any goods supplied shall be without fault and of the best available design, quality, material and workmanship, and any services supplied shall be provided by appropriately qualified and trained personnel, and with due care and diligence.
14. **Audit and termination of agreements**  
Associated British Foods reserves the rights to verify compliance with the Code, to request corrective actions, and to terminate an agreement with any supplier or representative who does not comply with the Code.

# A TAILORED APPROACH

Our decentralised approach is key to the success of Associated British Foods. It has allowed each of our businesses to develop its own model to address day-to-day activities, creating the flexibility to tailor its operations to individual situations and cultures.

This approach has delivered revenue growth of over 20% during the last three years with increases in each of our five divisions. This has allowed us to invest in CR activities within the divisions and generate a return for shareholders, as well as continue to support the work of the Garfield Weston Foundation.

Our decentralised approach is echoed in how we implement CR initiatives. Each business determines its own priorities based on its local risks, needs and knowledge. For instance, Primark and Twinings Ovatine have complex supply chains in developing countries, which means that their CR programmes are concerned with trading ethically and supporting local communities. At AB Sugar, the focus has, in addition, been on investing in renewable fuel and energy efficiency.

Empowering divisions to take ownership ensures that those responsible for employing our staff, using nature's resources and engaging with communities are also those tasked with maximising the positive contributions they make whilst minimising any negative environmental impact. The remainder of this report is structured to reflect this approach and thus provide an accurate reflection of the CR priorities for each division.

## Corporate responsibility governance

The Director of Legal Services and Company Secretary has overall responsibility for all CR issues and is supported by the Director of Group Secretariat. Our Group Human Resources Director has overall responsibility for safety and environment matters and is supported by the Group Safety and Environment Manager. Both directors report to the Chief Executive.

Although we choose to manage each business separately, the value of sharing knowledge between organisations is well understood. A CR leaders' group meets regularly to monitor our CR performance and ensure that best practice is shared effectively.

Within individual businesses, accountability for CR sits with the chief executive and a CR manager. Each chief executive is required to sign and submit an annual questionnaire which assesses all types of business risk including safety, environment and other CR issues. These formal processes complement the regular CR group meetings which help maintain best practice sharing across the group.

## Health, safety and environment (HSE)

All our businesses understand the critical importance of providing a safe working environment for our people and producing safe products for our customers.

Every business within the group has an accountable director and a senior manager responsible for HSE issues.

We require all businesses to implement the requisite level of risk management control to ensure compliance with our HSE policies, taking into account business needs and local circumstances.

A strong emphasis is placed on preventing accidents and incidents but, should they happen, we have emergency plans which are rehearsed routinely.

Our safety specialists meet annually to update each other on developments and exchange examples of good practice. The safety performance of our businesses is reported monthly and is part of formal quarterly reviews with group management.

Our environmental performance is reported and analysed annually. Because of the group's considerable diversity, we do not impose standard improvement targets on businesses. Instead, each business sets itself priorities and targets appropriate to the nature of its operations and risks, which are reviewed by the Group Human Resources Director and the Group Safety and Environment Manager, to ensure that they address the principal risks.

## Procurement

Whilst procurement resources reside within the businesses, in accordance with the group's decentralised structure, this is complemented by a small team of Global and Regional Category Leaders who provide further category expertise when required, and coordinate the network of buyers when spend categories span numerous divisions. This team facilitates collaboration where we identify opportunities to improve efficiency. For instance, the supply chain of most group businesses involves the shipping of raw materials and finished goods between countries, and our group procurement team works across the group to identify the most efficient and cost-effective international freight practices and facilitates the sharing of these between businesses. An example of this is the new practice of businesses combining container usage on common routes, thus maximising their utilisation.

## Auditing and assurance

We conduct a range of internal verification and independent external audits to help us continuously improve our CR performance, ensure we report accurately and meet recognised standards.

Each year we report our HSE performance in a stand-alone HSE Report. As we did in 2010, we are including our HSE performance in this CR Report.

We conduct internal verification of the HSE data provided by our businesses to ensure accuracy and alignment with our group guidelines. These can be found online at [http://www.abf.co.uk/responsibility/our\\_policies\\_and\\_appendices](http://www.abf.co.uk/responsibility/our_policies_and_appendices). This year, we engaged KPMG to provide limited assurance over the reliability of 14 HSE Key Performance Indicators (KPIs) for the year ended 31 August 2013 marked with the symbol Δ in the report.

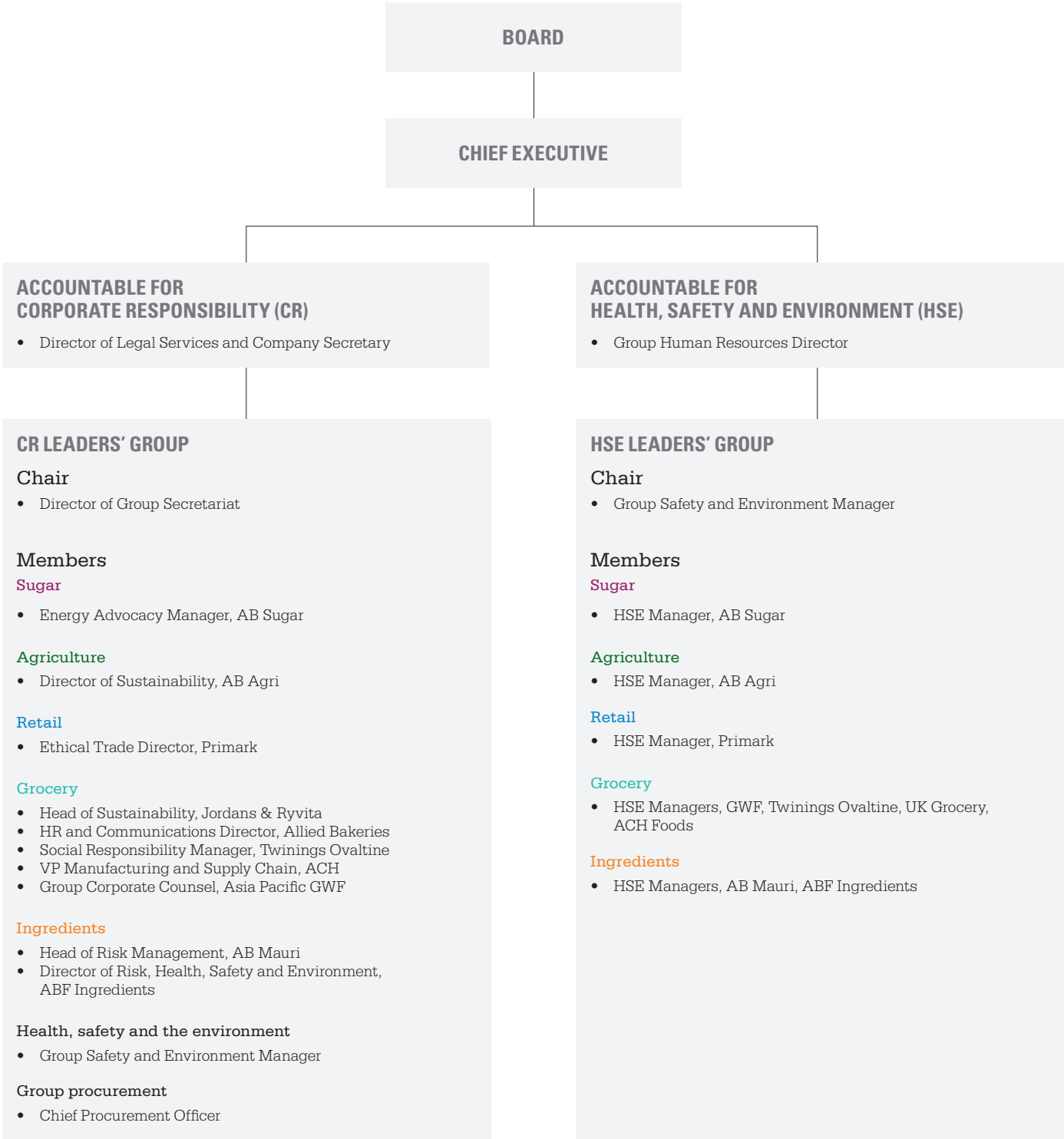
In addition, KPMG provided limited assurance over our description of our adherence to the AA1000 AccountAbility Principles Standard (2008). For more information, please see page 80.

We report HSE data for 278 operational sites and 261 Primark sites but do not include data for sites currently under construction or being relocated and therefore not contributing to production or management of production. Our reporting boundaries for the HSE data in this report include:

- the performance of those businesses we own, as well as those subsidiaries in which we have a majority shareholding;
- the environmental impact relating to our factory and retail operations but not including the related agricultural aspects; and
- a 12 month reporting period. A small number of sites report results which do not match the year ended 31 August but still report a consistent 12 month period.

OVERVIEW

CORPORATE RESPONSIBILITY GOVERNANCE



# WORKING WITH OTHERS

Our efforts to encourage ethical business within Associated British Foods have benefited greatly from engagement with our stakeholders. These relationships are valuable to us and help to ensure the long-term sustainability of our different businesses.

We have identified and engage with a number of stakeholder groups at a group and business level, such as communities, industry bodies and employees. In the second part of this report, we detail the specific relationships formed by each of our business. Here is some information about our engagement with a number of our stakeholders.

## Customers

We seek to be honest and fair in our relationships with our customers and, above all, to provide the standards of product and service that have been agreed, whilst at the same time offering value for money. We take all reasonable steps to ensure the safety and quality of the goods we produce and the services we provide.

## Shareholders

We are committed to increasing shareholder value through commercially viable, responsible and sustainable business decisions, and we communicate our achievements and prospects to our shareholders in an accurate and timely manner. Apart from the annual general meeting, the Company communicates with its shareholders by way of the annual report and accounts, the interim reports which are available on the Company's website, and this CR report. Significant matters relating to the trading or development of the business are disseminated to the market by way of Stock Exchange announcements. The Company also holds meetings with its major institutional shareholders to discuss business performance.

## Suppliers

As an international business with suppliers and representatives the world over, we accept that we have a duty to trade responsibly. It is imperative that our suppliers and representatives live up to our values and standards and share that duty to act responsibly. We have introduced and disseminated a Code of Conduct which makes clear our minimum expectations. We expect all our suppliers and representatives to comply with this code and all local laws, and to develop relationships with their own supply chains consistent with our principles.

Where supplier audits reveal shortcomings, we encourage a programme of improvement leading to compliance. To view our Supplier Code of Conduct, see page 8.

## NGOs

NGOs help us to identify areas of practice where we can improve, and collaborate with us in the delivery of these improvements. We have previously committed to publish a CR report every three years. In addition we will update our CR activities online. We will continue to issue an HSE report and a corporate responsibility update in the annual report each year. We are also introducing an annual engagement plan with relevant, groupwide NGOs that will focus on pressing issues in key regions in which we operate.

# MANAGING OUR CR RISKS

Our decentralised business model empowers the boards and management of our businesses to identify, evaluate and manage the risks they face on a timely basis.

Key risks and internal control procedures are reviewed at group level by the board. We require all businesses to implement appropriate levels of risk management to ensure compliance with all relevant legislation, group policies and our business principles, taking into account business needs and local circumstances.

Each year, the board reviews the material financial and non-financial risks facing our businesses and, on a rolling cycle, reviews the effectiveness of the risk management processes and resources that our individual businesses devote to them.

We summarise below our key CR risks. Broadly, our risks have remained unchanged since we first reported them in our 2010 CR report. However, our activities in mitigating the risks have become more focused as we have developed our approach to CR. These risks have also contributed to the development of our business principles which are split into four main obligations.

Each business has contributed to the identification of these risks and, in turn, each business is responsible for putting in place actions to mitigate the risks most appropriate to its operations, whilst sharing knowledge and expertise from other businesses in the group where relevant. Much of the activity undertaken at either group level or individual business level continues, as CR risk management becomes embedded in our daily operations.

The table on the next page identifies potential risks both direct to Associated British Foods and to the societies, environments and economies in which the group operates.

► CR risk table p12 and 13





# OVERVIEW

Issue	The potential risk to others and to Associated British Foods
<b>RESPONSIBLE STEWARDSHIP OF OUR ENVIRONMENT</b>	
Environmental management including climate change	<ul style="list-style-type: none"> <li>Contributing to negative impact on the environment and the communities which depend on land used by our operations.</li> <li>Climate changes such as droughts and changing weather patterns impact growth rates of raw materials we use.</li> <li>Increasing costs to adapt to climate change and mitigate our contribution.</li> <li>Physical threats to operations from climate change e.g. flooding.</li> <li>Long-term increase in energy prices.</li> </ul>
Water use and availability	<ul style="list-style-type: none"> <li>Water stress and security levels in some areas of the world in which we operate are expected to increase.</li> <li>Securing access to sources of water and maintaining water availability for all.</li> <li>Potential increasing cost of water.</li> </ul>
Disposal of waste and effluent	<ul style="list-style-type: none"> <li>Managing amount of waste and effluent created.</li> <li>Disposing of all waste effectively and safely.</li> <li>Increasing cost of waste and managing responsible waste disposal.</li> </ul>
Use of commodities such as palm oil, soya and cocoa	<ul style="list-style-type: none"> <li>Potential damage to the environment from unsustainable sourcing.</li> <li>Potential impacts on communities reliant on commodities, such as land ownership.</li> <li>Damage to the reputation of the business from unsustainable sourcing of commodities.</li> </ul>
Genetically modified (GM) crops	<ul style="list-style-type: none"> <li>Consumer concern over use of genetically modified food ingredients.</li> </ul>
<b>BEING RESPONSIBLE FOR OUR PEOPLE</b>	
Workplace safety	<ul style="list-style-type: none"> <li>Potential for fatal accidents and serious injuries to employees, contractors and visitors.</li> </ul>
Employee health and wellbeing	<ul style="list-style-type: none"> <li>Loss of healthy workforce and supply chain due to diseases such as HIV/AIDS, TB and malaria in high-risk countries.</li> <li>Occupational health issues.</li> <li>Potential loss of talent if wellbeing of all our people is not addressed.</li> </ul>
Employee rights	<ul style="list-style-type: none"> <li>Non-compliance with internationally recognised standards.</li> <li>Inability to recruit and retain high-calibre people at all levels necessary to achieve business performance.</li> </ul>
Supply chain	<ul style="list-style-type: none"> <li>Understanding the responsible business practices of our suppliers such as labour management and workplace conditions.</li> <li>Being able to adapt quickly to changes in a complex supply chain.</li> <li>Potential disruption to suppliers and production from external events.</li> </ul>
<b>BEING A RESPONSIBLE NEIGHBOUR</b>	
Air pollution	<ul style="list-style-type: none"> <li>Unacceptable offence to local communities and impact on environment caused by emissions to air from some of our factories.</li> </ul>
Bribery and corruption	<ul style="list-style-type: none"> <li>Unacceptable business practices which contravene our business principles.</li> <li>Reputational damage through irresponsible actions of individuals.</li> <li>Penalties imposed through bribery, corruption or unfair competition.</li> </ul>
<b>RESPONSIBLE FOR PROMOTING GOOD HEALTH</b>	
Health and nutrition	<ul style="list-style-type: none"> <li>Health concerns over fat, salt and calorie content of food.</li> <li>Responding effectively to the spectrum of food poverty and malnutrition versus obesity.</li> <li>Inappropriate advertising to children.</li> </ul>
Product safety and food security	<ul style="list-style-type: none"> <li>Public concerns over materials used in packaging and ingredients in products.</li> <li>Non-compliance with regulatory requirements.</li> <li>Reputational damage caused by food hygiene, raw material sourcing and product safety incidents.</li> </ul>



## OVERVIEW

How we are mitigating the risk	Our planned actions to further mitigate or control the risk
<div>  </div>	
<ul style="list-style-type: none"> <li>Compliance with the group's Environment Policy.</li> <li>Continued focus on reducing our environmental impact and implementing changes in our operations to maximise opportunities such as recycling more waste and using more renewable sources of energy.</li> <li>Implement infrastructural protection against weather-related risks and continue to adapt to an ever-changing climate.</li> <li>Focus on realising resource efficiencies, particularly in energy and water.</li> </ul>	<ul style="list-style-type: none"> <li>Measuring and reporting greenhouse gas emissions for the group in 2014. Measuring the CO<sub>2</sub>e emissions of our transport for the first time.</li> <li>Focus on reducing CO<sub>2</sub>e emissions when investing in new capital projects.</li> <li>Improve, implement and track environmental improvement plans for businesses.</li> <li>Ensure best available techniques are employed to reduce our use of all consumables.</li> </ul>
<ul style="list-style-type: none"> <li>Water-intensive sites in areas of water stress identified, and initiated water footprinting in these areas.</li> <li>Investment in irrigation systems.</li> <li>We published our first Water Disclosure in 2013 to the Carbon Disclosure Project. Illovo published its first Water Disclosure in 2012.</li> </ul>	<ul style="list-style-type: none"> <li>Build long-term partnerships to address significant water issues at a local level.</li> <li>Continue to focus on measuring our water use and further standardising our approach across the group.</li> <li>Target our investment in water use and build an effective water risk management programme.</li> </ul>
<ul style="list-style-type: none"> <li>Increased our focus and investment in the treatment of effluent and solid waste.</li> <li>Made improvements in the packaging of our products resulting in less waste.</li> <li>Continued our focus on segregating all waste so that more can be recycled or reused.</li> </ul>	<ul style="list-style-type: none"> <li>Focus on reducing the amount of waste we send to landfill.</li> <li>Work with waste contractors to help us measure the amount of waste disposed of or sent for beneficial use.</li> <li>Continued investment in effluent treatment plants.</li> </ul>
<ul style="list-style-type: none"> <li>Associated British Foods' commitment that all businesses will use Certified Sustainable or Identity Preserved palm oil by 2015.</li> <li>Membership of various industry bodies to collaborate on solutions including the Roundtable on Responsible Soya and the Ethical Tea Partnership.</li> <li>Commissioned independent assessment of commodity and country risks.</li> </ul>	<ul style="list-style-type: none"> <li>Review of suppliers and sourcing strategy for certain high-risk commodities.</li> <li>Remain mindful of issues surrounding land security, particularly of smaller-scale producers.</li> </ul>
<ul style="list-style-type: none"> <li>Continue to label all food containing genetically modified ingredients.</li> <li>Continue to monitor consumer trends.</li> </ul>	<ul style="list-style-type: none"> <li>Consult with other businesses, governments and industry bodies regarding GM products and undertake further research to gain deeper insight into the issue.</li> <li>Review market for alternatives.</li> </ul>
<div>  </div>	
<ul style="list-style-type: none"> <li>Group Health and Safety Policy and practices are embedded with a strong ethos of workplace safety across the group.</li> <li>Appointed senior executives and specialists to lead activity and behaviour.</li> </ul>	<ul style="list-style-type: none"> <li>Maintain programme of audits to verify implementation of policy and support continuous improvement.</li> <li>Build on the culture of safety with clear leadership and management support.</li> </ul>
<ul style="list-style-type: none"> <li>Ensure compliance with International Labour Organization (ILO) conventions.</li> <li>Establish a culture of equal opportunities across our business.</li> <li>Extended our auditing of health and safety management reporting.</li> <li>Illovo continues to invest heavily in its wellness programmes for its workforce and families.</li> </ul>	<ul style="list-style-type: none"> <li>Maintain our strong ethos of employee health and duty of care to employees and contractors across the group.</li> <li>Continue to invest in health and safety management.</li> <li>Promote the empowerment of women.</li> </ul>
<ul style="list-style-type: none"> <li>We aim to ensure compliance with the United Nations Universal Declaration of Human Rights in the management of all our businesses.</li> <li>Employees are recruited, trained and rewarded according to performance alone.</li> <li>Whistleblowing Policy and procedures in place.</li> </ul>	<ul style="list-style-type: none"> <li>Consider how our approach to managing employee rights can be shared with principal suppliers.</li> </ul>
<ul style="list-style-type: none"> <li>We have introduced a Supplier Code of Conduct across all our businesses, tailored to their requirements.</li> <li>Primark has maintained its classification as a leader by the Ethical Trade Initiative and started to work on mapping second tier suppliers (subcontractors).</li> <li>External communication and transparency on the management of our supply chain in Primark and Grocery have been enhanced.</li> </ul>	<ul style="list-style-type: none"> <li>Maintain programme of supplier audits where appropriate. Extensive audit programme for labour standards of suppliers.</li> <li>Continue to work in partnership with suppliers and NGOs to improve supplier working conditions.</li> <li>Refocus on worker safety and safe working conditions.</li> </ul>
<div>  </div>	
<ul style="list-style-type: none"> <li>Establish effective procedures across our businesses to contain or minimise emissions.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to monitor procedures and swiftly redress non-compliance.</li> </ul>
<ul style="list-style-type: none"> <li>All businesses are signed to the group's business principles and Anti-Bribery and Corruption Policy.</li> <li>Appointed anti-bribery and corruption specialists.</li> <li>Implemented a programme of training and compliance for all employees.</li> </ul>	<ul style="list-style-type: none"> <li>Continue activity to heighten awareness of anti-bribery and corruption.</li> <li>Procedures audited on a regular basis.</li> </ul>
<div>  </div>	
<ul style="list-style-type: none"> <li>Recipes are regularly reviewed and reformulated to improve the nutritional value of products, with a focus on reducing fat, salt and calorie content where possible.</li> <li>All our grocery products are labelled with nutritional information.</li> <li>Our UK Grocery has a small number of products intended for children which are marketed responsibly, following accepted codes of practice.</li> </ul>	<ul style="list-style-type: none"> <li>Continue programmes related to health and nutrition, and look to develop partnerships to help educate people about health and nutrition.</li> </ul>
<ul style="list-style-type: none"> <li>Food safety is put before economic considerations.</li> <li>Our businesses employ quality control specialists and operate strict policies to ensure high standards are maintained in our operations and in the sourcing of raw materials.</li> <li>Participate in independent food health and safety audits.</li> </ul>	<ul style="list-style-type: none"> <li>Continue proactively to monitor the regulatory and legislative environment as well as emerging scientific research.</li> <li>Work towards increased food security, looking back to root causes, such as crop diversification.</li> </ul>



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ILLOVO SUGAR FACTORY  
AT NIGHT. NAKAMBALA,  
ZAMBIA.

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# RESPONSIBLE STEWARDSHIP OF OUR ENVIRONMENT

“

**We have an obligation to our wider environment which we must protect as a common resource for future generations.**

**George Weston** Chief Executive, Associated British Foods plc

Our operations have an impact on the environment and we are committed to making this a positive impact wherever possible, and to protecting the resources we need to deliver sustainable business growth. The environmental performance of each segment of the business is regularly reviewed by the board.

► Sugar p30

► Agriculture p40

► Retail p50

► Grocery p62

► Ingredients p76

## LOOKING AHEAD: OUR PRIORITIES

**1.**

Minimise energy, waste, water, packaging and all resources used by the business

**2.**

Monitor environmental impacts to enable better management

**3.**

Work with suppliers to achieve environmental improvements throughout the supply chain

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A MEMBER OF STAFF IN  
OUR STORE IN DORTMUND,  
GERMANY.

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# BEING RESPONSIBLE FOR OUR PEOPLE

“

**We have an obligation to people who work for our suppliers, particularly where other sources of protection for them are absent or only marginally effective.**

**George Weston** Chief Executive, Associated British Foods plc

Being a responsible and ethical business means doing everything we can to make sure the people who work for us or for one of our suppliers are safe, treated fairly and shown respect.

► Sugar p33

► Agriculture p44

► Retail p52

► Grocery p65

► Ingredients p77

## LOOKING AHEAD: OUR PRIORITIES

**1 .**

We strive to do no harm

**2 .**

We will respect human rights

**3 .**

We will work with suppliers to avoid unethical labour conditions

---



SHINE EDUCATION CENTRE,  
ACCRA, GHANA. SUPPORTED  
BY AB AGRI SINCE 2006.







# BEING A RESPONSIBLE NEIGHBOUR

“

**Our management teams in each location decide what we must do to be welcomed wherever we are and to contribute to the local community wherever we operate.**

**George Weston** Chief Executive, Associated British Foods plc

We recognise our responsibility to the places in which we operate and encourage our businesses to engage positively with their local community.

► Sugar p35

► Agriculture p45

► Retail p57

► Grocery p68

► Ingredients p78

## LOOKING AHEAD: OUR PRIORITIES

1.

We will use our profits to support wider society

2.

We will engage with our neighbours

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**YOUNG GIRLS QUEUE FOR THEIR  
DONATED SUPPLEMENTS OF  
IRON AND FOLIC ACID TABLETS,  
AS PART OF THE TWININGS  
JOINT INITIATIVE WITH UNICEF  
TO HELP ADOLESCENT GIRLS IN  
ASSAM, INDIA, WHERE THE  
MAJORITY ARE ANAEMIC DUE  
TO POOR DIET. FIND OUT MORE  
ON PAGE 69.**

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# RESPONSIBLE FOR PROMOTING GOOD HEALTH

“

**We must use science to inform us of the effect of a particular food type on the human body. We will label our products properly and market them appropriately to customers.**

**George Weston** Chief Executive, Associated British Foods plc

We provide affordable and nutritious food and ingredients to millions of people around the world, and recognise we have a part to play in helping people to lead healthy lives. Consumer confidence in the quality and safety of our food products is essential, and this is a top priority for all relevant businesses. We are committed to giving our consumers the necessary information to allow them to make informed decisions about the type and quantity of food they want to eat.

► Sugar p36

► Agriculture p47

► Grocery p70

► Ingredients p79

## LOOKING AHEAD: OUR PRIORITIES

**1.**

All our food will be of the highest quality

**2.**

We will act responsibly in how we market to children

**3.**

We will support organisations that encourage people to eat balanced diets and avoid overconsumption

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## OVERVIEW

# ▲ RESPONSIBLE STEWARDSHIP OF OUR ENVIRONMENT

Across Associated British Foods, we take an active approach to managing and reducing our environmental impact. Since 2010, we have invested over £182m in environmental improvement activities. These investments have primarily been targeted at areas where we have the greatest environmental impact:

- the use of energy and the resultant greenhouse gas emissions;
- the abstraction of water and discharge of effluent; and
- the generation and disposal of waste.

As these have been our areas of material impact for a number of years, we have put considerable effort into accurately measuring our progress in reducing our environmental footprint.

Our businesses have spent a number of years improving the segregation, measurement and reporting of waste. Due to this hard work, we can now publish figures that our external auditors have assured. Further information on our waste is contained on page 24.

### Our achievements this year

We are pleased to report the following achievements:

- significant increase in the amount of waste we recycle and have diverted from landfill;
- large increase in use of renewable energy;
- reduction in the amount of carbon dioxide emitted;
- reduction in the total amount of packaging used;
- significantly increased the amount we have invested in environmental improvements; and
- good progress on our approach to water management.

Despite these achievements, we recognise that there is still considerable progress to be made in reducing any negative environmental impact through activities such as investing in new technologies, resource efficiencies and building a culture of environmental awareness. Short-term targets include a multitude of operational and behavioural changes. Long-term strategies include investing in more efficient energy generation technologies, maximising the use of renewable fuels, and increasing the production of bioethanol. When considering acquiring new businesses, we carry out strict due diligence investigations to ensure that we understand the environmental impact of their operations prior to purchase. This allows us to plan for any requisite investments.

### Using and generating energy

Using energy efficiently, minimising our emissions to air and monitoring our energy consumption have been key components of our environment policy for the last ten years. These activities are well embedded across Associated British Foods, with businesses continuously looking at ways of reducing energy consumption and increasing use of renewable fuels. Energy efficiency also makes sound business sense as we face increasing carbon regulation, energy security issues and unpredictable energy costs.

As we operate in many countries, we are exposed to a wide range of energy supply constraints, commercial pressures and different sustainable fuel options. For a number of years, the proportion of our energy use that has been from renewable sources has been just under half our total energy use. This year, 51% of our total energy use has been from renewable sources. Our use of renewable fuels has increased by 10% since 2012. The majority of our renewable energy comes from the fibre from our sugar cane. This is known as bagasse which is a residual product once the sugar has been extracted. Where bagasse is used as an energy source, our on-site energy production is a very efficient closed loop system. This year, the growing conditions for sugar cane have been good which has contributed to the increased production and use of renewable energy. A number of our businesses also use biogas, which is generated in our anaerobic digesters using effluent created on site.

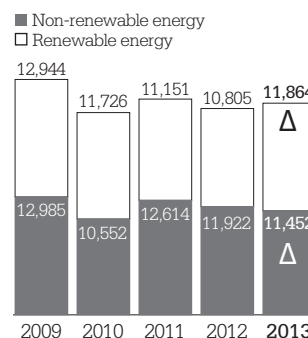
Our businesses continue to explore using renewable energy for their operations and where possible reduce their dependence on fossil fuels and their emissions to air.

In 2013, our absolute use of energy was 23,316 GWh compared with 22,727 GWh in 2012, a 2.6% increase. Our use of non-renewable fuel has decreased since last year and the proportion of energy from renewable sources

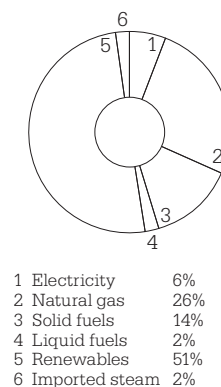
has increased. Overall, this is a minor increase in the use of energy considering the growth in our business, which demonstrates the positive impact of the investments we have made in energy efficiency across our businesses for a number of years.

### Total consumption of energy

In GWh, split by renewable and non-renewable energy



### Type of energy used in 2013Δ %



Many of our sites generate their own energy and some generate more than needed so are able to export it to the national electricity network or other organisations. In 2013, we exported 803 GWh. In some countries, this additional source of energy in the national grid can be a significant proportion of that country's electrical supply. We do not include the energy generated and exported from our reported total energy consumption.

Our sugar operations accounted for 83% of our total energy use in 2013. Sugar factories require energy to separate the sugar from the beet and cane, to concentrate, by evaporation, the sugar solution and then to crystallise out the sugar.

# OVERVIEW

**OUR BUSINESSES HAVE SPENT A NUMBER OF YEARS IMPROVING THE SEGREGATION, MEASUREMENT AND REPORTING OF WASTE. DUE TO THIS HARD WORK, WE CAN NOW PUBLISH FIGURES THAT OUR EXTERNAL AUDITORS HAVE ASSURED.**

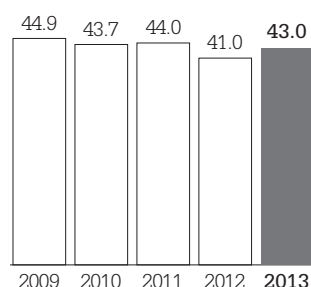
To minimise energy use, the steam generated by the first evaporator is used as the heat source for the second evaporator and so on through the series of evaporators. As a result, one tonne of steam evaporates as much as five tonnes of water from the sugar.

The key performance indicator for the energy used by our sugar operations is the 'percentage steam on feedstock'. The lower the figure, the lower the amount of energy needed to process the sugar and therefore the higher the process efficiency.

During 2013, we continued to make progress in improving our energy efficiency in our sugar operations; however, poor weather conditions within the UK impacted beet availability and quality, and consequently contributed to a 7% overall reduction in energy efficiency.

Our Azucarera operations maintained their leading position with regard to energy efficiency and significant improvements were made in AB Sugar China, particularly at our new Zhangbei Mill, north China. AB Sugar China North saw a 13% improvement in energy efficiency.

**Energy consumption in sugar manufacturing**  
Expressed as percentage steam on feedstock



## Carbon dioxide and other emissions to air

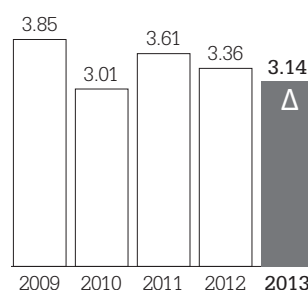
We value our relationships with our neighbours and as such try to prevent any nuisance or offence. Most of our manufacturing sites have limited emissions to air from small steam boilers. Our sugar operations are considerably larger but subject to more stringent statutory controls. Non-carbon atmospheric emissions include

dust particles, acid gases (sulphur and nitrogen) and odours, all of which are subject to local environmental standards.

This year we emitted 7,000 tonnes of sulphur dioxide  $\Delta$ , an increase of 28% from 2012. This increase is predominantly due to improved estimation techniques. Particular improvements in measurement have been made across our northern China sites where large quantities of carbon-rich coal are burnt.

In 2013, we emitted or caused to be emitted 3.14m tonnes of carbon dioxide, a notable reduction of 7% from 2012. This reduction is due primarily to the increased proportion of renewable fuels in our total energy and the decrease this year in the use of heavy fuel oil.

**CO<sub>2</sub> emissions**  
Million tonnes



Our businesses aim to be proactive in their energy management so that they stay ahead of developing national energy or carbon legislation. Twenty-two of our larger European sites are subject to the European Integrated Pollution Prevention and Control regime and are under a statutory duty to minimise energy consumption by the best available means. Our sugar sites in the UK and Spain participate in the EU Emissions Trading Scheme, which works as a 'cap and trade' programme, providing financial incentives to limit and reduce the emission of greenhouse gases from our factories.

Our UK manufacturing operations participate in the UK government's Climate Change Agreements working towards energy and carbon-saving targets. In 2010, our UK retail operations joined

the UK government's Carbon Reduction Commitment (CRC) Energy Efficiency Scheme, which is designed to improve energy efficiency and cut carbon emissions in large organisations.

Associated British Foods has disclosed its greenhouse gas emissions and other climate change information to the Carbon Disclosure Project (CDP) each year since 2007. CDP is an international, not-for-profit reporting organisation enabling companies to disclose their environmental management and performance. We are pleased to report that in 2013 our CDP disclosure score increased to 85, which reflects that we are sharing more about our challenges, achievements and overall approach. We also increased our performance score from D to B, which recognises the work carried out by our businesses in reducing energy use and resultant greenhouse gases.

Disclosing this information has long been part of our approach to energy and carbon management and demonstrates our commitment to sharing information on our material environmental impacts.

In 2013, new UK legislation came into force requiring companies listed on the London Stock Exchange to report their greenhouse gas emissions annually. We will report our greenhouse gas emissions each year in the annual report and annual Health, Safety and Environment report. We have publicly reported our carbon dioxide emissions for seven years and our sulphur dioxide emissions since 2011. Over the last year, our businesses have been preparing their operations to monitor and report the other Kyoto greenhouse gases from our operations, agriculture and transport, ready for 2014 reporting.

## Developing our road map for water management

Water management is a priority as we use substantial amounts of water in our factories for steam, cooling and process cleaning.

## OVERVIEW

We withdraw fresh water under licences from rivers and underground aquifers and purchase drinking water from municipal supplies.

Our companies have or are creating programmes of activity such as water recycling to address their particular water issues and increase water efficiency. Recent and current activities include:

- developing our understanding of global water stress through the use of a water risk management tool;
- publicly disclosing information on our water use and how we are addressing water scarcity;
- maintaining our focus on sugar production, our largest user of water, and developing more efficient ways to reduce water consumption;
- completing water footprints on all sugar processing facilities in Africa, China, the UK and Spain;
- improving how we collect data on water usage and increasing our knowledge of water throughout a product lifecycle; and
- engaging with external stakeholders within the river catchments where we operate. For example, Illovo Sugar is working with regional catchment councils in Africa.

In 2013, the amount of water which entered our premises, excluding water for irrigation and water for our Illovo business, was 42 million m<sup>3</sup> Δ. This equates to over half of Associated British Foods' total water use. Our businesses have spent considerable effort and investment in measuring the amount of water that comes onto their premises.

In addition to this amount, Illovo's water used in manufacturing in 2013 was in the range of 30 million m<sup>3</sup> to 36 million m<sup>3</sup> Δ. We are still reporting a range for Illovo's water use due to the complexity of its operations and water circuits and continued work on accurately capturing and reporting its data.

A significant proportion of Associated British Foods' water is brought into one of our Illovo sites in Africa. Through a process unique to this site, the water is

used initially in the factory to create a vacuum in the sugar process but it is of such a good quality that subsequently it is used for irrigating the sugar cane crop. In previous years, this amount of water had been excluded from our water disclosure as we exclude water used for irrigation. After consideration and review this year, we believe it to be a more fair representation to include this additional water use in our 2013 reporting as it is initially used within the factory. This equates to 14 million – 17 million m<sup>3</sup> of water additionally reported this year.

Last year, we reported a range of 54 to 64 million m<sup>3</sup> of water brought on to our premises for use in operations. The increase in our total water between the two years is attributable to this one site.

As we are committed to developing our measurement of water use, we will continue to refine our reporting criteria of water used by the group.

Many of our wider water-related activities beyond the factory are integrated with maximising crop productivity and mitigating risks from drought through improved irrigation measures.

Sugar beet and cane comprise around 75% water, which is released when the sugar is extracted. We treat the extracted water to meet river quality standards and, as such, contribute high-quality water to the local rivers and positively contribute to a sustainable closed loop system.

We ensure that the majority of waste water from our factories is treated before being discharged into the local rivers. The level of treatment is based on local river quality standards, and in some of our sites in China we have seen a rise in healthy fish stocks since we have improved treatment of our waste water. During the year, we invested over £1.2m in effluent treatment across our businesses with significant investments still planned up to 2015.

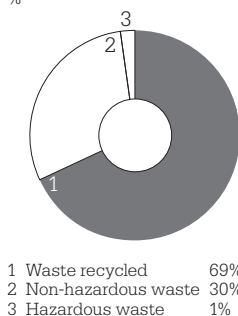
### Waste

We aim to minimise all waste we produce, be it inert and non-hazardous waste such

as production residues, spoilt finished products and all packaging materials, or smaller quantities of hazardous waste, which include unwanted laboratory chemicals and used lubrication oils. In 2011 and 2012, we decided not to report data on hazardous, non-hazardous and recycled waste disposed due to inconsistencies in reporting methodologies across the group. However, since the last CR report in 2010, we have made significant improvements in standardising our measurement of waste disposal.

As such, we can now report that over the year we have disposed of 6,000 tonnes of hazardous waste Δ and 370,000 tonnes of non-hazardous waste Δ. In addition, 860,000 tonnes of other materials have been diverted from landfill by recycling or recovering the material for beneficial usages such as soil restoration and landscaping, composting and fertiliser, animal feed and paper production. We also recycle a number of by-products such as plastic, paper, metal, glass, mud and ash. We are pleased that there has been a concerted effort from our businesses to divert the amount of waste sent to landfill, with some sites achieving zero waste sent to landfill.

### Waste disposal in 2013



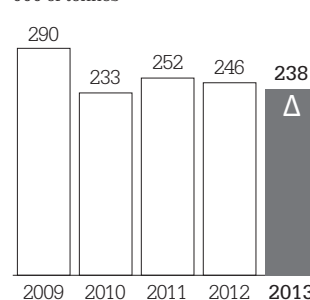
We handle, transport and dispose of waste at appropriately engineered and licensed facilities under a strict duty of care. However, as facilities or resources are not always available in some of the regions where we operate, we use our best endeavours to handle and dispose of waste safely. For example, due to the lack of a hazardous waste disposal infrastructure in parts of China, some of our rural sites have chosen

to store their waste in a safe and secure manner on site until safe disposal can be secured. The volume of waste stored on site is not counted in our waste disposed figures.

### Packaging

The quantity of packaging used for our products in 2013 was 238,000 tonnes, down 3% from 2012. Our businesses continue to research and implement innovative ways to minimise packaging, and to move from heavier packaging material such as glass and metals to lighter and less resource-intensive plastics and paper.

### Packaging handled



### Environmental complaints and fines

In 2013, 92% of our sites operated without any complaints. In the year, we received 87 environmental complaints, which is five more than in 2012. The majority of complaints related to noise and odours, most of which were site specific and were addressed locally. The sites involved have expressed their regret for the inconvenience caused to our neighbours.

During 2013, we received 11 environmental fines Δ totalling £37,000 Δ. This is a 31% reduction on the number of fines received in 2012. These included odour, discharge standards for effluent and transportation. The sites involved have addressed the issues and remedied the situation.

Our environment reporting guidelines can be found at [http://www.abf.co.uk/responsibility/our\\_policies\\_and\\_appendices](http://www.abf.co.uk/responsibility/our_policies_and_appendices).



# BEING RESPONSIBLE FOR OUR PEOPLE

Over 113,000 people from diverse backgrounds across 47 countries work for Associated British Foods.

First and foremost, we ensure our employees, contractors and visitors to our factories, stores, warehouses and offices are safe and do not harm others. This goes to the core of our business and safe working is embedded throughout all we do. We also work with our suppliers to encourage the same attitude to health and safety in their operations. From our own experience, we know this takes time and commitment from all in the business to ensure that systems are embedded and that a culture of safety becomes part of the norm. The terrible events in Rana Plaza this year demonstrate the need for us to continue working with our suppliers to help protect all those involved in the Associated British Foods supply chain.

As a global company, we conduct our business with respect for the national cultures, traditions and laws of the places in which we operate. We also respect fundamental international principles, in particular the Universal Declaration of Human Rights. However, we recognise there is more we can do in this area, particularly in supporting standards in our supply chain and upholding labour standards. Working with our suppliers to share our experience of safety, employee wellbeing and ethical labour standards is a key goal for the future.

Through face-to-face meetings, an improved intranet site for safety information, and creating connections across our businesses, we focus on excellent management of our people and on-site contractors. We also work with our suppliers to avoid unethical labour conditions and to share our experience of building a culture of workplace safety.

We deeply regret a total of six employee and contractor fatalities  $\Delta$  in Africa, China and South America in 2013. Three were accidents involving vehicles in agricultural activity, two were as a result of fire and water accidents and one employee

in South America died as a result of an assault when visiting a customer's operations. In each case, we have undertaken an investigation and, where applicable, implemented measures to minimise the likelihood of such incidents recurring. All work-related deaths are reported to the Associated British Foods board and local management is held to account.

The prevention of all deaths and serious accidents is an absolute priority throughout the whole of the Associated British Foods group and we are always seeking ways to prevent them. We have robust procedures to minimise risks including through safety communications, training and equipment, regular audits, and embedded monitoring and reporting of all incidents. Every one of our businesses has safety specialists who develop safety procedures and train the workforce in safe working. They report monthly to Associated British Foods on their safety performance, any serious events being reported immediately.

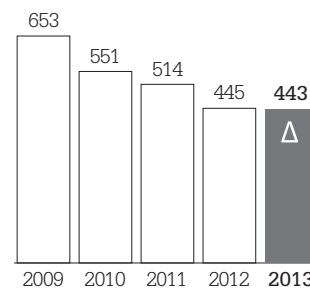
Over recent years, there has been increased engagement with employees on their own responsibility in reducing risk for themselves and colleagues. Since 2010, our businesses have invested £128m in health and safety improvements with £1.2m spent in 2013 alone on a range of employee and contractor training programmes such as forklift use, manual handling, and dangerous goods. We have also invested in fire wardens and emergency crews.

## Injuries to Associated British Foods employees

We use a number of key performance indicators to measure and report injuries to employees to ensure we have a clear picture of all injuries to our people, regardless of geography, and of the required corrective actions. We issue safety alerts to warn all businesses of significant events within and outside the group so that they can take the necessary preventive actions.

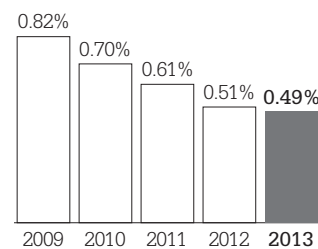
## Reportable injuries

Reportable according to the laws of each country



## Reportable injury rates

Percentage of employees having a reportable injury



During 2013, we recorded 7,811 days lost through injury – a 5% decrease since 2012 and 30% lower than in 2010. 71% of our sites achieved a year's operation without any reportable injuries and 59% sites did not have a Lost Time Injury in 2013.

These trends demonstrate the commitment of the Associated British Foods board and the management teams of each business to looking after our people. We have made significant improvements in the safety performance of the group over the last five years; even with a growth in business our reportable injuries and Lost Time Injuries have decreased significantly. We have spent time and investment in eradicating the root causes of poor safety and addressed structural issues to ensure safe working environments. However, our safety performance is now starting to flatten out so we recognise we must turn our attention to embedding further the safe working culture across the group. There is already a renewed

impetus to look for ways of engaging all our people, and those we work with, in safety and wellbeing so that these fundamental issues are not just the role of safety specialists but of all throughout the group.

## Health and safety fines

During 2013, we received four safety fines  $\Delta$ , totalling £43,000  $\Delta$  for breaches of safety regulations. The businesses involved were required to report to the Group Safety and Environment Manager on when and how remedial actions would be implemented.

Two fines received were for insufficient machinery guarding, one for excessive noise creating an occupational hazard, and the fourth for delayed compliance with improvements to a site's medical facilities.

## A healthy workforce

As well as ensuring safe workplaces for our people, we also focus on maintaining healthy workplaces. Occupational health specialists monitor the working practices across our sites to ensure they are healthy places to work. Some of the substances we handle and manufacture may, if incorrectly managed, pose a risk to health. The main use of chemicals in our manufacturing facilities is for the cleaning of food processing equipment. Chemicals are also used by engineers for boiler water treatment and the maintenance of food processing equipment. Many chemicals are used by our laboratories for routine quality control analysis and our businesses employ and train competent technical staff to control the storage, handling and use of hazardous substances and their final disposal.

## OVERVIEW

Looking after the long-term health of our workforce is also a key part of being responsible for our people. Our businesses implement a number of programmes to address specific health issues relevant to the profile of their workforce, the nature of their work and their geographic location. Over the last year, these have included primary healthcare and employee health checks, travel advice and medical packs, promotion of active lifestyles and the prevention of illnesses. For example, in Illovo Sugar across southern Africa a long-term issue for employee wellbeing is the management of HIV/AIDS, malaria and TB risks. Illovo Sugar invests in employee and family treatment programmes, working closely with existing national programmes.

### Building on our culture of safe working

Our culture of safe working is led from the top with the Associated British Foods board reviewing the safety performance of the business. Potential safety and risk management considerations are integrated into board-level decision-making, with the board reviewing the group safety strategy and assurance outcomes annually.

The board sends strong messages throughout the business about the importance of safe working. The Group Safety and Environment Manager delivers reports to the board and, more frequently, to the Chief Executive on performance, and consults with directors on safety developments across the business. The Group HR Director, who reports to the Chief Executive, has overall responsibility for the group's safety policies and performance management, supported by the Group Safety and Environment Manager and team. Each business has at least one senior technical specialist who manages compliance, development, monitoring and reporting of safety performance.

Throughout the year, safety compliance and risk management audits are conducted by an external safety assurance provider to help Associated British Foods

maintain continuous improvement and to provide independent verification of our processes. In addition, businesses undertake their own annual safety and health management improvement plans to ensure they are meeting changing business needs.

Each year, the senior safety specialists from each business meet to review the previous year's performance, agree changes to strategy, share best practice and learn from each other. In 2012, the specialists agreed changes to the key performance indicators (such as the introduction of reporting Lost Time Injuries per million man-hours) and shared experiences of risk management systems and the external compliance assurance programme. The Group HR Director was present throughout the meeting to share the views of

the board and to report back to the board and Chief Executive on key outcomes and commitments.

As already stated, we will continue to keep safe working at the core of our business by providing training, sharing experiences and offering learning opportunities across the group. With continued strong leadership and a programme of activities, investment and reporting, our culture of workplace safety across the group will continue to be reinforced.

Our health and safety reporting guidelines can be found at [http://www.abf.co.uk/responsibility/our\\_policies\\_and\\_appendices](http://www.abf.co.uk/responsibility/our_policies_and_appendices).

## GENDER EQUALITY AT ASSOCIATED BRITISH FOODS PLC

We are determined to welcome, promote and develop women across all our businesses. In 2011, we piloted a number of initiatives across the group with the stated aim of overcoming the barriers that women may face in the workplace. Our objective is to run businesses which attract and retain the best female talent by creating a culture that is welcoming to women.

Like many companies, our businesses vary in the proportion of women in the workplace. Our objective is not forced uniformity, rather a uniform culture where women are respected colleagues and leaders.

Since 2011, the following programmes and pilot projects have been created to meet our gender diversity objectives:

### Gender Diversity Task Force

This task force, made up of female and male leaders from across the group, meets several times a year to set the strategy on gender diversity and to review business projects.

### Women's Business Education Forum

The forum is a networking and learning group, which has met five times since July 2011, involving more than 70 senior and high-potential women.

### Pilot gender diversity awareness programme

A workshop has been trialled focusing on raising awareness of diversity issues, particularly unconscious and conscious bias. Whilst focused on gender, this approach is equally helpful in formulating actions to address all forms of workplace diversity.

### Mentoring programme for high-potential women

We have introduced a pilot programme giving 13 women from five different businesses a mentor.

### Career management programme

Being intentional about wanting to keep talented women in the business is at the heart of this programme, which has three areas of focus: improving career transparency; better career conversations; and greater accessibility to relevant information.

### Pilot focusing on career continuity

For many women, the desire to balance being a parent with work can be challenging. To help, we have established three work streams covering coaching, learning sessions and an online portal to help those returning from, or considering going on, maternity leave.

To date, these programmes have received positive feedback. We are encouraged by the number of female graduates choosing to join our businesses with an almost equal ratio of females to males across the group. We are also pleased to note that, in Primark, 65% of all management and 53% of all senior management positions are filled by women. In some of our businesses, we know that women are under-represented at the most senior management levels and recognise that our commitment to gender equality and the promotion of women is a long-term, not short-term, commitment.

## BEING A RESPONSIBLE NEIGHBOUR

The best businesses are those whose interests remain at one with their local communities. Our businesses engage with their neighbours in a variety of ways, big and small, whether it is raising money for local good causes or working in partnership with global NGOs to improve living standards.

At a group level, we are committed to the support of local communities in the United Kingdom, where we are headquartered. This support is offered through the Garfield Weston Foundation and demonstrates what being a responsible neighbour means in practice.

### The Garfield Weston Foundation

The Garfield Weston Foundation was set up in 1958 by the creator of Associated British Foods, the late W. Garfield Weston. It is one of the UK's foremost philanthropic organisations. For over half a century, the Foundation has been donating money to charitable causes across the UK – a total of more than £735m since it began.

Eligible 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 2012/13 was a record year, with the Foundation donating over £49m. The trustees are delighted to have been able to grant such a significant sum in the current economic climate.

Around 1,500 charities across the UK benefit each year from grants made by the Foundation, the significant majority of which are for small, local projects and community organisations.

Despite the diversity of organisations and projects the Foundation funds, the common themes are quality and excellence, with projects demonstrating clear outcomes and benefits, capable individuals and sensible plans.

The Foundation is proud of the fact that applications are always reviewed by at least one trustee, enabling charities to have confidence that their proposals are considered with care and attention by highly experienced grant-makers with wide-ranging knowledge and skills.

The Foundation benefits from having active and highly engaged trustees: all are related to the original founder and they generously give a significant amount of their personal time to review applications, visit charities, conduct referencing and meet with individuals across the charity sector.

### 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 these businesses are predominantly owned by a charity enables planning to be undertaken with a genuinely long-term view, thus generating sustainable growth.

For more information about the Garfield Weston Foundation, please visit: <http://www.garfieldweston.org>.

## RESPONSIBLE FOR PROMOTING GOOD HEALTH

There is a challenge at the heart of the global food system with most countries experiencing increasing levels of obesity and a proportion of the population that remains malnourished. As a business that provides the raw ingredients and finished products that help to feed the world, we have a role to play in combating both obesity and malnutrition.

Taking responsibility for promoting good health is a principle we put into action every day through our products and businesses.

### Informing consumers

Our first priority is to ensure consumers are empowered to make choices which are right for their lives, so we clearly label all our grocery products with nutritional information.

### Educating consumers

Through partnerships in the UK, Australia, Spain and South Africa, we are helping to educate people about nutrition and health. For instance, in the UK we support the British Nutrition Foundation to deliver curriculum material that teaches young people where food comes from, and how to cook and eat healthily.

### Marketing to children responsibly

How we engage children with food is one of the key questions faced by parents and food manufacturers all around the world. Globally, we manufacture only a very small number of products that are designed for children. However, our businesses are mindful of their responsibility to develop nutritious products for children and advertise them in a way that does not promote an unhealthy diet.

### Working with government

Poor diets lead to poor health which costs society and governments a lot of money. In the UK, our Sugar and Grocery divisions have signed up to the Public Health Responsibility Deal, which means we collaborate with the government on helping to improve the health of British consumers.

### Making our products even better

We are one of the biggest bakers in the world, making the yeast and bread which millions of people enjoy every day. We are constantly looking to improve the nutritional value of our loaves and have been adding wholegrain, omega 3 oils and vitamin D, while, since 2004, we have also been cutting sodium. Reducing salt and adding nutrients help keep people healthy.

“**WE MUST USE SCIENCE TO IMPROVE PRODUCTIVITY AND TO INFORM US OF THE EFFECT OF A PARTICULAR FOOD TYPE ON THE HUMAN BODY. WE WILL LABEL OUR PRODUCTS PROPERLY AND MARKET THEM APPROPRIATELY TO CUSTOMERS AND WE CONSTANTLY STRIVE TO IMPROVE FOOD SAFETY.**”

**George Weston**  
Chief Executive  
Associated British Foods plc

# SUGAR

As an advanced and sustainable manufacturer, AB Sugar is committed to building a long-term, robust and resilient business and to achieving our vision of becoming the world's leading sugar business. To do this, we respond to the many challenges and opportunities that arise from climate and population change while ensuring that continuous improvement and operational excellence drive superior efficiency, allowing us to make the most of every stick of cane and root of beet.

## £25m

amount AB Sugar China has invested since 2007 in building effluent treatment plants in its factories

## £870,000

amount Azucarera has spent turning decommissioned water purification ponds into a wetland habitat

## 250,000

number of educational text messages sent to farmers by AB Sugar China in the first six months of 2013

## £4m

spent each year by Illovo on access to healthcare for their employees and dependants

### KEY FACTS AND FIGURES

Total no. of employees	39,231
Employee type	19,930 full time 4,500 part time 14,801 seasonal contractors
No. of women in workforce	5,008
No. of women in management roles	42



The sugar industry can have a significant impact on the environment and that is why we have been focused on promoting energy efficiency and turning sugar co-products into renewable fuel. We also take care to use water wisely and aim to promote biodiversity on our agricultural land.



Our first priority is to keep our people safe at work, making sure they return home as fit and well as they came to work. We then want to ensure that our people are learning through their jobs and enjoy being at work.



Through our actions we strive to make a positive difference to the lives of the people around us whenever possible.



AB Sugar is guided by the recommendations of health professionals on advocating the best way to achieve a healthy, balanced diet and active lifestyle, and believes it is important that everyone has an opportunity to learn about their food, its origin, how it is made, what properties it contains and how it can form part of a healthy, balanced diet and active lifestyle.

► Read more on p30

► Read more on p33

► Read more on p35

► Read more on p36



# INTRODUCTION

AB Sugar is an international business with operations located in countries at all stages of economic development. We therefore take care to address issues and challenges in ways that take account of local conditions and infrastructure and, most of all, the varying needs of the local population and workforce.

Although the challenges of sustainability can vary by region, AB Sugar is working to develop appropriate solutions in three priority areas: energy efficiency; agricultural productivity; and water use. We are also focused on social issues including health and nutrition, labour standards and working with the communities in the areas where we operate.

Sugar provides us with energy and makes a wide range of foods taste good, providing the potential for a varied and palatable diet. However, as a contributor of calories it may lead to weight gain in people who consume more energy than they use. We are well aware of the rising problem of obesity in the western world and are committed

to playing our part to help people achieve a healthy lifestyle. In the UK, we are signatories to the government's Public Health Responsibility Deal and are communicating and promoting the Chief Medical Officer's revised physical activity guidelines. We have also partnered with the British Nutrition Foundation to develop a range of educational resources.

As a responsible corporate citizen, AB Sugar aims to act in a socially responsible manner at all times. We will continue to review and develop our approach to environmental and social challenges, and will ensure that all our procedures are appropriate and compliant with local laws, operating conditions and culture.



**Right**  
Farmers in China tending a sugar beet crop.

## SUGAR

# RESPONSIBLE STEWARDSHIP OF OUR ENVIRONMENT

The sugar industry can have a significant impact on the environment and that is why we have been focused on promoting energy efficiency and turning sugar co-products into renewable fuel. We also take care to use water wisely and aim to promote biodiversity on our agricultural land.

### Energy efficiency

The production of sugar requires considerable amounts of energy which, in turn, has an impact on our carbon footprint. We have been implementing ways to decouple production from our CO<sub>2</sub> emissions. We have invested in improving the energy efficiency of our operations, on-site generation and lower carbon or renewable fuel sources.

**Combined heat and power**  
Combined heat and power (CHP) is the most efficient way of converting fuel to useful energy and is a technique that can burn fossil or renewable fuels.

All AB Sugar factories use CHP plants to provide steam and electricity for processing, and some provide significant electricity for sale to the local network.

Illovo Sugar sold 37 GWh of electricity to the Swaziland Electricity Company during its 2012/13 season and we plan to increase that to 55 GWh by 2015. This principle is taken furthest in the UK, where high-performance, combined cycle gas turbine-based CHP plants operate at the Bury St Edmunds and Wittington factories. These efficiently generate 641 GWh each year.

### Low carbon energy

As well as improving the way we manage energy, we are also reducing its carbon footprint.

For example, in South Africa, the conversion of our Merebank distillery boilers to natural gas firing, rather than relying on buying in electrically derived steam, will result in an annual reduction of 128,000 tonnes in CO<sub>2</sub> emissions.

### Renewable energy

The production of sugar creates opportunities to generate a number of valuable co-products. Cane fibre or bagasse is the fibrous residue resulting from the extraction of juice from the cane. This highly calorific renewable biomass can be burned as part of the fuel mix in our CHP plants, thus producing renewable heat and electricity. All over the world, we are finding better ways to make use of these renewable fuels to reduce our own carbon footprint or to help others reduce theirs.

In the UK, our plant at Wittington creates 55,000 tonnes of bioethanol each year from the residual sugar syrup products from sugar beet processing.

At British Sugar's factory in Newark, we operate an anaerobic digester as an integral part of our



**Right**  
A farmer adding  
Carbocal to his land.



waste water treatment plant. Biogas is a natural co-product but, until 2011, it was being released to the atmosphere where, because of its high methane content, it was adding to our carbon footprint. We installed equipment to divert this biogas to our existing natural gas-fired CHP plant. In 2012, we estimate that this prevented more than 7,000 tonnes of CO<sub>2</sub>e being emitted into the atmosphere.

At our Noodsberg mill in South Africa we use locally sourced wood chips from nearby sawmills blended with bagasse to increase the volume of fuel feedstock for the factory boilers, thereby providing increased electricity generation from renewable feedstocks. The burning of biomass in place of fossil fuels such as coal has resulted in lower carbon emissions and a reduction in ash accumulation.

#### **New bioethanol plant**

In 2007, AB Sugar joined forces with BP and DuPont to create Viverno Fuels Limited to build and operate a world-class bioethanol facility in Hull. The highly efficient new plant was officially opened in July 2013 and converts UK feed-wheat (wheat grown for animal feed) into bioethanol and animal feed. It has the capacity to produce up to 420 million litres of bioethanol and up to 500,000 tonnes of high-protein, high-fibre animal feed products.

We estimate that the bioethanol produced at Hull has the capacity to meet around a third of the UK's current requirements under the Renewable Transport Fuel Obligation and offers greenhouse gas savings of over 50% compared to petrol. This is the equivalent of removing 180,000 cars from the road.

The animal feed produced at Viverno provides the protein requirement for almost one-fifth of Britain's dairy herd.

#### **Getting more from less**

As populations rise and the pressure on natural resources increases, many industries are asking how they can get far more from far less. At AB Sugar, we are focused on making efficiency improvements in two areas: increasing crop yields and finding new markets for co-products.

#### **Agricultural efficiency**

Azucarera has led the way in improving agricultural efficiency by working closely with its growers to share best practice on topics such as soil management, seed selection, irrigation and fertiliser use. We saw a 15% uplift in sugar beet yield between 2010 and 2012, a result we are particularly proud of given the challenging weather conditions in 2012, which began with a very dry spring and ended with a particularly wet winter. This improvement reduced our use of both water and fertilisers: the use of nitrogen was cut by 15% and the use of phosphorus and potassium by close to a third.

Increasing yields is one of the priority focus areas for Germains Seed Technology. It plays a leading role in improving agricultural efficiency, helping the sugar beet and horticulture industries to increase crop yields and reduce the demand for water and field spraying, benefiting both the growers' bottom line and the environment.

#### **Co-products**

We are also improving the efficiency of our operations by finding new markets for the co-products of the sugar production process. It makes good business sense to find markets for these products and it makes environmental sense too.

In the last three years, Azucarera has cut waste disposal costs by more than 50% by finding markets for the topsoil, stones and beet tails. The most significant contribution has been from Carbocal, the brand name we have given to the lime co-product of the sugar extraction process. Carbocal can be used to balance the pH of acidic soils and, because of its organic matter, also gives soil structure. It is widely used by Spanish farmers and mushroom growers.

Another example of creating a market for a co-product is carbon dioxide capture at British Sugar's bioethanol plant at Wissington. Previously, this had been emitted to the atmosphere but a joint venture with Air Liquide, a major supplier of industrial gases worldwide, means that it is now being captured and sold.

We estimate that 40,000 tonnes of CO<sub>2</sub> a year is now being liquefied, scrubbed and filtered before being condensed and sold directly to Air Liquide's customers.

In South Africa, we have taken a product with high disposal costs and turned it into a fuel for the boilers at our Sezela mill. A blend of natural organic compounds is formed as a co-product of the furfural manufacturing process and is now burned as a supplementary fuel.

#### **Water**

We operate in a number of severely water-stressed geographies, making water conservation a top priority. We acknowledge that our operations may impact on surrounding communities, and take full responsibility for our water use. Ensuring access to a reliable supply of water is a critical strategic priority for our business, both to meet our needs and to ensure surrounding communities can meet theirs. We undertake water abstraction operations in compliance with existing water-use licences, which are issued by the relevant authorities within the countries of operation.

#### **Using water more efficiently**

Making water go further is critical to keeping our environmental impact as low as possible.

In Swaziland, we have reduced water abstraction by around 23% by converting the irrigation from a high-pressure furrow sprinkler system to a lower-pressure pivot system. This has led to substantial savings in water and energy, enabling us to expand our agricultural operations without increasing our water entitlement. In addition, we have measured the water footprint of all the estates and factories in Zambia so we can better understand the scope for improvement. We are now in the process of repeating this important work for all operations in the Illovo business.

## SUGAR

In South Africa, Illovo Sugar's Merebank site in Durban is in the final phase of implementing a water recovery programme. The water generated by the lactulose process will be transferred for use in the ethanol fermentation process. This initiative will reduce the water volumes we are taking from local municipality water sources by a fifth.

In Spain, Azucarera's team of area managers have been working with growers to ensure that water is used at the right times and in the right quantities. In the 2012/13 growing season, half of all water applications were adjusted to match requirement. In addition, we have modernised the irrigation facilities of one-third of the beet area in the north, helping to reduce energy and water use while improving working conditions and increasing yields.

British Sugar is a signatory to the Federation House Commitment (FHC), which was developed in partnership between the Food and Drink Federation and the former government-funded body Envirowise. The FHC sets out, in a landmark agreement, a process for UK food and drink manufacturing companies to work in a systematic way towards improving their water efficiency.

### Improving our water treatment infrastructure

It is not just the water that we put into our fields that we care about: we also need to ensure that the water being discharged from our factories is clean and safe to be returned to nature.

When AB Sugar China began investing in the beet sugar industry in northern China in 2007, there were almost no qualified effluent treatment facilities operating in the sugar factories in Heilongjiang, Inner Mongolia or Hebei. Since then, AB Sugar China has invested £25m to build effluent treatment plants at our sugar factories.

### Biodiversity

We believe that industry has a responsibility to minimise its negative impact on wildlife and the local environment, and are engaged in a number of projects to protect the land near our sites and the species using it.

#### Biodiversity champions

In the UK, we have introduced biodiversity champions at each site and, in spring 2012, we joined forces with the Wildfowl and Wetland Trust (WWT) and Anglian Water to hold a team biodiversity training day. 13 employees were chosen from across six British Sugar sites to take part in the training, providing them with an understanding of the importance of supporting and promoting biodiversity on our sites, as well as a basic knowledge of protected species that may be attracted by the habitat. This was the first in a series of annual training days which will look at a variety of different species each year, building the team's knowledge and keeping individuals engaged and vigilant on behalf of the business. A long-term relationship with WWT will facilitate access to continuing expert support for the environmental managers on each British Sugar site.

#### Protecting wetland habitats

When decommissioning a number of factories under the previous EU Sugar Reform, the Guadalquivir factory near Cádiz included an £870,000 programme to turn the factory's water purification ponds into a wetland habitat. Working closely with the regional Wildlife Department and the Council of Environment, Azucarera extended an existing area of wetland that the company developed more than five years previously and it now covers 36 hectares. This wetland development is already attracting significant numbers of birds, including some protected species.

Azucarera also has an agreement with the Wildlife Department to maintain the Las Quinientas wetland as both an industrial pond and a natural habitat for many species of birds, including flamingos.

#### Preserving local ecosystems

In the UK, British Sugar directly manages around 750 hectares of land, so we have introduced a biodiversity programme to help us protect it. We have been part of the WildCare scheme since 2010 and now have seven sites with WildCare certificates. This independent standard targets habitat provision and helps to protect and enhance biodiversity. Our support for this scheme includes ensuring that at least 10% of each working site is managed for the benefit of plants and wildlife.

In Africa, we are mindful of our potential impact on the local biodiversity and take care to preserve the ecosystems on our land and in the surrounding areas. A number of our operations are sited within conservation areas, making this preservation effort all the more important. We are responsible for the management of the Nyala Park in Malawi and the Mhlosinga Nature Reserve at Ubombo in Swaziland. In addition, we support a variety of initiatives that protect specific areas such as the Mwananchingwala conservation area adjacent to our Nakambala estate in Zambia, and various conservation projects aimed at protecting the Magombero Forest adjacent to our Kilombero estate in Tanzania. We are also supporters of the Malawian government's Reforestation Initiative.

“

**VIVERGO IS NOW THE UK'S BIGGEST WHEAT BUYER, TAKING 1.1 MILLION TONNES OF UK FEED-WHEAT AND EFFICIENTLY CONVERTING IT INTO HIGH-VALUE COMMODITIES SUCH AS BIOETHANOL AND ANIMAL FEED, WHICH THE UK WOULD USUALLY IMPORT. PRIOR TO THIS, UP TO 70% OF THE PROTEIN NEEDED FOR EU AGRICULTURE WAS BEING IMPORTED SO WE HAVE CONTRIBUTED TO FOOD SECURITY, AS WELL AS PRODUCING FUEL AND FOOD IN A SUSTAINABLE WAY.**

Managing Director  
Vivergo

## BEING RESPONSIBLE FOR OUR PEOPLE

Our first priority is to keep our people safe at work, making sure they return home as fit and well as they came to work. We then want to ensure that our people are learning through their jobs and enjoy being at work.

### Investing in our people

At British Sugar, we understand the value of investing in our people: in the last financial year we spent £1.3m on providing 5,470 classroom training days. When we conducted a staff engagement survey, 84% of our employees said they were proud to work for us and 85% said they were 'prepared to go the extra mile for us to succeed'. We are proud that British Sugar entered The Times Top 100 Graduate Employers list for 2012/13.

In Spain, Azucarera's recent focus has been on implementing procedures and measures to eradicate discrimination and harassment, and to provide clearer information for our staff on our policies and practices. This year, our focus has been on promoting work-life balance by putting processes in place to obtain the EFR Certificate for companies that support family life, and by conducting a benchmarking exercise to see what we can learn from similar organisations.

### Keeping our people safe

Our international seed technology business, Germains, has been focusing on health and safety. Having improved the safety of the working environment, we switched our efforts to behavioural change and employee engagement. We introduced various initiatives at both the global and local level such as the introduction of health and safety noticeboards and the inclusion of full health and safety briefings in new employee inductions. As a consequence, we have seen significant reductions in accidents causing employees to have to take time off. In our King's Lynn, UK site 281 lost days were recorded in 2010 and, by 2012, we had cut that to just two.

At Vivergo, we achieved a major safety milestone in 2012, when we completed 5 million hours without a 'Day Away from Work Case' (DAFWC). To mark this achievement, we sponsored a jet bike for Hornsea Inshore Rescue, a vital rescue service manned entirely by volunteers.

### Taking care of workers in Africa

We recognise that living standards and working conditions in Africa can vary and sometimes fall below acceptable standards. As farm labourers make up a significant proportion of Illovo Sugar's workforce there, we have made it our responsibility to provide healthy working conditions and have put in place a comprehensive welfare system to make sure our employees and their dependants are housed and healthy, and have access to education.

### Housing and education

We offer accommodation to employees and their families, whether that is formal staff housing, informal villages or hostel dwellings for employees on fixed-term contracts. Drinking water and electricity are provided as standard, and we take care of basic maintenance. Where it is not provided by the respective local authority, we also provide sanitation and refuse removal.

We also help our employees with the costs associated with educating their dependants, as part of our continuing commitment to social empowerment. This assistance includes the allocation of bursaries, grants and loans for higher and further education.

### Healthcare

We spend over £4m each year giving Illovo Sugar's employees and their dependants access to healthcare, either through the network of four hospitals and 24 clinics run by the group or through the provision of medical insurance schemes.

Every one of Illovo's operating sites employs qualified medical practitioners to provide occupational health services. In total, we employ almost 300 doctors, nurses and ancillary medical staff. Services include regular job-related medical examinations, baseline assessments and continuing monitoring and management of health status, such as hearing and lung function testing. Annually, our medical facilities handle 450,000 patient visits with 17,500 inpatient admissions.

### INVESTING IN OUR PEOPLE



British Sugar spent

**£1.3m**

last year providing

**5,470**

classroom training days for UK staff

### HEALTHCARE



We spend over

**£4m**

each year giving Illovo Sugar's employees and their dependants access to healthcare



## SUGAR

The group continues to take a proactive stance against life-threatening epidemics such as HIV/AIDS, malaria and tuberculosis. In Swaziland, Illovo's Ubombo hospital facility received a certificate of recognition for being one of the top hospital facilities for HIV care in Swaziland and also received four other prizes from the Swaziland Business Coalition on HIV/AIDS.

### Labour and employment

We are committed to ensuring that employee relations are sound and comply with internationally recognised labour practices. We interact with a range of labour forums related to topics such as collective bargaining and, since approximately 89% of all Illovo Sugar employees are unionised, the group attends regular union meetings.

More than half of Illovo's small grower population is female and we are fully committed to treating them equally and without discrimination. We recognise the important role of women and women's empowerment in our supply chain, and acknowledge the need to procure more goods from enterprises owned by black women. Illovo also subscribes to the Broad Based Black Economic Empowerment programme (BBBEE) in South Africa, which advocates women's empowerment.

### Accountability

Illovo's board monitors developments in the various African countries in which it operates to ensure local requirements are met and that we stay abreast of, and implement, relevant local international best practices. In line with recently revised South African statutory requirements, the Illovo board formed a Social and Ethical Committee in March 2012. The committee consists of eight directors and its objectives and responsibilities include social and economic development, good corporate citizenship, environment, health and public safety, consumer relationships, labour and employment, and general monitoring of social and ethical activities across the Illovo group. It also looks at the Illovo group sustainability framework, with the main focus being energy



and carbon management, water usage and continuous improvement.

### Life outside work

We know our people enjoy full, active lives and understand the mutual benefits of supporting them in activities outside the workplace too.

### Children's summer camp

In Spain, we help parents manage the challenge of balancing childcare during the long summer holidays. Every year, Azucarera organises a two-week residential summer camp for 90 children aged between 8 and 15 years. These young people are given the opportunity to take part in a range of fun, outdoor activities. In 2013, Azucarera invested £107,000 in the project.

### Charity grants

In the UK, British Sugar places emphasis on encouraging our employees to support others. We have created an annual fund of £10,000 and invite employees to apply for support grants of up to £500 each. Since November 2010, we have supported more than 80 charities, with our employees taking part in such diverse activities as climbing Mount Kilimanjaro and fire walking, all in aid of charities that are close to their hearts.

### Above

AB Sugar CEO Mark Carr climbed Kilimanjaro as part of a group for Farm Africa, a UK-based charity supporting small grower schemes throughout east Africa.

## BEING A RESPONSIBLE NEIGHBOUR

Through our actions we strive to make a positive difference to the lives of the people around us whenever possible.

### Community support

Many of our sites are in developing countries where we extend our support for our employees beyond normal boundaries and into nearby communities.

For instance, in Africa, in addition to providing accommodation, healthcare, educational assistance and basic services to employees, Illovo Sugar provides a range of services for the wider community. These include the provision of medical care to communities where no other facilities exist, assisting in education delivery, providing municipal and civic services including access to water and sanitation, and participating in community outreach programmes.

### Providing aid

After many years of including sugar in its food aid programme, the Spanish government stopped this practice in 2011. Since then, Azucarera has made food aid a cornerstone of its support for local communities, prioritising geographic areas near its sites. To date, it has given away 66 tonnes of sugar to local soup kitchens and NGOs.

In 2012, we used our land in Malawi to plant and harvest maize, which we then donated to 5,000 households, orphanages and care centres affected by drought and water shortages that summer. In February and March 2013, we also helped 2,000 people who were displaced by heavy rain by providing shelter, food and medical care at a school on one of our estates.

### Improving local facilities

Illovo supports local projects to upgrade schools through activities such as classroom building, and provides assistance to improve school administration and management at 27 schools across the company, some of which are funded entirely by Illovo Sugar.

In South Africa, we have embarked on a community uplift project in the Sobantu Village, which borders our new warehouse facility in Pietermaritzburg. The first phase of this project has been completed and involved the refurbishment of a crèche that provides care for 150 local children.

This included renovations to toilets and washing facilities, upgrading plumbing and electrical systems, painting the building infrastructure and providing new classroom furniture and facilities.

Further south, in the area surrounding our Eston mill, we have added two new classrooms to Sethabe Primary School and renovated three of the existing classrooms. The school provides education for underprivileged children in the area.

### Supporting education

In China, our focus on providing education continues, with AB Sugar China establishing an educational fund to support outstanding students from poor families in Heilongjiang. We have also founded a charity fund in our factories, which, with the supervision of local government, supports local education in ten counties where we have sugar mills. In southern China, we also make donations to local schools that cater for special needs.

### Philanthropy in the UK

Our new joint venture Vivergo is very active in the local community. A core part of this company's culture is sustaining the wellbeing

of people and the environment, and we strive to be a catalyst for good in the local area. We support a range of charities and community groups in the Hull and Humber area and, over the last three years, more than £200,000 has been raised and donated in support of charity and community initiatives.

Some examples include raising £20,000 for KIDS, a charity supporting disabled children and their families, to contribute to a new conservatory, accessible toilet area and landscaped garden at the charity's regional base in Hull. In 2011, we raised another £20,000 to fund a custom-built caravan for a local charity, the Echoes Foundation, which offers families who have children with special or additional needs the opportunity to spend some quality time together at a local holiday park. In the most recent financial year, we have renovated the garden area at a local children's hospice, Sunshine House, where volunteers from our company have cleared the existing space and raised the money to install a new soft play surface and complete the garden project. Further fundraising activities are planned for the coming year.

## KEEP BRITAIN BLOOMING

Although the UK is one of the least water-stressed areas in which we operate, some areas are subject to drought during the summer.

During the hosepipe ban in 2012, we offered the rainwater we were collecting at British Sugar's Bardney site to East Lindsey District Council. This enabled the council to maintain attractive flower beds throughout Mablethorpe, Skegness and Sutton on Sea.

Councillor Craig Leyland said: "Tourism is so vitally important to our economy – to local business and to jobs – and we need to ensure that when visitors come they want to come again. Our new planting schemes are one part of the much broader visitor offer in East Lindsey and I'd like to thank British Sugar for their support in helping us do this."

Company environment manager said: "Protection of the environment is integral to our operations and we are delighted to have been able to support East Lindsey District Council in supplying rainwater collected at our Bardney operation. We are extremely proud that the rainwater was used to the benefit of local residents and visitors during the 2012 summer season."

## SUGAR

# RESPONSIBLE FOR PROMOTING GOOD HEALTH

AB Sugar is guided by the recommendations of health professionals on advocating the best way to achieve a healthy, balanced diet and active lifestyle, and believes it is important that everyone has an opportunity to learn about his or her food, its origin, how it is made, what properties it contains and how it can form part of a healthy, balanced diet and active lifestyle.

### Nutrition education

AB Sugar works with a number of scientific bodies around the world to continue to understand and improve the scientific basis of nutrition and the constituents of a healthy, balanced diet.

#### Collaborating with the British Nutrition Foundation

In the UK, British Sugar has worked with the British Nutrition Foundation (BNF) to develop a range of educational resources for secondary students covering areas such as sugar production and processing, known as 'Beet to Bowl'. These resources focus on four key areas: growing sugar beet; the story of a sugar factory; the chemical reactions involved in the production and processing of sugar; and the uses of sugar. The resources are differentiated in order to support key stage 3, key stage 4, BTEC and AS/A level students in subjects such as Science, Food Technology and Geography.

The 'Beet to Bowl' resources include PowerPoint presentations, worksheets, interactive whiteboard activities, scientific experiments and supporting teacher notes, all of which can be downloaded from the British Sugar website <http://www.britishsugar.co.uk>.

As a member of the BNF, British Sugar has provided support to the Foundation's 'Food – a fact of life' (FFL) education programme. This programme provides appropriate, curriculum-compliant and school-tested resources to support learning about where food comes from, cooking and healthy eating for young people aged three to 16 years. In 2012, the FFL website received 1.3 million visits, and it continues to flourish, providing accurate messages around food, nutrition and health to schools.

British Sugar also supports Sugar Nutrition UK whose role is to improve knowledge and understanding concerning the contributions of sugar and other carbohydrates to a healthy balanced diet, whilst also monitoring developments in nutritional science and funding scientific research in academic institutions throughout the UK.

### Partnerships in Africa

In South Africa, the role of nutrition for good health and disease management is becoming a topical issue within schools due to the increased levels of malnutrition, involving both under-nutrition and obesity in schoolchildren. Illovo Sugar supports the South African Sugar Association (SASA), which has developed science-based nutritional information in the area of sugar and health within the medical community. In Zambia and Malawi, we also assist the governments' vitamin A fortification programmes.

#### Promoting healthy living in Spain

In Spain, Azucarera supports the Spanish Sugar Institute (IEDAR), and during the last two years has focused on educating a range of stakeholders, predominantly schools and universities and housewives, with education workshops. We also support the Spanish Food and Drink Federation (FIAB) activities, and organised a workshop on 'journalism, ethics and health' for specialised media.

Azucarera also supports the promotion and education of physical activity combined with a healthy, well-balanced diet through a number of charity programmes. In 2012, Azucarera supported the 'Action against Cancer' race in the town of La Bañeza, as well as races in Madrid organised by the Non-Governmental Organisation, Entreculturas, aimed at raising funds for schools in Angola.

### Looking after our staff

British Sugar signed up to the 'Public Health Responsibility Deal – Collective Pledge' to communicate and promote the Chief Medical Officer's revised physical activity guidelines, which reflects our belief that we have a responsibility to help our staff to lead healthy lives through health and wellbeing initiatives, the provision of health checks, access to an employee assistance programme, and by participating in the UK government's 'Cycle to Work' scheme.

“IT IS IMPORTANT THAT TEACHERS AND STUDENTS HAVE ACCESS TO HIGH-QUALITY RESOURCES TO SUPPORT LEARNING. IN ADDITION, TO ENSURE THAT TECHNICALLY AND SCIENTIFICALLY ACCURATE INFORMATION IS BEING USED, IT IS USEFUL FOR THOSE INVOLVED IN FOOD PRODUCTION AND PROCESSING TO MAKE RESOURCES AVAILABLE TO INFORM AND DISPEL MYTHS. THE 'BEET TO BOWL' RESOURCES ARE AN EXAMPLE OF WHERE THIS HAS HAPPENED.

Roy Ballam  
Education Programme Manager,  
British Nutrition Foundation

### NUTRITION EDUCATION



## BEET TO BOWL

British Sugar has worked together with the British Nutrition Foundation to develop a range of educational resources for secondary students covering areas such as sugar production and processing, known as 'Beet to Bowl'



# WORKING WITH OTHERS

We see the value in joining forces to achieve shared goals, and have formed a number of strong relationships with organisations outside our businesses.

## Sharing knowledge

The British Beet Research Organisation (BBRO) is a not-for-profit company set up jointly by British Sugar and the National Farmers' Union with the objective of increasing the competitiveness and profitability of the UK beet sugar industry in a sustainable and environmentally acceptable manner.

In 2012, Germains supported the BBRO when it launched the '4x4' initiative with the ambition of achieving a 4% increase in growers' sugar beet yields in the four years to 2015. This collaboration will ensure that an effective and long-running research and development programme is in place to provide the group with valuable intelligence.

The BBRO also funds a range of knowledge transfer and grower communication projects, including publications, practical farm open days, conferences and online services. This work is jointly supported by growers and British Sugar through a fund of over £2m per annum.

As in the UK, in Spain, the not-for-profit organisation AIMCRA (the Spanish Beet Research Organisation), funded by growers and Azucarera, is the sole sugar beet institute in the country devoted to the research and development of sugar beet and sugar beet crops. Its staff of technicians provide tailor-made support to growers thanks to integral improvement plans, which address the areas of sustainable management, rational use of inputs, and reduction of energy consumption. AIMCRA is also a member of the International Institute for Beet Research and maintains a very close relationship with other research institutions, both national and international.

As shown on page 32, promoting biodiversity is a business priority for British Sugar and we have extended this effort through partnerships. We have shared our annual field survey data with Natural England, allowing it to see the value of the UK beet crop to the environment. We have also been working with the Environment Agency (EA) on the effective management of soil and water, with a view to demonstrating best practice within the beet sector. Two workshops have been held, to which a pan-industry group of representatives was invited, with the objective of contributing to the EA's Catchment Sensitive Farming project.

In addition, British Sugar actively contributes to the Food and Drink Federation (FDF) working groups on climate change, environmental regulation and water. Through active support of the water working group, British Sugar was involved in the production of the FDF's 'Every last drop, saving water along the supply chain' booklet, part of its Five-fold Environmental Ambition to improve environmental sustainability across the supply chain.

Similarly, in Spain, Azucarera contributes to a number of the working groups of the Spanish Food and Drink Federation (FIAB) including environmental affairs, food law, nutrition and communication.

Illovo has contributed to the development of the Sustainable Sugar Cane Farm Management System (SuSFarms) to advance sustainable agricultural practices, initially in conjunction with the World Wildlife Fund. SuSFarms is based on the economic, social and environmental principles for sustainable sugar cane production, and it is hoped that it will eventually form the basis for a credible certification system leading to an eco-label and, ultimately, access to niche markets where consumers demand sustainably managed natural products.

## Seeking help

Illovo Sugar has initiated engagement with the International Labour Organization to ask for assistance and guidance in proactively managing the possible risk of child labour in the supply chain in Africa.

## Helping government

Illovo Sugar has been appointed as a strategic advisor to the government of South Africa to support its Comprehensive Rural Development Strategy, which is linked to land and agricultural reform and includes the recapitalisation of all land transfers to historically disadvantaged persons. We are currently offering support at 55 separate sugar cane farm projects by providing free training and mentoring to new farmers, and ensuring that grant funding from the government is used in accordance with agreed business plans. At no cost to the government, we are supporting these projects with dedicated staff and administrative support, managing the disbursement of funds, overseeing all contractors engaged in the projects, and supplying quarterly reports.

## Supporting our suppliers

We know there is mutual advantage in working closely with the growers that supply us, and sharing knowledge on topics such as soil conservation, growing techniques and seed varieties. We also share weather information with farmers to help them identify the most appropriate timings for crop intervention. Experience in the UK has shown that the application of good practice optimises the use of farm inputs whilst increasing yields, thus decreasing greenhouse gas emissions per tonne of sugar produced.

AB Sugar China has joined forces with the Ministry of Agriculture to develop the 'Beet Academy', which aims to enhance the productivity of local farmers, large growers and village leaders. During 2012, 175 people received training on topics such as fertiliser use, planting techniques and how to increase yields, and a further 200 will be trained in 2013. In order to

disseminate this knowledge even more widely, we have organised a communications campaign aimed at helping farmers to increase their income by harvesting more beet and cane from less land whilst using fewer inputs. In the first six months of 2013, more than 250,000 texts were sent to farmers on topics such as climate change, weed and pest control and tips on harvesting and storage.

In South Africa, we have created the Illovo Grower Forum to enable us to hold discussions with growers that supply us with sugar cane. At the most recent meeting in February 2013, issues discussed included the labour unrest in the agricultural sector in the Western Cape province, and the new minimum wage for the agricultural sector and the effect that this is likely to have on the sugar industry. Similar groups are being created across our southern African operations.

In the UK, the BBRO provides growers with guidelines based on many years of research on topics such as fertiliser use and efficient water use. It has also funded work on carbon footprinting and life cycle analysis on the sugar beet crop to help inform actions that can be taken to reduce greenhouse gas emissions.

The BBRO provides a free, online weather information service and British Sugar is engaged in a development project with independent weather forecasting company 'Weatherquest' to bring more reliability to the four-weekly forecast. In Spain, Azucarera runs a similar web-based service, further enhanced by sending messages directly to growers' mobile phones.

# AGRICULTURE

AB Agri operates at the heart of the agricultural industry with activities that stretch from the farm to the supermarket shelf. Our unique breadth and experience enables us to add value and generate returns for businesses all along the food, drink and biofuel supply chains. We focus on sustainable food production by prioritising three activities: producing more food with fewer resources, learning from and enabling others in the agri-food supply chain, and working to enhance the natural assets that are linked with food production.

100%

proportion of UK factory sites that are ISO 14001 certified

1,000

number of British farmers who have been helped by the think.water programme

83%

percentage of AB Agri waste recycled in the UK

-50%

reduction in Lost Time Injuries since 2010

KEY FACTS AND FIGURES	
Total no. of employees	2,038
Employee type	1,851 full time 70 part time 117 seasonal contractors
No. of women in workforce	486
No. of women in management roles	49



We recognise that, for food production to be sustainable, we have a responsibility to understand the environmental impact of the entire supply chain and to address these challenges in partnership with other stakeholders.

► Read more on p40



We are building a culture and reputation where our actions are true to the words we speak and the principles we believe in. People are AB Agri's most important asset and protecting our people at work is our number one priority.

► Read more on p44



We aspire to be recognised as a positive contributor both to our local communities and to the wider global food production community.

► Read more on p45



We provide the ingredients and feed that go into making food that is safe for human consumption. As a business in the agri-food supply chain food safety is a primary concern. AB Agri has been instrumental in leading feed safety within the UK agri-food industry, in particular through the development of the feed safety assurance schemes which are now essential.

► Read more on p47

# INTRODUCTION

At AB Agri, we believe that food security is the most important challenge facing society. With the global population projected to increase to nine billion by 2050, the world's agricultural industry needs to ensure it can produce enough safe, nutritious and healthy food to meet the growing demand. This will become ever more challenging in the context of changing climate and increasingly unpredictable weather patterns, coupled with global political uncertainty, market volatility and raw material supply challenges.

As a major business operating across the entire food supply chain, we have a responsibility to be active in meeting the challenges of delivering a sustainable food system. We have therefore identified sustainability as a strategic priority for the business. We have established a cross-business sustainability board, with the objective of delivering a framework that not only enthuses and excites people, but also delivers tangible and lasting benefits to the supply chain.

Our sustainability vision directs our efforts to those areas where we can contribute most towards food security. It prioritises three activities:

- producing more food whilst using fewer resources;
- learning from and enabling others in the agri-food sector; and
- enhancing the natural assets linked with food production.

To ensure that the whole business works on these priority areas

consistently, our sustainability board is leading a programme to identify the most effective contribution that can be made by each business in:

- raw material sourcing and how we work with our suppliers;
- optimising resources in our business operations; and
- understanding and improving the impact from the use of our products and services.

This allows us to identify the areas where we can make a material difference, as well as generating strategic and commercial advantage. Wherever possible, we adopt the approach of 'measure, improve, measure' to ensure that we remain accountable and are making tangible and authentic progress. We are in the early stages of this new approach but over the last three years our businesses have made good progress.

We are particularly proud of the leadership role that we have taken in the establishment of Bright Crop, the new cross-sector

initiative tasked with promoting careers in agriculture and food production to children (see: [www.brightcrop.org.uk](http://www.brightcrop.org.uk)). When combined with our continued investment in research and development into key issues such as the need for alternative proteins for use in animal feed, this ensures that we retain a strong focus on the future. We have also played a key role in raising standards of food safety and traceability in China, something that is of increasing concern within the agricultural sector in Asia, and have played a similar role in the area of health and safety standards within the UK agricultural industry.

None of these challenges is easy and we will continue to review and refine our approach as our understanding develops. We recognise that our commitment to food security is a huge and complex undertaking, but we want it to be at the very heart of our business.





## AGRICULTURE

# ▲ RESPONSIBLE STEWARDSHIP OF OUR ENVIRONMENT

At AB Agri, we recognise that, for food production to be sustainable, we have a responsibility to understand the environmental impact of the entire supply chain and to address these challenges in partnership with other stakeholders. All of the businesses within AB Agri are engaged in working on the three elements of our sustainability vision whilst still having the flexibility to prioritise their efforts in the areas where they can make the most difference.

### Optimising and improving our operations

#### Energy

The first steps in managing our environmental impact have to be about 'getting our own house in order'. We are constantly seeking new ways to improve our energy profile and support other businesses to optimise theirs. We have focused on process efficiency improvements, technology replacement, transport optimisation and innovative production methods.

#### Efficiency improvements

Improving process efficiency is delivered through many discrete activities which together make a

significant difference to our energy usage and, subsequently, our environmental impact.

All of our major manufacturing plants in the UK are certified to ISO 14001 standard. To obtain this accreditation, we must ensure that we have annually updated energy and CO<sub>2</sub> targets which we work towards. Many sites also have legally binding Climate Change Agreements in place to deliver a reduction in the energy used to produce each unit of feed. We have a target to reduce our energy consumption from 2008 by 7.5% per tonne of feed produced by 2023. This is delivering both cost reduction benefits and lower

carbon emissions. At three sites where mains gas is not available, boilers have been converted to run on liquefied petroleum gas (LPG), a cleaner fuel that has resulted in lower CO<sub>2</sub> emissions.

Across our UK businesses, we are working with our process control supplier to implement an integrated energy monitoring system that will enable us to understand fully the energy used throughout our production processes, as well as the energy implications associated with using different raw materials. We have also conducted site evaluations of the potential use of wind power and combined heat and power (CHP). These reports

## SAINSBURY'S CARBON FOOTPRINT INITIATIVE

Sainsbury's ten dedicated Development Groups involve over 2,500 British farmers and growers, and currently cover beef, lamb, pork, eggs, veal, chicken, milk, cheese, wheat and produce.

The key areas of focus are animal health and welfare, business improvement, environment and energy, and collaborative working.

The carbon footprinting tool, developed exclusively for Sainsbury's, has the potential to play a role in reducing farm energy consumption and carbon emissions. It is the only tool to achieve the exacting PAS 2050 standard, the highest tier of accreditation given by the Carbon Trust. The initiative has saved 48,000 tonnes of carbon since 2007.

The value of this initiative in driving real environmental improvements within the UK agri-food chain has seen Sainsbury's win a range of prestigious sustainability awards, and we are proud that AB Sustain's part in supporting this was acknowledged with a Sainsbury's Suppliers Award in 2012.



will inform our investment decisions in the coming years.

### Technology replacement

The implementation of a cost and carbon reduction strategy across all of our feed mills has led to the installation of inverters on all large motors, which ensures that only the required amount of energy is used to drive machinery. We invested in a new gas-fired boiler at our Cupar plant, which required the laying of a new gas main to the site covering a distance of more than two miles, allowing the use of cleaner, more efficient gas from the grid. These two major initiatives, together with additional process improvements, have reduced CO<sub>2</sub> emissions and energy consumption per tonne of feed by 20% and 30% respectively since 2011. At our Enstone feed mill, a conventional batch mixer has been replaced with a new paddle mixer, helping to reduce the energy used in this part of the process by 15% per tonne of feed.

In China, we have six feed manufacturing sites. Two new, energy-efficient plants have been built in the last three years at Tianjin and at Xinxiang (replacing an old inefficient plant). The new Tianjin plant has a gas-fired boiler that is significantly more efficient than the coal-fired boilers traditionally used, producing 37% less CO<sub>2</sub>. Three Chinese sites have been fitted with new water scrubbers to reduce emissions from the coal-fired boilers.

### Transport optimisation

In the UK, we are currently undertaking two transportation trials to maximise the efficiency of our transport fleet. The first trial involves mixing LPG with diesel in our trucks to assess whether there are genuine economic and environmental benefits to be gained through developing a new fuel mix. The second trial focuses on vehicle utilisation. Fuller trucks mean fewer journeys and a lower environmental impact.

### Innovative production methods

The wide range of knowledge and capability within the group enables collaboration across our different businesses to drive

innovation within the feed chain. As an example, we are conducting trials to look at the effects of changing the way feed enzymes are added in the animal feed manufacturing process. Traditionally, liquid enzymes have been sprayed on to pelleted feed at the end of the manufacturing process, but trials at the UK Fridaythorpe mill have proved that the unique characteristics of an AB Agri feed enzyme product, Econase XT, allow it to be applied to the feed prior to pelleting, resulting in a reduction in the energy needed.

### Waste and water

AB Agri's UK business now recycles over 83% of the waste it produces and is working towards a target of achieving zero waste to landfill. The production process at our Rugeley and Melmerby sites enables 70% of waste to be fully segregated and so recycled. Waste feed material created during the product pelleting process is now screened and reintroduced back to the production process, resulting in 98% of the site's waste being diverted from landfill.

At Flixborough mill, a reverse osmosis plant has been installed to provide energy-efficient water treatment for all the boiler plants. An added benefit is that the waste water from the reverse osmosis plant is recycled as grey water in the factory amenity block.

### Land use and natural capital

We know that protecting and enhancing the natural assets used in food production is vital to ensuring a more sustainable, productive and resilient food system. Again, we want to begin within our own operations and then expand to involve our supply chain. As a starting point, we have identified natural capital management as an immediate priority for all our own sites, to build awareness of some of the key issues among our own employees. AB Sustain is a division of AB Agri that specialises in working with clients to design, develop and deliver sustainable agricultural supply chain solutions and operates a 'WildCare in the

Workplace' programme. This programme is in use at our UK head office and other group sites and focuses on driving the enhancement of biodiversity and natural capital. In China, we are also encouraging employees to use land on our feed mill sites to grow fresh produce.

### Innovating and improving supply chains

We have a clear focus on sourcing safe and sustainably produced raw materials in addition to supporting ever-increasing levels of precision within agriculture. The following are examples of how our products and services drive sustainable growth:

#### Sourcing safe and sustainably produced raw materials

Moving towards using only sustainably sourced soya and palm feed materials is a key objective, although achieving this when many of our raw materials are derivatives of soya and palm, and are products traded in a global commodity market, is not easy.

We have started the journey to meet the group 2015 palm oil commitments by purchasing Green Palm Certificates to cover the palm oil used in our protected fat product, Butterfat Extra. From May 2013, we have been purchasing over 50% of the soya meal used in the ABN UK feed mills from suppliers that have added sustainability criteria to their standard material specifications.

In addition, trials have been carried out in dairy cows to show that home-produced, protected rape meal and co-products from the distillery industry are effective substitutes for soya. Similar research is being undertaken in poultry to use home-produced protein to minimise soya usage. We are also working with the Food and Environment Research Agency on a project funded by the Technology Strategy Board looking at the possible use of alternative proteins derived from insects in pig and poultry diets.

**WE HAVE A CLEAR FOCUS ON SOURCING SAFE AND SUSTAINABLY PRODUCED RAW MATERIALS IN ADDITION TO SUPPORTING EVER-INCREASING LEVELS OF PRECISION WITHIN AGRICULTURE.**



## AGRICULTURE

### THINK.GLOBAL

On behalf of clients, the programme currently benchmarks

**185  
PROCESSING  
FACILITIES**

across

**60  
COUNTRIES**

and assesses supply chains that touch

**2.5 MILLION  
FARMERS**

around the world

#### Precision agriculture

Within AB Agri, research programmes are designed to deliver precision nutrition to minimise nutrient input and optimise output whilst also providing improvements in environmental impact and animal welfare. One area of particular focus has been the quantity of protein used in animal feed. As the EU is only 30% self-sufficient in protein, there is a real need to reduce reliance on soya, which is a key ingredient within poultry feeds. Our AB Connect division has accurately assessed the protein requirements of the modern broiler chicken grown in the UK, to enable diets to be formulated with the correct amount of protein needed to maximise growth and minimise wastage to the environment. We support our feed products in the field by developing close relationships with our customers to help improve performance, product efficiency and animal welfare. For example, six months' management advice for one customer has resulted in a 9% reduction in feed used to grow chickens to the required weight.

#### think.global

think.global is a sustainability programme developed to be highly adaptable and scalable to enable its use across a variety of agricultural supply chains. All major aspects of sustainable agricultural supply are covered by the programme, including product integrity and food safety, traceability, resource efficiency (including greenhouse gas reduction), processing, agronomy, effect on natural resources and environment, social issues and community. On behalf of clients, the programme currently benchmarks 185 processing facilities across 60 countries and assesses supply chains that touch 2.5 million farmers around the world. It combines online supplier self-assessment with regular, independent on-site visits by AB Sustain teams to validate data. AB Sustain analyses all the data collected from online entries and on-site reviews and interprets the findings to create impetus for continuous improvement along supply chains, and for the management of business risks.

#### think.water

Dairy farming is an intensive user of water, presenting challenges in locations where it is an increasingly scarce and expensive natural resource (including the UK). AB Sustain has developed think.water to help farmers measure their current water usage and identify potential areas for improvement.

Designed to highlight the source and effectiveness of water use within the dairy enterprise, think.water allows farmers to look at their own business and also benchmark their position relative to other farmers. As part of the assessment process bespoke, practical recommendations are put forward that will contribute to future improvements in the efficiency of water use.

Working with a leading dairy company and over 1,000 farmers, the initiative is helping to raise awareness of water use and to reduce production costs.

#### think.nature

The protection of biodiversity, whilst complex to value and quantify accurately, is essential for our future wellbeing and economic development. As a society, we are only now beginning to recognise some of the services that natural fixed assets such as hedges, woodlands and soils provide. To address this key issue, AB Sustain has developed think.nature in partnership with Natural England. This is a unique model that enables a valuation of natural capital at farm, field or site level.

The model scores fixed assets such as hedges, woodland and soils and generates a natural capital monetary value. It also provides recommendations for improving the natural capital of the farm and calculates the net impact of changes. The model links to the latest environmental stewardship data provided by Natural England, enabling farmers and other land users to make informed choices and balance enhancement of the land's natural capital with its productivity.

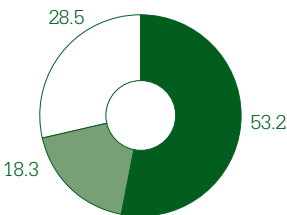
THINK.WATER



In the livestock sector, dairy farming is an intensive user of water which is an increasingly unreliable and expensive natural resource. AB Sustain has developed **think.water** to help farmers assess their current water usage and identify potential areas of improvement.

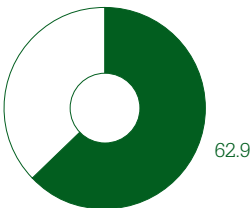
Water source %

Mains water   Abstracted water   Harvested water



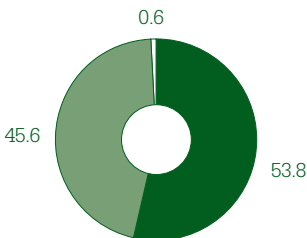
Recycled water %

% of water potentially available for recycling



Usage profile %

Cow consumption   Milking process   Other dairy use



These charts are examples of the kind of data a farmer might receive.

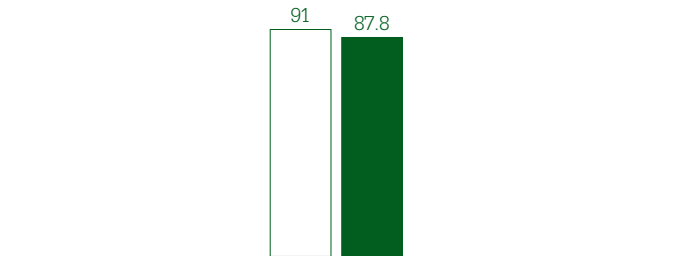
THINK.NATURE



It is well known that the protection of biodiversity, whilst complex to value and quantify accurately, is essential for future wellbeing and economic development. To address this key issue, AB Sustain has developed **think.nature**. Endorsed by Natural England, this unique, first of its kind model enables the valuation of natural capital at farm level. Farms are benchmarked and given advice on how to increase natural capital without negatively affecting productivity.

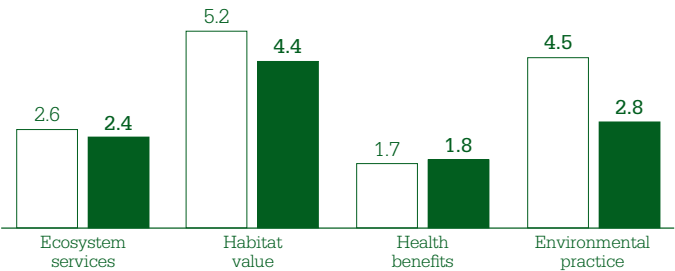
Biodiversity density index

National average   Your results



Comparison of indexed results

National average   Your results



## AGRICULTURE

# BEING RESPONSIBLE FOR OUR PEOPLE

At AB Agri, we are building a culture and reputation where our actions are true to the words we speak and the principles we believe in. People are AB Agri's most important asset and protecting our people at work is our number one priority. We are committed to making AB Agri a great place to work and to promoting a diverse workforce that is culturally aware and engaged.

We also recognise that we have a role within the broader agri-food community to promote agriculture as an attractive career destination for young people and this has been a priority for our business over the past two years. We want to learn from others as well as help people to understand, and gain a better appreciation of, the food supply chain.

To succeed in these aims we need to attract, retain, train and promote the very best people in the industry. As part of making AB Agri a great place to work and to encourage a two-way dialogue with our employees, we have been working in partnership with the Great Place to Work Institute to measure our levels of engagement. We started working with the institute in 2011 and have now completed our second workforce survey (June 2013). This has provided us with insights on where we should focus, which have led to the introduction of an innovative recognition programme and comprehensive internal communications framework.

### Safety

Agriculture can be a dangerous industry, and although we are proud of our safety record, we are continually seeking to improve. We have held a number of safety workshops in the UK since 2010 and, in 2012, held a health and safety conference to develop a safety strategy for the following three years. A second conference was held in 2013 focusing principally on farm safety.

All our operations managers and plant engineers completed the Construction Industry Training Board (CITB) construction site safety management course during 2012, and all our truck drivers have attended a series of one-day behavioural safety workshops aimed at improving their perception of risk and how to manage it during the working day. We also produced a bespoke driver safety video to improve awareness.

All of AB Agri's UK manufacturing sites gained accreditation under OHSAS 18001. LeafTC and AB Sustain gained accreditation under OHSAS 18001 for the improvements delivered on customers' premises. AB Agri is the only company in its sector to hold both ISO 14001 and OSHAS 18001 certification, which demonstrates our commitment both to leading environmental and safety compliance, and to driving continuous improvement.

At Rugeley, a new pre-mix plant has been built as part of a £6m investment in the site. This has significantly reduced manual handling through greater automation, and has substantially reduced occupational dust levels. Similarly, in China, automated packing lines have been installed at Anshan and Harbin that have further reduced manual handling. There has also been significant investment in dust control systems.

On the road, all of our trucks are being fitted with powered sheeting systems, which will help to eliminate accidents associated with manual handling and the need to work at height whilst sheeting the vehicle. This is in addition to existing safety features such as cable sensors, reversing cameras and internal access systems.

### Diversity

At AB Agri, we are committed to providing equal opportunities and promoting diversity. We believe that gender is a particularly important part of that commitment, as the benefits of a diverse workforce are well proven. Of our female respondents to the Great Place to Work survey, 87% confirmed that our people are treated fairly regardless of their gender. We are also close

to achieving 30% female representation within our top three management levels and are striving for further improvement.

To encourage further diversity, we have implemented policy improvements to support female colleagues. Examples include improved maternity and return to work rights, as well as making changes to our hiring practices to increase the chances of improving gender balance in our management population and to enable us to attract the best talent.

### Talent

We know that we need the best talent to achieve our business sustainability objectives. Some of the activities we are involved in to support that aspiration include:

- six-monthly talent reviews to assess current talent against the changing needs of our businesses. This allows us to take action to ensure that we are developing and attracting the best talent at all levels and across all functions;
- we run an annual programme of internal skills training courses. This suite of courses seeks to develop effective and authentic leaders of the future;
- graduate schemes – tailored to attract and develop the best technical/nutrition graduates and develop strong links with key research establishments, universities and colleges;
- Bright Crop – we have taken a leadership role in driving the establishment of a new cross-sector initiative, tasked with promoting careers in agriculture and the food supply industry to schoolchildren; and
- the AB Agri Annual Innovation Conference offers a forum for people within the business to pitch ideas and share good practice and it encourages a culture of innovation. This initiative is led by our innovation board, which operates in close collaboration with the sustainability board and promotes knowledge sharing and explores opportunities to add efficiency across the food supply chain.

### LOST TIME INJURY RATE

Our efforts to improve our safety record have helped to reduce our Lost Time Injury (LTI) rate and number of working days lost since 2010.

Across AB Agri, the LTI rate has fallen by 50% since 2010 to 0.5% and the number of working days lost as a result of accidents has fallen by 84% since 2010.

Our focus on safety standards is not limited to our own sites. AB Agri, through the Agricultural Industries Confederation, has played a leading role in the Farm Safety Partnership, an umbrella organisation working to improve farm safety in the UK. In particular, we have been working with other agricultural businesses to produce a Code of Practice for the safe delivery of animal feed to farms. This Code of Practice was published in 2013.

## -50%

LTI rate has fallen by 50% since 2010 to 0.5%

## -84%

reduction since 2010 in working days lost as a result of accidents

## BEING A RESPONSIBLE NEIGHBOUR

At AB Agri, we aspire to be recognised as a positive contributor both to our local communities and to the wider global food production community.

### Working with the UK food production community

Our Chief Executive is a member of the Business in the Community (BITC) Rural Action Leadership Team for the Prince's Rural Action Programme. The team helps businesses to make a positive difference in rural communities and to sustain our countryside. Its goal is for every business to understand the impact that it has on rural communities, to recognise what it can contribute to a thriving countryside, and to put this into action.

The Food Research Partnership (FRP) is an important initiative that we are proud to support. It has been tasked with developing a UK food research and innovation strategy. Investment in science and technology is integral to all aspects of the government's vision for a sustainable and secure food system, and it uses the FRP to engage more widely with industry, research and consumer organisations, and NGOs.

AB Agri sponsors the annual 'Science in Practice Award' in

collaboration with the Oxford Farming Conference and Royal Agricultural Society of England (RASE). If global agriculture is to meet the challenge of sustainable intensification, we must prioritise investment in research and development and work together to encourage the adoption of scientific innovation in practice. Technological development is hugely important to food security (and food safety) and this award seeks to give scientists a platform to celebrate success and illustrate the important role they will continue to play in delivering global food security.

### Working with schools and young people

AB Agri supports local schools and students, teaching them about science and farming and encouraging young people to think about a career in agriculture and food production. Examples include:

- Financial support and a leadership role in the establishment of Bright Crop, which is a cross-sector initiative that inspires young people to

consider a career in agriculture and food production. The total food and drink supply chain employs 3.7 million people in the UK, equating to 14% of everybody who is employed, making it the single largest employer we have. The bedrock of this sector is agriculture, which in itself employs approximately half a million people. However, world population is growing at 1.2% per year and food production needs to keep up.

It has been projected that we need more than 60,000 new entrants in the UK over the next ten years and surveys indicate that agriculture is currently considered to be one of the least desirable career destinations for young people. Bright Crop is the first industry-led initiative focused on changing the perceptions of agriculture amongst young people to attract the best and brightest into the food supply sector, from farm to processor. It is seeking to influence the profile of the industry through a number of routes:

### YOU ARE WHAT YOU EAT!

"We gave a series of talks at our local secondary school during their Science Week on general nutrition under the heading 'You are what you eat!', and also talked about career opportunities that are available in agriculture.

The talks were tailored to various age groups and each group was given an opportunity to discuss the topic raised. The questions and ideas that were generated were very encouraging and showed that interest exists in agriculture and sustainable food production. We will continue our work with the school to promote the industry and make secondary school students aware of the breadth of rewarding careers that exist in our sector."

R&D Director  
AB Vista





## AGRICULTURE

- a website to explain the benefits that agriculture can offer;
- links to existing careers advisory platforms; and
- informing the influencers.
- a number of our employees have signed up as STEMNET Ambassadors. STEMNET is the Science, Technology, Engineering and Mathematics Network, established to promote the excitement and importance of science, technology, engineering and mathematics to young people and demonstrate the career opportunities to which these subjects can lead;
- financial support for the West Country Dairy Awards, which give scholarships to outstanding students who are studying a subject area related to agriculture; and
- sponsorship of a series of evening lectures in schools to celebrate National Science and Engineering Week.

### Developing agricultural communities outside the UK

Beyond the UK, our Premier Nutrition business has supported projects in Africa in collaboration with local distributors. One such project is a school in Accra, Ghana called the Shine Education Centre.

The school was started in 2005 to meet a growing need for schooling in Ghana, and in Accra in particular. We have supported the Centre since 2006 and, by working with our local Ghanaian distributor, have been able to supply the school with books, toys and computer screens, and financial support through donations from the business and our employees. We have also helped the school make connections in the UK, and the Shine Education Centre is now partnered with Clifton Primary School in Ashbourne, Derbyshire. We have been able to provide logistical support by combining the shipment of AB Agri products

from the UK with donations. Our long-term support has led to some innovative ways of fundraising, for example all hotel fees that would be incurred by staff travelling to Accra are donated to the school as our staff now stay with a supporter of the school. The success of the school can be measured by its growth from 18 students in 2005/06 to 277 students today.

### SHINE EDUCATION CENTRE

"AB Agri has maintained a close and active interest in Shine Education Centre, making invaluable contributions to the progress and development of the school since its establishment.

Support from the company over the years has included books for the library, computers for the ICT lab, child development games and teaching aids for pre-school. This support has gone a long way in placing the school at its present enviable position as one of the highest achieving schools in

Ghana, placed fourth in national rankings, after three consistently outstanding results at the West African Basic Education Certificate Examination."

**Ben Aninkorah**  
Headmaster  
Shine Education Centre



## RESPONSIBLE FOR PROMOTING GOOD HEALTH

We provide the ingredients and feed that go into making food that is safe for human consumption. As a business in the agri-food supply chain, food safety is a primary concern. AB Agri has been instrumental in leading feed safety within the UK agri-food industry, in particular through the development of the feed safety assurance schemes which are now essential.

AB Agri has been working with the Chinese government to develop legislation on feed stocks, which will protect human health further up the food chain.

### Feed safety

All AB Agri feed manufacturing sites are certified, depending on their geography, to either industry or ISO independent assurance schemes. Assessing and controlling risk is crucial to delivering food safety and hence all our manufacturing sites operate under Hazard Analysis of Critical Control Points (HACCP) principles.

### UK and EU

FEMAS, the UK industry scheme for the assurance of all feed materials, was originally developed by AB Agri, and we are members of the technical committee of each of the UK feed safety assurance schemes. In the last three years, our personnel have been responsible for all actions in relation to feed safety within the European Feed Manufacturers Association and the 27 countries that involves. Representing this and the UK trade association, we have worked with the EU Commission on the delivery of effective feed safety legislation, specifically in relation to dioxins and former foodstuffs.

### China

We have been helping the Chinese government on the development of feed safety legislation and in the delivery of training for government and industry. Melamine contamination of milk powder and feed materials in China in 2007 resulted in the Chinese government starting to rewrite

animal feed legislation and they were keen to learn from the EU. In 2009, AB Agri was responsible for emphasising the link between food safety and feed safety, and in 2009 we drafted the animal feed safety element of a 'UK-China Action Plan' signed by both governments. This led to AB Agri organising a feed safety conference with the Chinese government in Beijing in May 2010 at which Chinese and EU legislators explained the regulations, and companies including AB Agri discussed practical delivery.

Since 2010, AB Agri has hosted several Chinese feed safety government delegations, taking them to the European Feed Safety Authority, introducing them to UK and EU Commission officials and also demonstrating feed safety controls in the supply chain. The most recent event was a feed material safety conference in November 2012 in Beijing, supported by the EU China Trade Project, and in which the Chinese Academy of Agricultural Science and AB Agri worked together to deliver feed material safety training to both government and industry.

## WORKING WITH OTHERS

AB Agri engages with many external bodies to promote sustainable food production. We work to promote careers in agriculture and ensure that businesses are acting as good global citizens.

The following are examples of collaboration with external groups which support our core mission to help global agricultural businesses develop and improve:

- Bright Crop is an industry-wide initiative that seeks to promote careers in agriculture and food production to young people;
- STEMNET (Science, Technology, Engineering and Mathematics Network) encourages staff to be ambassadors for the agriculture and food production sectors. There are currently more than 20 AB Agri staff members signed up to this scheme;
- AB Agri engages with the Roundtable for Sustainable Palm Oil to source palm oil sustainably by purchasing Green Palm Certificates;
- AB Agri has been heavily involved with the Chinese government in discussions on feed safety;
- AB Agri is a member of the European Feed Manufacturers Federation Task Force on Sustainability and Responsible Soya;
- AB Agri has been a member of the Round Table on Responsible Soy (RTRS) since 2010;
- AB Sustain has served as a member of Solidaridad's Farmer Support Programme Pre-Screening Committee. This committee assists in the evaluation of projects seeking charitable funds to support initiatives designed to improve the livelihoods of smallholder farmers in Africa, Asia and South America;

- our Chief Executive is a member of the Food Research Partnership (FRP), the steering group for the Sustainable Agriculture Food and Innovation Platform, and the Business in the Community (BITC) Rural Action Leaders Team. The FRP is a UK government initiative to drive a more integrated approach towards policy related to research, technology and food security;
- in developing the think.nature tool, AB Sustain worked in close collaboration with Natural England; and
- beyond the UK, we have supported projects in Africa in collaboration with local distributors. One such project is the Shine Education Centre.

# RETAIL

As one of the largest clothing retailers in Europe, and with an international supply chain, Primark recognises both the importance and necessity of being a responsible business. Our top priority is to improve the working conditions of the people who work for our suppliers and our efforts have been redoubled in response to the Rana Plaza tragedy.

We also take care to use natural resources efficiently and to build relationships in the communities in which we operate.

18,596

hours of training provided to suppliers on Primark's expected standards

4,818

the number of supplier audits conducted by Primark between 2010 – 2012

85%

proportion of store waste that is recycled

8,660

number of people helped by the Primark-supported HERproject

## KEY FACTS AND FIGURES

Total no. of employees	46,802
Employee type	8,145 full time 38,611 part time 46 seasonal contractors
No. of women in workforce	35,917
No. of women in management roles	50



Primark recognises its obligation to consider carefully its use of natural resources. We are taking steps to reduce our impact on the environment, both in our store operations and in our supply chain, from factory to farm level.



We were shocked and deeply saddened by the tragedy of the Rana Plaza building collapse. On the following pages, we explain the facts and describe Primark's response.



Primark wants to be welcome to do business anywhere in the world. This means we need to be a good neighbour to the communities located near our stores, and in the towns and countries where our clothes are made.



# INTRODUCTION

2013 has been a tragic year. The collapse of the Rana Plaza building in Savar, Dhaka, Bangladesh, claimed at least 1,127 lives and shocked and saddened everyone at Primark as well as many others around the world. Our enduring thoughts remain with the families of those who lost their lives in the tragedy.

Our number one priority is, and always has been, the safety of the 43,000 staff we employ directly and the 700,000 who are employed by our suppliers in the production of our clothing across three continents. The Savar tragedy underlines and affirms that this must remain our top priority and that we must go even further to enable change in the Bangladeshi garment industry.

We have tried to respond to the tragedy in a manner that is consistent with the way we conduct all our business – responsibly and ethically. As a business that takes care of its people and recognises its legal and moral obligations, our response was guided by our ethical principles and we acted immediately. Our first action was to acknowledge publicly that Primark did source products from one of the factories in Rana Plaza. We moved quickly to meet the

immediate needs of those affected by the incident with food and financial assistance and we promised compensation for the families of victims and for injured workers. To address the root cause of the incident, we became a signatory to the Accord on Fire and Building Safety, designed to ensure improved and assured building safety in Bangladesh. We also instigated an interim programme of structural assessments on factories producing for us in Bangladesh, which led in June 2013 to the termination of our contract with a supplier that we deemed to be operating in an unsafe environment.

There are some who say that retailers should not source from Bangladesh but we do not agree, and neither do international and local labour groups who know that jobs in garment manufacturing have played an important role in

reducing poverty rates in the country over the last 20 years. We have made a commitment to Bangladesh and intend to work with other stakeholders to ensure that working conditions are safe. By doing so, we can be a force for good. For a full exploration of our response to the tragedy, please see page 52.

Primark is one of Europe's largest clothing retailers and, in order to put our principles into action across the world, we rely on many partners including NGOs, trade unions and other stakeholders to advise and support us as we strive to bring mutual benefits to all those who work with and alongside us. We would like to thank all our partners for the role they have played over many years in helping us to support our workers, protect the environment and promote ethical business practices.



**Right**  
People queue for food parcels distributed by Primark following the collapse of the Rana Plaza.

## RETAIL

# RESPONSIBLE STEWARDSHIP OF OUR ENVIRONMENT

Primark recognises its obligation to consider carefully its use of natural resources. We are taking steps to reduce our impact on the environment, both in our store operations and in our supply chain, from factory to farm level.

## In-store energy

In 2010 Primark, in conjunction with the Carbon Trust, formed an internal Carbon Strategy Group which prepared a carbon strategy for the UK and Ireland. This strategic roadmap included: establishing Primark's carbon footprint; mapping likely future energy costs; and identifying the key activities for reducing in-store energy use. 2010 also saw the opening of our first model 'Green Store' in East Ham. This store was designed to reduce CO<sub>2</sub> emissions by up to 40% compared with a standard store, and incorporates features such as rainwater harvesting, low energy lighting, free cooling, efficient chillers, natural daylight, natural ventilation, sustainable timber, cycle racks and a wildlife habitat.

In 2011, trials were conducted across a number of Primark stores in the UK and Ireland to establish the potential for energy savings through technology and behavioural change. Lighting controls have since been introduced into all stores and energy-efficient lighting is now being rolled out across the estate. We have also installed infrared sensors in staff areas so that lighting and air conditioning only function when rooms are in use. All stores now operate a closed front door policy to minimise energy loss and delivery doors are closed when not in use.

In 2012, further trials were introduced to reduce the energy used at night when stores are not in operation. Ten sites in the UK and 14 sites in Ireland were included in the pilot and so far they have shown an annual combined saving of 4.73 million kWh with some stores achieving a reduction of 66%. Today 80% of our stores use Building Energy Management systems to control energy consumption in stores by monitoring lighting and temperature levels. As a further indication of Primark's commitments to reduce its energy consumption, we were awarded the Carbon Trust Standard in 2013, which demonstrates an actual reduction in energy use relative to sales growth.

## Store waste recycling

Of the waste from our UK stores including cardboard, hangers and plastic, 85% is recycled through our centralised facility at Thrapston. This recycling plant uses a closed loop system whereby the waste from one process or product is used in making another product; it is a truly sustainable way of doing business.

We estimate that in 2013/14 we will have:

- recycled 23 million hangers;
- recycled 14,000 tonnes of cardboard to make the paper carrier bags we use in store;
- saved 238,000 trees; and
- cut 21,576 lorry trips to our stores, reducing road use by 160,525 miles and saving 27,869 gallons of fuel.

We are currently evaluating whether the recycling plant at Thrapston can be replicated for our stores in Ireland and in Spain, which demonstrates an actual reduction in energy use relative to sales.

## Cleaner Production

Textile factories with dyeing and printing operations use large amounts of chemicals, energy and water to wash fibres and to dye and wash finished products. Looking at the whole life cycle of a garment, approximately 15% of the water footprint of a single item of clothing comes from the manufacturing process itself and approximately 20% of the energy used across a garment's life cycle is linked to production.

To address this, Primark is participating in the International Finance Corporation (IFC) China Water programme and the Partnership for Cleaner Textile (PaCT) programme in Bangladesh. Through our partnerships with the IFC and Dutch NGO Solidaridad, we are enabling our suppliers to make significant environmental improvements in relation to their washing, dyeing and finishing operations, known within the sector as 'wet processes'.

As well as improving factory energy and water consumption and its waste management systems, the programme also

## STORE WASTE RECYCLING

We estimate that in 2013/14 we will have:



recycled

**23,000,000**

hangers



recycled

**14,000**

tonnes of cardboard to make the paper carrier bags we use in store



saved

**238,000**

trees



reduced road use by

**160,525**

miles

provides opportunities to share international and national best practices from the textile and dyeing sector with participating suppliers and buying teams.

These improvements include better control over, and reduction of, ground water consumption, enhanced waste water treatment, improved energy efficiency, significant operational cost savings, improved quality control, and capacity building for workers and management.

These longer-term programmes follow the completion, in 2012, of successful pilot studies with a number of key suppliers in China and Bangladesh, to understand thoroughly the principal challenges related to current processing techniques, and design practical solutions with both commercial and environmental benefits.

In summing up the Bangladesh pilot, M Hafizur Rahman, Executive Director of a participating Primark supplier, said, "The Cleaner Production pilot was undertaken and conducted in our factory with a view to improving awareness amongst all concerned, and to ensure economic and appropriate consumption of water and energy through close communication, motivation and training. The project was found to be very fruitful and helped the company to minimise its system loss in power and energy consumption. The programme also guided us in selecting machines and equipment which pose minimum threat to the environment".

In China, two knitting factories with in-house dyeing and washing facilities located along the Yangtze River were selected to participate in the Cleaner Production pilot. Primark partnered with Solidaridad to implement the pilot programme. Improvement plans are now being implemented at both factories, covering insulation of dyeing vessels, pipes and valves; detection of compressed air leakages; energy-efficient steam traps and water cooling systems; and the treatment and reuse of processing water in conjunction with continuing capacity building and quality control training for workers.

### Sustainable cotton

Cotton is one of the key fibres used in Primark's clothing. Unlike many commodity crops, cotton is predominantly grown in the developing world, often in areas where knowledge of agricultural best practice is limited.

Primark does not purchase raw cotton directly, but we do have a responsibility to work with farmers and organisations to support programmes that aim to grow cotton more sustainably and improve the livelihoods of those who depend upon it.

Our sustainable cotton programme enables us to work with cotton farmers in key growing countries to improve their agricultural practices, specifically around the use of pesticides and water management, to improve working conditions and, ultimately, the livelihoods of farmers and their families.

### Traceability of cotton supply chains

Being able to trace the source of cotton and identify its country of origin is a key issue for all retailers, if we are to have full visibility of our supply chain.

In 2011, we began working with AB Sustain, a sister company within the Associated British Foods group, which has extensive experience in tracing products back from retailers through agricultural supply chains. Through this partnership, we are developing an in-house methodology and innovative tools to trace the cotton used in our garments and to identify the country in which the cotton was grown. A pilot programme will be launched in 2014 in order to test the tools and assess their long-term viability for use in the textile supply chain.

Primark has also partnered with the Fair Labour Association (FLA) to pilot its cotton traceability tool on two of our supply chains in India. Its Product Tracking Tool and methodology aims to be a proactive risk identification and management tool. It features an online resource designed to aid companies and suppliers in tracing the origins of a cotton

garment back to the farm on which the cotton was grown. In addition to ensuring traceability, the tool can also alert companies to risks embedded at critical points in the supply chain. In 2012/13, we carried out a third traceability study utilising the FLA tool for a garment manufactured in Bangladesh and will continue to work with the FLA on specific supply chains in the future.

### Supporting cotton farmers

In April 2013, Primark entered into a partnership with CottonConnect to implement sustainable cotton programmes in both north China and north India over the next three years.

Working directly with smallholder cotton farmers as well as cotton farm workers on larger farms, the aim of these programmes is to improve the livelihoods of smallholders, workers and their families through expert support and training on sustainable agricultural practices. This will ultimately lead to increased yields, reduced input costs, and the production of more environmentally friendly cotton. The CottonConnect training programme encompasses environmental, social and economic initiatives, including water efficiency and irrigation practices, the management and reduced use of pesticides, soil management, health and safety, and improvement in labour conditions.

**IN APRIL 2013, PRIMARK ENTERED INTO A PARTNERSHIP WITH COTTONCONNECT TO IMPLEMENT SUSTAINABLE COTTON PROGRAMMES IN BOTH NORTH CHINA AND NORTH INDIA OVER THE NEXT THREE YEARS.**



## RETAIL

# BEING RESPONSIBLE FOR OUR PEOPLE

We were shocked and deeply saddened by the tragedy of the Rana Plaza building collapse. On the following pages, we explain the facts and describe Primark's response. We also share the steps that the business has taken since 2010 (the date of Associated British Foods' last full Corporate Responsibility report) to protect workers and promote a safer and fairer garment manufacturing sector. Full details are available on the Primark website, <http://www.primark-ethicaltrading.co.uk>.

## BUILDING COLLAPSE IN SAVAR, BANGLADESH, APRIL 2013

### Key facts:

- 24 April 2013: an eight-storey commercial building called Rana Plaza collapsed.
- Rana Plaza is located in Savar, a sub-district of Dhaka in Bangladesh.
- The building contained a mix of manufacturing, retail and banking businesses.
- At least 1,127 people were killed.
- 7 June: Primark registers 2,395 workers and relatives of the deceased for short-term financial support in an event organised with IndustriALL. This brings the number of workers from Rana Plaza registered for short-term support to 2,673.
- 17 June: as a result of the new inspections announced on 5 June, and following discussions with Liberty Fashion, trade unions, the ILO and the Bangladesh Garment Manufacturers & Exporters Association (BGMEA), Primark terminates its supplier contract with Liberty Fashion, which refused to evacuate a building deemed unsafe.

### Primark response:

- 25 April: Primark confirms sourcing clothing from a garment manufacturing business in the Rana Plaza building.
- 29 April: Primark begins a programme of providing immediate support for victims and their families including food packages and compensation.
- 10 May: Primark works on a comprehensive support package for workers affected by the disaster in Bangladesh.
- 13 May: Primark commits to signing the Accord on Fire and Building Safety in Bangladesh, initiated by the IndustriALL and UNI global unions.
- 21 May: Primark announces that it is taking unilateral action to try to alleviate the immediate suffering of the victims of the Rana Plaza building collapse. This includes short-term financial aid and long-term financial compensation packages for the employees who worked in its supplier factory.
- 5 June: Primark announces an immediate programme of structural building inspections in Bangladesh to cover all factories in the country manufacturing products for the company.
- 27 June: Primark signs an agreement to collaborate with Dhaka University on the data collection and assessment work relating to the long-term compensation of the victims of the Rana Plaza disaster who worked for New Wave Bottoms, Primark's supplier in the Rana Plaza building.
- 1 July: total number of workers registered for short-term support reaches 3,333. This registration process is needed to enable the secure payment of short-term financial aid, the equivalent of three months' wages, to all the Rana Plaza employees. The vast majority of these employees made clothes for retail brands other than Primark. Primark has also visited the injured workers who remain in hospital to ensure that they are provided with this aid.
- 24 October: Primark announces that it will take further unilateral steps to deliver long-term compensation to victims, or their dependants, of the disaster.

We have a clear supplier Code of Conduct which forms part of our terms and conditions of trade for suppliers, and is backed up by significant internal expertise and a range of important third-party partnerships. Together with our partners, we actively monitor factory sites through audits and follow-up interventions where necessary. We go beyond 'box ticking' to ensure that, through educational training programmes, factory staff are aware of their rights and the working conditions they can expect. We realise this is a continuing challenge and we are committed to improving and developing our resources and our efforts to take care of our people.

### Code of Conduct

The Primark Supplier Code of Conduct underpins our work with suppliers to ensure the safe and fair treatment of their employees. It clearly states that Primark requires all supplier working conditions to be 'safe and hygienic'. The full supplier Code of Conduct is based on the Ethical Trading Initiative (ETI) base code and is mandatory for all suppliers of Primark. The 12 key requirements are listed below. For the full code see [http://www.primark-ethicaltrading.co.uk/how\\_we\\_work/our\\_code\\_of\\_conduct](http://www.primark-ethicaltrading.co.uk/how_we_work/our_code_of_conduct). Please note that, whilst the Associated British Foods Code of Conduct (see page 8) is similar to the Primark Code of Conduct, in some areas we have gone beyond the groupwide minimum standard, recognising the specific challenges of our industry.

1. Employment is freely chosen
2. Freedom of association and the right to collective bargaining are respected
3. Working conditions are safe and hygienic
4. Environmental requirements
5. Child labour shall not be used
6. Living wages are paid
7. Working hours are not excessive
8. No discrimination is practised
9. Regular employment is provided
10. No harsh or inhumane treatment is allowed
11. Legal requirements are always met
12. No bribery or corruption will be tolerated

## Primark Ethical Trade Team

Primark has significantly increased the size of its internal Ethical Trade Team over the past three years, to strengthen its capacity in its key sourcing countries so that it is able to provide direct support to suppliers and engage with local stakeholders on the ground. Key posts include a senior manager for China and South East Asia, supported by a regional manager in South East Asia, a fire safety specialist in Bangladesh, a productivity expert in China, and roles focused upon subcontracting in India and Bangladesh. Within the UK, an environmental sustainability manager was appointed to support implementation of Primark's environmental strategy.

The global team meets twice a year to share best practice and develop Primark's policy, strategy and objectives.

## Internal training for Primark buyers

The Primark Ethical Trade Team works not only with external suppliers but also with colleagues within our commercial teams (buyers and merchandisers), who play a key role in ensuring that the principles of ethical trading are embedded within the business. All staff in commercial roles at Primark receive training on ethical trade as part of their induction programme when joining the business. The Ethical Trade Team then delivers dedicated training to key staff. For buyers and merchandisers, this is a full day workshop on ethical trading and sustainability.

## Partnerships

We believe that collaboration with other stakeholders is key to finding sustainable and effective solutions to the challenges faced by the garment industry.

Primark works closely with other retailers and brands, some of whom may be our competitors; industry bodies and trade organisations; charities, advocacy groups and non-governmental organisations (NGOs); suppliers and factories; and of course workers and their communities.

Each stakeholder has leverage and influence, and specific experience and perceptions. By working together, we can ensure that complex issues are properly and successfully addressed.

The Ethical Trading Initiative (ETI) is an alliance of companies, trade unions and voluntary organisations that work together to improve the lives of workers who make or produce consumer goods. Primark has been a member of the ETI since 2008.

## ETI status

Primark was pleased to be awarded 'Leader' status by the ETI in June 2011 and again in June 2012. This is the highest possible status and reflects continued strong growth in auditing, remediation and training programmes, and extensive external engagement. However, we recognise that we still have further to go, and there is much more that we can do within our own sphere of influence and in collaboration with other retailers, NGOs and stakeholders.

## ETI RANKING OVERVIEW

2012 – Leader

2011 – Leader

2010 – Achiever

2009 – Achiever

The ETI classifies a Leader as an organisation "tackling the root causes of labour rights problems beyond individual workplaces with collaborative initiatives aimed at the sectoral level and/or in raw materials or components supply. The company can demonstrate positive impacts for workers in its supply chain and reports transparently on progress. The company is advocating for greater respect for workers' rights throughout its sphere of influence".

The ETI annual report looked at Primark's performance against a wide range of benchmarks including commitment to the ETI; systems of monitoring, reporting and independent verification; awareness raising and training

on ethical trading issues; improvements and corrective actions at an individual factory level; and management procedures, pricing and incentives.

Each year, the report is reviewed by the ETI Secretariat and an NGO – to date, these have included Save the Children, Anti-Slavery International and CARE International UK.

Strengthening our programmes and expertise on the ground in our key sourcing countries has resulted in increased transparency of supply chains; better understanding of the root causes driving factory non-compliance; and increased engagement with local stakeholders including workers, civil society and NGOs, government and trade unions. Feedback and engagement from stakeholders enable Primark to build a programme of activity that is sustainable, effective and supports its commercial growth in these markets.

## Auditing

Auditing our suppliers for compliance with our Code of Conduct is standard business practice for Primark. The purpose of auditing is to ensure that our products are made in good working conditions, that the people making them are treated decently and paid a fair wage, and to provide feedback for suppliers on how they can improve issues raised within the audit process.

We learned from the factory collapse at Savar that there was a greater need for a focus on the structural integrity of buildings. As such, we became a signatory to the multi-stakeholder Accord on Fire and Building Safety in Bangladesh and are conducting structural surveys on sites where our production takes place.

Most issues identified can be resolved. However, fulfilling our commitment to paying living wages and preventing overly long working hours, including excessive overtime, remains a challenge for us. We aim to achieve these goals through greater focus on the implementation of proper management systems and efficiency measures.

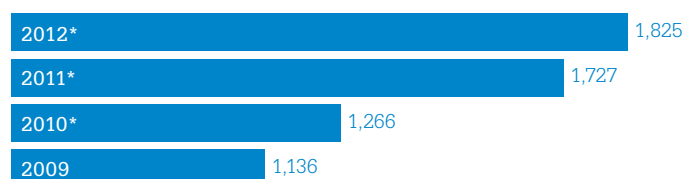
**PRIMARK HAS SIGNIFICANTLY INCREASED THE SIZE OF ITS INTERNAL ETHICAL TRADE TEAM OVER THE PAST THREE YEARS, TO STRENGTHEN ITS CAPACITY IN ITS KEY SOURCING COUNTRIES SO THAT IT IS ABLE TO PROVIDE DIRECT SUPPORT TO SUPPLIERS AND ENGAGE WITH LOCAL STAKEHOLDERS ON THE GROUND.**

## RETAIL

### SITE AUDITING

We are auditing more sites each year and are well above our annual audit target of 1,000 sites.

#### Number of sites audited



Please see KPMG's assurance report on page 83

The following elements are a regular part of our audit process and provide an insight into the practical delivery of our audit programme:

- our Code of Conduct forms part of the terms and conditions that our suppliers sign up to;
- we audit each new manufacturing site for compliance with the Code of Conduct prior to placing an order;
- our audit protocol and methodology is robust and based upon best practice and can only be conducted by Primark-approved external auditors or our own qualified internal team. For a full list of our approved monitoring partners, see [http://www.primark-ethicaltrading.co.uk/how\\_we\\_work/auditing](http://www.primark-ethicaltrading.co.uk/how_we_work/auditing);
- we prioritise audits based on risk. Risk criteria include the level of turnover with a supplier, proportion of a supplier's production that is dedicated to Primark, the country of manufacture and the production process involved;
- once audited, all factories are rated by our internal team. New factories have to meet our minimum standards before they are approved for production. Any factories with critical or zero tolerance issues are not approved. Critical or zero tolerance issues are those which seriously endanger a worker's life, health or human rights;

- once approved to produce for Primark, factories are audited at least annually;
- in Indonesia, Vietnam and Cambodia we are partners of Better Work, an International Finance Corporation (IFC) and International Labour Organization (ILO) programme which provides audits, remediation and training for suppliers; and
- we have an online supplier management system which allows us to analyse key trends and report in detail on supplier performance at country and product/departmental level. This information feeds into our training and capacity building strategy for suppliers.

#### Fire safety

The Bangladeshi garment industry has suffered from a series of factory fires in recent years, which have highlighted the need for additional focus by branded retailers and other stakeholders.

Primark initiated a programme in 2010 which looked at the root causes of poor fire safety systems and built awareness of these risks within its supply base. We introduced a zero tolerance policy on fire safety issues within our audit and monitoring programme, and phase one of the programme resulted in an improvement of 47% on fire safety non-compliances during 2011.

Following consultation with stakeholders, Primark launched phase two of its programme in 2012 to provide a sustainable solution to fire safety management systems. A multi-stakeholder working group was established, comprising NGOs and worker rights organisations, trade and industry bodies, the Bangladesh fire service, chemical specialists and health and safety experts. The group was tasked with creating and piloting dedicated training tools for factory managers, factory fire wardens and workers, to be launched in 2013 and shared widely with stakeholders directly and through the Accord. We have also recruited a specialist in fire safety to support the implementation within our supply base.

Bangladesh is also considered to be at high risk of earthquakes, and Primark's research into the root causes of fire safety highlighted issues that would also arise in the event of an earthquake. During 2012, working with AKUT Search and Rescue Association, we conducted emergency response training for 38 suppliers and workers in Bangladesh, India and Turkey.

#### Sandblasting

We made a business decision in 2010 to stop using sandblasting on our products, following concerns about potential risks to workers' health. Throughout 2011, we worked with our buyers and suppliers to look at alternative techniques that were safe and viable and systematically phased out our sandblasted products. By October 2011, Primark had fully eradicated the process from its supply chain.

#### Going beyond audit

An audit programme is one way of continually monitoring the factories from which we source our clothing, but it is not the only element necessary to ensure we deliver on our commitment to provide workers with safe and fair places to work. Primark is also actively involved in providing support to its suppliers through education, training and partnership agreements.

#### Developing our people

We place great emphasis on giving our people the appropriate training to do their jobs, as well as unrivalled development opportunities. All new employees are given a comprehensive induction when they join the business. For retail assistants, this is the structured 'Progress with Primark' programme, which guides them through their first year with the company. We invest in the ongoing development of people at all levels, right up to senior leadership with the Primark Leadership Development programme.

Our succession management process supports our ambition to promote from within and many of our senior leaders began their careers in junior roles in the company. We actively encourage people to take advantage of the international nature of our business and to consider developing their careers in expanding markets.

#### Worker rights awareness

All Primark's suppliers and factories are sent a copy of our Code of Conduct as part of our pre- and post-audit communication. This has been translated into 27 languages, and is available on the Primark website for public download:

[http://www.primark-ethicaltrading.co.uk/how\\_we\\_work/our\\_code\\_of\\_conduct](http://www.primark-ethicaltrading.co.uk/how_we_work/our_code_of_conduct)

Suppliers are required to display and communicate the Code to their workers. However, relying on the written word has limited value in workplaces where many workers are illiterate. For example, the United Nations Development Programme International Human Development Indicators 2011 report shows literacy levels of just 55.9% in Bangladesh.

To address this, Primark has worked with factory workers and local NGOs in India, Bangladesh and China to create a series of posters using imagery to communicate the Code in a way that helps workers understand the rights they have at work.





**Above**  
The HERproject in Bangladesh empowers women workers by providing healthcare and health education in partnership with grassroots NGOs and global experts.

We accomplished this through a highly participatory and peer-led approach where groups of workers created the posters, supported by local NGOs and designers. By using workers to create communication materials for their peers, workers are given ownership of the Code and this empowers them to share it using their own language and experiences, in a way that resonates with local culture and context.

The approach has partly been developed as a result of Primark's own experiences with peer-led education in Bangladesh, and through consultation with local NGO partners, the ILO Better Work programme and the ETI.

### Supplier support and training

Primark recognises that, for supply chains to sustain ethical standards, suppliers must be empowered and able to identify challenges in the workplace. Its strategy has been to provide support, assistance and training to all of its suppliers through dedicated local resource

and provision of training, capacity building and consultancy services.

In 2012, Primark provided 18,596 hours of direct training for its suppliers on a range of training programmes including the Code of Conduct requirements and local law; environmental health and safety; fire safety; subcontracting and home working; minimum wage calculations; transparency and disclosure; sandblasting; and how to conduct risk assessments.

The Primark Supplier Extranet was launched in spring 2013 and provides detailed guidance for suppliers on the Code of Conduct and its practical implementation.

### Worker dialogue

Ensuring that there is effective communication between workers and management is a key factor in helping to develop and support effective grievance mechanisms and mature systems of industrial relations.

In China, working with local NGO Timeline, factories in a pilot programme established a joint worker/management committee,

called a Continuous Improvement Team (CIT). The role of the CIT was to focus on effective dialogue and resolution to create better worker/management relationships and provide a platform for workplace dialogue.

In Bangladesh, a similar pilot programme provided essential skill development and training for factory Worker Participation Committees, enabling factories to establish an effective platform for feedback on, and resolution of, workplace issues. The programme in Bangladesh received funding from Deutsche Gesellschaft für Internationale Zusammenarbeit – the German Agency for International Cooperation (GIZ), an international enterprise owned by the German federal government.

### HERproject

The HERproject (Health Enables Returns) provides health education and awareness to female factory workers and their communities through a partnership between Primark, Business for Social Responsibility (BSR), local NGOs and Primark suppliers.



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Since launching in 2011, the HERproject has provided training to over 5,000 workers in Bangladesh on hygiene, sexual reproduction, health and nutrition. Highlights of the programme include an increase of 89% in women who now use on-site or local clinics to seek medical advice, an increase of 55% in those who use contraception and an increase of 98% in the number of people who now eat animal protein at least once a week. At factory level, there were significant reductions in both absenteeism and female staff turnover, and an improvement in worker/management dialogue, indicating that the HERproject can provide a platform of communication to help develop and support effective and mature systems of industrial relations.

As a result of these positive outcomes, Primark is now working with international and local stakeholders, including NGOs, government, and trade and industry to deliver enhanced healthcare to all women working in factories in its supply chain. We have now introduced the programme in China and south India, where it has provided training to 3,660 workers up to June 2013.

Primark produced a short film on the HERproject in Bangladesh to show the programme in action. It includes interviews with some of the women involved and explores how their lives have been changed. The film was selected to be screened at the Women Deliver conference in 2013, the largest conference in the world to focus on the health and wellbeing of women and girls. "This project has a real and immediate impact on women's lives by giving them practical, high-quality information about their sexual and reproductive health," said Racheal Yeager, BSR's HERproject Director, "and the Primark film allows the women who have benefited from the project to tell their own story, in their own words."

[http://www.primark-ethicaltrading.co.uk/our\\_work\\_worldwide/c/womens\\_health](http://www.primark-ethicaltrading.co.uk/our_work_worldwide/c/womens_health)

### Financial inclusion

Since 2010, Primark has been working in partnership with Geosansar to help thousands of workers in factories in India open bank accounts.

Many workers in garment factories don't have bank accounts and are paid in cash. This makes it hard for them to save and manage their money safely. Without savings, they are unable to cope with unforeseen circumstances such as medical emergencies. This means they may have to turn to 'loan sharks' for credit, ending up in a cycle of increasing debt and the likelihood of poverty. Having a bank account can help address issues such as these, and also has many other positive long-term impacts for workers and their families.

#### What are the benefits for workers?

- workers are able to save money in their bank accounts, and so when unforeseen emergencies or costs do occur, they're able to cope by using their savings, rather than borrowing money from loan sharks at high interest rates, or from their friends and family;
- workers earn a healthy rate of interest on their savings;
- to access their account, workers use their local Geosansar branch, typically a small, friendly kiosk located near the factory or in the community they live in. The kiosks are open six days a week, and in the evenings, meaning workers and their families can access them at times convenient to them;
- for many workers, saving money in a bank account is new, and therefore the Geosansar team is trained to provide financial education, encouraging workers to save money and highlighting the long-term benefits;
- workers are issued with a bank identity card and a letter from the State Bank of India. This is official and useful identification which can be used for other purposes;
- workers have access to a range of other relevant products such as health and life insurance, pensions, and money transfers;

- Geosansar uses state-of-the-art biometric finger scanning devices, providing a safe and secure system that doesn't rely on documentation. This system is important for people who may have low literacy levels; and
- for many women, their Geosansar bank account allows them to be financially independent for the first time. Studies show that when women are in charge of the family budget, they are more likely to invest in the education and health of their children.

In 2012, Primark produced a short film to show the programme in action, and capture workers' own voices and experiences of having a bank account. The film is also used as part of Primark's training programme to demonstrate the benefits of banking to workers and factories.

[http://www.primark-ethicaltrading.co.uk/our\\_work\\_worldwide/c/bank\\_accounts\\_for\\_workers](http://www.primark-ethicaltrading.co.uk/our_work_worldwide/c/bank_accounts_for_workers)

**SINCE 2010, PRIMARK HAS BEEN WORKING IN PARTNERSHIP WITH GEOSANSAR TO HELP THOUSANDS OF WORKERS IN FACTORIES IN INDIA OPEN BANK ACCOUNTS.**

## BEING A RESPONSIBLE NEIGHBOUR

Primark wants to be welcome to do business anywhere in the world. This means we need to be a good neighbour to the communities located near our stores, and in the towns and countries where our clothes are made.

### Primark stores

Primark supports many local charitable organisations, community projects, families and individuals across the UK and Ireland, and in the continental European countries where its stores are located. Requests for contributions are received on a daily basis and Primark tries to support as many causes as possible, including those involving children, education, people with disabilities, healthcare and the elderly. Since May 2010, over 500 projects and charities have been supported by the company through monetary donations, as well as the donations of gift cards and merchandise.

### Newlife Foundation

The Newlife Foundation is one example of a long-term partnership Primark has formed. We have been partners since 2010 in Ireland and the UK, and we donate all of our unrequired goods and customer returns to the organisation. These goods are recycled in an environmentally sound manner, and the profits support the work of the Newlife Foundation for Disabled Children. Funds raised through this recycling scheme help pay for equipment such as wheelchairs, pain-relieving beds, communication aids, nurse services, medical research, and campaigning and awareness activities.

One of the many children helped by Newlife is 16-year-old Emma English from the Whitchurch suburb of Cardiff. Emma has quadriplegic cerebral palsy and learning difficulties and spends most of her day in a wheelchair. Her mother Helen Lang turned to Newlife when she needed a specialist chair that would support Emma's spine and hips while helping her to relax.

Helen said, "Most people don't realise that disability equipment is hugely expensive – and we have had to find funding for many of the items that Emma needs – so the support from Newlife is really appreciated."



**Right**  
Emma English is one of many children benefiting from Newlife Foundation services, supported by Primark.

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### Primark in Ireland

Primark in Ireland, operating as Penneys, has recently developed relationships with national charities by running in-store activities in support of charitable organisations.

In April 2012, Penneys launched limited edition Damien Duff and Irish Team football t-shirts in aid of Temple Street Children's University Hospital and Our Lady's Children's Hospital, Crumlin ahead of the Euro 2012 Football Championships. Five exclusive t-shirts were created and sold in Penneys stores, priced at €6 for adults and €5 for children which, with an additional contribution from Penneys, resulted in €25,000 being donated to each hospital.

In 2013, Penneys helped raise €64,000 for the Irish Society for the Prevention of Cruelty to Children (ISPCC). In March 2013, the ISPCC launched its Shield Anti-bullying Campaign; the largest anti-bullying campaign of its kind in Ireland. As part of this campaign, ISPCC shield pins were available to purchase for €2 each in Penneys stores during the month of March. Penneys sold a total of 32,000 and the funds raised will help the charity reach out to and support some of the most vulnerable children in Ireland.

### International store openings

When we begin trading in a new area, we recognise the importance of building strong relationships with community groups and the relevant local authorities. At the opening of each international store (those outside the UK and Ireland), Primark makes a significant contribution to a local community organisation, typically recommended by the local government.

#### Spain

In Barcelona, (L'illa Mall) AEIRaval accepted a donation of €10,000 to improve the living conditions of families in the El Raval area, one of the most socially disadvantaged areas in Barcelona. In total, we have donated €180,000 to local communities in Spain.

#### Germany

When opening a new store in Berlin in 2012, we made a €10,000 donation to the Björn Schulz Foundation. The Björn Schulz Foundation supports children suffering from cancer as well as terminally ill children and their families. Donations in Germany have totalled €80,000.

### International educational institutions

In order to reinforce Primark as a trusted brand with customers and amongst potential employees, we have developed key relationships with schools and fashion colleges close to some of our international stores.

#### Spain

In Madrid, relationships have been developed with St Patrick's School and the ISEM Fashion Business School. A scholarship programme has been established with both institutions where selected students are awarded the opportunity to live and work in Dublin, gaining valuable insight into the culture of Ireland as well as a thorough understanding of the Primark brand.

#### Germany

At the time of the opening of Primark Gelsenkirchen (December 2010), a similar internship programme was created with the Department of Textile Clothing Technology at Niederrhein University of Applied Sciences.

**“THE RECYCLING PARTNERSHIP BETWEEN NEWLIFE AND PRIMARK BENEFITS DISABLED CHILDREN AND THEIR FAMILIES IN COMMUNITIES ACROSS THE UK. OUR EQUIPMENT GRANTS ARE ESSENTIAL FOR CHILDREN AND CAN OFTEN HELP TO GIVE THEIR FAMILIES A BETTER QUALITY OF LIFE. WE ARE THANKFUL FOR PRIMARK'S CONTINUED SUPPORT.**

Mrs Sheila Brown, OBE  
Chief Executive  
Newlife

### PRIMARK IN IRELAND

In March 2013, the ISPCC launched its Shield Anti-bullying Campaign; the largest anti-bullying campaign of its kind in Ireland. As part of this campaign, ISPCC shield pins were available to purchase for €2 each in Penneys stores during the month of March. Penneys sold a total of 32,000 and the funds raised will help the charity reach out to and support some of the most vulnerable children in Ireland.



# WORKING WITH OTHERS

Primark collaborates and engages with a wide range of stakeholders including government, workers' rights advocates, trade unions, consumers, students, NGOs, retailers, representatives from other industries and sectors, membership forums and multi-stakeholder initiatives. Leveraging stakeholder expertise and knowledge informs Primark's programmes and strategies and is critical in helping build and deliver an effective, sustainable strategy and programme of activities, particularly around challenging and complex issues. Here is a list of the major partnerships and initiatives in which Primark is engaged, and some examples of partnerships and collaborations which have not been covered elsewhere.

## Primark working with others

### Membership organisations

Primark is a member of several international organisations.

### Ethical Trading Initiative (ETI)

The ETI is an alliance of retailers, suppliers, trade unions, and voluntary organisations that work in partnership to improve the working lives of people across the world who make or grow products for consumers. Primark joined the ETI in 2008 and participates in several working groups including the Tamil Nadu Multi-Stakeholder Group, of which Primark is a member of the Steering Committee, and which aims to improve working rights and conditions for young women in the South Indian garment and spinning industry. ETI members including NGOs and trade unions help us in shaping our ethical trading strategy and approach. As a member, we are required to submit an annual report to the ETI on our ethical programme and performance. See [http://www.primark-ethicaltrading.co.uk/reporting\\_and\\_assurance/performance\\_data](http://www.primark-ethicaltrading.co.uk/reporting_and_assurance/performance_data).

### Business for Social Responsibility (BSR)

The BSR has been a leading organisation in corporate responsibility since 1992. BSR works with its global network of over 250 member companies to develop sustainable business strategies and solutions through consulting, research and cross-sector collaboration. With offices in Asia, Europe and North America, BSR uses its expertise in environment, human rights, economic development, and governance and accountability to guide global companies towards creating a just and sustainable world. Primark joined BSR in 2010, and some of our work with BSR includes healthcare and education for women in Bangladesh, and research on labour shortages and migratory trends in China. In 2012, Primark entered into a partnership with BSR to provide an enhanced financial education programme for workers in India through peer education and training, working with leading NGOs such as Women's Worldwide Banking and local financial organisations.

### Better Work

Better Work is a unique partnership between the International Labour Organization, part of the United Nations, and the International Finance Corporation, part of the World Bank (see more at [www.betterwork.org](http://www.betterwork.org)). It aims to improve labour practices and competitiveness in global supply chains, and is currently operating in Vietnam, Cambodia, Lesotho, Jordan and Haiti. Primark joined Better Work in 2010, and is a participating member in Vietnam, Cambodia and Indonesia. The Better Work programme consists of assessments, advisory services and training services provided by local experts. Our signature to the Better Work buyer principles is a commitment to our support and endorsement of the programme.

### The Accord

The Accord is a binding contract between 70 apparel brands and retailers, international and local trade unions, and NGOs. Its aim is to ensure sustainable improvements to working conditions in the Bangladeshi garment industry. Primark was the first retailer in the UK to sign the Accord.

Key highlights include:

- initial inspections are designed to identify grave hazards. Where identified as necessary, repairs are completed within nine months of inspection;
- an interim procedure has been agreed to take effect when existing inspection processes or worker reports identify factories which require immediate remediation measures;
- hiring process commenced for the Chief Safety Inspector and Executive Director positions; and
- governance structure established through a Steering Committee with equal representation of signatory companies and unions, and an Advisory Board with broad representation in Bangladesh.

### The Child Labour Platform (CLP)

The CLP is a multi-stakeholder initiative set up in 2010 at the request of the Dutch government to look at best practices in combating child labour following the Global Conference on Child Labour at The Hague and the agreement to the Roadmap for Achieving the Elimination of the Worst Forms of Child Labour by 2016. The CLP is managed by IPEC (The International Programme on the Elimination of Child Labour, a body of the ILO) and CLP members include 30 representatives from the cocoa, cotton/garment, mining and tourism sectors.

### Regional forums

Primark is a member of several regional buyer forums in India, Turkey and Bangladesh that work collaboratively on region-specific issues.

### Business in the Community in Ireland

Primark is an active member of Business in the Community in Ireland – a business network made up of Ireland's largest companies – which has the goal of increasing and improving corporate responsibility in Ireland.

### Business in the Community in the UK (BITC)

Associated British Foods plc is a member of BITC in the UK and we were all delighted when Primark's Ethical Trade Director was presented with a Game Changer Award from BITC in recognition of her work in ethical sourcing. The award is bestowed by BITC in recognition of people and companies that have raised standards and made a lasting impact both on their businesses and on the work, knowledge and capacity of Business in the Community.



# GROCERY

The businesses within the Grocery division produce a range of staple food and drink products that families around the world enjoy and rely on every day.

We monitor changing consumer needs to ensure we continue to offer exactly what people want, whilst also addressing wider concerns such as public health, ethical sourcing and the environmental impact of agriculture and industry.

1,230

tonnes: weight of materials saved through packaging initiatives since 2010

110

number of front-line production employees at George Weston Foods who have received literacy and numeracy training

£165,000

amount donated by ACH Foods to support Share Our Strength's No Kid Hungry campaign, which aims to end childhood hunger in the United States

50,000

number of people benefiting from Twinings' health projects with Save the Children

## KEY FACTS AND FIGURES

Total no. of employees	17,218
Employee type	14,246 full time 1,380 part time 1,592 seasonal contractors
No. of women in workforce	5,303
No. of women in management roles	291



We rely on nature for our products and the future success of our business: we want a sustainable future both for our business and the planet. Responsible procurement, sustainable farming, energy, water, waste and packaging are therefore all high on our agenda.

► Read more on p62



Looking after our people means creating a safe and enjoyable environment for our staff, and providing them with opportunities for their development. It also means ensuring that we choose suppliers who treat their employees well and meet the high standards set out in our Supplier Code of Conduct.

► Read more on p65



Our Grocery group is a collection of big businesses and the positive impact we can have on the world is tremendous. Led by the Twinings business, we have sought to turn neighbours into friends in parts of the world where we source our tea, and this is a big commitment.

► Read more on p68



We take good health seriously, whether it is the wellbeing of our customers and staff or the communities in which we operate.

► Read more on p70

# INTRODUCTION

Many of the ingredients in our grocery products are grown in developing countries, sometimes reaching us through lengthy supply chains. As responsible businesses we take provenance very seriously and seek to understand, manage and mitigate any issues associated with a particular commodity or country.

We are committed to buying from suppliers who share our values. All our businesses insist that suppliers adhere to the Associated British Foods Code of Conduct for Suppliers and we have an extensive audit process in place to ensure that it is understood and applied.

In this section, we share details of the risk assessment we have conducted to help us understand the social and environmental issues that potentially affect the main commodities we procure, as well as the management actions under way within our businesses to address these.

In addition, we place great importance on being a responsible neighbour in the communities in which we operate. Our Twinings business has demonstrated how powerful partnerships can be. Its

support of Mercy Corps, UNICEF and Save the Children is transforming the lives of people in the tea-growing communities of India and Myanmar.

We have also seen the enormous value of industry coalitions, such as the Ethical Tea Partnership and the International Cocoa Initiative, which help to address issues that affect a whole sector, and not just a single business.

Ensuring our own operations are managed sustainably is crucial too. We run our operations as efficiently as we can and we factor sustainability in when planning capital expenditure projects. This is simply good business practice: it makes sense for us to focus on conserving energy and water in our factories, and to reduce any unnecessary packaging or road miles.

Our businesses have also taken action with regard to public health. In the UK, we support the government's Public Health Responsibility Deal process, through which we have made substantial reductions in the salt in our products and have removed all artificial trans fats. In Australia, George Weston Foods has also reduced salt in its products and led the way in helping to engage consumers on the subject of healthy eating.



**Right**  
Staff Literacy Project: front-line production employees at George Weston Foods receiving literacy and numeracy training.

## GROCERY

# RESPONSIBLE STEWARDSHIP OF OUR ENVIRONMENT

We rely on nature for our products and the future success of our business: we want a sustainable future both for our business and the planet. Responsible procurement, sustainable farming, energy, water, waste and packaging are therefore all high on our agenda.



As a collection of large international food companies, the Grocery division of Associated British Foods understands that the procurement choices we make can have a significant impact on how commodities are grown. We seek to use that influence to improve standards and we choose to do business with suppliers who share our values.

We are aware of the benefit of collaborating to achieve our goals and are active members of numerous round tables and ethical trade bodies including the Roundtable on Sustainable Palm Oil, the Ethical Tea Partnership and the International Cocoa Initiative (see 'Working with others' on page 71).

### Sustainable palm oil

Palm oil production has been well documented as a cause of substantial damage to the natural environment. Its impact includes deforestation; habitat loss of critically endangered species such as the orang-utan and Sumatran tiger; and a significant increase in greenhouse gas emissions.

Although palm oil is only a very small input into our production, Associated British Foods is a member of the RSPO, a multi-stakeholder organisation dedicated to the development, implementation and verification of sustainability standards in the industry.

All our grocery businesses are committed to the responsible sourcing of palm oil and, by 2015, we aim to use only Certified Sustainable palm oil or Identity Preserved palm oil.

The Jordans & Ryvita Company has been purchasing Certified Sustainable palm oil blended with rapeseed oil since 2010 for all its products. Similarly, Allied Bakeries started using physical certified segregated sustainable palm oil in July 2011 and is reducing its reliance on Green Palm Certificates annually. As of May 2013, Allied Bakeries is purchasing 65% of its palm oil and derivatives from physically segregated sustainable sources, and has had its supply chain independently audited by BM Trada to ensure appropriate practices are in place for handling it.

### Environmentally friendly farming

We recognise that agricultural land must be managed sustainably and our businesses support different approaches to achieve this. Effective soil management is also critically important to ensure that land remains useful and fertile.

The Jordans & Ryvita Company manufactures products that have been certified as organic by the Soil Association and, in 2012, was awarded a Business in the Community 'Big Tick' for its approach to environmentally friendly farming. Back in 1985, Jordans helped to establish the Conservation Grade standard to grow grain in a more nature-friendly way. This requires farmers to utilise 10% of their land to create a range of habitats for wildlife. Since then, it has helped the standard flourish into an environmental management protocol that is now used by a number of high-profile brands. In 2012, Jordans' work with Conservation Grade was shortlisted by the Guardian



**Left**

Jordans helped to establish the Conservation Grade standard, which requires farmers to utilise 10% of their land to create a range of habitats for wildlife.

newspaper in its Sustainable Business Awards for initiatives to address biodiversity loss.

**Cutting our energy use**

We are committed to reducing direct emissions from our businesses and have implemented a range of measures to cut our energy bills and carbon footprint.

At AB World Foods' plant in Leigh, Lancashire, simply installing more efficient switchgear has cut electricity use by almost 10%. At its plant in Nowa Sol, Poland, efficiencies have been achieved by switching to energy-efficient and motion-sensing lights, installing curtains on freezers and educating staff on how to save energy. It also conducted a complete review of its shutdown procedures and found that some equipment was being left on unnecessarily. These findings have helped the business and reduced its gas use.

At George Weston Foods, a programme of energy efficiency audits has been concluded across all sites, targeted at reducing energy demand. For instance, at the Tip Top manufacturing facility in South Australia, sections of the roof were replaced with clear panels to let in sunlight, removing the need for 37 bay electric lights and saving significant demand for energy.

As part of a factory expansion at the smallgoods manufacturing plant in Castlemaine, Victoria, two gas-powered cogeneration engines were installed. By switching from grid electricity to combined heat and power, the carbon footprint of the energy used on this site has been cut by 60%.

George Weston Foods also conducted a review of the refrigeration plant at its baking facility in Ermington, New South Wales, looking for cost-effective and commercially proven energy efficiency measures. In August 2012, the refrigeration systems were upgraded, cutting site energy usage by more than 7%. The project also qualified for the generation of Energy Savings Certificates under the NSW Energy Savers Scheme, creating an additional income for the site of £20,000.

In the UK, Allied Mills has reduced its carbon emissions by approximately 700 tonnes of CO<sub>2</sub> each year by switching from road haulage to the use of pressurised rail containers for long distance transport. Other businesses within the group are exploring similar options to reduce their logistics impact.

In North America and Mexico, ACH has implemented energy reduction projects over the past four years that have reduced electricity requirements for lighting by 61% in its Ankeny plant and reduced overall electricity requirements by 40% in its Chicago plant.

**Carbon footprinting**

In June 2009, Kingsmill became the first, and so far the only, bread brand to carry the Carbon Trust Carbon Reduction Label on its packaging. Two years later, Allied Bakeries completed a reassessment and, having reduced its footprint by 13%, was recertified. The label appears on the three biggest-selling varieties of Kingsmill bread: Soft White 800g, 50:50 800g and Tasty Wholemeal 800g.

In 2011, the Jordans & Ryvita Company conducted a comprehensive scope three carbon footprint assessment of its breakfast cereal and cereal bar business in order to understand better where in the supply chain emissions were being created. Working with consultants Best Foot Forward, it discovered that production and transportation of ingredients constituted a quarter of its footprint and it is now working to reduce it as part of its sustainability strategy.

**Reducing waste**

Food waste is a major issue within the UK, which was one of the motivations behind Allied Bakeries' creation of the Little Big Loaf, a loaf that has full-size slices but fewer than in a standard loaf for those people who cannot consume a whole loaf because they live alone, or just do not eat a lot of bread. During 2012, the range of 400g loaves was extended, reducing waste in households that eat less bread. The Little Big Loaf and Crusts Away! loaf is now

supplied to retailers in reusable plastic trays and the product's primary packaging uses recycled virgin plastic offcuts.

Reducing waste to landfill is good for the environment but it also makes sense for our bottom line. At AB World Foods' site in Leigh, waste to landfill has been cut by two-thirds since 2009 by channelling waste to a composting facility and an Energy from Waste plant, despite an increase in tonnes of product produced. The same has been done at the Jordans & Ryvita site which now sends nothing to landfill. As of April 2012, Twinings' Andover factory also became a zero waste to landfill site and Westmill Foods and AB World Foods are following suit to ensure that their sites meet this standard by 2015.

George Weston Foods teamed up with waste management company Veolia in 2011 to create a Waste Minimisation Group, which developed and implemented on-site educational campaigns to minimise contamination of waste streams. It also collaborated with Veolia to develop specialised equipment for the disposal of dough waste, and now sends clean waste to be used in agricultural feed production. This partnership with Veolia helped cut waste to landfill by 4,985 tonnes in 2012, saving more than £299,000.

Another example of waste reduction is through more efficient use of pickle brine at the Australian smallgoods manufacturing plant. Large volumes of pickle brine are used as a preservative and for cooling in one of the process lines. By using the brine more efficiently and improving communication between staff members, pickle waste was reduced by 150 tonnes each month, almost four times the original target. As well as getting better value out of the brine, this has considerably reduced disposal costs.

**Packaging reduction**

As a producer of packaged goods, our primary objective is to ensure that our products are safe to eat and reach the consumer in optimal condition. Packaging plays a critical role in achieving this but we have been exploring how we



## GROCERY

can use fewer materials without compromising on quality or safety. Our UK grocery businesses are signatories to the Waste and Resources Action Programme's (WRAP) Courtauld Commitment, a voluntary agreement aimed at improving resource efficiency and reducing the carbon and wider environmental impact of the grocery sector. This has led these businesses to identify a number of ways in which they can reduce packaging waste associated with production, primary packaging and product transportation.

At AB World Foods, packaging use has been reduced considerably by reducing the weight of glass used in cooking sauce jars. The business also carried out extensive tests to reduce packaging weight by switching the caps on bottles and jars to a lighter Eco Cap. In the two years following its introduction in 2011, the Eco Cap has saved the use of 500 tonnes of steel. As steel is a carbon-intensive material, this has also saved 2,000kg of CO<sub>2</sub> from being released to the atmosphere in its manufacture.

AB World Foods is now working with its own-label customers to do the same. Encouraged by its success in reducing the weight of its packaging, the business is making technical changes at its manufacturing sites to allow it to package products in thinner cans too.

Since 2011, Ryvita has upgraded the packaging of its products from carton board to lightweight foil wrappers. This has resulted in a significant reduction of just over 450 tonnes in the weight of packaging produced on an annual basis.

In the US, ACH Foods has reduced its packaging by 280 tonnes since 2010 through a range of initiatives including rethinking the use of tertiary and secondary packaging such as pallet dividers and point-of-sale materials, and light weighting product packaging by 20%. Additionally, ACH Foods is working towards the elimination of BPA and PVC packaging materials. The changes being made at ACH are also cultural, with packaging engineers receiving environmental training. Furthermore, investments have

been made in new software to design more efficient packaging and the business is working with customers who are also concerned about the environment to create even more sustainable packaging.

Sometimes packaging savings can be made through simple process changes. For example, AB World Foods now collects and reuses the cardboard pallet dividers used to protect goods packaged in glass jars, leading to a cost saving across the business.

Efficient packaging can reduce transport miles too. At AB World Foods, a change to how each pallet is configured has enabled the optimisation of loads, fitting up to seven additional pallets on to each vehicle. This simple change means that, each week, the business makes ten fewer trailer journeys.

### Conserving water

We are well aware of the finite nature of the world's water resources, and acknowledge our responsibility to reduce our water use by improving efficiencies in our operations.

Across our grocery businesses, we have been exploring ways to reduce our water consumption and ensure that our waste water is properly treated and cleaned. We have made some significant progress at a number of sites and continue to share what we learn between our different businesses.

George Weston Foods has set a goal to reduce water consumption per tonne of goods by 20% from the 2010/11 baseline by 2020. It achieved a 7.7% reduction in 2012 through a variety of initiatives including water recirculation, more efficient cleaning practices and rainwater harvesting.

In October 2012, the Tip Top bakery in Christchurch, New Zealand, was recognised for Environmental Leadership in Industry with a Kāra Award from Environment Canterbury. The award acknowledges the company's efforts to improve the quality of waste water leaving the site following the installation of a new on-site trade waste and truck wash system, which also allows it to discharge water overnight,

thereby easing the demand on council facilities at peak time.

In the UK, AB World Foods has signed the Federation House Commitment to reduce its water usage and is working with Hyder Consulting to carry out water balancing with a view to greater understanding of its water usage and identification of areas for improvement. It has also implemented various localised improvements such as reducing the water pressure in hoses and adapting cleaning routines.

The Jordans & Ryvita Company won the first-ever Waitrose Way award in recognition of the water now being saved in the manufacture of its crispbreads. Ryvita Crispbread is made using a traditional Scandinavian 'iced crispbread' recipe where the dough is chilled before it is baked. This allows pockets of air to form in the mixture, meaning that yeast is not required.

Historically, the dough mix was chilled in vats using blocks of ice. This developed over time into a continuous process whereby wet dough was fed through machines called 'combinators' that cooled it down. These machines used a chemical refrigerant, which took some time to reach its optimum temperature from start-up. As a result, every time the machine was started, approximately 500kg of dough and water mix was wasted as the temperature gradually dropped to the required level.

In 2011, a series of measures were introduced to reduce the amount of water used in this process. By using an improved flour blend and mixing the rye dough more thoroughly at the outset, it is possible to create the same pockets of air in the dough that had traditionally been achieved through icing. In what is only the third major process change to the manufacturing process of Ryvita Crispbread in its entire history, new machinery was installed on the line, eliminating 60,000 litres of water waste and cutting out the use of refrigerants.

### CARBON FOOTPRINTING

## CARBON REDUCTION LABEL



In June 2009, Kingsmill became the first, and so far the only, bread brand to carry the Carbon Trust Carbon Reduction Label on its packaging

### REDUCING WASTE

## ZERO WASTE TO LANDFILL

The Jordans & Ryvita site and Twinings' Andover factory now send no waste to landfill. Westmill Foods and AB World Foods are following suit to ensure that their sites meet this standard by 2015

## BEING RESPONSIBLE FOR OUR PEOPLE

Looking after our people means creating a safe and enjoyable environment for our staff, and providing them with opportunities for their development. It also means ensuring that we choose suppliers who treat their employees well and meet the high standards set out in our Supplier Code of Conduct.

### Keeping our people safe

We operate a large number of production facilities and place great emphasis on ensuring the safety, health and wellbeing of our people. In 2013, Allied Milling and Baking became the 'safest millers and bakers' in the UK, following five years of effort to increase health and safety awareness through all layers of the business. They have reduced the number of injuries leading to time off work (known as Lost Time Injuries) from 81 in 2010 to 40 in 2013. The dramatic improvement in the safety record is something we are proud of but Allied Milling and Baking's ambition is to create a 'zero harm' workplace where health and wellbeing as well as safety are a priority. In addition, ACH has invested more than £26,000 in improving working conditions, as well as the safety of plant equipment to keep people safe.

### A great place to work

For the past three years, Twinings Ovaltine has taken part in the Great Place to Work survey. All its employees are invited to complete a survey and over 90% choose to do so each year. In 2012, the business in the UK and Ireland was ranked fourth in the list of 50 Best Small and Medium-sized Workplaces in Europe.

This is the result of Twinings Ovaltine's focus on employee wellbeing, supported by schemes such as Right Tools to do the Job, which ensure that employees have what they need to do their job in the most effective way, and Communi-tea, where staff members work together on a local community project. It also places emphasis on creating a happy, healthy workforce by encouraging employees to take time to be healthy at work, whether through attending classes and relaxation events, or participating in the charity pedometer challenge.

In Australia, the focus has been on promoting a work-life balance and, in 2012, a Flexible Workplace Policy was introduced to help staff balance their professional and family commitments. The success of this approach is reflected in the composition of the workplace, with women constituting a third of the senior leadership team at George Weston Foods.

### Developing our people

We take staff development seriously within our businesses and want to create an open and progressive environment where people can reach their full potential and maximise their personal effectiveness.

#### Building Future Leaders

In 2013, our UK grocery businesses joined together to launch our first women-only leadership development programme that was designed to recognise the particular pressures on women within senior management roles. Sponsored by the Chief Executive of our UK Grocery division, the programme brought together 15 senior business managers working in the full spectrum of functions across the various different UK grocery businesses, including planning, supply chain, finance, operations, marketing and sales.

Over the past decade, there has been a growing focus on why women are under-represented at senior levels in British companies. Some of the reasons have quite deep social roots grounded in assumptions about the types of jobs that are 'suitable' for women. However, all of the research seems consistently to identify three areas which, if addressed, would have a positive impact on the under-representation by women within different disciplines and at different levels. This Building Future Leaders programme is part of a wider initiative across Associated British Foods to:

- boost the number of female 'role models' in senior posts;
- build business networks for women across disciplines and levels; and
- continue to develop a learning culture that supports training in the broader business environment.

Three-quarters of those who participated in the training programme stated that it had come at just the right point in time to help them develop their careers, and every attendee said that their line manager was supportive.

#### International Mentoring Scheme

Twinings Ovaltine introduced an International Mentoring Scheme

to support the professional development of rising leaders from around the world by providing coaching from senior leaders in the business. In total, 38 people were selected for the scheme in 2012 and 25 senior managers, including the CEO, volunteered to mentor them. This programme is supported by an annual International Leadership Development workshop.

Rob Brazier, Customer Business Director in UKC Sales, has found the mentoring sessions hugely beneficial, "We've had three face-to-face meetings, a few phone calls and lots of emails which have helped me gain a greater understanding of the Twinings Ovaltine group and international business. My mentor also gave me support before presenting to senior management to help ensure my presentation was effective and clear. These discussions helped me clarify my career goals – both what I want, and why I want it."

#### Training and development

Developing our people is important at every level. George Weston Foods introduced literacy and numeracy training for 110 front-line production employees in New Zealand, a country where 48% of the adult population have high literacy needs. Not only have the individuals benefited from greater confidence and capability, but the business has enjoyed further benefits from the initiatives developed by the employees as part of the programme, ranging from improvements in operational efficiency, to waste management and compliance.

Allied Bakeries has invested in its front-line manufacturing staff through a detailed learning and development programme. This has included safety training to standards set by the Institution of Occupational Safety and Health (IOSH), as well as specific supplier training, and the introduction of learning logs to help cement understanding.

## GROCERY

### Ensuring our suppliers share our values

As producers of food and drink products, we need a robust supply chain that we can trust. We have a Code of Practice for Suppliers and work hard to communicate our expectations to the companies we work with.

In 2011, our UK grocery businesses commissioned an independent report on the ethical and environmental issues related to the sourcing of 21 key ingredients, including palm oil, soya, cocoa and sugar cane.

The report included a country risk assessment aimed at giving businesses an overview of the risks inherent in purchasing raw materials from certain geographical locations where supply chain issues have been identified previously.

The metrics used to assess each commodity were selected from the Maplecroft data bank and are aligned with key elements of the ETI Base Code and our Supplier Code of Practice. It considered issues including forced or involuntary labour; child labour; freedom of association; unsafe working conditions; land rights; deforestation; resource security; and waste and pollution.

As a result of this assessment, the individual grocery businesses in the UK agreed to set base line standards for managing ethical and environmental risk within their supply chains using the Supplier Ethical Data Exchange (SEDEX) as a tool to help consistently evaluate ethical risk within individual businesses' supply chains. 70% of the businesses' current raw material and packaging supplier base across all the grocery businesses in the UK are registered on the SEDEX database. The remaining 30% are now being targeted, with a view to getting as close to 100% as possible registered by the end of 2013.

This will enable each business to conduct its own individual ethical and consistent environmental risk assessments of its entire raw material supply

chains, and to seek independent verification of the data posted on SEDEX for suppliers it designates as high risk. Businesses will conduct supplementary accredited ethical auditing of all high-risk suppliers during the 2013/14 financial year based on their own designated risk assessment models.

This initiative will help our UK businesses align their approach to due diligence and benefit from shared learning.

#### Managing risks

Around the world, all our grocery businesses are putting in place processes for evaluating and managing ethical supply chain risks:

#### Allied Bakeries

Allied Bakeries has carried out detailed risk assessments by both commodity and country so that the business can better monitor the ethical risk within its supply base, enabling the business to prioritise the areas of highest risk. Building on this, the business has completed a major initiative to register every one of its raw material, third-party and packaging suppliers on SEDEX. This means that it can identify suppliers who may present a risk, assess their compliance with the ETI and, when necessary, work with them to resolve issues that emerge. To help the business achieve this, a number of people have been trained to be IRCA certified Social Systems Lead Auditors, who can support a formal audit process.

#### The Jordans & Ryvita Company

The Jordans & Ryvita Company requires all new raw material, packaging and third-party manufacturers supplying the business to be registered on SEDEX and to comply with an Ethical Trade Policy and Supplier Code of Conduct. As part of the business' new sustainability strategy, these processes are being tightened to include a more comprehensive assessment of supplier compliance, supported by dedicated ethical audits by independent auditors for

designated high-risk suppliers. The business is also developing Sustainable Action Plans for key raw materials and commodities and is training in-house ethical audit capability.

#### Westmill Foods

Westmill Foods ensures compliance with its Code of Practice for Suppliers by asking companies that work with it to complete a social accountability and ethical trading questionnaire. The business also undertakes ethical audits of some suppliers. When suppliers fall short of the high standards set by the business, it has a policy of encouraging better practice, rather than immediately delisting them. For the last two years, any Westmill supplier that was rated red or amber in an audit has been part of a programme whereby it undergoes ethical audits by a third-party contractor to ensure the supplier is fully compliant with the ETI Base Code. This programme will continue on a rolling basis with follow-up audits and re-audits against an agreed timeframe.

#### The Silver Spoon Company

The Silver Spoon Company has conducted ethical audits on its cane sugar supply chain for a number of years and incorporates a fully qualified SMETA Ethical Auditor as the leader of its technical supply chain management team. The business also supports Fair Trade supply through its Billington's brand.

#### Twinings

Twinings sources from thousands of tea suppliers, from large organisations to small-scale farmers, some of which are in developing countries. It is therefore imperative that it has a well-articulated approach to sustainable sourcing. Its current priority is to audit and improve standards for high-priority packaging and ingredient suppliers and ensure compliance with its Ethical Code of Conduct. To date, it has conducted local third-party audits on three-quarters of these and will

continue to audit all the remaining high-priority suppliers by the end of 2014. It will then focus on medium-risk suppliers. In order to strengthen its responsible sourcing approach across the organisation, Twinings' Social Responsibility Team runs ethical trade training for all buyers and other key people in the UK, China, India and Thailand, covering the Code of Conduct, ethical process and key ethical issues, as well as purchasing practices. In addition, 15 employees from the UK, Poland and India were trained as IRCA certified Social Systems Lead Auditors to strengthen their awareness of ethical standards, with training also planned for employees in China and Thailand.

#### AB World Foods

AB World Foods sources food ingredients from around the world for use in its range of Indian and Chinese cooking sauces and associated products. The business requires all raw material producers that supply its facilities to support the Associated British Foods Supplier Code of Conduct and works with new suppliers to ensure compliance. The business also requires all its suppliers to be registered on the SEDEX database and conducts a full risk assessment against this information, backed up with analysis of ethical audit data.

In addition, our UK grocery businesses have agreed to cascade best practice by ensuring that individual businesses provide information on designated commodities where they have procurement expertise. Details will be shared of emerging supply chain issues and suppliers that are rated as high risk in relation to the management of ethical and environmental issues. In instances where we believe that the terms of our Supplier Code of Conduct may not be being met, we will work with suppliers to address non-conformances where possible.

We are also exploring how to enhance our central food safety audits to trigger an ethical audit if concerns are raised regarding the treatment of workers within the supply chain, or the environment.

The following table outlines the key commodity risks and remediation activity identified by Associated British Foods' UK grocery businesses:

COMMODITY RISKS AND REMEDIATION				
Commodity	Potential identified risks	Businesses affected	Principal supply origins	Mitigation strategies to date
<b>Tea</b>	<ul style="list-style-type: none"> <li>Labour and welfare standards</li> <li>Environmental degradation</li> </ul>	<ul style="list-style-type: none"> <li>Twinings</li> </ul>	<ul style="list-style-type: none"> <li>Argentina</li> <li>China</li> <li>India</li> <li>Indonesia</li> <li>Kenya</li> <li>Malawi</li> <li>Sri Lanka</li> <li>Vietnam</li> </ul>	<ul style="list-style-type: none"> <li>Twinings is a member of the Ethical Tea Partnership (all tea purchased from tea estates who participate in the ETP monitoring and improvement programme).</li> <li>Specific suppliers are certified and audited to Fairtrade and Rainforest Alliance standards.</li> <li>Supplier SEDEX Registration supported by Ethical Audit Assessment and remediation planning where issues are identified.</li> </ul>
<b>Cocoa</b>	<ul style="list-style-type: none"> <li>Labour and welfare standards</li> </ul>	<ul style="list-style-type: none"> <li>Allied Milling and Baking Group</li> <li>The Jordans &amp; Ryvita Company</li> <li>The Silver Spoon Company</li> <li>Twinings</li> </ul>	<ul style="list-style-type: none"> <li>Côte d'Ivoire</li> <li>Ghana</li> <li>Indonesia</li> </ul>	<ul style="list-style-type: none"> <li>Supplier SEDEX Registration supported by Ethical Audit Assessment and remediation planning where issues are identified.</li> <li>Specific assessments of the ethical trading policies of finished chocolate suppliers in relation to cocoa to ensure alignment with the Associated British Foods Supplier Code of Conduct.</li> <li>Twinings is a member of the International Cocoa Initiative and purchases UTZ certified cocoa.</li> </ul>
<b>Palm oil</b>	<ul style="list-style-type: none"> <li>Labour and welfare standards</li> <li>Environmental degradation</li> </ul>	<ul style="list-style-type: none"> <li>Allied Milling and Baking Group</li> <li>The Jordans &amp; Ryvita Company</li> <li>The Silver Spoon Company</li> <li>Twinings</li> <li>Westmill Foods</li> </ul>	<ul style="list-style-type: none"> <li>Indonesia</li> <li>Malaysia</li> <li>Papua New Guinea</li> </ul>	<ul style="list-style-type: none"> <li>Groupwide Associated British Foods commitment to purchase Sustainable Palm Oil by 2015.</li> <li>Membership of the Roundtable on Sustainable Palm Oil.</li> <li>The Jordans &amp; Ryvita Company and Allied Bakeries currently purchase RSPO Certified Sustainable Palm Oil.</li> <li>Supplier SEDEX Registration supported by Ethical Audit Assessment and remediation planning where issues are identified.</li> </ul>
<b>Rice</b>	<ul style="list-style-type: none"> <li>Labour and welfare standards</li> </ul>	<ul style="list-style-type: none"> <li>AB World Foods</li> <li>Westmill Foods</li> </ul>	<ul style="list-style-type: none"> <li>Cambodia</li> <li>India</li> <li>Italy</li> <li>Pakistan</li> <li>Spain</li> <li>Thailand</li> <li>Uruguay</li> <li>USA</li> </ul>	<ul style="list-style-type: none"> <li>Supplier SEDEX Registration supported by Ethical Audit Assessment and remediation planning where issues are identified.</li> </ul>
<b>Soya</b> (and soy derivatives)	<ul style="list-style-type: none"> <li>Labour and welfare standards</li> <li>Environmental degradation</li> </ul>	<ul style="list-style-type: none"> <li>AB World Foods</li> <li>Allied Bakeries</li> <li>The Silver Spoon Company</li> <li>Twinings</li> <li>Westmill Foods</li> </ul>	<ul style="list-style-type: none"> <li>Brazil</li> <li>Canada</li> <li>Japan</li> <li>Thailand</li> <li>UK</li> <li>USA</li> </ul>	<ul style="list-style-type: none"> <li>Supplier SEDEX Registration supported by Ethical Audit Assessment and remediation planning where issues are identified.</li> <li>Non-GM Soya specified for use within all branded retail food products.</li> </ul>
<b>Paper</b> (cartons, corrugate and paper sacks)	<ul style="list-style-type: none"> <li>Environmental degradation</li> <li>Deforestation</li> </ul>	<ul style="list-style-type: none"> <li>AB World Foods</li> <li>Allied Milling and Baking Group</li> <li>The Jordans &amp; Ryvita Company</li> <li>The Silver Spoon Company</li> <li>Twinings</li> <li>Westmill Foods</li> </ul>	<ul style="list-style-type: none"> <li>Europe</li> <li>South America</li> <li>Asia</li> </ul>	<ul style="list-style-type: none"> <li>Supplier SEDEX Registration supported by Ethical Audit Assessment and remediation planning where issues are identified.</li> <li>Forestry Stewardship Council (FSC), PEFC, or recycled materials specified for use in products produced by the largest purchasers of paper and board within the group.</li> <li>Corrugated board largely derived from recycled material.</li> <li>Active risk assessment; carton and corrugate producers proscribed from approved supplier lists on the basis of evidence of significant environmental stewardship failings.</li> </ul>
<b>Cane sugar</b>	<ul style="list-style-type: none"> <li>Labour and welfare standards</li> <li>Water use</li> <li>Land ownership</li> <li>Environmental degradation</li> </ul>	<ul style="list-style-type: none"> <li>AB World Foods</li> <li>The Jordans &amp; Ryvita Company</li> <li>The Silver Spoon Company</li> </ul>	<ul style="list-style-type: none"> <li>Mauritius</li> <li>Malawi</li> <li>Reunion</li> <li>Paraguay</li> <li>Brazil</li> </ul>	<ul style="list-style-type: none"> <li>Supplier SEDEX Registration supported by Ethical Audit Assessment and remediation planning where issues are identified.</li> <li>Specific suppliers are certified and audited to international standards including Fairtrade; Organic and Rainforest Alliance.</li> <li>Biodiversity protection and water conservation initiatives under way.</li> </ul>

Our businesses in Australia and New Zealand, including George Weston Foods, are undertaking a similar assessment of their collective supply chain risk, and will agree aligned benchmark standards to help manage these issues. It will publish the outcome of this process once it is completed.



## GROCERY

# BEING A RESPONSIBLE NEIGHBOUR

Our Grocery group is a collection of big businesses and the positive impact we can have on the world is tremendous. Led by the Twinings business, we have sought to turn neighbours into friends in parts of the world where we source our tea, and this is a big commitment. Sometimes, however, being a good neighbour is about the small things, as at George Weston Foods where employees are given a day off each year to support a local community day. Here are examples of what it means to us to be a good neighbour.



### Twinings Ovaltine

Our Twinings Ovaltine business buys tea from a number of developing countries with challenging health issues. A key part of its CR effort is therefore dedicated to working in partnership with appropriate NGOs in the hope of making a difference to the lives of people within its supply chains, or who live in the places where it does business. Twinings currently works with three international NGOs: Save the Children; UNICEF; and Mercy Corps.

### Improving child health with Save the Children

Twinings' partnership with Save the Children began in 2004, supporting projects that improved health services, trained health workers and teachers, improved children's nutrition and assisted children with disabilities and HIV.

Since 2011, Twinings has worked with Save the Children to implement a child survival and health project in Yunnan in China – an important tea-growing area for the business. The mountainous terrain in this remote region of China means that people have limited access to health services and lack knowledge of child health and nutrition, making illnesses such as diarrhoea and pneumonia prevalent among children. This three-year project is directly benefiting more than 20,000 people. It will reduce infant mortality by connecting the villagers with doctors and healthcare workers, and educate them about maternal and child health in order to encourage them to use these medical services. This project is to be extended by three years to 2017, strengthening the field implementation and

benefiting an additional 39 villages in three townships of Cangyuan.

Twinings is also working in Kani, Myanmar to prevent illness and improve the health of children under five. This innovative community-centred project benefits more than 30,000 children and community members in at least 15 remote villages, who are vulnerable to illness and malnutrition. This is being achieved through improved hygiene practices, educating mothers on how to prepare nutritious meals, and access to healthcare. In the first half of 2013:

- 736 children under five were screened in project villages, 35 of whom were identified as malnourished and referred for treatment;

**Above**  
Twinings has partnered with Mercy Corps in Darjeeling, India to improve access to water and sanitation and reduce the number of waterborne diseases in the area.

- Community Health Funds were established in eight villages to support emergency referrals for sick and malnourished children. The fund is used to pay for transportation to nearby health centres and to cover treatment fees; and
- since the project began in November 2011, ten villages have embedded health and hygiene practices, with all villagers using latrines.

“**THIS LONG-TERM PARTNERSHIP DEMONSTRATES HOW, TOGETHER WITH SAVE THE CHILDREN, COMPANIES CAN MAKE A DIFFERENCE TO CHILDREN AND COMMUNITIES WHERE THEY SOURCE AND DO BUSINESS AROUND THE WORLD, CREATING A REAL SUSTAINABLE CHANGE.**

**Douglas Rouse**  
Corporate Partnerships Director  
Save the Children

#### Supporting adolescent girls with UNICEF

In 2011, Twinings and UNICEF launched a three-year partnership to improve the lives of 7,000 adolescent girls in Assam, India, where the majority are anaemic due to poor diet. The state of Assam also has very high maternal and infant mortality rates.

The initiative is being implemented in 15 tea gardens in the Dibrugarh district of Assam with UNICEF and the Assam Branch of the India Tea Association. The project aims to reduce significantly the prevalence of anaemia in adolescent girls and women by addressing the underlying factors responsible for their poor nutrition, such as poor diet. This includes distributing iron and folic acid tablets, setting up community kitchen gardens and cooking demonstrations to promote food diversity, and holding monthly nutrition and health education sessions covering topics including food hygiene, nutrition, personal hygiene and pre- and post-maternal health.

This is complemented by improved life skills education designed to empower adolescent girls such as problem solving, critical thinking, effective communication, inter-personal relationship building, self-awareness, empathy and coping skills. From May 2014, this project will be extended to another 48 tea gardens in Assam.

#### Water and sanitation with Mercy Corps

Twinings and Mercy Corps have been working together since 2010 in the tea-growing region of Darjeeling, India on a water and sanitation project to improve the lives of India's rural communities. Access to drinking water is a major problem, especially in the agricultural and tea communities, where people depend on nearby streams for their water.

Local water sources are contaminated with waste and more than 80% of households do not have proper sanitation. In addition, there has been a steady increase in population and a decline in water at the catchment areas due to deforestation, construction work, landslips and increase in water run-off. In the dry season, the water flow diminishes substantially, forcing people to walk further to fetch water and often creating conflict within communities at collection points.

The project aimed to reduce the incidence of waterborne diseases through improving hygiene practice and increasing access to clean water and improved sanitation over a three-year period from September 2010 to September 2013. A survey conducted in December 2012 showed a 71% decrease in the incidence of gastrointestinal disease in the area since May 2011.

#### Breast Cancer Care

Our brands afford us an opportunity to promote awareness of particular issues and Allied Bakeries has initiated a long-term partnership with Breast Cancer Care through its Burgen brand. Throughout October 2012, two pence from every Burgen branded loaf sold was donated to the charity, raising a total of £35,000.

This will now be an annual cause-related marketing event.

#### Kingsmill community grants

Through its Kingsmill brand, Allied Bakeries has launched a new programme to help retailers drive improvement in their local community. It invites local retailers to pitch for one of a number of £2,000 grants by sharing how they would bring their local community together to improve their neighbourhood.

#### KidsCan

Tip Top Bakeries is a platinum partner of the New Zealand KidsCan Charitable Trust's Nourish our Kids programme. It has supported the programme since 2008 by donating product to help New Zealand's children in poverty. In 2013, it delivered more than 150,000 loaves to over 300 schools in deprived areas.

“**OUR GOAL IS TO ENSURE NO NEW ZEALAND CHILD IN A DECILE ONE TO FOUR PRIMARY OR INTERMEDIATE SCHOOL GOES HUNGRY. THE SUPPORT FROM TIP TOP BAKERY THROUGH THE NOURISH OUR KIDS PROGRAMME MEANS WE ARE WELL ON THE WAY TO ACHIEVING THIS.**

**Julie Chapman**  
CEO and Co-founder  
KidsCan

#### Community days

George Weston Foods' employees are encouraged to participate in community days which are supported by the business. Every employee is offered two days paid leave a year for volunteering activities, one day for one of its three charity partners, and another day for a registered charity of his or her choice.

#### Bringing new talent into the food industry

Through the Food and Drink Federation, Associated British Foods' businesses in the UK have agreed to support the development of a dedicated Food Engineering degree programme at Sheffield Hallam University. This will see the only dedicated engineering degree programme focused specifically on the needs of the food industry. Participants on the programme will benefit from access to industry for work placements as well as guest lectures from engineers currently working in the food industry, creating the perfect platform for a future career in food manufacturing. The programme has also been supported by the UK government through an investment of £6.9m to create a dedicated centre of excellence for Food Engineering at Sheffield Hallam University.

#### Addressing youth unemployment

AB World Foods, Allied Bakeries, The Silver Spoon Company and Westmill Foods support Feeding Britain's Future, an initiative devised by the Institute of Grocery Distribution to help young people acquire the skills they need to enter the workplace. Local unemployed people aged 16–24 years were invited into our facilities and given first-hand training on the skills and competencies required to successfully enter the workplace. During September 2013, our businesses ran training programmes across 11 sites in the UK. Our employees gave participants a better understanding of the work environment as well as the requirements and rewards of working in a fast-paced manufacturing environment. The industry initiative, which is supported by experts from the UK's employment agency, *Job Centre Plus*, has reached over 15,000 unemployed young people nationwide.

## GROCERY

# RESPONSIBLE FOR PROMOTING GOOD HEALTH

We take good health seriously, whether it is the wellbeing of our customers, staff or the communities in which we operate.

## Ensuring product safety

We have robust processes in place to ensure that our products reach consumers in optimum condition, including a stringent quality control process. Should a product ever fall below our high standards, we have a strict protocol for managing product recalls or contamination concerns.

## Public Health Responsibility Deal

In 2011, all the businesses within Associated British Foods' UK Grocery group agreed to support the principles set out within the UK government's Public Health Responsibility Deal. Through this, we pledged to reduce salt content, remove artificial trans fats from all products and improve catering and occupational health standards within our Head Office and manufacturing facilities.

In 2011, our businesses removed the small amount of partially hydrogenated vegetable oil that had been present in some ingredients and ensured that naturally occurring trans fats in some cooking oils were strictly controlled as per the terms of this agreement. At the beginning of 2012, following extensive technical and trials work, Allied Bakeries achieved the salt targets set out within the Public Health Responsibility Deal process and continues to engage with the Department of Health with regard to the options for further future reformulation. At the same time, measures to encourage healthy eating have been put in place across a majority of sites, alongside dedicated occupational health support for employees, including the provision of a confidential 24-hour telephone helpline.

## Reducing salt content

Salt is an essential ingredient in bread, both to facilitate the baking process and to enhance flavour. However, we know that some consumers wish to eat less salt for health reasons. In 2012, the salt content of our bestselling Kingsmill white bread was reduced by 7%. Overall, Allied Bakeries has successfully reduced the salt in all bread and roll products by around 20% since

it began a reformulation programme in 2004 in line with targets set out in the UK government's Public Health Responsibility Deal. Similarly, all salt was removed from Jordans breakfast cereal products by 2009.

In 2007, George Weston Foods became one of the first businesses in Australia to work with the National Heart Foundation to establish the initial sodium criterion of 450mg/100g for bread, as part of the Heart Tick programme and Voluntary Sodium Reduction Roundtable initiative. Since then, it has further reduced sodium levels to 400mg/100g or lower across its mainstream bread portfolio. In 2012, it committed to achieving sodium reduction across the smallgoods category, contributing to the removal of more than 340 tonnes of salt from Australian diets. In July 2013, it included the National Heart Foundation Tick of Approval for the bakery category on two more of its products: Golden Wholemeal Crumpets and Bürger® Wholegrain & Oats.

Globally, all Bürger breads are low GI, high in fibre, and contain no artificial colours or preservatives. In 2003, the range was tested at the accredited glycemic index testing facility at the University of New South Wales, and approved to carry the GI symbol as a mark of low GI.

## Helping consumers make healthy choices

We actively support nutrition labelling that makes it clear how specific products contribute to a balanced diet. We give full nutrition labelling on most of our packaged products, including front-of-pack interpretative labelling of calories, fat, sugar, saturates and salt, as a percentage of recommended daily intake.

George Weston Foods is an active member of the GoScan programme, which aims to help consumers access trusted product information from their mobile phone. Following a recommendation of the 2012 Australian Senate enquiry into the Food Processing Sector, in March 2013 the GoScan app was launched. This enables users to scan a barcode and have

immediate access to product details, including food ingredient content and allergy advisory information.

George Weston Foods' current initiative with The Smith Family (TSF) is a programme called 'Ready Set Go' which sits within the broader suite of Learning for Life (LfL) programmes. Ready Set Go is a health literacy programme developed by TSF to improve the health and wellbeing of pre-school children and their families by addressing nutrition and exercise patterns that have been identified as unhealthy. It involves pre-school children from specific LfL communities across Australia, and promotes increased intake of grains, fruit and vegetables, as well as encouraging increased participation in active physical recreation. The key programme objectives are to increase consumption of grain, fruit and vegetable food groups in accordance with the Australian Dietary Guidelines; increase involvement in physical activity by children attending pre-schools in communities where Ready Set Go is delivered; increase the capacity and confidence of pre-school educators to include quality physical activity in their programmes; and increase parents' likelihood to purchase and prepare healthy meals and snacks for children's lunch boxes for pre-school.

## REDUCING SALT CONTENT



# -7%

In 2012, the salt content of our bestselling Kingsmill white bread was reduced by 7%



# WORKING WITH OTHERS

Our grocery businesses benefit enormously from strong relationships and strategic partnerships with key NGOs and not-for-profit organisations. These valuable relationships allow us to do far more good than we could on our own, particularly in supporting the producers of tea and cocoa, two of our key commodities.

## Ethical Tea Partnership

Twinings is an active member of the Ethical Tea Partnership (ETP), a not-for-profit organisation committed to developing a thriving tea industry that is socially just and environmentally sustainable.

ETP ensures that Twinings' tea suppliers are supported to meet international standards. For producers who have not been certified by a comparable standard, ETP organises independent third-party audits against the ETP standard, thereby covering all the key social and environmental criteria.

ETP has local staff in the key tea-producing countries of China, Sri Lanka, Indonesia, India, Kenya and Malawi who provide support and advice to producers to help raise their social and environmental performance. This includes free training on factory occupational health and safety; agrochemical management; fair treatment of workers; gender; and environmental management.

ETP has taken a slightly different approach in China, spending several years developing its programmes before beginning auditing. Over the last three years, ETP has added programmes on good people management and

## Below

An auditor interviews workers at a tea plantation in Indonesia which supplies Twinings.





## GROCERY

agrochemical management to its existing in-depth training on health and safety, and has carried out independent audits of producers who have been through these programmes. China is an important tea-sourcing country for Twinings and for this reason it has an ethical supply chain manager in China working directly with its tea suppliers and their supply chains to increase awareness and provide direct support to improve standards.

Through ETP, Twinings invests in a range of strategic projects that address the underlying issues that are holding back sustainability in the tea sector, supporting smallholder farmers to improve their farming practices and livelihoods from tea.

For instance, the ETP is working with the German Federal Ministry of Economic Cooperation and Development on a three-year partnership to help more than 50,000 tea farmers to adapt to the effects of climate change in Kenya. The resources developed as part of the project are now being adapted for use in other countries.

In Sri Lanka, the ETP partnered CARE International on 13 estates and implemented Community Development forums, which bring estate management, workers and other stakeholders together for open discussions and community planning sessions. A number of improvements have arisen from these community meetings, including new career opportunities for female workers; improved education, medical and recreational facilities; increased staff morale; and better relationships between management and workers.

In Kenya, the ETP is rolling out the Ethical Trading Initiative's acclaimed Supervisor Management Training, which addresses difficult issues such as discrimination and harassment, and helps make workplaces better and fairer. It is now being expanded to other countries in East Africa such as Malawi and Uganda.

The ETP is working with IDH The Sustainable Trade Initiative to embed sustainability in Africa and Asia, and is undertaking an

in-depth project to improve the livelihoods of smallholder farmers in Sumatra and Java, Indonesia. In some cases, farm productivity and incomes have doubled because of this work.

Given the size and the scale of the tea sector, Twinings believes that the best way to improve conditions is at an industry level. Twinings has two employees on the ETP board of directors.

### The International Cocoa Initiative

In January 2013, Twinings Ovaltine became a member of the International Cocoa Initiative (ICI). Established in 2002, the ICI is a unique partnership between civil society and the cocoa industry, working together with the authorities in Côte d'Ivoire and Ghana to improve the lives of cocoa farmers and their families.

Through the work of ICI, Twinings is contributing to a number of programmes, including improving children's access to quality education through the construction or rehabilitation of basic school infrastructure, provision of education materials and facilitation of teachers' placement. It is also helping to improve access to healthcare, water and sanitation in remote communities.

The ICI also enhances the sustainability of livelihoods in cocoa-growing communities by promoting enhanced agronomic techniques to increase farmers' cocoa yields, as well as supporting livelihood diversification and vocational training.

### UTZ Certified sustainable cocoa

UTZ Certified is an independent not-for-profit programme and label for sustainable farming worldwide. As of August 2013, all the cocoa-based drinks sold in Europe (Ovaltine, Ovomaltine, Caotina, Options and Twinings Hot Chocolate) are UTZ Certified.

The UTZ programme enables farmers to learn better farming methods, improve working conditions, and take better care of their children and the environment. Through the

programme, farmers grow better crops, generate more income and create better opportunities, while safeguarding the environment and securing the earth's natural resources.

### REDcycle packaging recycling coalition

As a signatory to the Australian Packaging Covenant, George Weston Foods has been working in partnership with the REDcycle packaging recycling coalition to increase recycling of the soft plastic packaging it uses for bread and other food products. It is a key supporter of the REDcycle programme (Recycling + Education = Difference) led by RED Group and supported by the Australian Food and Grocery Council, other brand owners, retailers and transport companies.

An initial trial of the scheme invited consumers to return unwanted soft plastic packaging, such as bread bags, to Coles supermarkets in Melbourne, where they could be collected and recycled into products such as benches, fencing and tree guards for Australian communities. More than 5.8 million items of soft plastic packaging were recovered and the scheme has now been rolled out in Coles stores nationwide.

### Helping vulnerable groups

In Australia, George Weston Foods supports Foodbank, a non-denominational, non-profit organisation which acts as a conduit between the food industry's surplus food and the welfare sector's need. Since 2010, it has donated over 900 tonnes of food to Foodbank.

In the UK, our grocery businesses have a similar relationship with Fareshare, which distributes unwanted goods to charitable organisations who use the food to supply vulnerable groups within the local community. Between April 2012 and March 2013, these businesses provided Fareshare with 131 tonnes of product, equivalent to more than 300,000 meals. This was an increase of 58% on the previous year.

**AS OF AUGUST 2013, ALL THE COCOA-BASED DRINKS SOLD IN EUROPE ARE UTZ CERTIFIED. THE UTZ PROGRAMME ENABLES FARMERS TO LEARN BETTER FARMING METHODS, IMPROVE WORKING CONDITIONS, AND TAKE BETTER CARE OF THEIR CHILDREN AND THE ENVIRONMENT.**



#### Left

In January 2013, Twinings Ovaltine became a member of the International Cocoa Initiative, a unique partnership between civil society and the cocoa industry, which aims to improve the lives of farmers and their families.

The ACH Foods baking brands, Fleischmann's Yeast and Karo Corn Syrup, partner with Share Our Strength's No Kid Hungry campaign to support efforts to end childhood hunger in the United States. Through the support of its partners, Share Our Strength connects children in need with effective nutrition programmes such as school breakfast and summer meals, and teaches low-income families to cook healthy, affordable meals at home. ACH Foods has donated £165,000 to the organisation, and is further supporting the programme with an awareness-raising marketing campaign.

#### Forum for the Future

Our Jordans & Ryvita business is working with the UK sustainability charity Forum for the Future to develop further its sustainability programme. Following a workshop with its board in October 2012, the business agreed the parameters for its future focus, with a view to launching a new sustainability strategy by the end of 2013 that will see it extend its commitment to support UK farming, cut its operational

environmental footprint, enhance ethical and environmental standards within its wider supply chain, and make and sell more healthy products.

Twinings is also working with Forum for the Future as part of Tea 2030, a global collaboration of leading stakeholders from across the tea value chain who, together, will identify the key challenges facing the sector to 2030, and develop collaborative actions that will build a successful and sustainable sector.

#### British Nutrition Foundation

In the UK, Associated British Foods-owned businesses are members of the British Nutrition Foundation (BNF) and support its charitable objectives to promote understanding of nutrition science.

This year, the BNF launched the first-ever 'Healthy Eating Week', providing dedicated educational resources to help nurseries and schools educate children about the basis of a healthy diet and food provenance. Thousands of educators registered for the event, with an estimated 1.3 million

young people taking part. The Foundation also held a conference to launch its latest task force report on 'Nutrition and development: short- and long-term consequences for health'. The task force was chaired by Professor Tom Sanders of King's College, London and included a number of experts from around the UK. The report looked in detail at the vulnerable periods during early life where impaired growth or development may lead to chronic disease in later years. Both events generated significant publicity in the national news media.

Associated British Foods is proud to support the work of the BNF through charitable donations, as well as the contribution of time by members of our senior executive team who, as part of their Leadership Development Programme, helped to advise the Foundation on potential approaches to strategy. One of our senior executives also sits as an Industrial Governor and Trustee of the Foundation in accordance with its strict governance processes.

# INGREDIENTS

Our businesses help the food industry to create the things we want to eat every day, which is a great privilege but also a significant responsibility, both to people and the planet.

We take that responsibility seriously: to date, our focus has been on the safety of our people in our factories, our direct environmental impact and the communities we work alongside. However, we are increasingly recognising that being a responsible business in 2013 means going beyond our own operations to think about the complete supply chain and this is our ambition for the next few years.

## 70m

litres of mains water saved annually as a result of using waste water for cooling at AB Mauri's Camellia plant

## -16%

year-on-year saving of water in our Indian factories as a result of forming a water management team

## £5m

amount invested in an effluent treatment plant in Tucuman, Argentina, with a further £2.7m planned over the next five years

## -67%

reduction in days lost to injury since 2012

### KEY FACTS AND FIGURES

Total no. of employees	7,122
Employee type	6,774 full time 135 part time 213 seasonal contractors
No. of women in workforce	1,627
No. of women in management roles	123



The core of our environmental programme is a reduction in energy, waste and water usage across all of our operations. In addition, we have made a commitment to use only sustainable palm oil in light of concerns about the impact of deforestation.

► Read more on p76



AB Mauri employs more than 6,500 people globally and we recognise that our employees are our greatest asset. Their safety is of the utmost importance to us and, since 2010, we have been implementing our 'Target Zero' strategy which aims to eliminate workplace accidents by developing a culture where everyone proactively participates in keeping the workplace safe.

► Read more on p77



Having a positive relationship with our neighbours protects our licence to operate, helps us attract the very best people to work in the business and is a demonstration of the principles which underpin all our actions.

► Read more on p78



Every activity requires energy and we get that energy from the nutrients in food. Carbohydrates, fats and protein are the three main nutrients (known as macronutrients) that provide energy in our diet.

► Read more on p79



# INTRODUCTION

As with the other business segments in the Associated British Foods group, the success of our ingredients businesses relies upon safe and efficient manufacturing facilities.

We therefore place great importance on making sure our people are well looked after, and that we are optimising the environmental efficiency of our sites. We employ over 7,000 people, making us a leading employer in the communities where our sites are located. As a responsible business, we are committed to using our company to bring wider benefits to our neighbours.

At AB Mauri, we have introduced a new corporate responsibility strategy, Project Jigsaw, to implement a series of internationally recognised management systems in the majority of our sites. These systems (ISO 14001 Environmental, OHSAS 18001 Health & Safety, and ISO 22000 Food Safety) help to protect our people and our communities, reduce our impact on the environment, and commit us to continual improvement. We have tasked nine 'beacon' sites to lead this project and we aim to have them externally certified to all three standards by December 2013.



**Right**  
Employees operate the line in the Buenos Aires plant.

## INGREDIENTS

# RESPONSIBLE STEWARDSHIP OF OUR ENVIRONMENT

The core of our environmental programme is a reduction in energy, waste and water usage across all of our operations. In addition, we have made a commitment to use only sustainable palm oil in light of concerns about the impact of deforestation.

### Cutting carbon

Efficiency is our watchword. We know that saving energy saves us money, so it is in our best interests to minimise our carbon footprint. For example, in 2012 an energy conservation initiative at our yeast plants in India resulted in a reduction of 400kWh in six months, saving approximately £40,000 in electricity costs. Likewise, at ABF Ingredients' laboratory in Janesville, Wisconsin, we are saving £13,000 each year as a result of investing in energy-saving equipment for the vacuum system.

We are also working hard to minimise the impact that our operations have on the local environment. In Tucuman, Argentina, we recently invested £5m in an effluent treatment plant and are spending a further £2.7m over the next five years on advanced technology to make it more efficient. Part of this project involves recovering the biogas produced by our anaerobic digesters in order to power two boilers. By switching our fuel source from natural gas to this renewable gas, we estimate that our CO<sub>2</sub> emissions will be reduced by 50,000 tonnes a year.

We are employing the same technology at Córdoba in Spain, where we have entered into a £2.8m contract with Córdoba City Council to build an anaerobic digester as part of the municipal waste water facility, and this will include generating power from biogas. Construction begins in November 2013.

### Conserving water and treating effluent

As we reported in the 2010 CR report, we carried out an exercise to map our water-intensive facilities against water stress to help us focus and prioritise our water reduction efforts.

As a result of the high demand for water in our ingredients operations, large volumes of waste water, known as effluent, leave our facilities. We are mindful that high-quality water must be returned to the water network and either treat it in our own effluent treatment plants or discharge it via the municipal effluent network. Our ingredients businesses

have invested £16m in effluent treatment plants since 2010. In addition, we continually look for ways of using effluent for beneficial use such as spreading on agricultural land or biocomposting.

Water plays a significant role in the manufacture of yeast where it is used for dilution, fermentation, washing, cleaning, cooling and heating. AB Mauri operates a number of sites in water-stressed areas, which makes water conservation a priority for this business in particular. Large parts of Australia suffer from extreme water scarcity, so the team at AB Mauri Camellia, near Sydney, came up with a creative solution with the local waste management company that helps both organisations reduce their wastage of clean water.

Prior to this initiative, which started in 2012, the Camellia yeast facility was using 200,000 litres of mains water each day to keep the temperature in the aerobic digester cool and so prevent the digestion organisms from dying. At the same time, local waste management companies were collecting liquid waste from various industrial premises in the area and treating it prior to discharging it to sewers. This treated water was adequate for our cooling needs so we arranged for the waste management companies to deliver it directly to us throughout the day. This turned a waste stream into a useful resource and reduced the use of clean mains water. We estimate this has prevented the wastage of 70 million litres of mains water annually, as well as saving us more than £50,000 in water costs.

Similarly, in India, we have formed a water management team with the aim of reducing water consumption and effluent generation across all our sites. In 2012, we succeeded in saving 32 million litres of water in just six months by introducing metering and adopting new measures to reduce water usage in our manufacturing operations. Year on year, this represents a saving of over 16% and brings us the additional benefit of having less effluent to treat.

### Refrigerants

Chilling processes are an essential part of yeast manufacturing and are required for cream separation, process storage and final product storage. In accordance with EU regulations, our site at Córdoba in southern Spain had already eliminated the use of CFCs and HCFCs, but still had R22 present in some compressors, as permitted by legislation. In 2012, the decision was made to invest €390,000 in removing all R22 gases and to replace them with alternatives which have no ozone-depleting effects, so minimising our impact on the environment and demonstrating our commitment to continual improvement.

### Sustainable palm oil

AB Mauri in the UK and Ireland was among the first baking ingredients suppliers to sign up to using only sustainable palm oil in its products, a move which has been well received by our customers. For more information on our policy on palm oil please see page 8.

**AS WELL AS SAVING ENERGY, WE ARE WORKING HARD TO MINIMISE OUR IMPACT ON THE LOCAL ENVIRONMENT NEAR OUR FACILITIES. IN TUCUMAN, ARGENTINA, WE HAVE ALREADY INVESTED £5M IN AN EFFLUENT TREATMENT PLANT AND ARE SPENDING A FURTHER £2.7M TO MAKE IT EVEN MORE EFFICIENT.**



## ♥ BEING RESPONSIBLE FOR OUR PEOPLE

AB Mauri employs more than 6,500 people globally and we recognise that our employees are our greatest asset. Their safety is of the utmost importance to us and, since 2010, we have been implementing our 'Target Zero' strategy, which aims to eliminate workplace accidents by developing a culture where everyone proactively participates in keeping the workplace safe.

### Workplace accidents

Between 2010 and 2013, AB Mauri achieved a 42% reduction in the number of accidents serious enough to keep an employee away from work and, more significantly, achieved a 67% reduction in days lost to injury. However, 28 employees still sustained injuries in 2013, which is 28 too many, and we will continue to progress Target Zero.

Since 2010, PGP International, the cereals division of ABF Ingredients, has spent over £2m on a project to improve worker safety and the working environment. This included installing a negative pressure system and explosion vents to ensure that, if an explosion did occur, it would be vented safely.

### Safer travelling

In many parts of the world where we operate, the quality of the local roads and modes of transport can pose significant risks to employees travelling to and from their workplace. We are attempting to tackle this challenging problem and have implemented a number of pilot programmes with a view to rolling them out globally.

In Bandirma, Turkey, we now provide buses to bring employees to and from work. We impose strict standards on the contractors providing this service to ensure that the vehicles are roadworthy and are fitted with serviceable seatbelts and rollover protection. We also stipulate that all drivers must be properly trained, have regular health checks, and that driver behaviour is monitored.

In Iberia, we have delivered road safety training to all our sales personnel and baking technicians to improve their capability and awareness.

### Developing our people

We launched our Executive Leadership Programme (ELP) in 2005/06, and four cohorts have since passed through it. It was established with the aims of reconnecting all participants with Associated British Foods and providing new thinking to help the growth of the business. We also wanted to give people an opportunity to network.

Peter Watson joined the company as an engineer 17 years ago. He acknowledges the positive impact that the ELP has had on his career. He said, "It made me develop my cultural awareness, provided access to the ABF network and helped me understand how to navigate a career in ABF." In November 2012, Peter was appointed Group Supply Chain Director, AB Mauri, and is now a mentor on the programme.



**Right**  
A commercial technician making Panettone.



## INGREDIENTS

# BEING A RESPONSIBLE NEIGHBOUR

Having a positive relationship with our neighbours protects our licence to operate, helps us attract the very best people to work in the business and is a demonstration of the principles which underpin all our actions. To achieve a positive relationship with our neighbours, we seek to minimise any negative impact and act quickly to resolve any issues, and aim to help young people develop the necessary skills to work in the ingredients sector through internships and scholarships.

### Managing our impacts

We act quickly to resolve problems as they arise. At AB Enzymes in Finland, we stepped up production of a bacillus-based product to meet increased customer demand but local residents raised concerns that this was creating an unpleasant odour. We responded by spending £150,000 on the installation of an activated carbon filtration system to neutralise the smell.

In order to communicate better with the local community, staff at AB Mauri's new yeast plant in Veracruz, Mexico, made a public presentation to the residents of Cuitlahuac and La Tinaja. We explained the operating principles of the effluent treatment plant and the initiative to recover biogas, which is part of our carbon reduction programme. The community showed considerable interest in the project and we are now exploring opportunities to provide our treated effluent discharge for agricultural purposes.

### Building a strong workforce

Our plants provide excellent employment opportunities for the surrounding communities, and we recognise the value of offering education and work experience to help people into employment with us.

In Colombia, we are working with the Interactuar de Medellín (a Colombian NGO), and in Ecuador with NGOs such as MIPRO and FENAPAN to help develop local skills in baking and industry.

In Uruguay, we support the Los Pinos Institute in Casavalle, which is sponsored by the Uruguayan Labour Ministry and is aimed at increasing the education levels of children and youngsters through tutoring and job-related training. As part of a seven-month training programme, AB Mauri offers 80-hour internships. We aim to offer four such internships a year and, already, three former interns are now permanently employed at our plant.

In Mexico, our new factory in Veracruz signed up to a scholarship

agreement with the Universidad Tecnológica del Centro de Veracruz, offering final year students the chance to develop practical skills in manufacturing, maintenance, quality, and health and safety. At any one time, we have an average of six students engaged in engineering projects on our site. Irene Valencia Lagunes was the factory's first student intern and was given experience in the team responsible for molasses quality control. She was invited to join AB Mauri full-time in March 2012, and is now responsible for chromatographic and physiochemical analysis.

Alejandro Guido Mendez was studying for a chemistry degree when he completed a student internship in the Health, Safety and Environment department. Guido is now in charge of the microbiology area. He said, "This is a great opportunity for professional development. This is a very open door company and you can grow in different areas. I'm proud to work for AB Mauri."

### Philanthropy

Supporting local charities is another way in which our businesses can have a positive impact in their communities. In the UK, AB Mauri is working with the Greggs Foundation to provide

free breakfasts to underprivileged children at local primary schools in Hull and Northampton.

In Uruguay, AB Mauri makes product donations to several local institutions aimed at improving the quality of life of children, including an orphanage, an infant care centre and a national adolescent institute.

In North America, AB Mauri is actively involved in the communities where it operates. Employees at the corporate office in St. Louis support Griffin Center, a local non-profit agency, by raising money and school supplies to help underprivileged children prepare for the school year, and by donating money and gifts to impoverished families during the holiday season. Memphis employees participate in an annual food drive and, in spring 2013, donated 300kg of food to a local food bank. The LaSalle location recently planted trees in Quebec as part of the city-wide 'My Yard, My Street, My Neighborhood' initiative to improve air quality.

Since our last CR report, Ohly, an ABF Ingredients company headquartered in Germany, has raised £20,000 for local charities by organising fun events for staff, suppliers and customers.

### BUILDING A STRONG WORKFORCE



## SCHOLARSHIP

At any one time, we have an average of six students engaged in engineering projects at our new factory in Veracruz, Mexico, through the scholarship agreement with Universidad Tecnológica del Centro de Veracruz

## **+** RESPONSIBLE FOR PROMOTING GOOD HEALTH

Every activity requires energy and we get that energy from the nutrients in food. Carbohydrates, fats and protein are the three main nutrients (known as macronutrients) that provide energy in our diet.

### **Supporting industry health campaigns**

Grain-based foods such as bakery products play an important role in the human diet by providing carbohydrates and nutrients. Bread, for example, can be a good source of fibre, iron, calcium and thiamine. The British government recommends that about a third of food consumed should be complex carbohydrates such as bread, pasta and potatoes.

To improve health education, we support industry organisations, such as those listed below, that are advancing public understanding of the baking industry and the beneficial role grain-based foods play in a healthy diet:

- Grain Foods Foundation, USA
- The Federation of Bakers, UK
- Fédération Des Industries de Boulangerie Pâtisserie, France
- National Baking Industry Association, Australia.

### **Reducing salt and trans fats**

Salt is a key ingredient in dough, improving both flavour and structure. However, excessive consumption can lead to an increase in blood pressure, so we aim to offer products that are lower in sodium but still taste great. Across Latin America, AB Mauri is researching and developing ingredients that will reduce the salt content in bread by up to 50% without affecting the flavour.

Trans fats, created by the hydrogenation process to produce more stable and commercially useful fats, have been identified as potentially increasing the risk of heart disease. In Argentina, AB Mauri is leading the replacement of high trans fats margarines through the development of superior products made through the alternative route of 'interesterification'. This development will provide the professional bakery market with a healthier alternative to trans fats.

### **REDUCING TRANS FATS**



In Argentina, AB Mauri is leading the replacement of high trans fats margarines through the development of superior products made through the alternative route of 'interesterification'. This development will provide the professional bakery market with a healthier alternative to trans fats

## **WORKING WITH OTHERS**

AB Mauri in Argentina is a member of the American Chambers of Commerce (AmCham) ethics committee in Argentina, which helps to promote responsible business and networking opportunities for members. We have shared our business practices in order to help shape a code of conduct and a commercial ethics policy for member companies.

We have also worked with COPAL, the National Food Industry Federation, to develop a new national policy on the removal of industrial trans fats from foods, with the intention that all food produced in Argentina will be completely free of trans fats by the end of 2014. This coalition of industry and government has been so successful that we are now working together progressively to reduce the amount of sodium in the Argentinian diet.

## ASSURANCE

# ASSURANCE OF OUR APPROACH AND OF OUR REPORT

We have engaged external assurance providers for a number of years to verify the information we report, to provide our stakeholders with assurance that a robust approach is taken to managing and measuring our performance and to help us continuously improve the quality of our approach and disclosures.

For example, we engage ERM, an international HSE consultancy, to provide us with a rolling programme of independent legal compliance and risk management audits.

This year, we engaged KPMG to provide limited assurance over the reliability of 14 Health, Safety and Environment (HSE) Key Performance Indicators (KPIs) for the year ended 31 August 2013, marked with the symbol Δ in the report.

In addition, we engaged KPMG to provide limited assurance over our description of our adherence to the AA1000 AccountAbility Principles Standard (2008) principles of inclusivity, materiality and responsiveness. A copy of KPMG's assurance report can be found on page 81.

We developed our approach to CR and the reporting of our performance to the AA1000APS (2008) +. Our businesses develop their own CR agendas, aligned to the AA1000 Principles, with guidance from the group. This is to ensure we focus on the most important issues and align our reporting to the internationally recognised principles of:

- inclusivity: appropriately engaging with our stakeholders in developing our CR approach;
- materiality: assessing and prioritising the CR issues most relevant to our business; and
- responsiveness: managing and responding to material issues throughout our business and responding to our stakeholders.

### Inclusivity

We identify our stakeholders by assessing who is significantly affected by Associated British Foods and who can have an impact on us.

We take a range of approaches to stakeholder engagement at group and business level, including one-to-one meetings, responding to questionnaires, liaising with opinion leaders and taking part in forums to debate specific topics and identify solutions. This CR report also aims to address some of our stakeholder interests as well as sharing our significant CR activity and performance.

Our stakeholder engagement helps us to identify the issues of most concern to those inside and outside Associated British Foods, in the way we conduct our business and the impact it has in society. Please refer to page 11 for more information.

There are many people in Associated British Foods who engage with our range of stakeholders; however, our Director of Legal Services and Company Secretary has responsibility for keeping a record of, and ensuring a response to, CR matters. Within our businesses, individuals have responsibility for stakeholder engagement as part of their approach to CR.

### Materiality

Due to the broad nature of our business and wide geographic scope, there are numerous issues we could address. Therefore, we have determined our material issues, taking into account the concerns of our stakeholders but prioritising the strategic needs of Associated British Foods, and we focus our efforts to address these over set periods of time.

They have been identified through a range of tools including risk assessments, internal and external stakeholder engagement and as part of strategy planning. At a business level, these are reviewed annually by our CR Leaders Group.

Our material issues are addressed through this report.

### Responsiveness

We address our material issues in a timely and comprehensive way. In parallel, we communicate with our stakeholders to address their concerns in a balanced manner, considering the resources available, the most appropriate method of communication and the depth of response required. For example, we are responding to stakeholder feedback for more detail on our CR activity through this more in-depth report. This also meets our business needs of sharing best practice across our divisions and increasing the transparency of our performance.

### Looking ahead

As written throughout this report, we have a number of material issues we are addressing and will continue to address, such as increasingly working with our suppliers on a range of CR issues, improving the measurement of some of our environmental impacts and reporting our greenhouse gas emissions for the first time.

We will continue to develop our approach to CR following the AA1000 Principles to ensure we are engaging with the right stakeholders appropriately and investing in the most relevant areas to our business. The challenge of operating a complex business with wide geographical spread and range of operational activities will remain and we will continue to rely on those in each of our businesses to identify and respond to the issues which matter most. We will encourage the sharing of best practice and resources amongst the group so that our CR approach will mature consistently and in a considered way.



## KPMG'S ASSURANCE REPORT

# INDEPENDENT ASSURANCE REPORT OF KPMG LLP TO THE BOARD AND MANAGEMENT OF ASSOCIATED BRITISH FOODS PLC

## Assurance scope, level of assurance and reporting criteria

ASSURANCE SCOPE	LEVEL OF ASSURANCE	REPORTING CRITERIA
1. The reliability of selected Health, Safety and Environment ('HSE') performance data ('KPIs') for the year ended 31 August 2013 marked with the symbol Δ in the Report.	Limited assurance	ABF's reporting guidelines for the selected KPIs as set out at <a href="http://www.abf.co.uk/responsibility/our_policies_and_appendices">http://www.abf.co.uk/responsibility/our_policies_and_appendices</a> .
2. The description of ABF's adherence to the AA1000 Accountability Principles Standard ('AA1000APS') (2008) principles of inclusivity, materiality and responsiveness marked with the symbol + in the Report.	Limited assurance	The GRI reporting principles for defining report quality.

KPMG LLP was engaged by Associated British Foods PLC ('ABF') to provide limited assurance over selected aspects of the ABF Corporate Responsibility Report for the year ended 31 August 2013 ('the Report').

Assurance standards require that we must be able to point to the reporting criteria we used to form our judgements. For the reliability of selected HSE KPIs, ABF has developed a number of its own guidelines for reporting its HSE data. ABF's guidelines, which are available at [http://www.abf.co.uk/responsibility/our\\_policies\\_and\\_appendices](http://www.abf.co.uk/responsibility/our_policies_and_appendices), are the criteria for our first scope. For the description of adherence to AA1000APS, we use the GRI reporting principles for defining report quality. AA1000APS aims to ensure that reporters do not leave out anything important whether measured by business significance or the interests of a particular class of stakeholder. Inclusivity implies identifying and engaging with stakeholders to understand all the issues fully. Materiality is used to assess the relative importance of issues. Responsiveness is the measure of both how the reporter has responded to issues and how they have reflected these in the Report.

This engagement only relates to the above scope for the year ended 31 August 2013 and does not cover other information that may be displayed in the Report or on the ABF website for the current year or for previous periods.

### Applicable professional standards and independence

We conducted our work in accordance with International Standard on Assurance Engagements 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board ('ISAE 3000'). That Standard requires that we comply with applicable ethical requirements, including independence requirements, and that we obtain sufficient, appropriate evidence on which to base our conclusion.

When we are engaged to provide limited assurance, assurance standards allow us to collect less evidence than for a reasonable assurance engagement provided we collect sufficient for a negative form of expression of our conclusion. We achieve this ordinarily by performing different types or fewer tests than those required for reasonable assurance or using smaller selection sizes for the tests performed.

We conducted our engagement with a multidisciplinary qualified and experienced team in non-financial assurance. The team included Chartered Accountants and specialist professionals in auditing financial, environmental and non-financial information and with many years' experience in similar engagements.

We complied with KPMG's independence policies which address the requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants.

### Respective responsibilities of ABF and KPMG and use of our assurance report

The management of ABF are responsible for the Report and for the information and statements within it. They are responsible for the identification of stakeholders and material issues, for defining objectives with respect to corporate responsibility performance, and for establishing and maintaining appropriate performance management and internal control systems from which reported information is derived.

Our responsibility is to express our conclusions in relation to the assurance scope.

This independent assurance report is made solely to ABF in accordance with the terms of our engagement. Our work has been undertaken so that we might state to ABF those matters that we have been engaged to state in this Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than ABF for our work, for this independent assurance report, or for the conclusions we have reached.

# KPMG'S ASSURANCE REPORT

## Inherent limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact accuracy and comparability. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. It is important to read the selected corporate responsibility information contained within the Report as set out in the assurance scope in the context of ABF's reporting guidelines.

In particular, inherent limitations affect the conversion of electricity and fuel used to calculate carbon emissions. Conversion of electricity and fuel data to calculate carbon emissions is based upon, inter alia, information and factors derived by independent third parties, as explained in ABF's reporting guidelines. Our assurance work has not included examination of the derivation of those factors and other third-party information. Our assurance work has not included challenging the scientific work undertaken by independent third parties when calculating these emissions factors.

## Work performed

We planned and performed our work to obtain all the evidence, information and explanations that we considered necessary in relation to the above scope. Our work included the following procedures using a range of evidence-gathering activities, which are further explained below:

### Assurance Scope 1: Limited assurance over the reliability of selected HSE KPIs for the year ended 31 August 2013 marked with the symbol Δ in the Report

We conducted three phases of work:

#### A. Site level:

Visits to nine ABF facilities were completed in Australia, Africa, China and the UK. Additionally desk top reviews (DTRs) of three ABF facilities were completed in Argentina, Poland and the UK. These 12 sites were selected on a risk basis to provide:

- Coverage of the HSE performance data (selected KPIs were reviewed at specific sites);
- Coverage across the differing operating divisions; and
- Coverage across a variety of geographic regions.

During site visits we:

- Conducted interviews with local ABF management and staff to obtain an understanding of the HSE performance data collection, aggregation and reporting processes, systems and controls for selected KPIs;
- Examined the processes, systems and controls in place to collect, aggregate and report the HSE performance data for selected KPIs;
- Reviewed a selection of the documentation which supports the HSE performance data for selected KPIs for the year ending 31 August 2013;
- Tested a selection of the underlying documentation which supports the HSE performance data reported for selected KPIs for the year ending 31 August 2013; and

- Performed analytical review procedures over the HSE performance data, including a comparison to the prior year amounts having due regard to changes in production volumes and changes in the business portfolio.

During site level DTRs we:

- Conducted interviews with local ABF management and staff to obtain an understanding of the HSE performance data collection, aggregation and reporting processes, systems and controls for selected KPIs;
- Discussed the processes, systems and controls in place to collect, aggregate and report the HSE performance data for selected KPIs through discussions with site management;
- Reviewed a selection of the documentation which supports the HSE performance data for selected KPIs for the year ending 31 August 2013; and
- Performed analytical review procedures over the HSE performance data, including a comparison to the prior year amounts having due regard to changes in production volumes and changes in the business portfolio.

#### B. Company head office level:

Eight company head office level reviews were completed, all eight were conducted on site. The eight head offices were selected based on:

- The number of sites under the control of a company;
- The contribution to the HSE performance data by the company; and
- Non-coverage of the division/company in site level visits

During company head office visits we:

- Conducted interviews with local ABF management and staff to obtain an understanding of the HSE performance data collection, aggregation and reporting processes, systems and controls;

- Examined the processes, systems and controls in place to collect, aggregate and report the HSE performance data;
- Reviewed a selection of the documentation which supports the HSE performance data for the year ending 31 August 2013; and
- Performed analytical review procedures over the HSE performance data, including a comparison to the prior year amounts having due regard to changes in production volumes and changes in the business portfolio.

#### C. Group level:

At Group level we:

- Conducted interviews with ABF management and staff to obtain an understanding of the HSE performance data collection, aggregation and reporting processes, systems and controls;
- Examined the processes, systems and controls in place to collect, aggregate and report the HSE performance data;
- Reviewed a selection of the documentation which supports the HSE performance data for the year ending 31 August 2013;
- Reviewed the CO<sub>2</sub> calculation process, including checking the CO<sub>2</sub> conversion factors used and reperforming the calculations for a selection of sites and fuels;
- Performed analytical review procedures over the aggregated HSE performance data and the data for the highest contributing sites, including a comparison to the prior year amounts having due regard to changes in production volumes and changes in the business portfolio; and
- Reviewed the presentation of the HSE performance data in the Report to ensure consistency with our findings.

# KPMG'S ASSURANCE REPORT

## **Assurance Scope 2: Limited assurance over the description of ABF's adherence to the AA1000 principles of inclusivity, materiality and responsiveness marked with the symbol + in the Report**

The below procedures were conducted at an ABF Group level and at companies within each of the five divisions across the Group.

We conducted interviews with local ABF management to obtain an understanding of the materiality, inclusivity and responsiveness processes, systems and controls.

- **Inclusivity:** We analysed and tested the nature and extent of ABF's stakeholder identification and engagement processes including reviewing ABF's processes for stakeholder identification and engagement and the results of these processes over the year ended 31 August 2013.
- **Materiality:** We analysed and tested the nature and extent of ABF's issue identification and materiality assessment processes including:
  - Reviewing ABF's process for identification of material issues, the results of this process over the year ended 31 August 2013 and their relation to business strategy; and
  - Performing an independent review of ABF's materiality analysis based on media searches, information reported by peers, and sector and company knowledge.
- **Responsiveness:** We analysed and tested the nature and extent of ABF's response to the material issues identified including:
  - Reviewing the coverage of material issues within the Report against our own risk analysis, ABF's own assessment, the CR reports of ABF's peers and the results of stakeholder engagement; and
  - Reviewing the Report to ensure there are no disclosures that are misrepresented or inconsistent with our findings.

## **Conclusions**

The following conclusions are based on the work performed and the scope of our assurance engagement described above.

### **Assurance Scope 1: Limited assurance over the reliability of CR performance data for the year ended 31 August 2013 marked with the symbol Δ in the Report**

Nothing has come to our attention to suggest that the performance data marked with the symbol Δ in the Report, is not, in all material respects, fairly stated in accordance with ABF's reporting guidelines.

### **Assurance Scope 2: Limited assurance over the description of ABF's adherence to the AA1000 principles of inclusivity, materiality and responsiveness marked with the symbol + in the Report**

Nothing has come to our attention to suggest that ABF's description of their adherence to the AA1000 APS (2008) principles of inclusivity, materiality and responsiveness, marked with the symbol + in the Report, is not, in all material respects, fairly stated in accordance with the GRI reporting principles for defining report quality.

**KPMG LLP**  
Chartered Accountants

London  
5 November 2013

The collation of selected Ethical Trading performance data for the years ended 31 December 2010, 31 December 2011 and 31 December 2012 marked with the symbol \* in this report are covered by KPMG's independent assurance report to Primark found at [http://www.primark-ethicaltrading.co.uk/reporting\\_and\\_assurance/independentassurance](http://www.primark-ethicaltrading.co.uk/reporting_and_assurance/independentassurance).





Associated British Foods' second Corporate Responsibility (CR) report comes at a time when the need for businesses to address the complex environmental and social challenges the world faces has never been higher. This report signals the Company's commitment to respond to these challenges as echoed in George Weston's own words, "we have an obligation to our wider environment which we must protect as common resource for future generations", together with "an obligation to people who work for our suppliers, particularly where other sources of protection for them are absent".

Across all the businesses within the group, there is a clear description of how each one is creating an ethical business culture of its own and taking its responsibilities seriously, whether that is in terms of stewardship of the environment, the people it works with or the communities it works within. There are some great examples of how the businesses are already translating commitments into practice, whether innovating and improving supply chain efficiencies, for example the work of AB Sustain in helping dairy farmers reduce water usage via its 'think.water' initiative, through to Twinings' active participation within the Ethical Tea Partnership, focused on improving supplier livelihoods. This report also provides an honest and detailed account of the way in which Primark's progress on ethical trade allowed it to respond quickly and decisively to the terrible human disaster at Rana Plaza.

Environmental challenges such as climate change, water scarcity, biodiversity loss, agricultural productivity, land use, livelihoods within the communities touched by the Company's businesses and the livelihoods of suppliers throughout the value chain, are just some of the key issues on which we feel Associated British Foods can make the most difference. The diversity of businesses and brands represented within the group, from Agriculture, Ingredients, Sugar, Grocery to Retail, offer a real opportunity to address these challenges, working across the value chain, all the way from driving production efficiencies to engaging within local communities and shaping consumer behaviours.

Whilst a number of the businesses have been addressing sustainability issues for some time, Associated British Foods, as their parent company, is itself at the start of this new and exciting journey and there is much still to do. As a first step on this journey, George Weston has requested, "business leaders to report to me regularly on the CR priorities and measurements that are relevant to their businesses and communities and where they think they can make the most difference." We welcome this development, particularly given the decentralised nature of the group, but are concerned that a more structured approach

to the assessment of material, environmental and social issues across all of its businesses is necessary.

In that way, George Weston's request may be fulfilled with the greatest impact both today and in the future. In addition, taking a longer-term view of the Company's contribution to tackling key sustainability challenges will provide the businesses with appropriate and tailored expertise for their individual CR programmes, which will allow them to set future milestones and ultimately allow the businesses to go further and faster.

This will require more focus on sharing best practice and learning, both within the businesses but also between Associated British Foods and other organisations working on some of those shared challenges across value chains. The Company will also need to have a more active and transparent role in shaping the debate and progress on key issues which are material to its businesses in the way that it did with Rana Plaza.

We have interviewed senior management and other board members at Associated British Foods as well as CR leaders from each of the Company's five divisions to listen and understand the challenges of the different businesses. We believe there is a real appetite for the Company to evolve its approach to sustainability. A proactive response to key sustainability challenges will not only underpin the future success of its businesses, but also critically help create a sustainable future for us all.

Sally Uren  
Chief Executive Officer

Mark Driscoll  
Head of Food

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For an accessible version of the  
corporate responsibility report,  
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