ICF Key corporate responsibility achievements 2009/10

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Key corporate responsibility achievements 2009/10

- We invested over £63m in environmental improvements, mainly in strengthening our effluent treatment capability
- Energy use fell by 14% and CO₂ emissions by 22%*
- 52.1% of our total energy use came from renewable sources
- We mapped our water-intensive AB Mauri and Illovo sites against locations of future water stress to gain a better understanding of potential shortages
- Waste sent to landfill fell by 45%*
- The weight of packaging used fell by 20%
- Introduction of a group policy to source palm oil from sustainable sources by 2015
- Our UK grocery businesses signed up to the Courtauld II post 2010 agreements to reduce packaging and waste
- We invested over £25m in improving working conditions and the safety of plant and equipment
- Reportable injuries fell by 15%, with 168 factories managing a year’s operation without any at all
- The Ethical Trading Initiative (ETI) recognised Primark’s efforts by categorising the business as an Achiever this year, a significant step up from its Improver status last year
- Primark conducted twice as many audits in 2009 as in 2008: 1,136 audits in total, covering 94% of its top 250 suppliers, accounting for more than 87% of total business
- Primark set up several projects/ worked with local NGOs in Bangladesh, China, southern India and Vietnam

*These achievements were partly due either to factors outside our control or the sale of factories.

We welcome your feedback on this report...
Please get in touch to let us know how you think we’re doing.
www.abf.co.uk/corporate-responsibility-enquiry.aspx
Introduction by George Weston, Chief Executive

The value of Associated British Foods to society is overwhelmingly in the business it transacts. We play a positive role in contributing to the quality of people’s lives by providing food and clothing, ever competing to make these better. We have always sought to do so in ways that are socially and environmentally responsible. This has been part of our culture and we have been reporting the group’s performance on health, safety and the environment for the past seven years. Now we are launching our first corporate responsibility report.

Over the years we have grown into a diversified international food, ingredients and retail group, and we have focused more on the ‘responsibility’ than on the ‘corporate’. We are committed to sustainability – whether in providing healthcare for our employees in Africa or in deriving half of our energy consumption around the world from renewable sources.

We are a highly decentralised group – currently employing 97,000 people in 44 countries – united by four overarching business principles: managing our environmental impact; taking care of our people; fostering ethical business relationships; and being good neighbours. These govern our detailed business principles set out on pages 4 and 5.

These principles extend to all sites, in all countries and at every level of our organisation. We believe that their universal application increases the strength of our businesses and our brands but we also believe in allowing individual businesses and managers the freedom to meet local circumstances and to be innovative.

Our culture is, and will remain, one where the centre directs with a light touch. From baking bread to making high street fashion affordable, it is our people and our products in a wide range of different businesses that make us successful.

Without imposing central edicts, we have taken a number of steps with the aim of ensuring that our core values are fully implemented throughout the group – from board member to the shop floor.

We want to continue to ensure that each business takes its own responsibilities seriously and acts in the most appropriate way to meet our high standards. However, we also consider, on a case-by-case basis, whether there are particular corporate responsibility (CR) policies that are best adopted throughout the group, as we have done this year on palm oil. As part of our move towards a more holistic CR approach, in February 2010 we held our first groupwide CR day to share ideas and best practice across the businesses. This follows annual sustainability conferences held by our Grocery group in 2009 and 2010.

One particular area upon which we will concentrate at group level, as well as in every business, is health and safety. This has always been of particular importance to us but clearly with four deaths on our premises, four from traffic accidents, and two in unique circumstances, this year has been unprecedented and is unacceptable.

Now that so many of our businesses are doing so much in this arena, our reporting will include more information on our people, our suppliers, our customers and our products. For Associated British Foods, as with other companies, CR is a journey with improvement every year. We therefore intend to publish a full CR report every three years with more frequent updates online. By measuring and recording our performance in this way we hope to give internal and external stakeholders a clearer picture of our commitment to CR and of what we are doing to drive continuing improvement.

George Weston
Chief Executive
Overview

Associated British Foods is a diversified international food, ingredients and retail group with sales of £10.2bn, and 97,000 employees in 44 countries.

We aim to achieve strong, sustainable leadership positions in markets that offer potential for profitable growth, and deliver quality products and services that are central to people’s lives.

### Sugar

**Sugar, Europe**

British Sugar’s UK beet sugar factories produce over one million tonnes of sugar annually. Its Spanish business, Azucarera, produces around 400,000 tonnes of beet sugar each year and has a cane refining capacity of a further 400,000 tonnes.

**Sugar, China**

We have majority interests in five cane sugar mills in Guangxi Province and operate seven beet sugar factories in the north east of the country. Continuous investment has raised annual sugar capacity to 850,000 tonnes.

**Sugar, southern Africa**

Illovo is Africa’s largest sugar producer with agricultural and production facilities in six countries. Illovo grows 6.1 million tonnes of sugar cane itself and its annual sugar production is 1.9 million tonnes.

### Agriculture

**Agriculture**

AB Agri sells animal feed to farmers and purchases grain from them. It also provides sustainable supply chain solutions to food, drink and biofuel producers. It has facilities in the UK and China and markets products in over 40 countries worldwide.

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**Revenue**

<table>
<thead>
<tr>
<th></th>
<th>Revenue</th>
<th>Adjusted operating profit</th>
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<tbody>
<tr>
<td><strong>£1,941m</strong></td>
<td><strong>£240m</strong></td>
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<tr>
<td><strong>£954m</strong></td>
<td><strong>£33m</strong></td>
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</table>
The group operates through five strategic business segments: Sugar; Agriculture; Retail; Grocery; and Ingredients.

Retail
Primark
Primark is a major retail group employing over 31,500 people. It operates stores in the UK, Republic of Ireland, Spain, the Netherlands, Portugal, Germany and Belgium.
Targeted at the fashion-conscious under 35s, Primark offers customers high-quality merchandise at value for money prices. Primark prides itself on its loyal customer base.
Buying and merchandising teams in Dublin (Republic of Ireland) and Reading (UK) travel internationally to source and buy up-to-the-minute fashion items that best reflect each season’s key fashion trends. Primark’s range of departments includes womenswear, lingerie, childrenswear, menswear, footwear, accessories, hosiery and homeware.

Grocery
Hot beverages, sugar and sweeteners
Twinings and Ovaltine comprise our global hot beverages business. We are market leaders in UK sugar with Silver Spoon and Billington’s.
Vegetable oils
Mazola is the leader in premium corn oil in the US. In Mexico, Capullo is a premium canola oil.
Bread, baked goods and cereals
We produce Jordans cereals in the UK and leading bakery brands, Kingsmill, Ryvita, and Tip Top in the UK and Australia.

World Foods
World Foods comprises our authentic pan-Asian food brands, Patak’s and Blue Dragon.
Herbs and spices
We are a leading US producer of herbs and spices through the Tone’s, Spice Islands and Durkee brands.
Meat
In Australia we are a leading supplier of ham, bacon and smallgoods through the Don and KRC brands.

Ingredients
Yeast and bakery ingredients
AB Mauri operates globally in yeast and bakery ingredient production with 49 plants in 25 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, yeast extracts, speciality proteins and lipids.
Overview

Business principles
These business principles apply to all employees and are a minimum standard for their behaviour. They may be supplemented by additional standards appropriate to individual businesses. Failure to comply with our core business principles is a matter for disciplinary action.

Environment
We recognise the impact our businesses have on the environment. Therefore, as a minimum, we comply with current applicable legislation of the countries in which we operate. The environmental performance of our businesses is regularly reported to, and reviewed by, the board. Our full environmental policy can be found on page 14.

People
Our people are our most important resource, and therefore we adhere to the following principles:

- Equal opportunities – we are committed to offering equal opportunities to all people in their recruitment, training and career development, having regard for their particular aptitudes and abilities. 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 as equal in importance to that of any other function of the group and its business objectives. Our health and safety policy can be found on page 28.

- 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 and in particular as stated below:
  - “Universal respect for an observance of human rights and fundamental freedoms for all without discrimination as to race, sex, language or religion.”
  - We remunerate fairly with respect to skills, performance, our peers and local conditions.

- Communication – we will brief employees and their representatives on all relevant matters on a regular basis.

- 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.

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. A full copy of the procedure is available at www.abf.co.uk/corporate-responsibility.aspx

Ethical business practices
- Competition – we are committed to free and fair competition and we will compete strongly but honestly, complying with all relevant competition laws.

- Bribery – the offering or receiving of bribes or other such facilitating payments to any person or entity for the purpose of obtaining or retaining business or influencing political decisions is strictly forbidden (see panel on page 5).

- 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.

- 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 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.

- 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 reach 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 is permitted.
Stakeholder relationships

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. At all times we take all reasonable steps to ensure the safety and quality of the goods we produce or services that we provide.

Suppliers
We are committed to increasing shareholder value through sound commercial, responsible and sustainable business decisions, and we will 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 and the interim reports which are available in the download centre of 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.

Food safety
We recognise and acknowledge that consumer confidence in the quality and safety of our food products is essential. To this end a high priority is placed on all aspects of food safety. To manage food safety risks, our sites operate food safety systems which are regularly reviewed to ensure they remain effective, including compliance with all regulatory requirements for hygiene and food safety. Our food products are made to high standards regardless of where they are manufactured. We always put food safety before economic considerations. More detail on our approach to food safety can be found on page 48.

Focus: Bribery and corruption
We are committed to acting professionally, fairly and with integrity in all our business dealings. As outlined in our business principles, we do not tolerate any form of bribery or corruption. In 2011 we aim to formalise our approach with the introduction of an anti-bribery policy, which will clearly outline the behaviour and principles required to support this commitment. In particular it will address compliance with the UK’s Bribery Act and the US Foreign Corrupt Practices Act.

At the same time, each of our businesses will be carrying out a bribery risk assessment which will provide us with a clearer understanding of the countries and functions where we are most vulnerable to compromising situations. We will tailor our existing employee training as a result of this assessment.

Reporting breaches
All employees are encouraged to assist in tackling fraud, corruption and other malpractice, and to report any suspicions of bribery either to their manager, or via one of the contacts provided through the group whistleblowing policy (available on our website www.abf.co.uk/corporate-responsibility.aspx). We have measures in place to ensure that no employee will ever suffer any disadvantage in the workplace as a result of speaking up.
Managing corporate responsibility risks and opportunities

Each business is responsible for its own risk assessment and management and is required to report at group level to the Director of Financial Control annually. Our decentralised business model empowers the boards and management of our businesses to identify, evaluate and manage any risks they face as early as possible.

Most of our operations are required to comply with regulations. We require all businesses to implement appropriate levels of risk management to ensure compliance with our group health and safety, and environment policies and our overriding business principles, taking into account business needs and local circumstances.

The Director of Legal Services and Company Secretary has overall responsibility for all CR issues. Our Group Human Resources Director has overall responsibility for safety and environment matters and reports directly to the Chief Executive. He is supported by the Group Safety and Environment Manager, who also works with the Director of Legal Services on compliance issues.

Each business is responsible for regularly assessing its health, safety and environmental risk activities. Managers, operators, contracting companies and specialist staff work together to identify hazards and assess risk. Appropriate operational procedures and controls are put in place and all employees are provided with relevant information, training and supervision to mitigate risks. More detail on how this works in practice is contained in the environment and our people sections on pages 12 to 25 and 26 to 33 respectively.

What is corporate responsibility?
It’s about recognising the impact we have on all our stakeholders, whether they are our people, shareholders, consumers or the communities in which we operate. Then it’s balancing what may be conflicting demands in order to act in ways that meet our responsibilities as a business to those stakeholders.

Mark Fairweather, Chief Executive Allied Bakeries
We expect that any businesses we acquire operate according to our group standards. Detailed safety and environmental assessments by independent specialists form part of our due diligence process, and we subsequently work closely with newly acquired businesses to address any material compliance and governance issues.

Every business within the group has an accountable director and a senior manager responsible for health, safety and environment issues. 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.

Key risks and internal control procedures are reviewed at group level by the board.

The board reviews annually the material financial and non-financial risks facing our businesses and, on a rolling cycle basis, reviews the effectiveness of the risk management process and the resources that our individual businesses devote to them. The principal CR risks currently identified by our businesses and reviewed by the board are given on pages 10 and 11.

**Stakeholder engagement**

Most of the group’s dialogue with its stakeholders is conducted locally, as appropriate, but in 2010 discussions were also held at group level with environmental non-governmental organisation (NGO), WWF, which also made a presentation at our CR day. Examples of local level engagement in 2010 include:

- Engagement with the Institute for Public & Environmental Affairs (IPE), a Chinese environmental NGO, to discuss water quality in effluent discharged by our yeast factories in China.
- Primark’s work with several local NGOs in China, Bangladesh and India to improve working conditions in the factories from which it buys (see opposite).
- Our Grocery division is a signatory to the UK Food and Drink Federation’s (FDF) Five-fold Environmental Ambition, by which the industry aims to reduce CO₂ emissions, send zero food and packaging waste to landfill by 2015, and reduce packaging, food miles and water use. The Operations Director of the Grocery division sits on the FDF’s sustainability committee as a full-time member. This year we have actively contributed to the ongoing FDF consultation to update and strengthen the content of the Five-fold Environmental Ambition.
- We are members of Green Alliance’s Business Circle, established to learn from leaders in the sustainability field and identify emerging issues.
- Grocery division companies in the UK (Twinings, Ovaltine, Silver Spoon, Westmill, Jordans, Kingsmill, Ryvita, Patak’s, Blue Dragon) have signed up to support the Waste and Resources Action Programme (WRAP) Courtauld II post 2010 commitments to reduce the carbon impact of packaging by 10%.

**Working with stakeholders – Primark**

Working closely with external partners featured strongly in much of what Primark achieved during 2010. Highlights include the following:

- In Bangladesh, 16 of the factories from which we buy have been working with Nari Uddug Kendra (NUK), an NGO that focuses on women’s rights. Together, Primark and NUK have provided training for factories on how to manage workers more fairly, and educate them about their rights. In 2009, 974 workers received training through this programme.

> Bangladesh women want to be economically empowered and self-sufficient and are working very hard to achieve this. The garment industry is very male dominated and the industry needs to understand that women are just as capable of succeeding in the technical and managerial roles as men. The garment export industry has already done a huge amount to empower women in Bangladesh and give them opportunities that they otherwise would not have had, but there is still a long way to go. My hope is that brands continue to source from Bangladesh so that women are able to earn money, learn new skills and gain greater social and economic empowerment.

**Mrs Mashuda Shefali, founder of NUK, Bangladesh**

Mrs Shefali (centre) with worker representatives.
In China and Bangladesh, Primark began projects that aim to create long-term, sustainable improvements in labour standards and provide living wages for people. Several visits had been undertaken to both countries in 2009, to identify suppliers, factories and local implementation partners including NGOs, worker organisations, employer associations, and technical experts.

In southern India we are working at grassroots level with an NGO to understand and address the challenges faced by workers in communities where Primark’s products are made. The programme includes surveys to identify workers, families and children at risk, as well as providing a counselling service and helpline for people. A core part of this initiative is worker education and we have established groups that look at issues from hygiene and personal development to gender equality and workplace rights.

Through Primark’s membership of the ILO and International Finance Corporation (IFC) Better Work programme, we engage and collaborate with retailers and labour experts within countries to provide localised supplier training, remediation and worker engagement. Primark’s supplier factories in Vietnam are part of the initiative, and we support the efforts and plans of the ILO to implement the programme in other countries from which we source.

This year Primark joined Business for Social Responsibility (BSR), a CR organisation with over 250 corporate members. Primark is an active member of the BSR Mills and Sundries working group, a coalition of clothing retailers which looks at ethical and environmental performance within spinning mills, dye-houses and sundry manufacturers. BSR also worked with Primark on identifying key trends in labour migration in China, and how Primark’s suppliers could mitigate potential labour shortages through good human resource management. Finally, we are proud that Primark is BSR’s partner in Bangladesh for the health enabled returns programme, a groundbreaking initiative that provides healthcare and education for women in factories.

As a member of the Ethical Trading Initiative (ETI) Primark continued to be actively involved in a number of ETI groups in 2010 relating to the following: General Merchandise, Homeworking Principles of Implementation, Annual Report, Purchasing Practices, and China. Primark also increased its collaborative efforts with other brands, via membership of cross-brand forums in a number of countries as well as more informal joint efforts on supplier remediation. As 95% of the factories that supply Primark also supply other retailers, this joined-up approach is one of the best ways to achieve progress.

Engagement on land reform and relocation, Illovo, southern Africa

In South Africa, a high proportion of the land from which Illovo sources sugar cane for its mills is subject to land claim. This includes land owned by private growers, Illovo and that of indigenous farmers who have purchased farms from Illovo as part of the company’s pioneering land redistribution programme, which commenced in the mid-1990s. This programme, hailed at the time by the Department of Agriculture as ‘one of the most progressive developments in South African agriculture’, remains strongly viable, with a 95% success rate. Those farms put up for sale by unsuccessful growers have been purchased by their neighbours who have consequently doubled up their operations and cane supply.

In order to ensure the sustainability of cane supply from land that faces being transferred to historically disadvantaged first-generation sugar cane growers, Illovo has set up multi-stakeholder land reform forums. These forums are made up of representatives from the Commission on Restitution of Land Rights, Department of Land Affairs, Department of Agriculture and Environmental Affairs and local governments associated with the various sugar cane supply areas, as well as industry stakeholder organisations, such as the South African Cane Growers’ Association and the Inkezo Land Company. Illovo’s approach has since been adopted by the government as a model for managing land claims elsewhere.

In Swaziland, the Lower Usuthu Smallholder Irrigation Project, which will supply the Ubombo sugar mill with additional sugar cane, necessitated the relocation of some communities. However, before this was done, extensive consultation through the government was undertaken with local community members. This ensured that the relocation was carried out with due sensitivity to the communities’ material, social and cultural considerations and with the communities’ approval. Relocation was carried out with the support of the Swazi and EU governments. This is in line with our commitment to ensuring that our operations are considered to have a positive impact by the affected communities.
Corporate responsibility management

Health, safety and environment management systems

We require all businesses to implement the requisite level of risk management control to ensure compliance with our safety and environmental policies, taking into account business needs and local circumstances. Managers, operators, contractors and safety and environmental specialists work together to identify the main hazards and assess the risk of harm. Appropriate operational procedures and controls are put in place and all employees are provided with relevant information, training and supervision to reduce and manage those risks. Strong emphasis is placed on preventing accidents and incidents, but should they happen we have appropriate emergency plans which are rehearsed routinely.

47 manufacturing sites have an environmental management system externally certified to ISO 14001 standard or equivalent national standard. The remaining sites and Primark stores have internal environmental management systems which are broadly in line with ISO 14001. Similarly, 41 of our manufacturing sites are certified to nationally recognised health and safety management systems. This equates to 18% of our non-retail sites having externally certified management systems. Our safety specialists meet every year as a group to update themselves on developments and exchange examples of good practice.

Performance targets

The safety performance of our businesses is reported monthly and forms part of formal quarterly reviews with group management. Our environmental performance is reported and analysed annually. Due to the group’s considerable diversity we do not impose standard improvement targets on businesses. Instead, each business sets itself 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.

Auditing and assurance

The risk management section, and selected data and case studies marked ∆ within this report are subject to independent assurance under ISAE 3000 by KPMG; see page 56 for their full assurance report.

For the eighth successive year we employed Environmental Resources Management Ltd (ERM) to continue a rolling programme of internal audits of the management of health, safety and environmental risks at a representative sample of our businesses. To date ERM has carried out 136 independent audits. The 27 sites visited in 2010 were selected on both a risk and sample basis according to geographical location, previous audit findings and their contribution to the health, safety and environmental performance of the group as a whole. 16 sites were audited for the first time in 2010, located in 15 countries across the continents in which we operate. 11 sites audited in 2009 were revisited to confirm resolution of outstanding issues. During these site visits, ERM also carried out internal data assurance over specified health, safety and environmental data. This included interviews at each of the 27 sites with relevant Company personnel and reviews and sample-tests of data, and of procedures and associated documents used for data collection, aggregation and reporting. Interviews and reviews of supporting documentation were also conducted at seven businesses (with combined responsibility for more than 75% of the total number of Company sites and over 80% of its total headcount). ERM tested the effectiveness of the data reporting processes and quality of aggregated data at Company level, and reviewed the presentation of the selected health, safety and environmental data in the draft report to ensure consistency with its findings.

In addition, Ernst & Young has verified Primark’s reporting on labour standards in its supply chain. For more information, please see www.primark.co.uk

Scope

The safety and environmental data in this report covers our 255 principal manufacturing sites and 200 Primark stores. Where possible, we also included safety and environmental data for some of the many depots, offices and distribution centres within the group. We do not include data from those joint ventures in which we have a 50% interest or less and do not report on the impact of agricultural operations in our businesses. (This differs from prior year health, safety and environmental data where certain joint ventures were included; hence the comparative data in this report differs slightly from previously reported health, safety and environmental data.) Through the application of the PAS 2050 carbon footprinting standard we have begun to consider the impact of the transport activities within our supply chain and the disposal/recycling of our finished products, but these are not included in our performance data. We have not made any acquisitions during the year and we have not included the data from those sites which we sold or closed during the year. The reporting period for this data is from the end of August 2009 to the end of August 2010.
### Summary of our principal corporate responsibility risks

<table>
<thead>
<tr>
<th>ISSUE</th>
<th>RISKS</th>
<th>PLANNED OR ONGOING ACTIONS</th>
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<tbody>
<tr>
<td><strong>PRODUCT SAFETY</strong></td>
<td>Reputational damage caused by food hygiene or safety incidents.</td>
<td>Continue to put food safety before economic considerations. Maintain consistently high standards in raw materials and manufacturing. Regularly review food safety systems to ensure efficiency and compliance. Monitor new scientific research proactively.</td>
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<td></td>
<td>Non-compliance with regulatory requirements.</td>
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<td></td>
<td>Safety concerns over materials used in packaging.</td>
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<tr>
<td><strong>HEALTH AND NUTRITION</strong></td>
<td>Health concerns over fat, salt and calorie content of foods.</td>
<td>Develop a diverse portfolio of foods. Reduce fat, salt and calorie content where possible. Provide Guideline Daily Amount nutritional information to consumers. Market products responsibly, following accepted codes of practice.</td>
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<td></td>
<td>Advertising to children.</td>
<td></td>
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<tr>
<td><strong>WORKPLACE HEALTH AND SAFETY</strong></td>
<td>Potential for fatal accidents and serious injuries to employees and visitors.</td>
<td>Implement group health and safety policy. Meet local regulations and require businesses to build a strong safety culture of sustained improvement. Appoint accountable senior executives. Employ specialists, conduct audits and develop plans to ensure continual improvement. Provide information, training and strong supervision.</td>
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<tr>
<td><strong>EMPLOYEE RIGHTS</strong></td>
<td>Non-compliance with internationally recognised standards.</td>
<td>ILO conventions are taken account of and we strive to observe the UN Universal Declaration of Human Rights in management of all business units. Sample audits across various businesses operating in regions of higher risk. Recruit, train and reward staff throughout the group according to performance alone. Whistleblowing policy.</td>
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<td></td>
<td>Reduced ability to recruit and retain high-calibre people at all levels to achieve business performance targets and maintain profitable growth.</td>
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<tr>
<td><strong>SUPPLY CHAIN RELIABILITY</strong></td>
<td>Poor conditions for workers and weakness in the supply chain causing brand damage. Disruptions to raw material supplies and production caused by problems with suppliers, natural disasters and other incidents.</td>
<td>Assess risk and actively monitor suppliers through audits of labour standards. Work in partnership with suppliers and NGOs to improve working conditions e.g. via training. Review business continuity and disaster recovery planning.</td>
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<tr>
<td><strong>ETHICAL BUSINESS PRACTICES</strong></td>
<td>Reputational damage caused by bribery, corruption, unfair competition.</td>
<td>Group companies required to sign up to the group’s business principles and anti-bribery policy in which regular training will be given.</td>
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<tr>
<td><strong>HIV/AIDS/MALARIA</strong></td>
<td>Loss of healthy workforce in high-risk countries.</td>
<td>Illovo has strong a strong HIV/Aids programme for its workforce and their families. Provision of mosquito nets to help prevent malaria.</td>
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<tr>
<td>ISSUE</td>
<td>RISKS</td>
<td>PLANNED OR ONGOING ACTIONS</td>
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<tr>
<td>CLIMATE CHANGE</td>
<td>Possible long-term increase in energy prices.</td>
<td>Implement group environment policy.</td>
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<td></td>
<td>Physical threats to our operations from climate change e.g. flooding.</td>
<td>Use best available techniques to minimise energy consumption — a statutory requirement for all sites subject to the EU’s pollution prevention and control regime.</td>
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<td>Altered weather patterns affecting crop productivity.</td>
<td>Generate own electricity where possible, e.g. through combined heat and power plants, and maximise use of renewable fuel – bagasse (sugar cane fibre).</td>
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<td></td>
<td>Costs involved in compliance with regulations.</td>
<td>Grow/purchase crops from a wide range of geographical locations.</td>
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<td></td>
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<td>Disaster recovery plans in place.</td>
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<tr>
<td>AIR POLLUTION</td>
<td>Unacceptable environmental impact and offence to local communities caused by emissions to air.</td>
<td>Assess any plant and process changes in advance before seeking authorisation. As a minimum, comply with standards in country of operation.</td>
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<tr>
<td>DISPOSAL OF WASTE AND WASTE WATER</td>
<td>Legal sanction and reputational damage because of non-compliance with regulations and licences.</td>
<td>Assign responsibility to senior executives in all businesses and employ specialists. As a minimum, comply with standards in country of operation.</td>
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<tr>
<td>WATER AVAILABILITY</td>
<td>Water shortages and increased cost of water.</td>
<td>Reduce, reuse or recycle waste wherever practicable.</td>
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<tr>
<td>PALM OIL</td>
<td>Reputational damage from unsustainable sourcing of palm oil.</td>
<td>Institute group policy to buy all palm oil from sustainable sources by 2015.</td>
</tr>
<tr>
<td>GENETICALLY MODIFIED CROPS</td>
<td>Consumer concern over use of genetically modified food ingredients.</td>
<td>Label all food containing genetically modified ingredients.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Monitor consumer trends by market.</td>
</tr>
</tbody>
</table>
**Environment**

We are working hard to reduce our $\text{CO}_2$ emissions and increase the proportion of renewable energy used across our businesses.
£63m invested in environmental improvements
Environment

Environment policy
We recognise the impact that our businesses have on the environment. Therefore, as a minimum, we comply with current applicable legislation of the countries in which we operate and our operations are conducted with a view to ensuring that:

• emissions to air, releases to water and land filling of solid wastes do not have an unacceptable environmental impact and do not offend the community;
• significant plant and process changes are assessed and positively authorised in advance to prevent adverse environmental effects;
• energy is used efficiently and consumption is monitored;
• natural resources are used efficiently;
• raw material waste is minimised;
• solid waste is reduced, reused or recycled where practicable;
• the amount of packaging used for our products is minimised, consistent with requirements for food safety and product protection;
• products are transported efficiently to minimise fuel usage, consistent with customers’ demands, production arrangements and vehicle fleet operations;
• accidents are prevented so far as is reasonably practicable; and
• effective emergency response procedures are in place to minimise the impact of any incidents that do arise.

The environmental performance of our businesses is reported regularly to, and reviewed by, the board.

The responsibility for achieving compliance with this policy is devolved to the chief executive or managing director of each of our businesses. Each business has nominated a director with specific responsibility for environmental matters.

The principal impacts upon the environment and biodiversity from our businesses arise from the use of energy and the resultant emission of carbon dioxide (CO₂), the abstraction of water, the release of waste water and the generation and disposal of waste.

During the year we invested over £63m in environmental improvements, mainly in strengthening our effluent treatment capability.

In 2010 our sites received 758 visits from the regulators of which 524 were in Asia and of these, 453 were in China. Within China there is a focus by the regulators on foreign owned enterprises hence the disproportionate number of visits. A few non-China sites received visits due to accidents but most of the visits were routine safety inspections.

Four sites received awards from external organisations for aspects of their environmental performance and risk management.

When considering acquiring new businesses we carry out strict due diligence investigations to ensure that we understand the environmental impact of the operations before we purchase them. This allows us to plan any requisite investments.

Energy
Efficient energy use is central to our environmental policy and a key business concern. Improving our energy efficiency not only reduces the use of natural resources and emissions of CO₂ and other pollutants but it usually reduces costs. Operating in many countries means we are exposed to a wide range of energy supply constraints and commercial pressures and therefore use a wide range of fuels.

In 2010 we used 22,270 GWh of energy, a reduction of 14% over 2009. This significant reduction had three principal causes. Firstly and dominantly, sugar beet yields were far smaller than in previous years. This was combined with the fact that much more sugar beet and sugar cane was processed through our most efficient factories with far less processed by the inefficient northern China beet factories.

Secondly, four large energy-intensive factories were sold or decommissioned and finally there has been good work throughout all of the group to reduce energy consumption.

It is predicted that some of this reduction will be reversed next year if the sugar beet and cane crops are, as expected, larger than this year.

In 2010, 52.1% of the energy we used was derived from the fibre (bagasse) from the processing of sugar cane, a renewable energy source. The proportion of energy derived from renewable sources increased from 49.9% in 2009 due to a strong reduction in the use of carbon-intensive coal and oil and more use of gas.

Energy efficiency programmes become all the more important as the global business environment becomes increasingly carbon constrained. The regulation of carbon, issues of energy security and spikes in energy costs impact on all our operations. As such we view energy usage as a strategic issue and it receives a high degree of operational and commercial focus. Each business has a named director and a named senior manager who are accountable for its environmental performance. Many of our larger businesses have also appointed technical specialists to lead energy reduction teams.

Energy consumption – absolute

<table>
<thead>
<tr>
<th>Year</th>
<th>GWh</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>22,270</td>
</tr>
<tr>
<td>2009</td>
<td>25,920</td>
</tr>
<tr>
<td>2008</td>
<td>25,403</td>
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<td>2007</td>
<td>21,155</td>
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<tr>
<td>2006</td>
<td>10,406</td>
</tr>
</tbody>
</table>

In 2010 we invested over £63m in environmental improvements, mainly in strengthening our effluent treatment capability.
Energy regulation
Irrespective of the amount of energy used and its source, it is a core principle that all energy must be used efficiently. 22 of our larger European sites are subject to the EU’s Pollution Prevention and Control regime and are under a statutory duty to minimise energy consumption by the use of best available techniques. Our UK manufacturing operations participate in the UK government’s Climate Change Agreement Scheme. Our sugar sites in the UK and Spain participate in the EU Emissions Trading Scheme which encourages us to reduce energy consumption and emissions cost-effectively.

Carbon reduction commitment
The UK’s Carbon Reduction Commitment Energy Efficiency Scheme (CRC) is a new carbon emissions trading scheme which applies to large, but non-energy-intensive, businesses. Energy-intensive operations such as sugar manufacture are already subject to controls on greenhouse gas emissions via the EU Emissions Trading Scheme. The group has registered for CRC through the UK’s Environment Agency. Any financial exposure will start in 2011 and we estimate that the CRC applies to 85% of the energy used in our UK businesses.

Energy use in sugar companies
Our sugar operations accounted for 84% of our global energy use in 2010. Sugar factories require energy to separate the sugar from the sugar beet and sugar cane, to concentrate by evaporation the sugar solution and then to crystallise out the sugar.

To minimise energy use we use the steam generated by the first evaporator as the heat source for the second evaporator and so on through the whole series of evaporators. In this way one tonne of steam evaporates as much as five tonnes of water from the sugar solution.

Our sugar operations have devised a specific key performance indicator for the energy usage: percentage steam on feedstock. This is calculated by dividing the amount of steam (tonnes) required to process sugar beet or sugar cane by the weight of the beet or cane processed (tonnes) and expressing the result as a percentage. The lower the figure the lower the amount of energy needed to process the sugar and therefore the higher the process efficiency.

In 2008 the sugar factories used 46.4% steam on feedstock as an average across our sugar factories worldwide and weighted for the amount of beet or cane processed. In 2009 the figure improved to 44.9% due to strong energy efficiency programmes in southern China and a steady improvement in the UK operations. In 2010 we achieved another 2.7% reduction in energy needed to process sugar crops reducing bringing the figure to 43.7%. For the coming year the target is 43.3%. This relatively small change is a complex interaction of competing factors. For example, due to higher projected sales of UK bioethanol and Spanish refined sugar in the coming year, steam consumption will increase for no extra beet or cane processed. The northern China and African operations are predicted to process more sugar next year and due to their lower efficiency will increase the percentage used. These increases are likely to almost offset the many energy efficiency improvements at sugar factories.

Improving efficiency in our sugar factories allows us to use the surplus steam to generate substantial amounts of renewable electricity: more than is required for factory operations. The surplus electricity is sold to local electricity networks, effectively replacing energy currently produced by fossil fuels.

This year we supplied a total of 762 GWh of this surplus electricity to other users, typically to the national electricity distribution networks. This quantity of electricity would be sufficient to power around 150,000 UK houses for a year. This exported electricity is not included in the energy consumption data described above.

Energy reduction – AB Mauri
AB Mauri is continually finding innovative ways to save energy across its yeast and bakery ingredients plants. In October 2009, the business held its inaugural energy management forum in order to bring together technical experts from across the group. This forum was designed to share energy reduction projects, capture best practices and discuss novel ideas for further energy reduction. A key objective was to strengthen the global energy network across the business to ensure continuation of the trend that has seen a 9% reduction in energy use since 2007. During the forum a total of 32 energy-saving projects were reviewed with savings of £1.9m, around 5% of the total energy bill for AB Mauri.

The majority of these projects can be replicated at a large number of the AB Mauri plants. For example, we invested £56,000 in the installation of two heat recovery exchangers at the La Salle yeast plant in Montreal, Canada, which led to annual savings of £43,000, 4.5% of the plant’s gas bill. Similarly, at the Camella yeast plant in Sydney, Australia, installing a more efficient system for producing compressed air has brought annual electricity savings of £23,000 (7%), from a capital outlay of £36,000.

Energy efficiency – Azucarera Ebro, Spain
Established in 1944, the Azucarera sugar factory in Toro processes beet from the north of Spain. This year the factory installed a new combined heat and power (CHP) plant. This plant is so efficient that, for the same amount of fuel, it has increased electricity production by 9.3 MWh, and now supplies surplus electricity to the national grid. Costing €3.5m, investments in CHP and a high-pressure steam boiler have reduced Toro’s CO₂ emissions by more than 12,000 tonnes per year.
Environment continued

Carbon

CO₂ is released to the atmosphere either directly by the burning of fuel in our factories or indirectly by the power stations from which we purchase electricity. We calculate the quantity of CO₂ emitted through the use of electricity using the latest internationally recognised factors published by the Greenhouse Gas Protocol. We calculated the CO₂ emitted from the other fuels using the UK government’s latest conversion factors or local factors if more accurate.

In 2010, the Company emitted or caused to be emitted 3.01 million tonnes of CO₂, the most common greenhouse gas, a significant reduction since 2009. A greater percentage of sugar beet was processed through the much more efficient and mainly gas-burning factories. This allowed us to reduce significantly the amount of carbon-rich coal being burnt in the inefficient factories. In addition the beet crop in northern China was far smaller in 2010 which also reduced the amount of coal burnt. Our Spanish operations switched much of their carbon-rich oil use to gas. Due to process efficiencies far less coal was burnt at the cane processing factories and a greater reliance placed on carbon-neutral bagasse. Finally we closed or sold four large energy-intensive factories in Poland, Africa and the US which further reduced our coal and oil burn.

Carbon footprinting

We have carried out extensive work on the carbon footprinting of our products. More detail on this, as well as our investment in biofuels, can be found on pages 49 to 51.

Becoming 100% renewable – Illovo, Zambia

In July, Zambia Sugar, part of Illovo, and the country’s largest sugar producer, started generating its own power from sugar cane residues. The site uses bagasse to produce 40 MW of electricity, of which the factory uses 13 MW, 23 MW is used for irrigation, and the balance is exported to the national grid. Zambia Sugar is still connected to the grid but only to access 2 MW of power needed to stabilise the factory load and for initial power generation.

Reducing food miles – Allied Mills, UK

Allied Mills began supplying Ginsters in Cornwall with specialist flour in 2006. Since then the business has worked closely with Ginsters to identify and implement sustainable improvements throughout the supply chain. Ginsters had been concerned that flour supplied to their operations in Cornwall was being milled in Manchester, generating a significant amount of food miles. In October 2009 Allied Mills partnered with Jordans Ryvita to remodel and use its flour mill in Dorset to supply Ginsters. This project involved a significant level of investment and knowledge transfer between Allied Mills and Jordans Ryvita and we estimate that it will save 165,000 road miles per year, a 55% reduction on the previous journeys.

Government statistics show that transporting freight by rail rather than road reduces harmful emissions by between four and ten times. Allied Mills currently transports around 30,000 tonnes of flour per year using an intermodal rail tanker, saving 464 tonnes of CO₂ per annum.

Allied Mills is also working to improve the fuel efficiency of its fleet through:

- driver training – an independent assessor accompanies each company driver on a one-to-one assessment every year, to train them in the latest methods of driving efficiency. This is supported with a Royal Society for the Prevention of Accidents (RoSPA) examination that aims to recertify all drivers with a gold award for advanced driving;
- ensuring all new vehicles are euro 5 standard as a minimum; and
- piloting vehicle intelligence systems that offer real-time vehicle performance statistics and driver behaviour information. This allows the pinpointing of areas of low performance, whether equipment or driving technique, which can then be addressed by modification or training.

Other emissions to atmosphere

We are very conscious of our responsibilities towards our neighbours and work hard to prevent any nuisance. Most manufacturing sites, with the exception of our sugar factories, only have single points of release to air from relatively small steam boilers. As such the emissions to air from most of our sites are not significant.

Other atmospheric emissions from our factories are dust particles, acid gases (oxides of sulphur and nitrogen) and odours, all of which have to comply with local environmental standards. We are in the process of collecting data on emissions of sulphur dioxide and aim to publish the data in 2011.
Illovo Sugar is the largest user of river and lake water within the group, predominantly for the irrigation of sugar cane crops. The operations in Malawi, Mozambique, Swaziland and Zambia are fully irrigated and the estate in Tanzania is partly irrigated.

South African operations grow sugar cane under rain-fed conditions due to the favourable climate and the shortage of irrigation water resources. Generally, water has been in abundant supply from the rivers and lakes in the regions where Illovo operates in Malawi, Mozambique, Tanzania and Zambia. In Swaziland the water available for irrigation exceeds demand for around nine months a year. For the remaining low river flow months, irrigation is supplemented by water that has been stored in company dams during periods of low irrigation demand.

The Illovo Sugar irrigated agricultural operations have licences from the relevant national water authorities for water abstraction points. These agricultural operations strive to be responsible water users and continuously improve practices according to guidelines set out by the South African Sugarcane Research Institute and other local authorities.

Illovo Sugar agricultural operations focus on improving the standard of water use efficiency at both an operational level and when irrigation systems are renewed. Irrigation systems are designed to be compatible with the climate, the shape of the property, its topography and the soil type. Illovo Sugar has been successful in installing efficient pivot-type irrigation in a large proportion of the recently installed irrigation systems in Malawi, Zambia and Swaziland. More of the high-efficiency pivot-type irrigation systems are planned for the future in Swaziland and Malawi, depending on economic feasibility.
The emissions from large boilers at our EU sugar factories, animal feed mills, UK flour mills and the Speedibake bakery in Bradford which are all subject to the EU’s pollution prevention and control regime, are stringently limited by statutory controls.

Water and waste water

It is our policy that our businesses must use natural resources efficiently and avoid waste. Half of the water we bring onto our sites is abstracted from rivers but we also source from municipal treated water supplies and from boreholes. Our investigations show that although some of our products contain water, for example bread and cooking sauces, over half of the water we use is for cooling production equipment which is then returned to a river unchanged other than by being a few degrees warmer.

As part of our increasing scrutiny of our water usage, we have noted inaccuracies in the reporting of the factory water data by our African sugar operations in previous years. The proportion of water extracted from the rivers which was used in our factories was wrongly estimated and it is likely that previous Illovo water data has therefore been underestimated. Due to the amount of water consumed by these sites, these inaccuracies mean that we cannot provide a reliable estimate of group water use. During the current year we will perform a more detailed analysis of our estimating and data collection methods for water usage in Africa and will report on our findings.

Whilst we can make water savings in our processes, the main cause of the change in water usage is the size of the sugar beet and sugar cane crops, which is heavily weather dependent.

The two product groups with potentially high water usage per tonne of product are sugar and yeast.

Sugar beet fields are irrigated using water abstracted from local sources under strict legal controls. The quantity of water is limited by national environmental regulators to ensure that the abstraction is not prejudicial to the water capacity of the local rivers and aquifers. The sugar cane fields owned and operated by Illovo in Africa are either rain-fed or are situated adjacent to major rivers from which the irrigation water is abstracted. Cane is grown in these locations specifically because water is plentiful and we are very careful to ensure that people and ecosystems downstream are not affected. In 2008 the UK’s Ecumenical Council for Corporate Responsibility reviewed our water management policies and practices and ranked us fourth among 15 leading UK and Irish companies.

The processing of sugar beet results in more water being discharged from our waste water treatment systems than is abstracted from the river. This is because sugar beet comprises more than 75% water, which is released when the sugar is extracted. Similarly, the processing of sugar cane releases water stored within the cane.

Mapping water stress
For information regarding predicted water stress, see pages 20-21.

Waste water

The waste water from our factories is usually mechanically and biologically treated before being discharged into the local rivers. An important measure of the quality of the discharged waste water is chemical oxygen demand (COD) which indicates the impact that the waste water has on the oxygen levels in the receiving rivers. In 2009 AB Mauri calculated that 80% of the COD in their waste water was effectively treated and disposed. In 2010 the treatment rate increased to 83% due to the commissioning of new treatment facilities in northern China and by making improvements elsewhere.

British Sugar Overseas (BSO) in southern China has invested heavily to increase its treatment capability. Further investment by several group businesses next year will result in more treatment of COD to comply with all of the increasingly demanding river quality standards.

Water quality – southern China

Boqing, Boxuan, and Bo Hua, the group’s sugar joint ventures in Guangxi Province have invested significantly in energy saving and effluent reduction, whilst increasing production efficiency. Over £1.2m was invested in each of the five sugar factories to build effluent treatment plants. Each effluent treatment plant has a capacity exceeding 500 tonnes per hour. Throughout the harvest period, all water quality testing met Chinese national standards. Effluent from the sugar mills was reduced dramatically. The treated and aerated water discharged into the local rivers is now clean enough to support healthy fish stocks.

Waste

We seek ways to minimise the quantity of waste produced as this makes good environmental sense and has commercial benefits. This applies not only to inert and non-hazardous wastes such as production residues, spilt finished products, paper, cardboard and plastic packaging materials, but also to the small quantities of hazardous substances such as unwanted laboratory chemicals and used lubrication oils.

We handle, transport and finally dispose of waste at appropriately engineered and licensed facilities under a strict duty of care, although we recognise that this is not always possible in parts of China and Africa.

Waste disposal


death

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>186</td>
<td>327</td>
<td>352</td>
<td>461</td>
<td>256</td>
</tr>
</tbody>
</table>

The treated and aerated water discharged into the local rivers is now clean enough to support healthy fish stocks.
The waste figures show only that waste which is sent for final disposal and does not include any waste sent for recycling.

In 2010 we sent an estimated 256,000 tonnes of waste for disposal, a reduction of 205,000 tonnes from 2009. The majority of the reduction was due to a smaller beet crop in northern China so less sugar beet was processed and less waste produced. The other significant change was the expansion of the Guadalete factory in Spain that had generated considerable building waste in 2009 came to a close, reducing waste output. The sale or closure of four large manufacturing operations, especially our Polish sugar factory, also led to a significant waste reduction.

The types of waste vary considerably according to the manufacturing process. In addition, waste legislation differs significantly between countries so that a substance that is not classified as waste in one country may be classified as waste in another. The quantity of waste generated by our businesses therefore varies according to the mix of manufacturing operations and countries in which we operate. Irrespective of where we operate we have a key requirement to minimise waste.

Recycling – Primark, Thrapston
Although Primark stores have recycled all cardboard and plastic individually for many years, in 2010 we built a centralised recycling plant at our distribution centre in Thrapston. This takes advantage of our previously empty returning delivery vehicles, and significantly reduces CO₂ emissions from transport that was previously collecting recyclate from the stores. We estimate that in a year, the site will have:
- cut 21,576 lorry trips to our stores;
- recycled 57,000 m³ of hangers;
- recycled 14,000 tonnes of cardboard in a closed loop system into the paper carrier bags we use in-store;
- saved our business £3m, and effectively ensured that our UK distribution network is carbon neutral (calculated using protocols from DEFRA and the Carbon Trust).

We are currently evaluating similar installations in the Republic of Ireland and Spain, and the option of using our recycled hangers to make pallets for packaging.

Packaging
The quantity of packaging used in our products in 2010 was 232,000 tonnes Δ, down from 289,000 tonnes in 2009. We seek opportunities to use the intrinsic value in the waste and to recycle. In fact, our UK operations recycled over 50,000 tonnes of packaging, mostly paper and plastic. To reduce the environmental impact, Primark has replaced its plastic carrier bags with more easily recycled paper bags.

In 2008, the group signed up to the Courtauld commitment’s three targets in the UK:
- to design out packaging waste growth by 2008;
- to deliver absolute reductions in packaging waste by 2010; and
- to help reduce the amount of food the nation’s householders throw away by 155,000 tonnes by 2010, against a 2008 baseline.

In September 2010, WRAP announced that the first and third of these targets had been achieved, with total packaging remaining constant rather than showing absolute reductions. The group is pleased to have contributed to this achievement.

Projects with WRAP to reduce packaging achieved the following:
- Silver Spoon Golden Syrup – moving from a glass jar weighing 236g to a recycled plastic container weighing 35g, a weight saving of 85%, and a carbon saving of 59%. When savings in secondary packaging and transport are included we estimate that this saves 100 tonnes of CO₂ equivalent for each million units sold.
- Patak’s – reducing the weight of glass jars from 225g to 198g has saved 500 tonnes of glass and £125,000 of costs per year. We expect further savings by increasing the number of finished goods units per pallet and reducing packaging taxes.
- Silver Spoon – over the last eight years we have reduced the weight of the paper used to package our 1kg bags of granulated sugar by 12%, and in 2010 we launched our lightest yet, reducing the packaging by another 6%. In March 2010 Silver Spoon started packaging its sweetener in a resalable Eco Pouch rather than a glass jar, with a 98% reduction in packaging weight.

In 2010, WRAP launched the Courtauld II post 2010 commitments to reduce the carbon impact of packaging by 10%, reduce household food and drink waste by 4% and to reduce traditional grocery product waste in the grocery supply chain by 5%.

Reducing packaging – Azucarera Ebro, Spain
Sugar in Spain is typically sold in paper bags. The paper itself has to be robust enough to form the pack and prevent tearing. This year, after detailed analysis and trials, Azucarera was able to reduce the amount of paper it uses in its bags by around 150 tonnes a year or 12.5%. 

Silver Spoon’s new Eco Pouch packaging, which replaced a glass jar, cutting packaging weight by 98%. 
Patak’s new glass jar.
Environment continued

Water availability in 2025 for Illovo and AB Mauri sites

2025: Annual renewable water supply per person
(m^3/person/year)

Key
- No data
- Extreme scarcity <500
- Scarcity 500 – 1,000
- Stress 1,000 – 1,700
- Sufficient 1,700 – 4,000
- Abundant >4,000

AB Mauri
Illovo Sugar

Mapping water stress
In 2010 we carried out an exercise to map our water-intensive facilities against areas of water stress. The issue of water shortage is an increasing concern and, as we operate in a water-intensive sector, we wanted a better understanding of where supplies of water may be threatened in the future and our impact on these supplies. Agriculture accounts for around 69% of fresh water withdrawn for human consumption globally, and the food and beverage sector is one of the heaviest users of water. In the UK, this sector accounts for approximately 10% of industrial use of supplied water and an additional 10% of total water abstracted. Unlike climate change, whose causes and solutions are global in nature, water is a local issue requiring local action.

To ensure that we understand water conditions locally, we analysed the locations of a total of 54 factories operated by AB Mauri and Illovo Sugar, which together accounted for 86% of our water use in 2010 (excluding irrigation). Using the World Business Council for Sustainable Development’s (WBCSD) World Water Tool, we concluded that 17 of these sites will be in areas of scarce or extremely scarce water supply by 2025, as measured by annual renewable water supply per person (m^3/person/year).

We will work with each of the sites at risk to gain a deeper understanding of the local water situation. Over the coming years, we will focus our water reduction efforts at these sites, and more closely monitor local conditions. During 2011, we will extend the analysis to our other water-intensive businesses, and the decision where to site any new water-intensive facilities will incorporate a review of water stress conditions.
Source: WBCSD World Water Tool
The Jordans & Ryvita Company Ltd is a UK joint venture between Associated British Foods and the founders of the Jordans brand – Bill and David Jordan. The Jordans brand was established in 1972 and the business focuses on making breakfast cereals and bars using only natural ingredients. All the grain used in Jordans’ products is grown to either organic or Conservation Grade® farming standards.

Bill and David Jordan helped establish the Conservation Grade® standard in 1985 to grow grain in a more nature-friendly way. The scheme has been the backbone of Jordans’ approach to sustainable sourcing ever since.

Conservation Grade® farmers are required to utilise 10% of their land to create a range of habitats for wildlife but, in contrast to organic farmers, are also permitted to use a carefully selected range of agrochemicals in order to maintain their crop yield. All Conservation Grade® farmers are trained in environmental farm management to promote biodiversity and are paid a contractually agreed premium price for their grain. Over 50 farms are now in the Conservation Grade® scheme accounting for approximately 60,000 acres of British farmland. It is the only agri-environment scheme in the UK to pay farmers a premium for their crop in return for creating wildlife habitats on their land.

10% of the land is actively managed for wildlife:

- 4% provides pollen and nectar from wildflowers and clover to provide insect food and habitat;
- 1.5% is planted as wild bird food using plants like quinoa and fodder-radish to provide seeds for birds in winter and early spring;
- 2% is sown as tussock and fine grasses, creating important habitats for spiders, beetles and small mammals;
- 0.5% is ‘natural regeneration’ to encourage rare annual plants to re-establish themselves and support ground-nesting birds; and
- 2% allows for any unique features of the individual farm to be managed in order to promote wildlife, for example, creating wildlife havens in old barns, woodland or ponds.

The approach taken by Conservation Grade® farmers has been scientifically proven to deliver significant wildlife increases. Between 1999 and 2003 at a pilot farm in Yorkshire, the UK government’s Centre for Ecology and Hydrology noted a 41% increase in birds, an eightfold increase in butterflies, and a thirteenfold increase in bumblebees. The Conservation Grade® farm management protocols are constantly reviewed and in 2009 carbon footprinting and sustainable biofuel options were introduced.

With an increasing global focus on environmental sustainability and 2010 being the International Year of Biodiversity, the value of a farming model that maximises biodiversity and crop yields is ever more apparent to business. Since 2009 a number of other brands have achieved Conservation Grade® accreditation, including our Allinson flour brand. In addition, our milling and baking business has substantially increased the tonnage of Conservation Grade® grain they are purchasing with a view to expanding the market for this visionary biodiversity-driven farming model.
Biodiversity and sustainable agriculture

Our care for environmental issues extends to the natural environment in and around our factory sites. Our sugar factories occupy large areas of land and their pond systems provide a natural habitat for many species of wildlife.

In addition to the work outlined overleaf, more on AB Agri’s efforts to promote sustainable agriculture can be found on page 49, as well as our business producing sustainable biofuels on pages 50-51.

Sustainable agriculture – British Sugar, UK

British Sugar produces a diverse range of sustainable products, from sugar to electricity and animal feed to biofuel. Each year, next to its Wissington sugar factory in the UK, the company grows over 80 million tomatoes, using waste combustion gases and heat from the factory’s combined heat and power plant (CHP) at its Cornerways Nursery.

Carbon dioxide from the CHP plant is pumped into the enormous glasshouse, encouraging plants to grow at twice the normal rate. The glasshouse is also home to over 5,000 bees which pollinate the plants naturally. The glasshouse is the size of ten large football pitches, so the rainwater from such a large roof is used as the main source of irrigation for the tomato plants.

Cornerways Nursery now supplies some 2% of the UK tomato market from a single site. British Sugar’s tomatoes are sold through the major retailers, food service suppliers and local businesses, including the Royal Estate at Sandringham. They hold the Red Tractor mark of accreditation, the British Retail Consortium Quality Scheme Approval, the Tesco Nature’s Choice Gold Supplier award and this year, British Sugar was delighted to learn that Assistant Nursery Manager, Paul Simmonds, had been awarded ‘Young Grower of the Year’, at the prestigious ‘Grower of the Year Awards 2010’, which celebrate the very best in UK production horticulture.

Site reclamation – British Sugar, York, UK

In 2008, British Sugar’s factory in York was closed as a result of EU Sugar Regime reform. After consultation with the Rural Payments Agency and the Environment Agency, an action plan was agreed and implemented for the decommissioning, demolition and reclamation of the site.

Careful consideration was given to species conservation and a site-specific ecological management plan was followed which ensured that wildlife has been protected. A disused railway siding was identified as a high-quality habitat for bees. To maintain this habitat, a protective barrier was installed to prevent damage to the bank during demolition and the woodland and scrub on the bank was managed to protect the habitat. British Sugar sought guidance from local groups concerned with specific species to assist in its work.

96% of all materials arising from decommissioning and demolition was recycled. The team segregated over 16,000 tonnes of scrap metal on site, before sending it to a recycling facility. This ensured that transport miles were minimised, reducing potential CO2 emissions. In addition, over 70% of the rubble generated was recycled locally and used in the building of an extension to the University of York campus.

Environmental considerations are at the heart of the development of our campus extension. Using materials reclaimed from British Sugar’s York site in the construction of our exciting new facilities has proven to be a highly effective local solution that has benefited the company, the University and the environment.

Elizabeth Heaps, University of York, Pro-Vice-Chancellor for Estates

Decommissioning old factories – Azucarera, Spain

As a result of EU Sugar Regime reform, the group closed a number of its sugar factories. One of these was Azucarera’s Guadalcacin factory near Cádiz, where the decommissioning process included a 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’s plan involved extending an existing area of wetland that the company had developed more than five years previously, to cover 36 hectares. The development included not only a reservoir of over 40,000m³, but a bird-watching area and car park. The wetland development, which is already attracting significant numbers of birds, has also become an educational facility for the area’s schools.

Azucarera has invested more than £870,000 in the project which is due to be completed at the end of 2010.
Palm oil

The group uses a very small quantity of palm oil, accounting for approximately 0.06% of the total global annual supply, understood to be 45 million tonnes. A small volume of palm oil is used as part of an ingredient in some of our baking recipes as an alternative to hydrogenated fat, which we removed for health reasons.

Our businesses purchase palm oil primarily through independently owned processors, who source palm oil kernels and convert them into specific food ingredients. In light of the allegations made against the Sinar Mas Group by Greenpeace in 2009/10, we asked our suppliers not to source palm oil from this particular company unless it clearly demonstrates that it is not engaged in the illegal deforestation of conservation habitats.

Some of our businesses operate sustainable palm oil policies and are purchasing Certified Sustainable palm oil and Green Palm certificates. In 2010, we introduced a groupwide commitment that all of our businesses would use only Certified Sustainable palm oil, or Identity Preserved palm oil, by 2015 (provided that supply is available). We have also strengthened our existing representation at the Roundtable on Sustainable Palm Oil with a view to promoting an increased supply of Certified Sustainable palm oil, together with the necessary processing facilities, by 2015.

Separately, Stratas Foods in the US, a joint venture between ourselves and Archer Daniels Midland, also purchases a small volume of palm oil. Stratas management is aware of the concerns as to its future sourcing of palm oil.

Genetic modification

All crop-derived products and ingredients supplied by our businesses to the UK grocery trade are obtained from non-genetically modified sources where we have complete control of the supply chain. With other products involving ingredients where genetically modified varieties exist, our businesses have worked closely with approved third-party suppliers to secure future supply sourced from non-genetically modified, identity preserved material. The supply chain in this area is closely monitored to check compliance. All new ingredients are assessed for compliance with the above statements and it is our aim to meet any existing and future legislation on traceability and labelling.

We recognise the concerns of some sections of the public towards genetically modified ingredients in animal feed. However we must balance these concerns with our primary commitment to our customers to ensure the success, efficiency and competitiveness of UK livestock production. The group supplies a comprehensive range of feed materials, blended and compound animal feeds into all sectors of the market and offers its customers a wide range of high-quality, nutritious products.

Currently the only key feed materials used in compound and blended products which may originate from genetically modified crops, are those derived from soya and maize sourced from the major growing areas of North and South America. These are cleared by the EU and UK regulatory authorities. Feed materials such as molassed sugar beet feed, brewers’ grains, and groundnuts are not affected by this, as the crop from which they are derived has not been the subject of genetic modification.

We serve all sectors of the market, and are seeking to establish suitable sources of identity preserved maize and soya should our Customers Express a serious interest in this. It must be recognised, however, that the producers of these specified feed materials expect a significant price premium over non-specified feed materials, and furthermore the complexities of feed material transportation, storage and manufacturing a range of alternative feeds add to the cost of livestock feed.

We are confident that due to our purchasing scale, supplier relationships and mill configuration, we will be able to maintain these premiums at the lowest industry levels. This would be a similar situation as currently exists in the organic feeds market, a sector which we already service and where the customer benefit of identity preservation attracts a price premium over standard feeds.
Environmental complaints

During 2010 we received 126 environmental complaints, a similar number to 2009. The number of complaints varies year on year and tends not to reflect the actual number of events causing complaint, due to multiple responses to the same event. There were various causes of complaint during the year but the majority related to effluent emission standards, noise and odours, most of which were site-specific issues and addressed locally. The absolute number of complaints should be considered in the context of a large and growing business. The sites involved very much regret any inconvenience caused to our communities and we are always seeking to eradicate the causes of any similar events.

Environmental fines

In 2010 we received six environmental fines totalling £140,000 due to non-compliance with discharge standards for effluent.

Environmental fines

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<tr>
<th>Number of fines</th>
<th>12</th>
<th>9</th>
<th>6</th>
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<td>Year</td>
<td>2006</td>
<td>2007</td>
<td>2008</td>
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The issues leading to the fines have been remedied.

Enzymes as a substitute for chemicals – AB Enzymes

AB Enzymes is working to develop enzymes which can be used instead of chemicals. Enzymes are naturally occurring proteins which enable biological reactions to occur in temperatures and conditions that would not otherwise be possible. Moreover, as enzymes are produced with the help of micro-organisms such as bacteria or moulds, the production process (fermentation) is significantly less harmful to the environment than the production of chemicals. This means that enzymes can replace harsh chemicals and organic solvents, and reduce energy use and waste effluent.

This year AB Enzymes introduced a novel heat-stable enzyme for the animal feed industry which releases the organic phosphorus in the feed, making it available for animals such as pigs and poultry through their diet. Less inorganic phosphorus now needs to be added to the feed, and more importantly, less organic phosphorus is emitted into the environment by the animals. This new enzyme provides customers with improved processability, excellent performance and a smaller ecological footprint.

We have introduced the concept of integrating the enzyme into the manufacture of ‘second generation’ bioethanol from agricultural residues, which reduces energy and waste.
Our people
During 2010 we reduced reportable injuries by 15%.
168 factories with no reportable injuries in the last year
Our people are our most important resource. With 97,000 employees in 44 countries, we put significant effort into ensuring that our businesses are great places to work, and aim to offer our people the support most suitable for their needs.

Our approach to human resources is decentralised, with limited central control at group level, and flexibility given to each of our companies.

**Health and safety**

We believe that safe and healthy working conditions for our people, contractors and visitors are of paramount importance.

We try very hard to reduce injuries in every location and have a clear requirement for continuous improvement. During the year we received 458 visits from safety regulatory authorities.

28 of our manufacturing sites received safety awards from external organisations for aspects of their good safety management.

In 2010 we invested over £25m solely and directly in improving working conditions and the safety of plant and equipment.

**Fatal injuries**

Despite the health and safety of our workforce being an absolute priority within the group, we regret deeply having to report that there were four fatalities in our factories, a further four resulting from vehicle accidents, one from a falling tree and one caused by a gang of outsiders, not our people. Of these ten deaths, nine were employees and one was a contractor.

These accidents were fully investigated by our internal safety specialists, our directors and senior managers and the external regulatory authorities.

This loss of life is entirely unacceptable. Strong but straightforward risk management by the businesses should prevent these occurrences. Already, all businesses communicate their policies and expectations, have clear working instructions in the appropriate languages, provide safety induction training for new employees, invest in an increasing amount of safety training for managers at all levels, carry out safety audits and have safety improvement plans. There has been a strong focus on safety in our major construction activities and this will continue.

A new construction-specific safety audit has been issued to help provide additional focus. The Group Safety and Environment Manager sends out safety alerts following serious incidents to make sure that everyone can learn from them.

The HR Director and the Group Safety and Environment Manager review progress monthly and hold formal half-yearly reviews of safety plans with the main businesses. These are informed by frequent visits to our major operating sites throughout the year and by the independent audits carried out by ERM.

Company performance is reviewed quarterly by the Chief Executive and annually by the board.

**Health and safety policy**

We are committed to providing a safe and healthy workplace to protect all employees, visitors and the public from foreseeable work hazards. We are also committed to complying with the applicable legislation of the countries in which we operate.

We consider health and safety as equal in importance to that of any other function of the group and its business objectives. We require our businesses to improve their safety performance year on year.

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

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

The chief executive of each business has overall responsibility.
The businesses have increased the number and calibre of their safety managers. There are annual meetings of the top global safety managers and three meetings a year of our Chinese safety specialists. These meetings provide an opportunity for the safety specialists to discuss the latest developments and, more importantly, to share good practice. The Chief Executive attended the latest of these meetings in London and Beijing to hear for himself the issues and to set out his expectations and requirements.

We are committed to preventing any loss of life and are working to create an accident-free business environment.

**Reportable injuries**

During 2010 we reduced our reportable injuries by 15%, despite an increase in the size of the business and the number of employees.

**Reportable injuries**

Reportable according to the differing laws of each country

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<th>Year</th>
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168 factories and 159 Primark stores achieved a year’s operation without any reportable injuries. Indeed, 35 factories and 116 Primark stores have operated without serious injury for two or more years.

However, we fully recognise that further improvement is achievable. There has been considerable focus on the safety of our people and contractors by the board, the boards of the businesses, the management teams and the workforce, and it will always remain a business priority. The working environment and physical safety standards (for example machinery guarding, electrical safety and control of hazardous substances) are carefully monitored and upgraded using guidance published by the national regulatory authorities as a benchmark. We place special focus on construction safety and reducing the risks from moving vehicles. Our businesses have continued to develop the robustness of their risk management systems, which include clear objectives and personal safety improvement targets, effective physical controls and management procedures, and routine performance monitoring. Increasing attention is being paid on how best to reinforce our safety culture and leadership such that all employees and contractors know the safe way to work, do not take short-cuts and actively think about the risks and precautions.

Our Group Human Resources Director, together with the Group Safety and Environment Manager reviewed the safety improvement action plans of the businesses to ensure that they address the principal risks and have agreed their safety priorities for the coming year.

**Safety fines**

During the 2010 reporting year, two sites received fines totaling £15,000 for breaches of safety regulations.

**Health and safety fines**

Number of fines

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One fine related to the death of a worker in October 2009 in northern China who had been overcome by gases leaking from pipework linked to a kiln. Since then the site and the business have put in place stronger maintenance systems and strict preoperational engineering checks for leaks.

The second fine was for amputation of part of a person’s finger in a conveyor. The machine subsequently had improved safeguarding fitted and further training was provided to the workforce.

**Health and safety – Vivergo Fuels, UK**

We have a 45% interest in Vivergo Fuels, a joint venture with BP and Dupont to build a major new wheat to bioethanol plant at Saltend. Health and safety is a key priority in the construction of the plant. By September 2010, over two million construction hours had passed without a single injury requiring a day away from work. There are currently over 500 people working in Vivergo to complete the construction and prepare for operation. This record has been recognised by RoSPA of its Silver Award for Occupational Health and Safety.

**A healthy workplace**

A fundamental requirement of our businesses is that our people go home from work as healthy as when they arrived; not adversely affected by their tasks or general working environment.

We recognise that some of the substances we handle and manufacture may, if incorrectly controlled, pose a risk to health. To ensure that our factories are healthy places in which to work, we use occupational health specialists to monitor the controls and working practices.

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, although some of the oils and greases are of food grade and not hazardous. Many chemicals are used by our laboratories for routine quality control analyses.
A number of safety development initiatives were implemented at all Bo Tian sites during 2010. A ‘Safety Change Week’ was held, with intense safety training provided for all management and supervisors at each plant. Individuals were tested at the end of each day to assess the impact and benefits of the programme.

Construction safety has been given special attention due to the high-risk activities carried out during any construction work. A new set of safety standards was introduced before the construction of the Yi'an factory effluent treatment plant.

A number of safety monitors have been appointed to ensure that contractors working on the project were following the site rules at all times. The monitors received training to enable them to recognise potential hazards, address bad safety behaviour, encourage good housekeeping and seek to ensure that all high-risk activities were carried out in a controlled manner.

A number of minimum standards have been developed over the last year covering coal feeding operations, working at height, machine guarding, electrical safety, dust explosions, centrifugals, and kiln gas safety.

We believe the safety culture throughout the Bo Tian sites has improved through these initiatives.
Our sites employ competent technical staff to control the storage, handling and use of hazardous substances and their final disposal. The operators are provided with the necessary hazard information, training, handling equipment and protective clothing and we require sites to have effective emergency procedures in place.

The EU has issued very detailed legislation regarding the registration, assessment and authorisation of chemicals. We have reviewed their applicability and, where appropriate, set up technical working parties to ensure compliance with the relevant milestones by 2018.

Health – Illovo, Africa
Illovo Sugar employs over 12,030 permanent and around 24,000 seasonal employees making 1.9 million tonnes of sugar this year. Situated in Africa, healthcare for our people and those who depend upon them is a top priority for our managers due to the risks of contracting HIV, malaria or tuberculosis.

Access to healthcare is provided to all employees and their dependants, either through the network of group-run primary healthcare clinics and hospitals or through the provision of medical insurance schemes. Where no other public medical facilities exist, these services are extended to members of surrounding communities. Illovo operates 24 primary healthcare clinics and four hospitals. These facilities are staffed by 16 doctors, 150 nurses and other qualified medical staff, and 135 auxiliary personnel, providing a service to approximately 32,000 employees and their 70,000 dependants. During the past year, there were approximately 560,000 patient visits to the group’s healthcare facilities.

Illovo attempts to ensure the health of employees and their dependants by addressing public health services not provided by governments, such as the provision of potable water, sanitation and refuse removal, where deficient.

Occupational health is an important facet of the medical services delivered at every site. Qualified nursing practitioners perform duties that include regular job-related medical examinations, along with medical surveillance, such as hearing and lung-function testing and biological monitoring of employees, in line with the health and safety regulations of the respective countries of operation.

Illovo continues to take a proactive stance against life-threatening conditions such as HIV/AIDS, malaria and tuberculosis (TB). These diseases are being managed, largely on a preventative basis, to negate their impact on employees and on the business.

HIV/AIDS
Strategies directed at controlling the spread of HIV/AIDS include preventative awareness programmes along with an established in-house wellness programme for those affected. They involve ongoing high-profile education and awareness campaigns, effective treatment and prevention of sexually transmitted infections in the process of preventative activities and education, voluntary counselling and testing (VCT), use of prophylactic antibiotics, and the promotion of a healthy lifestyle.

Illovo continues to campaign for employees and their dependants to ‘get to know their status’ and in this regard, has set a target to test 50% of all employees annually. A further target has been set to ensure that at least 50% of HIV positive employees join the wellness programme.

Malaria and tuberculosis
In respect of malaria, the group subscribes to the African continent’s recognised ‘roll back’ malaria programme, with mosquito control spray programmes and the distribution of insecticide-treated bed nets to the areas most affected. In the case of TB, the group works closely with national programmes and assists with the diagnosis, treatment and follow-up of TB cases where appropriate. Progress includes:

• in 2010, there were 169 cases of TB within Illovo, down from 183 in 2009 and 243 in 2008. The reduction is very encouraging, showing the success of the wellness programme;

• since 2006 there have been 7,800 fewer cases of malaria within the Illovo workforce, with the largest decrease of 3,800 cases being in Mozambique; and

• overall in 2010 Illovo spent £2.9m on direct healthcare costs and £980,000 on medical aid.

Diversity
We are committed to offering equal opportunities to all people in their recruitment, training and career development, having regard for their particular aptitudes and abilities. 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 Company an opportunity for retraining. Sexual, mental or physical harassment will not be tolerated in the workplace. We expect incidents of harassment to be reported to the appropriate human resources director.

Diversity – Allied Bakeries, UK
In May 2010, 17 managers at Allied Bakeries attended a day-long training course on diversity and equal opportunities. We intend to hold this training again in 2011.
Our people continued

Diversity – George Weston Foods, Australia
George Weston Foods recognises that a diverse workforce is better able to understand the demographics of the marketplace it serves, and better able to thrive. We also recognise the benefits that diversity brings, including increased employee satisfaction, productivity and retention. This year George Weston Foods updated its diversity policy, and developed guidelines to support mentoring, particularly to support women. It was involved in the International Women’s Day in Sydney, and its diversity leadership team met with an Australian government diversity body. It plans to hold two networking events each year to encourage internal understanding of diversity, and aim to improve our diversity statistics on women and minority groups.

Diversity – Illovo, South Africa
In the 2010 Financial Mail/Empowerdex Top Empowerment Companies report, Illovo was ranked sixty-seventh out of 200 and sixth in the food and beverages sector. In terms of the various broad-based Black Economic Empowerment (BEE) elements, Illovo was ranked second on social-economic development. As rural development is one of the major national priorities and given that the bulk of Illovo’s enterprise development initiatives were geared towards support for emergent black growers, this is a significant achievement.

Only our South African operations collect data on race. In this country, 42% of the management are non-white, and 14% are female – see table below.

Illovo South Africa senior management by ethnicity and gender

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<th>MIXED RACE</th>
<th>ASIAN</th>
<th>WHITE</th>
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<tbody>
<tr>
<td>MALE</td>
<td>17%</td>
<td>2%</td>
<td>23%</td>
<td>58%</td>
</tr>
<tr>
<td>FEMALE</td>
<td>86%</td>
<td>14%</td>
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Particular attention is given to preferential procurement from, and outsourcing to, black enterprises and service providers, including the development and support of outgrower schemes. During the 2009/10 season, revenue paid to small-, medium- and large-scale black farmers for their cane supplies in South Africa amounted to £15m.

Since the initiation of the programme for the sale of the company’s farms to black people in 1996/7, Illovo has sold 58% of its cane lands to BEE companies and commercial farmers.

Training
In February 2010 our UK Grocery group held its second annual sustainability conference, to increase awareness, share best practice and encourage networking. External experts were invited to provide their views on upcoming sustainability issues, and sustainability leaders within the group shared their experience. Later in February we held our first groupwide CR day, with a similar approach. Both events were found to be very useful and will be repeated in 2011.

Training – British Sugar, UK
Each year up to 1,000 of British Sugar’s UK workforce participate in training courses. This involves all levels from senior managers to new apprentices and seasonal workers. Staff are encouraged to acquire relevant business, technical and professional qualifications and pursue continuous professional development in appropriate disciplines. Each year British Sugar invests in up to 100 individuals, including graduates and apprentices, covering NVQs, MBAs and accredited training courses. We also offer financial assistance for further education.

Graduate and apprentice recruitment has proved to be an essential talent pipeline for the business. In contrast to other UK food manufacturers, we have substantially increased our recruitment numbers; since 2004 over 100 graduates and apprentices have joined British Sugar. We recruited a further 38 graduates and apprentices to start work at British Sugar in September 2009. We also run a year-long placement scheme for engineering students in partnership with Loughborough University.

- the implementation of internationally accepted safe working practices and healthcare programmes;
- the building of employees’ understanding of the prevailing business context within Illovo.
- Approximately 19,000 employees attended the group-facilitated business understanding programme;
- 18 students, mainly from the engineering discipline, are furthering their tertiary education supported by Illovo bursaries following which they will be bridged into the management trainee programme upon successful completion of their studies; and
- structured formal technical apprenticeships, with 71 employees presently enrolled across the group.
Training – AB Mauri, south and west Asia
A three-year general management training programme has been set up in south and west Asia, covering all unit management teams and supervisors. 260 managers attended the performance management workshop, and training on teamwork and interpersonal skills was rolled out to the region in the summer of 2010.

Feedback from staff – Allied Bakeries, UK
Allied Bakeries was pleased that 91% of employees completed the Pulse employee survey this year. Of those who responded, 71% feel involved in and enthusiastic about their work and the business, up from 59% in 2006. Significant improvements were seen in eight of the nine key areas, and we will continue to use this survey to drive real change and make a difference to how people feel at work.

Labour standards and human rights
Our policy on human rights states that managers must take account of the core ILO labour conventions and strive to observe the UN Universal Declaration of Human Rights, by respecting the dignity and human rights of our people, and in particular as stated below:

“Universal respect for an observance of human rights and fundamental freedoms for all, without discrimination as to race, sex, language or religion.”

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.

We remunerate fairly with respect to skills, performance, our peers and local conditions.

Information on labour standards in our supply chain can be found in the section entitled ‘Our suppliers’.

Factory closures – Azucarera, Spain
The closure of our three sugar factories at Guadalcacin (Cádiz), Peñafiel (Valladolid) and Rinconada (Sevilla) led to a loss of 324 jobs. Fortunately, we were able to offer all workers under 55 years of age a job at either the new sugar refinery or other existing factories. Workers aged 55 or over were offered early retirement.
Our suppliers
We aim to improve the working conditions for the people in our supply chains by engaging with suppliers, NGOs and governments.
94% of Primark’s top 250 suppliers audited
Our suppliers

We carry out our business honestly, ethically and with respect for the rights and interests of our suppliers. We seek to develop relationships with supplier companies consistent with these basic principles, and specifically with respect to human rights and conditions of employment.

Where supplier audits show shortcomings in any of these areas, we encourage a programme of improvement leading to compliance. Responsibility for specific supply codes and agreements rests with individual companies.

Payment policy

We are a signatory to the Prompt Payment Code which commits us to paying our bills promptly, and we co-operate with suppliers to improve quality and efficiency. Group companies are responsible for negotiating payment terms with their own suppliers; our policy then is to pay our suppliers within the agreed terms.

Improving standards in our supply chain

During 2010, further extensive work on labour standards in our supply chain was carried out by Primark and Twinings. These businesses in particular source from high-risk sectors in developing countries where working conditions have not yet reached the high standards found in more developed countries. We strongly believe in the beneficial economic and social effects of sourcing from such countries, and have devoted significant effort to working with our suppliers to raise standards and improve conditions for their people.

Primark

Primark made further substantial progress in strengthening its ethical trade programme in 2009/10 and calculates and analyses its data on a calendar year basis. This has been a key focus for Primark over the last few years, and we were pleased that the Ethical Trading Initiative (ETI) recognised our efforts by categorising Primark as an ‘Achiever’ this year, a significant step up from our ‘Improver’ status last year. An Achiever is categorised as “achieving sustainable improvements in working conditions and respect for worker rights by engagement with suppliers, trade unions, governments and customers. These actions are informed by, but go beyond its supplier assessment programme”. The Achiever category is third in the ETI’s four progressive stages of a company’s commitment to, and performance of ethical trading: Foundation; Improver; Achiever; and Leader.

“There is a good awareness of the key risks and endemic issues that exist… Primark’s reported systems appear robust for recording and tracking necessary corrective actions and dealing with suppliers.

ETI feedback on Primark’s annual report to the ETI.

Other positive feedback comes from Save the Children, which in its review of Primark’s annual report to the ETI, stated:

My overall impression after reading the report... was to be highly impressed at the significant progress that Primark has made in its ethical trade programme.

Alison Holder, Private Sector Policy Adviser, Save the Children UK

Despite the progress, we know that there is much further to go. We do not always get things right, nor do we have all the answers. However, we are firmly committed to improving the ethical performance of Primark’s business and that of its suppliers and their factories. We have found that working with other parties, including other retailers (particularly important as more than 95% of the factories Primark buys from supply other retailers), helps promote transparency and collaboration as effective ways to improve social and labour standards within the factories and communities from which we collectively source.
The most frequent non-compliances identified during audits fall under the category of working conditions. These are the easiest to resolve quickly and can range from poor chemical labelling and storage of materials to lack of machine guards or fire safety. Living wages and working hours, including excessive overtime, remain challenges for us. We aim to reduce their occurrence through greater focus on the implementation of proper management systems and efficiency measures.

The graph above shows the improvement achieved by those factories which had a rating at the end of 2008 and were reaudited in 2009. Of all the factories that had a follow-up audit in 2009, 44% improved their rating by a whole grade (Grade 1 being the best and 3 the weakest).

Nearly 60% of these factories which were rated Grade 3 at the end of 2008 improved by at least one whole rating by the end of 2009. This demonstrates the strength of our remediation programme; however, we acknowledge there are some factories that have not shown this level of improvement and in a few cases have deteriorated. We remain committed to working with these factories to achieve improvements through a programme of supplier and factory engagement, capacity building, root cause analysis and training.

Progress in 2009/10

1. Improving our system of monitoring and remediation
   - Primark conducted twice as many audits in 2009 as it did in 2008. In total 1,136 audits were completed in 2009 compared to 533 in 2008, well ahead of our target of 1,000 audits for the year.
   - Primark audited 94% 
     of its top 250 suppliers, accounting for more than 87% of its total business. 774 individual sites were audited in 2009, some sites being audited more than once.
   - Primark increased the support given to its suppliers via the auditing process. Over half of our audits focused on remediation, capacity building and resolving issues identified in previous audits.
   - Primark increased the size of its ethical team from 5 to 12, allowing it to further our direct engagement with suppliers and factories, sharing and promoting best practice and capacity building.
   - Primark set up an online supplier and factory management system (Entropy) to help it keep track of the progress and improvements made at each individual factory, and to allow it to identify additional capacity building and training needs, both at a site and country level.
   - Primark set up a reporting system for its buyers, enabling them to have access to the most up-to-date and in-depth information on the conditions in the factories from which they source.

1 Whether a supplier falls in the top 250 is determined by the volume of spend in the preceding financial year, i.e. year ending September 2008. Therefore some of these suppliers were no longer active at the point by which progress on this target was assessed, i.e. end of 2009.
2. Training

- Primark delivered six days of ethical trade training to all its buyers in Ireland and the UK, as well as other key personnel – in all, 210 staff in 2009. All new buyers are required to undergo ethical trade training as part of their induction programme.

- Primark hosted two full-day ethical trade workshops in the UK, attended by all its UK and Irish suppliers who participated in sessions ranging from health and safety to employment law.

- Primark held three days of ethical trade training in Shanghai for its top 50 Chinese suppliers and their factories. 192 individuals attended this training which included sessions on health and safety, improving worker communication and grievance mechanisms.

- Primark held two specialist health and safety full-day workshops for its Chinese suppliers.

- Primark held a round-table forum with its top suppliers in China on the challenges they face in improving labour standards. In response to the issue of labour shortages, we commissioned Business for Social Responsibility to research the trends highlighted by Primark’s suppliers, and published the results of the findings with a best practice toolkit to help suppliers and factories attract and retain their workforce.

- In India, Primark’s ethical trade team hosted several dedicated training sessions for CR personnel from key suppliers, focusing on supply chain mapping.

- Primark developed a range of guidance tools for supplier and factory managers, focusing on code of conduct implementation, providing practical solutions for addressing common issues and non-compliance.

3. Working with others

Working closely with external partners also featured strongly in much of what we tried to achieve during the year, and more detail on this can be found on pages 7 and 8.

4. Looking forward

As Primark’s ethical trade programme develops we are setting ourselves ambitious targets to:

- trial the incorporation of NGO verification as part of our inspection methodology;
- expand its in-house ethical trade team to 15 staff by the end of 2010;
- increase the level of engagement between ethical trade and buying teams;
- develop further buyer reporting functions on the Entropy database;
- provide the store staff with more training on ethical trade;
- continue the programme of supplier training by holding workshops in China, India, Bangladesh and Turkey;
- expand worker training and support services;
- identify methods to improve productivity and wages in the factories in China and Bangladesh where Primark is carrying out a living wage project; and
- extend collaborative work with other industry partners, including other brands, NGOs and trade unions.

Twinings Ovaltine

Twinings Ovaltine is committed to sustainable sourcing. The company sources from thousands of suppliers, ranging from small-scale farmers to large organisations. Many products are agriculturally based and several are sourced from developing countries. The business’s approach to sustainable sourcing has five strands:

- membership of the Ethical Tea Partnership (ETP);
- supporting suppliers with training to improve standards;
- collaborating with certifying schemes. The business works with Rainforest Alliance and Fairtrade on different parts of its portfolio;
- the Twinings Ovaltine Code of Conduct, a social standard that suppliers are expected to meet over time; and
- philanthropic projects, including a partnership with Save the Children to support the needs of tea communities of China.

In 2010, Twinings launched several substantial initiatives:

- The Everyday range now includes teas sourced from Rainforest Alliance Certified™ farms.
- China is an important tea sourcing country for Twinings. In addition to the activities of the ETP, Twinings has been working with Business for Social Responsibility to improve the health and safety practices of factories within the supply chain. We are funding the development of a community centre in Yunnan that will provide health, nutrition and farming education to the tea community that grows and picks our tea. An Ethical Tea Supply Chain Manager is being recruited to provide direct support to factories and the local tea communities.
Given the size and scale of the tea sector, Twinings believes that the best way to improve conditions is at an industry level and that is why the company is a founding member of the Ethical Tea Partnership (ETP). Established in 1997, all members share a vision for a thriving tea industry that is socially just and environmentally sustainable.

The ETP manages a continuous monitoring programme of tea estates, using the ETP standard, which is based on the ETI Base Code and the ILO conventions. The aim of the programme is continuous improvement.

In 2009, ETP began working closely with key certification programmes (Rainforest Alliance, Fairtrade and UTZ Certified) to increase impact, avoid duplication and to help prepare tea producers for certification.

Alongside its monitoring programme the ETP works with a range of partner organisations to develop projects aimed at tackling key sustainability issues; from improving labour relations and reducing discrimination, to safe management of agrochemicals and adaption to climate change.

The ETP works in all major tea producing regions including Argentina, Brazil, China, India, Indonesia, Kenya, Malawi, Sri Lanka and Tanzania. The level of activity varies by region. In China, the focus has been on building capacity around health and safety and by the end of 2010 the first full assessment of a producer will be carried out against the standard. The ETP is funded by tea packers and is free for producers.

Twinings is an active member of the ETP with two employees on the board of directors. More detail can be found at www.ethicalteapartnership.org
For ingredients other than tea, the Twinings Ovaltine Code of Conduct, which is based on the ETI Base Code, establishes business principles for dealing with its many suppliers. During 2010 we started to work with suppliers to assess their compliance with the code and to support them in improving social standards in their facilities. To aid management of the process and data, Twinings Ovaltine joined the Supplier Ethical Data Exchange (SEDEX).

The Twinings Ovaltine Supplier Code of Conduct is based on the following principles:

– employment is freely chosen;
– freedom of association and the right to collective bargaining are respected;
– child labour shall not be used;
– working conditions are safe and hygienic;
– working hours are not excessive;
– living wages are paid;
– no discrimination is practised;
– regular employment is provided; and
– no harsh or inhumane treatment is allowed.

Helping our suppliers grow – Illovo, Africa

Illovo actively promotes the development and support of cane growers, mainly first-generation black growers. Dedicated offices have been established across all six countries of operation to provide agronomic expertise and advice. Training is also provided to build technical, financial and administrative competence in order that these growers are able to take charge of their own agricultural businesses. Illovo helps growers apply for grants and other types of funding for both new and existing cane agriculture developments.

In 2009 Zambia Sugar, an Illovo subsidiary, completed a major expansion involving both its agricultural and Nakambala factory operations, which increased its annual sugar production capacity by 70% to 440,000 tonnes. The company is Zambia’s leading sugar producer and its largest non-traditional exporter (outside copper and its derivatives), accounting for almost 3% of the country’s foreign exchange earnings. It is also the largest employer in the agriculture industry with over 5,000 employees at peak season.

Zambia Sugar had established links with over 160 families who supply its factory with sugar cane through the Kaleya Smallholders’ Company. As part of the expansion and its commitment to support the development of indigenous cane growers, Zambia Sugar launched a £4.3m smallholder scheme with a further 78 families. The scheme, which received a £2.6m grant from the EU, is a significant community programme which allows the annual production of 50,000 tonnes of cane, and provides permanent employment for these households. In the medium term, a further smallholder scheme will be brought online involving approximately 170 smallholders producing 60,000 tonnes of cane.

During the factory expansion, the company invested in a new bagasse-powered boiler and turbine, which provides all the electricity the factory and its agricultural operations need, renewably, but also provides power to the estate’s employee housing. Central to the development was our extension of the existing canal system, bringing water from the Kafue River about 30km away, to irrigate the new development.

Developing a sustainable development model – Illovo, Africa

Since 2008, Illovo has been pioneering a new farming model we call Community Development Farms (CDF). In some locations sugar cane requires irrigation to grow successfully so many small farmers cannot afford to grow it. However, sugar cane agriculture in Africa is a profitable venture, so far offering attractive economic returns whilst, as a labour-intensive activity, providing valuable employment opportunities.

Illovo has therefore set up a system whereby we provide our skills and technical support to manage the farms on behalf of the communities. Illovo (and other partners) cover the costs of developing the land, thereby insulating the community from excessive borrowing. Illovo has supply agreements with the farms, committing the CDF to supply the Illovo mill for a period of time, providing a viable and stable market for the cane. Profits from the sugar cane grown are invested in development initiatives. The model encourages development by facilitating access to a vibrant private sector market, and acts as a transparent and fair mechanism to improve incomes and provide technical assistance for development initiatives in rural areas.
In 2008 the Nchalo Business Linkages Project in Malawi was launched, and a 330-hectare fully irrigated farm was developed with support from the African Enterprise Challenge Fund (AECF) and industry partners. AECF, funded by the UK government’s Department for International Development, has also made a sizeable contribution to the project. There are now three irrigation pivots and planting has commenced.

The model can also benefit NGOs – for example in Malawi, Mary’s Meals, a charity set up to provide meals to schoolchildren, has been able to use the infrastructure put in place by Illovo to distribute their meals and to reach a larger number of people (see page 55).

Illovo is currently working with groups including FARM-Africa and Africa Matters to see how this model might be extended to make it relevant to other partners and industries.

Supporting British Farmers – Jordans Ryvita and The Prince’s Countryside Fund

The Prince’s Countryside Fund is a new initiative aiming to support British farmers and rural communities. The Jordans and Ryvita Company Ltd, along with a number of other grocery manufacturers and retailers, has made a significant financial contribution to the Fund and will be displaying its official logo on our products from the end of 2010.

The Fund is the work of the Prince of Wales and the intention is to inspire businesses and the general public to recognise the importance of the countryside to the nation’s well-being and the wider British economy.

Grants will be given to projects delivering the three core objectives: improving the sustainability of British farming and rural communities; reconnecting consumers with countryside issues; and supporting farming crisis charities through a dedicated emergency funding stream.

The chief executive of Jordans Ryvita is a Trustee of the Fund and also chairs its marketing committee. The Jordans Ryvita brand team is also planning further activity to raise money in support of the Fund.
Our products and customers
We are improving the nutritional value of products and helping customers to make healthier choices.

Bürgen® meets the recommended
400mg/100g salt benchmark
Our products and customers

Healthy eating

Associated British Foods manufactures food and beverage products in 44 countries. From bread to breakfast cereals, our businesses have created products that can be enjoyed as part of a balanced and varied diet. Our portfolio is primarily based on staple grocery products and recent acquisitions, including Jordans, have increased our presence in healthy choice product categories.

The provision of food and drink is frequently characterised by the media in negative terms. There is no doubt that in developed countries we grapple with public health issues associated with calorie-rich diets and declining levels of physical activity, while in most developing nations people still suffer from a lack of widely available food and poor nutrition.

However, this picture belies the enormous achievement of the food industry to provide consistently affordable and nutritious food to millions of people all around the world. Likewise, it does not reflect the efforts under way to improve the nutrition profile of the food we produce, or the importance of that food to specific groups of people, including some of the most vulnerable members of society.

In this section we have focused on activity currently under way in our businesses to:

- improve nutrition labelling;
- improve the nutrition profile of products, where appropriate;
- help people make better dietary choices; and
- ensure responsible marketing of products to children.

Nutrition labelling

We support nutrition labelling that makes it clear how specific products contribute to a balanced diet. This helps people make informed decisions about the food they eat and to achieve a balanced diet.

Our grocery business in Australia, George Weston Foods, has made a commitment to implementing percentage Daily Intake thumbnails of nutrients on the front of pack across the entire product range, and this will include details about energy, fat, saturated fat, sugars and sodium content. Similarly, in the UK, our bread products all have a full nutrition table as well as a percentage Guideline Daily Amount (GDA) indicator for energy and key nutrients. GDA measures are used as a standard reference point on all our breakfast cereals, crispbreads and most cooking sauce products sold through retail outlets in the UK.

Improving the nutritional profile

Around the world, our businesses regularly review the recipes of even our most popular brands in response to customer demand for lower salt, lower fat and lower calorie products. Effective product reformulation is not an easy process, as recipes need to be changed gradually to ensure that consumers continue to enjoy our products. Ingredients may also play an important part in the manufacturing process and removing them can present significant technical challenges. Salt, for example, plays an important part in bread making by helping to control fermentation in the dough, so when salt is removed it can impact product quality. Sugar also plays an important role in preventing the multiplication of bacteria in food, thereby protecting it from a range of food-borne pathogens. It is nevertheless important to rise to these technical challenges.

In the UK, Jordans removed all the salt from its products as part of its continuing nutrition improvement programme. Allied Bakeries also undertook a significant amount of work in 2009 to reduce further salt levels in its products to ensure they meet voluntary targets set by the UK Foods Standards Agency (UK FSA).

Our bakery business is also engaging with our retail customers on a programme to reduce saturated fat levels by a minimum of 10%. These changes will primarily require recipe reformulation for doughnuts, shortcrust pastry and garlic bread. We are investigating fat reduction technologies and hope to start projects early in 2011 with completion by mid 2012.

Salt and saturated fat reductions for Patak’s and Blue Dragon brands

Since 2009, AB World Foods in the UK has undertaken an extensive programme to improve the recipes of some of its cooking sauces in its leading Patak’s and Blue Dragon ranges using the projected UK FSA salt and saturated fat reduction guidelines for 2012 as their target.

A new range of 16 curry paste products was launched in September 2009 with between 38% and 64% less salt than in the standard range and between 32% and 53% less fat. Other existing sauce products were reformulated and relaunched with between 4% and 42% less salt and 26% to 65% less fat. Salt levels in the Blue Dragon range were also reduced by between 30% and 80% and all artificial colourings, flavourings and preservatives were removed.
Reducing salt
George Weston Foods, Australia

Reducing dietary salt intake lowers blood pressure for most people. In Australia, for example, it is estimated that reducing salt consumption to the level recommended by the National Heart Foundation (no more than 6g per day) would prevent about a fifth of all strokes and heart attacks each year.

George Weston Foods is one of Australia’s largest bakers. It has been reducing salt levels in bread since December 1997, when it became one of the first companies to work with the National Heart Foundation to establish the initial sodium criterion of 450mg/100g for the bread category, as part of the Foundation’s heart tick programme.

However, the business has now achieved a further reduction to 400mg/100g across its entire mainstream bread brand portfolio – joining the Bürgen® range of breads, which met this benchmark in 2004. As part of this new reduction initiative, over 346 tonnes of salt will be removed annually from the Australian food supply. This represents a significant contribution to the nation’s health.

George Weston Foods was recognised in April this year for its 20 year partnership with the National Heart Foundation with an award at a ceremony to celebrate the 21st birthday of the heart tick programme.
Helping customers make the right food choices
The basics of a healthy lifestyle are fairly straightforward: eat most things in moderation and take plenty of exercise. However, helping people understand what this actually means in practice can be complex. Our businesses support a range of initiatives to help people, young and old, to make well-informed decisions about their diets.

British Nutrition Foundation
In the UK, we are members of the British Nutrition Foundation (BNF) and several of our businesses, including British Sugar and Jordans Ryvita, are active supporters. The BNF was established over 40 years ago and exists to deliver authoritative, evidence-based information on food and nutrition in the context of health and lifestyle. The Foundation’s education group helps to achieve its charitable objectives through its ‘Food – a Fact of Life’ education programme for schools. This programme communicates up-to-date, unbiased, consistent and accurate messages about food and nutrition to all those involved in education.

Sugar Bureau
British Sugar also supports the UK Sugar Bureau which monitors international developments in nutritional science and provides an extensive repository of science-based data for journalists, health professionals and the public.

Partnership with Mission Australia
The partnership between the Mission Australia community charity and George Weston Foods ran from May 2007 to May 2010 and aimed to educate families about nutrition, healthy food preparation, budgeting and healthy lifestyle choices. This partnership relied on the expertise of family support workers, trained nutritionists, recreation/lifestyle professionals including culturally and linguistically diverse group leaders and peer educators. Mission Australia had delivered 115 nutrition programmes to 900 families across Australia by May 2010.

Bürgen® sponsorship of men’s health M5 Project
This year Bürgen® was a major sponsor of a new collaborative men’s preventive health initiative in Australia, the M5 Project. This is a new plan aimed at breaking down the barriers that stop Australian men visiting a GP. Bürgen’s support of the M5 Project comes after years of research and development into the newly launched Bürgen® Grains with Barley – the first and only Australian bread developed specifically with men’s health in mind. Led by the Royal Australian College of General Practitioners, the M5 Project teaches men five preventive steps they can take to look after their health – with the ultimate aim of decreasing the number of men dying from preventable illnesses.

Wake up to Whole Grain campaign
In the UK, Kingsmill has also been leading the way in trying to alert consumers to the value of wholegrain in the diet. Nutritionists believe we should all be eating more wholegrain foods, but research shows that most people are eating less than they used to, and some are not eating any wholegrain at all. Although the UK FSA recommends that more wholegrain foods should be eaten, some countries make specific recommendations and in the US, 48g of wholegrain a day is recommended (2005 US Dietary Guidelines). This guideline has been used to show consumers how much of their recommended wholegrain requirement is provided by a serving of Kingsmill 50/50 and Tasty Wholemeal breads and rolls.

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.
Sugar – the facts

Sugars occur naturally in many foods including fruits, vegetables and milk products. They are also a common ingredient in processed foods where they perform a variety of functions such as developing texture and colour, improving palatability and providing a preservative.

We gain weight when we take in more calories than we expend. A healthy lifestyle keeps a proper balance between caloric intake and exercise. All carbohydrates, including sugars, contain calories. The role sugar plays in a balanced and healthy diet by providing a natural source of energy has been examined over many years. This work has demonstrated that it is the total consumption of calories that counts irrespective of their source, as all excess calories contribute to weight gain. In fact, recent scientific reviews have failed to find a positive association uniquely linking sugar consumption and obesity.

British Sugar is committed to increasing scientific knowledge and consumer education on the relationship between diet, lifestyle and health. Health professionals advocate that the best way to achieve a healthy balanced life diet is to base it on whole and refined grains such as oatmeal and wholewheat bread, eat five portions of fruit and vegetable each day and exercise – a simple message that British Sugar supports.

Crusha milkshake

Since its introduction in the 1950s, the Crusha brand has always appealed to children and, while parents are generally the main purchasers of the product, the core consumers of milkshakes are usually children aged between 4 and 12 years old.

Over recent years in the UK there has been considerable debate about how businesses should communicate responsibly with young audiences. In 2007 the UK advertising regulator, Ofcom, restricted advertising to children of products designated high in sugar but as we had already reformulated the Crusha product with no added sugar, we met the strict criteria set out within the new regulations. In addition, we voluntarily took the decision to stop all advertising on websites aimed specifically at children and to not knowingly contact any consumer under the age of 16 by email.

Organic, Fairtrade and Rainforest Alliance

Billington’s

Billington’s believes that adding more value locally, in the country of origin – and not in a refinery elsewhere – can make a real difference to cane growers, sugar producers and their communities.

Billington’s Fairtrade sugars come from Africa – a Fairtrade premium is paid directly to co-operatives, including the Kasinthusla Cane Growers Cooperative in Malawi and the Kaleya Cane Growers Co-operative in Zambia.

Billington’s led the way bringing a range of organic unrefined sugars to the UK. All Billington’s organic sugars are certified by the Soil Association.

Twinings

In addition to Twinings’ membership of the Ethical Tea Partnership, we also work with the certification schemes, Rainforest Alliance and Fairtrade on different parts of our portfolio.

In January 2010, Twinings Everyday, one of our highest selling blends in the UK, began including teas from Rainforest Alliance Certified™ farms. By autumn 2010 Everyday will contain 50% certified tea.

The Rainforest Alliance works to improve both the lives of the tea workers and the environment in which they live. This is done by ensuring workers are paid a decent wage and have good working conditions. Rainforest Alliance Certified™ tea estates also follow good farming practices; protecting forest, rivers, soil and wildlife. More information can be found at www.rainforest-alliance.org

In summer 2010, Twinings North America introduced an organic and Fairtrade range of black, green and herbal teas in the natural food sector.


Our products and customers continued

Safe food

Our policy
Food safety is one of the group’s major risks, affecting all businesses except Primark. For businesses which are adequately prepared and managing their processes efficiently, the prospect of a contamination incident and the risks of product withdrawal and recall are significantly diminished. The group’s food safety policy is as follows:

“We recognise and acknowledge that consumer confidence in the quality and safety of our food products is essential. To this end a high priority is placed on all aspects of food safety.

To manage food safety risks, our sites operate food safety systems which are regularly reviewed to ensure they remain effective, and comply with all regulatory requirements for hygiene and food safety. Our food products are made to high standards regardless of where they are manufactured. We will always put food safety before economic considerations.”

Given the diversity of our businesses, the responsibility for managing and mitigating this risk lies appropriately with the chief executive of each business. There are, however, internal mechanisms for exchange of best practice amongst the businesses.

A lead in the technical advice aspects of food safety is taken by Allied Technical Centre (ATC), part of Milling & Baking, at Maidenhead. The group technical forum was started in 2007, where senior technical managers from each division discuss and share best practice and emerging developments regarding, inter alia, food policy and regulation, food safety, quality management systems and food safety protocols.

Review of food safety processes
In March 2010, a review of food safety processes at each of the businesses was undertaken by our Chief Executive and Finance Director. This covered quality control, product security, hygiene, regulatory compliance, product recall procedures and incidents over the last two years. As expected, food safety procedures are a high priority for all our businesses. While government standards differ across the countries in which we operate, both AB Agri and British Sugar regard the higher standards demanded of their Chinese businesses as a commercial differentiator versus their competitors.

Across the group’s factories, there is almost universal usage of Hazard and Critical Control Points (HACCP) analysis, which is required by EU law, and widespread accreditation to the ISO quality standards and British Retail Consortium global standards for food safety. Some Illovo sites outside South Africa have yet to implement HACCP, but extension to these sites is planned.

All businesses have documented and tested product recall procedures, except BSO China where testing is still to be undertaken, and the incidence of product recalls in the last two years has been relatively few. However, any recall is damaging to customer relationships, and so a renewed focus is being given to this area.

Assurance
There are a number of independent audit processes which provide a level of assurance on food safety:

• Customer audits
All sites are regularly audited by their major customers. The larger customers have their own teams of food safety experts, who have a clear incentive to ensure that their suppliers have in place robust and effective food safety and quality processes as well as recall procedures.

• Site internal audits
All sites have quality and food safety audits carried out by local QC/QA staff. Additionally, some divisions utilise site audits by divisional technical staff and cross-site peer audits.

• Product liability insurance
A firm of specialist auditors, RQA, carries out five three-day site audits each year to review the adequacy of each site’s food safety procedures. Where any weaknesses are found, recommendations are agreed and monitored.

• Allied Technical Centre (ATC)
ATC provides food safety services to a number of our businesses, mainly, but not exclusively, UK based.

Being environmentally aware will provide a competitive advantage and help the business respond more effectively to a changing world in which there is an expectation of demonstrable corporate action. The sustainability agenda is here to stay, and it is critically important that we are in a position to demonstrate leadership on these issues to our consumers, retail customers and governments.

Mark Chesworth, Operations Director, UK Grocery at the UK Grocery Sustainability Conference, February 2010

Our products and customers continued

continued

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Mark Chesworth, Operations Director, UK Grocery at the UK Grocery Sustainability Conference, February 2010
Feed safety – AB Agri, China

In May 2010 AB Agri hosted the four-day UK-China International Summit on Feed Safety in Beijing. Food safety is a key priority for the Chinese government, which is in the process of integrating the many existing regional food safety standards into a uniform national standard. As many food scares have their origin in what is fed to farmed livestock, AB Agri organised the event to raise the profile of feed safety and share our expertise. 180 government officials, feed inspectors, academics, journalists and colleagues from other feed providers attended the event.

Carbon footprinting

Across the group we are committed to using our knowledge and expertise to help tackle climate change. Measuring carbon footprints – the impact that our products have on the environment in terms of the number of units of CO₂ and other greenhouse gases emitted – has been a particular focus since 2008, with many of our brands being the first to display a carbon footprint label. Carbon footprinting is becoming a powerful tool for farmers, producers, retailers and consumers to make more informed choices.

Our work on carbon footprinting lies in three main areas:

1. AB Agri, whose mission is to develop sustainable agricultural practices, is a pioneer in carbon footprinting. In the UK, the business developed the world’s first carbon footprinting model for dairy farms. This enables farmers, should they wish, to measure the environmental impact of individual feeds and rations on their dairy herds which are responsible for producing about 10% of all UK greenhouse gases (methane, nitrous oxide and CO₂). The conversion of feed materials into meat is the biggest contributor to the carbon output per kilo of meat.

   This model was developed using the UK’s Carbon Trust PAS 2050 methodology for measuring embedded greenhouse gas emissions, and has since received several accolades including the IGD Environmental Award and the Green Apple Award for the Environment. Sainsbury’s used the model with 325 dairy farmers and not only cut greenhouse gas emissions per litre of milk but also made financial savings. Therefore this year the scheme was extended to Sainsbury’s suppliers of beef, lamb, pork, poultry and eggs, as well as Cheddar cheese. AB Agri has completed the beef and lamb greenhouse gas models and on-farm assessments are now under way.

   We are extremely impressed with the greenhouse gas technical tool AB Agri has developed. The reports generated give the producers detailed technical feedback that will enable them to identify how they can reduce their greenhouse gas emissions and possibly how they can make a more profitable farm enterprise from doing so. Having both a producer and an external appraisal, they combine farmer motivation with sound measurement.

   Richard Perkins, WWF UK

   Producing food in an efficient and sustainable manner is increasingly vital, and this initiative represents another key differentiation point when compared to our worldwide supply competitors, adding value to British agriculture.

2. British Sugar and our Silver Spoon brand were pilot partners with the Carbon Trust in developing the PAS 2050 standard. Silver Spoon used it to analyse the carbon footprint of its home-grown granulated sugar.

   Meanwhile, the carbon footprints of our Topsoil and LimeX brands, soil improvers supplied to the landscape and amenity industries, are also now certified according to PAS 2050. Topsoil produces 9kg of CO₂ per tonne of product and LimeX 2kg per tonne.

   British Sugar has a target to reduce the carbon footprints of Silver Spoon, Topsoil and LimeX products by 10% by 2020.
3. Kingsmill was the first brand in the UK to use the Carbon Trust’s carbon reduction label. This involved carbon analysis of over 3,000 suppliers. The label is now carried on Kingsmill’s three best-selling loaves, showing the carbon footprint of each and demonstrating the brand’s commitment to reducing them over the next two years.

The footprints are as follows:
- Great Everyday White (800g) – 1.3kg CO₂ per loaf;
- Tasty Wholemeal (800g) – 1.3kg CO₂ per loaf; and
- 50:50 (800g) – 1.2kg CO₂ per loaf.

The difference in footprints is due mainly to ingredients, with the bulk of the carbon footprint found to be in the production of the raw materials and manufacturing process.

Continued use of the Carbon Trust label requires a commitment to further reductions in the carbon footprint of the product where possible. Work to date includes installing intelligent lighting and electricity demand control systems, reducing the amount of compressed air used in bakeries, and replacing old machinery with new energy-efficient equipment.

We have reduced the distance loaves need to travel by making more bread locally, saving 900,000 miles in the past two years. In the supply chain, Allied Bakeries encouraged its flour supplier to deliver flour to bakeries in Glasgow and Cardiff by rail, reducing road travel by a further 500,000 miles a year. This progress was recognised in September 2010 by an award from the UK Chartered Institute of Purchasing & Supply for Best Contribution to Corporate Responsibility.

Breakdown of carbon footprint of Great Everyday White loaf

- Production of raw materials 44.7%
- Packaging 1.7%
- Incoming transportation of raw materials 0.5%
- Manufacture 20.8%
- Distribution 4.3%
- Retail 2.0%
- Consumption 23.3%
- Waste disposal 2.7%

Sustainable biofuels

The EU has committed to sourcing 10% of its transport fuel from renewable energy, including biofuels, by 2020. As part of our contribution to achieving this goal, in November 2007 we opened our first bioethanol plant at British Sugar’s factory in Wissington, Norfolk. This plant has the capacity to produce 55,000 tonnes (70 million litres) of bioethanol per year from sugar beet, which represents 2.5% of the UK’s 2020 goal.

Plants absorb carbon dioxide from the atmosphere when they grow, so biofuels which are made from them contribute to reducing greenhouse gas emissions. This also reduces our use of, and dependence on, fossil fuel reserves, and helps to improve fuel security. Bioethanol from UK sugar beet is a model example of a ‘good’ biofuel which alleviates climate change, is environmentally sustainable and contributes to national fuel security. The use of our bioethanol results in an emissions saving in excess of 71% relative to petrol when measured on a full life-cycle basis. This includes all direct emissions associated with growing, producing, distributing and using the fuels. Research released by the UK’s Renewable Fuels Agency in 2009 showed that emissions savings from bioethanol produced from UK sugar beet are significantly higher than those from biofuels made using palm, soy or rapeseed oil.

One of the reasons for this performance is that our Wissington bioethanol plant is supplied by a gas-fired combined heat and power unit, which delivers 80% energy efficiency (compared to around 40% efficiency for coal-fired power stations). Energy consumption at the plant has been progressively reduced over the years, falling by a further 6% last year. The factory is one of the most efficient sugar manufacturers in the EU.
Carbon savings are also made because the sugar beet is sourced locally, with an average transport distance of only 45km. Sugar processed at Wissington is sourced entirely from established UK arable farms and is not associated with land use change or deforestation. A combination of increased yields (50% improvement since 1987) and rationalisation of the industry driven by reform of the EU sugar regime, has caused a substantial net reduction in the area used to grow sugar beet in the UK of 65,000 hectares (40% less than ten years ago). This land area ‘released’ is over six times the area needed to produce the bioethanol. Accordingly, there is no evidence that Wissington bioethanol has any adverse effect on food production or prices.

Our sugar beet meets the standards of the Assured Combined Crops and Sugar Beet Scheme. As a ‘breakcrop’ in the arable rotation it enhances soil fertility, reduces fertiliser and pesticide inputs and enhances biodiversity in following cereal crops. Nitrogen fertiliser use has been reduced by 40% and pesticides by over 60% since 1980. The RSPB and Natural England have recognised sugar beet as being of considerable value for biodiversity and birdlife.

The use of irrigation is minimal as over 95% of the UK crop is rain-fed. As water is a by-product of beet processing, the Wissington biorefinery produces almost three times as much water as it consumes.

In collaboration with BP and DuPont, we are building a larger bioethanol plant which will use wheat as a feedstock. This plant will have an output of 330,000 tonnes per year of bioethanol – equivalent to one sixth of the UK’s requirements under the Renewable Energy Directive by 2020. It will also produce 500,000 tonnes a year of protein-rich animal feed, which can replace imported soy meal.

**Encouraging customers to be green**

With so many well-known brands, the group contributes to raising consumer awareness of sustainability issues, and highlighting ways in which consumers can reduce their environmental impact. In 2010, in addition to the packaging reduction referred to on page 19, our efforts in this area included:

- Silver Spoon strengthened on-pack communication on sustainability. In 2008 the paper used for the packaging was certified by the Forest Stewardship Council (FSC), with the logo shown on-pack. In 2009 the Carbon Trust carbon footprint logo was put on-pack. In 2010, an on-pack recycling logo was added to encourage an increase in recycling rates.

- Kingsmill’s website has been encouraging consumers to reduce food waste as part of WRAP’s ‘Love Food, Hate Waste’ campaign, with information on storage.

- Allied Bakeries successfully lobbied the EU Parliament to remove its regulation that bread had to be made in 400g increments. Research had showed that a significant proportion of consumers fail to finish a loaf before its Use By date, and were throwing bread away. The Little Big Loaf was introduced last year and has enjoyed strong sales.
Our communities
We recognise our responsibilities as a member of the communities in which we operate and support them in ways which local businesses think best.
Illovo supports 27 schools in five African countries.
Our communities

We recognise our responsibilities as a member of the communities in which we operate and encourage our businesses to engage with their local communities as and how they wish, as set out on these pages. However, the group’s contribution to communities comes principally via the Garfield Weston Foundation, which was set up by the late W. Garfield Weston in 1958. It is one of the UK’s foremost philanthropic organisations and derives a substantial proportion of its funds from its interests in the group’s ultimate holding company, Wittington Investments Limited. More detail can be found at www.garfieldweston.org

We make a significant contribution through the Garfield Weston Foundation. Established by the late W. Garfield Weston in 1958, the Foundation is one of the UK’s foremost philanthropic organisations that has derived a substantial proportion of its funds from its interests in the group’s ultimate holding company, Wittington Investments Limited. More detail can be found at www.garfieldweston.org

Community and enterprise development – Illovo, Africa
Four of the six countries in which Illovo operates are classified by the UN as Least Developed Countries. Consistent with Illovo’s strategy of being a long-term investor in the communities in which it operates, it has an active social investment programme structured to address the specific needs of those communities. During 2010, the business contributed over £10m towards the provision of housing, including water, electricity, road maintenance and sanitation; hospitals and clinics; education and community outreach programmes, for the benefit of employees and local communities.

This amount was directed as follows:

<table>
<thead>
<tr>
<th></th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing and related infrastructure</td>
<td>5.5</td>
</tr>
<tr>
<td>Hospitals and clinics</td>
<td>3.0</td>
</tr>
<tr>
<td>Education</td>
<td>1.2</td>
</tr>
<tr>
<td>Community programmes</td>
<td>0.9</td>
</tr>
<tr>
<td>Environmental initiatives</td>
<td>0.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10.9</strong></td>
</tr>
</tbody>
</table>

In Malawi, Zambia, Swaziland, Tanzania and Mozambique, Illovo participates in the upgrading of schools and assists in their administration and management in an effort to improve education delivery. 27 schools in these five countries currently benefit from this type of support. In South Africa, Illovo undertakes local community projects to improve facilities at schools in the communities in which it has agricultural and manufacturing operations. It also supports education-related initiatives, such as Rally to Read, a literacy-based development programme co-ordinated by the National READ Educational Trust.

Illovo undertakes a wide range of community-based projects each year, for example, the construction at Big Bend in Swaziland, of new police offices which were handed over to the Swaziland police services during the past year.

Supporting local communities – British Sugar, UK

British Sugar has played an instrumental role in supporting the Snibston Discovery Museum in the East Midlands to preserve ancient timbers that once spanned the River Trent. Rescue excavations at Hemington Quarry, Leicestershire, between 1993 and 1998 revealed three successive medieval bridges preserved beneath gravel bar deposits and alluvium. The timbers include the only surviving example of an 11th century bridge across a major river and the most complete Norman timber structure in Britain.

Following their excavation, the timbers have been undergoing an innovative conservation process. Over the past 14 years, the bridge timbers have been immersed in a sucrose solution supplied by British Sugar. Excited by the technical challenge of preserving these rare medieval timbers, since 1996 British Sugar has donated around 70 tonnes of liquid sugar to Leicestershire County Council to undertake this process.

Summer camps for children – Azucarera Ebro, Spain

For more than 50 years, Azucarera has organised residential summer camps for its employees’ children from across its factories and head office. The camps cater for around 90 children and last for just over two weeks. The children, aged between 8 and 15, stay in a variety of locations and take part in a range of outdoor activities. This year, Azucarera contributed £94,000 to the camp which is an important part of the company’s ethos of supporting its workforce.

There is absolutely no doubt that without the support of British Sugar, we would not have been able to undertake this innovative process and preserve these unique bridge timbers. The timbers can tell us so much about medieval bridge construction that has hitherto been unknown. We are now looking forward to the next stages of this project which will focus on making them accessible to the wider public.

David Sprason, Lead Member, Adults and Communities, Leicestershire County Council
Disaster support – British Sugar, China
In November 2009, 108 miners were killed in an underground explosion at the Hegang coal mine in Heilongjiang, China. As committed employers in the region, notwithstanding the mine was unrelated to our operations, British Sugar together with AB Mauri and AB Agri made a £92,000 donation to set up a fund to help support the education of children orphaned by the accident.

Supporting local communities – Vivergo, UK
Vivergo has invested substantial time in a number of local community projects:
- £20,000 was raised through a number of employee-organised fund-raising initiatives for the KIDS charity which provides support to families with children who have learning difficulties. £5,000 of this was donated by the company;
- several contractors on the project donated time and materials to build a conservatory at a local respite home and a Vivergo team spent a day doing a makeover of the garden;
- Vivergo is spending £25,000 planting trees in the local area; and
- Vivergo has established a community forum to engage the local town and village councils in what it is doing and help them to understand what is being built by Vivergo and why.

Twinings’ partnership with Save the Children
Twinings has been working with Save the Children since 2004, helping to improve the lives of children in tea-growing communities in China. Twinings and its employees have donated £1.1m to support a range of projects, from helping disabled children to gain vital life skills to setting up centres for children to learn and play. Achievements so far include:
- Training teachers in Yunnan
  With Twinings’ support, Save the Children has trained over 10,000 teachers in Yunnan, south west China. This has given more than 300,000 schoolchildren the chance to learn in more engaging and interactive ways, and has helped improve enrolment and attendance rates.
- Caring for disabled children
  In Anhui, eastern China, the business has supported projects to improve the care of 1,800 disabled children. More than 1,000 teachers and 200 parents have received training in the best ways to care for, and communicate with, disabled children.
- Educating children about HIV/AIDS
  With Twinings help, Save the Children has taught 250,000 children and teenagers in Yunnan about HIV/AIDS. In Long Chuan county, Save the Children has set up activity and support centres for children and parents affected by HIV/AIDS. Run by local volunteers, these centres teach people about health and nutrition, and give children a safe place to play and learn.
  So far, through Twinings’ support of Save the Children over half a million children have been helped and this support continues. It is working with Save the Children on new projects that will improve health and nutrition education for children in Yunnan and Shanghai, and is also increasingly working with Save the Children to support the communities involved in growing and picking its tea.
  To find out more about Save the Children’s work, visit www.savethechildren.org.uk

Mary’s Meals
Mary’s Meals is an international movement run by Scottish charity Scottish International Relief in 15 countries. Our biggest programme is in Malawi, where we arrange for nearly 350,000 of the most vulnerable children to receive a meal at school every school day.

We select the most vulnerable schools and develop strong working relationships with each head teacher. We work through Parent Teacher Associations, whose members cook the corn soya blend porridge (called ‘likuni phala’ in Malawi) and serve it to the schoolchildren. The nutritional content of the porridge meets the standards of the World Food Programme, and the taste is familiar to the children. Mary’s Meals trains the volunteers to cook it and provides a new kitchen building, a stove (also made in Malawi) and firewood for each school.

By providing school meals we encourage more children to enrol in primary school and attend more regularly which helps them achieve better academic results. The results are impressive: we regularly see annual increases of over 5% in their enrolment, attendance and the results they achieve.

In 2009/10, Illovo donated the sugar for the likuni phala, to the value of £42,000, together with accommodation for the Mary’s Meals country director, access to hotel accommodation for visitors, and good quality advice from professionals on matters such as human resources. Two Illovo staff also give their time as very active board members of Mary’s Meals Malawi, helping with visa applications, meetings with government and providing management advice.

In 2009/10, Mary’s Meals took part in a six-month Leadership Development Programme with five senior executives from businesses within the Associated British Foods group. We set them the task of researching ‘cause-related marketing’ (CRM), to help us understand how we can draw upon a marketing/fund-raising opportunity which many companies and charities are embracing and which satisfies the demands of an increasingly ethically minded public.

The consultancy work they produced was entirely free and of an exceptionally high standard. At the conclusion, we received a bound document which is now our CRM bible. It was invaluable to have people of such high calibre supporting us in what is an important, but complex, area.”

Cathy Ratcliff,
Head of Overseas Programmes,
Mary’s Meals
Independent Assurance Report to Associated British Foods plc

KPMG LLP (UK) (‘KPMG’) was engaged by Associated British Foods plc (‘the group’) to provide limited assurance over selected aspects of the group’s Corporate Responsibility (‘CR’) Report (the ‘Report’).

What was included in the scope of our assurance engagement?

<table>
<thead>
<tr>
<th>ASSURANCE SCOPE</th>
<th>ASSURANCE CRITERIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The group’s description of the risk management process marked with the symbol ∆ on pages 6 and 7 for the 53 weeks to 18 September 2010.</td>
<td>The group’s description is a fair representation of the process being used.</td>
</tr>
<tr>
<td>2. The group’s descriptions of case studies for the 53 weeks to 18 September 2010 marked with the symbol ∆ in the Report.</td>
<td>Reporting Principles for Defining Quality of reported information as set out in the Global Reporting Initiative’s Sustainability Reporting Guidelines Version 3 (GRI G3). This sets out criteria for the following principles: Balance, Clarity, Accuracy, Reliability</td>
</tr>
<tr>
<td>3. Reliability of the group totals for performance data for the 12 months to 31 August 2010 marked with the symbol ∆ in the Report.</td>
<td>Relevant reporting parameters for the selected health, safety and environmental performance data as set out at <a href="http://www.abf.co.uk/corporate-responsibility.aspx">www.abf.co.uk/corporate-responsibility.aspx</a></td>
</tr>
</tbody>
</table>

Limited assurance is provided for each of these scopes. The nature, timing and extent of evidence-gathering procedures for limited assurance are less than for reasonable assurance as set out in ISAE 30001, and therefore a lower level of assurance is provided for the data and objectives under the limited assurance scope.

We have not been engaged to provide assurance over any data or information relating to the prior year presented in the Report.

Which assurance standards did we use?
We conducted our work in accordance with ISAE 30001. Our conclusions are based on the limited assurance application of the criteria outlined in the table above.

We conducted our engagement in compliance with the requirements of the IFAC Code of Ethics for Professional Accountants (the ‘Code’), which requires, among other requirements, that the members of the assurance team (practitioners) as well as the assurance firm (assurance provider) be independent of the assurance client, including not being involved in writing the Report. The Code also includes detailed requirements for practitioners regarding integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. KPMG has systems and processes in place to monitor compliance with the Code and to prevent conflicts regarding independence.

Responsibilities
The directors of the group are responsible for preparing the Report and related web-text, and the information and statements within it. They are responsible for identification of stakeholders and material issues, for defining objectives with respect to sustainability 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 above scope. We conducted our engagement with a multidisciplinary team including specialists in corporate responsibility (‘CR’) assurance approaches, stakeholder engagement, auditing environmental, social and financial information and with experience in similar engagements.

This report is made solely to the group in accordance with the terms of our engagement. Our work has been undertaken so that we might state to the group those matters 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 responsibility to anyone other than the group for our work, for this report, or for the conclusions we have reached.
For Scope 1 and 2 assurance, KPMG conducted further explained below:

What did we do to reach our conclusions?
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:

For Scope 1 and 2 assurance, KPMG conducted the following:

- interviews with senior management and relevant staff at group level and four selected businesses to gain an understanding of the group’s risk management and CR strategy and policies for material issues and the related methodology for determining the material CR issues, including reviews of risk management maps and their implementation across the group during the 53 weeks to 18 September 2010. Businesses reviewed were selected on the basis of their perceived risk profile and contribution to the group;
- a high-level media analysis and an internet search for references to the group;
- visits to a selection of five sites in the UK and South Africa, and teleconferences with a further three sites in China, South Africa and Australia, to assess case studies against Reporting Principles for Defining Quality of reported information as set out in the Global Reporting Initiative’s Sustainability Reporting Guidelines Version 3, which include: Balance; Clarity; Accuracy; Timeliness; Comparability; and Reliability.
- testing of key assertions contained in selected case studies and descriptions of CR risk management and stakeholder engagement through reviewing supporting documentation, conducting interviews with relevant personnel and evidence collection at corporate level and at a selection of local sites, covering internal and external documentation such as correspondence, minutes of meetings, reports, presentations and research and survey results;
- reading the Report to ensure there are no disclosures that are misrepresented or inconsistent with the findings of our work.

For Scope 3, KPMG assessed the work of Environmental Resources Management (‘ERM’) as described by the group on pages 14 to 33 of the Report.

KPMG’s assessment included:

- assessing the competence and objectivity of ERM in conducting its work;
- considering the appropriateness of the scope of its work;
- evaluating the findings of the work and discussing implications with its core team;
- further discussions with group management on issues impacting the scope of ERM’s assurance to obtain additional evidence where necessary and ensure appropriate presentation in the Report;
- assessment of the presentation of the selected health, safety and environment performance data in the Report to ensure consistency with our findings.

Note that KPMG’s review did not include reviewing the source data used by Environmental Resources Management; nor did we re-perform any of its work.

What are our conclusions?
Based on the work performed and scope of our assurance engagement described above:

Assurance Scope 1: On the description of the risk management process:

- Nothing has come to our attention to suggest that the group’s description of the risk management process marked with the symbol ∆ on pages 6 and 7 is not a fair representation, in all material respects, of the process used by the group.

Assurance Scope 2: On the description of selected case studies:

- Nothing has come to our attention to suggest that the group’s description of case studies marked with the symbol ∆ in this Report, is not consistent, in all material respects, with the Reporting Principles for Defining Quality of reported information as set out in the Global Reporting Initiative’s Sustainability Reporting Guidelines Version 3.

Assurance Scope 3: On the reliability of selected data:

- For tonnes of non-hazardous and hazardous wastes disposed, marked with the symbol ∆ in this Report, no single methodology for collecting and recording data has been used by group operating sites. This resulted in insufficient evidence being available to us on which to form an opinion as to whether or not these values are fairly stated, in all material respects, in accordance with the definitions provided by the group at www.abf.co.uk/corporate-responsibility.aspx
- Except for tonnes of non-hazardous and hazardous wastes disposed, nothing has come to our attention to suggest that the performance data marked with the symbol ∆ in this Report are not fairly stated, in all material respects, in accordance with the definitions provided by the group at www.abf.co.uk/corporate-responsibility.aspx

KPMG LLP (UK)
Chartered Accountants
London
9/11/2010

Assurance standards
1. International Standard on Assurance Engagements 3000: Assurance engagements other than Audits or reviews of Historical information, issued by the International Auditing and Accounting Standards Board.
Design and production

CONRAN DESIGN GROUP

Print
The cover of this report has printed on Revive 50:50 Silk which is made from 25% pre consumer waste, 25% post consumer waste and 50% virgin wood fibre. The text pages have been printed on Revive Pure White Uncoated which is made from 100% de-inked post consumer waste.

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