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# The international protein partner of choice



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Two skewers of grilled food are shown against a white background. The skewer on the left is fully visible and contains, from top to bottom: a large piece of grilled chicken with a golden-brown, slightly charred exterior; a slice of yellow bell pepper; a slice of red bell pepper; another piece of grilled chicken; a slice of yellow bell pepper; a slice of red bell pepper; another piece of grilled chicken; and a large, whole grilled mushroom with a light brown, textured surface. The skewer on the right is partially visible, showing a slice of red bell pepper, a piece of grilled chicken, a slice of yellow bell pepper, another piece of grilled chicken, a slice of yellow bell pepper, and a slice of red bell pepper. The food appears to be freshly grilled, with visible char marks and a glistening surface.

HILTON FOOD GROUP PLC, THE LEADING SPECIALIST INTERNATIONAL FOOD PACKING BUSINESS, ANNOUNCES ITS RESULTS FOR THE 52 WEEKS TO 2 JANUARY 2022.

## This has been a year of delivery and diversification.

We have delivered another strong financial performance with volumes and revenue both growing, maintaining a trend of continuous volume growth every year since Hilton's flotation in 2007. We grew adjusted operating profit by 12.7%, in line with the 11% compound annual growth rate we have delivered in our fourteen years as a listed business. These results reflect an outstanding team effort as well as the power of our business model, which is rooted in the partnerships we have built with customers across Europe and Asia-Pacific.

We have also made strategic progress in diversifying the business. Last year, we set ourselves the goal of becoming the protein partner of choice. Put simply, we want to offer all the proteins people want to put on their plates, in home and out of home, not just in Europe and Asia, but across North America too.

To reach that goal, we have been transforming our business to expand into new protein products and categories, to enter new international markets, to deepen our technology and engineering capabilities, and to expand our sustainability commitments across all protein categories.

The acquisitions we have made over the past year will accelerate this. Following the completion of the purchase of Foppen within the past month, we are well set to grow further and enter the high growth smoked salmon market. We already now generate more than two thirds of our revenue, and three quarters of our volume, outside the UK, and this breadth means the business is increasingly well placed to create long-term sustainable value, in spite of short-term challenges or market headwinds. While those headwinds persist, our model positions us well to provide nutritious, affordable and increasingly sustainable protein at scale, fulfilling changing consumer demands.

## 2021 highlights

# Financial highlights

**£3.30bn**    **492,588 t**

Group revenue up 21.6%\* to £3.3bn, driven by growth across proteins and geographies  
(2020: £2.77bn)

Volume growth of 7.0%\* to 492,588 tonnes  
(2020: 469,110 tonnes)

**£67.2m**

Adjusted profit before tax higher by 13.0%\* to £67.2m  
(2020: £61.1m)

**£47.4m**

IFRS profit before tax lower by 12.3% to £47.4m, after exceptional items of £8.2m  
(2020: £54.0m)

**61.3p**

Adjusted basic earnings per share up 13.8%\* at 61.3p  
(2020: 55.4p)

**45.0p**

IFRS basic earnings per share down 7.4% at 45.0p  
(2020: 48.6p)

**£121.3m**

Strong cash flows from operating activities £121.3m with £57.4m capex investment and a strong balance sheet following refinancing  
(2020: £120.8m)

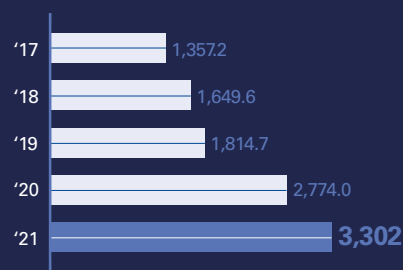
**21.5p**

Proposed final dividend of 21.5p, taking total dividend for 2021 to 29.7p  
(2020: 26.0p)

# Financial performance overview

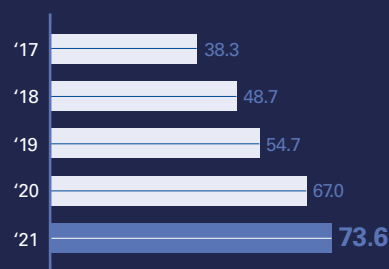
REVENUE (£M)

**£3,302m**



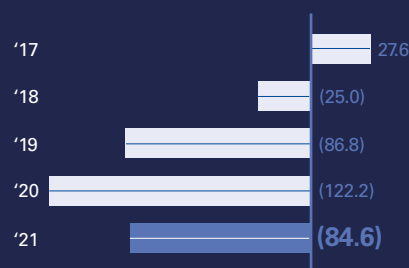
ADJUSTED OPERATING PROFIT (£M)

**£73.6m**



NET BANK CASH/(DEBT)\*\* (£M)

**£(84.6)m**



\* On a 52 week constant currency basis.

\*\* Excluding lease liabilities.

Adjusted results represent the IFRS results before deduction of acquisition intangibles amortisation and exceptional items and also IFRS 16 lease adjustments as detailed in the Alternative performance measures note 34.

# Strategic highlights

Delivering sustained growth across all protein categories

14.3% 36.0%

Meat and fish  
volume growth  
2019-2021

Added value easier  
meals volume growth  
2019-2021

26.4%

Vegan and vegetarian  
volume growth 2019-2021



## Supporting our Partners to become First Choice for Sustainable Protein

Launching new ESG strategy, The Sustainable Protein Plan, focused on three pillars of People, Planet and Product, with each pillar underpinned by three strategic drivers and new targets and goals

**PLANET** Science Based Targets approved for Scope 1, 2 and 3 during 2021

**PRODUCT** 76% average recycled content across entire tray range during 2021

Page 32

## Growing across global markets

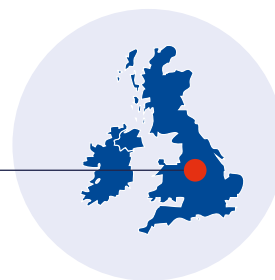
Over 75% of Group's 2021 volumes produced in countries outside the UK

Entered new markets across Europe, including acquisition of vegetarian producer Dalco

Moving into North American market for first time with the acquisition of leading smoked salmon producer, Foppen with £75m equity raise

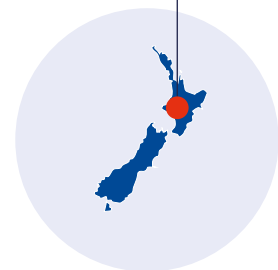
### UK

Launched in UK food service market through acquisition of Fairfax Meadow



### NEW ZEALAND

Significant Australia growth with fish launch in New Zealand



## Becoming best-in-class FMCG for technology

Ongoing transformation of Hilton Seafood with industry leading automation and palletisation

Growing engineering solutions offer through 2022 JV with Agito Group

Continued growth of Foods Connected supply chain management services, with contracts in new sectors and geographies

# Where we operate

Total employees

6,000+

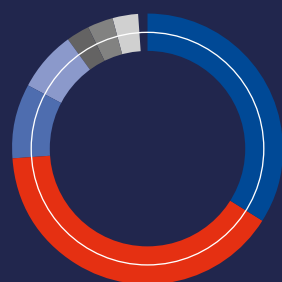
Annual Turnover

£3.3m

Production facilities

24

Revenue by location



United Kingdom	34%
Australasia	40%
The Netherlands	9%
Sweden	7%
Denmark	3%
Central Europe	3%
Ireland	3%
Belgium	1%

## UNITED KINGDOM 1

Location: **HUNTINGDON**

Op Co: **Hilton Food Group plc**

Incorporated: **2007**

Op Co: **Hilton Foods UK**

Commenced production: **1994**

Op Co: **SV Cuisine**

Acquired: **2019**

Op Co: **Hilton Food Solutions**

Commenced trading: **2016**

Location: **GRIMSBY**

Op Co: **Hilton Seafood UK**

Acquired: **2017**

Locations: **DERBY, ENFIELD, EASTLEIGH & MILTON KEYNES**

Op Co: **Fairfax Meadow**

Acquired: **2021**

Locations: **LONDONDERRY & AUSTRALIA**

Op Co: **Foods Connected**

Commenced joint venture: **2017**

## NETHERLANDS 2

Location: **ZAANDAM**

Op Co: **Hilton Foods Holland**

Commenced production: **1994**

Location: **OOSTERHOUT & OSS**

Op Co: **Dalco**

Joint venture: **2019**

Acquired: **2021**

Location: **HARDERWIJK**

Op Co: **Foppen**

Acquired: **2022**

## BELGIUM 3

Location: **GHENT**

Op Co: **Hilton Foods Belgium**

Commenced production: **2020**

## IRELAND 4

Location: **DROGHEDA**

Op Co: **Hilton Foods Ireland**

Commenced production: **2004**

## DENMARK 5

Location: **AARHUS**

Op Co: **Hilton Foods Danmark**

Commenced production: **2011**

## SWEDEN 6

Location: **VASTERAS**

Op Co: **Hilton Foods Sverige**

Commenced production: **2004**

## CENTRAL EUROPE 7

Location: **TYCHY, POLAND**

Op Co: **Hilton Foods Poland**

Commenced production: **2006**

## PORTUGAL 8

Location: **SANTAREM**

Op Co: **SoHi Meat Solutions**

Commenced joint venture: **2017**

## GREECE 9

Location: **PREVEZA**

Op Co: **Foppen**

Acquired: **2022**

## AUSTRALIA 10

Locations: **BUNBURY & MELBOURNE**

Op Co: **Hilton Foods Australia**

Joint venture: **2013**

Transitioned: **2020**

Location: **BRISBANE**

Op Co: **Hilton Foods Australia**

Commenced production: **2019**

Locations: **PERTH & SYDNEY**

Op Co: **AGITO**

Commenced joint venture: **2022**

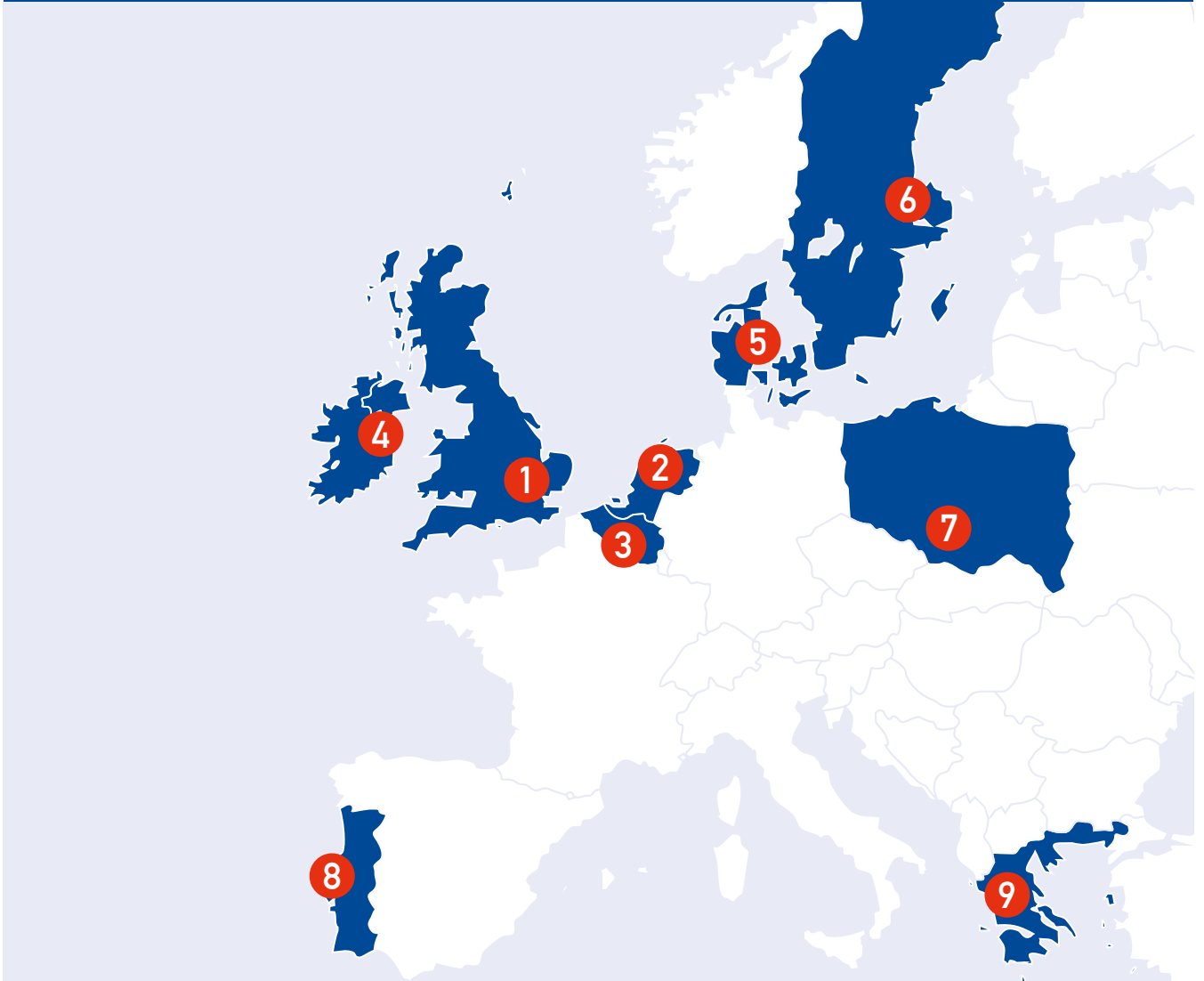
## NEW ZEALAND 11

Location: **AUCKLAND**

Op Co: **Hilton Foods New Zealand**

Commenced production: **2021**

## EUROPE



## AUSTRALASIA



# Strategic report

## **Chairman's introduction** 8

Outlook and current trading	9
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## **Chief Executive's summary** 10

Strategic objectives	10
Business model	12
Business development	14
2021 Performance overview	14
Segment performance	15
Resourcing for growth: culture and people	16
Past and future trends	17

## **Performance and financial review** 18

2021 Financial performance	19
Key performance indicators	20
Treasury management	22
Going concern statement	22
Viability statement	23
Cautionary statement	23

## **Risk management and principal risks** 24

## **Sustainability report** 28

## **Approval of the Strategic report** 77





## MEAT



Hilton Food Group's strategy is to support our customers' brands and their development in local markets, leading to sustainable growth.

- Delivering sustained growth in meat sector through core business growth, innovation, and new ventures.
- Diversifying into food service market through acquisition of Fairfax Meadow.



For more information visit  
[www.hiltonfoodgroupplc.com](http://www.hiltonfoodgroupplc.com)

# Chairman's introduction



“Our response during the year demonstrates our ability to thrive in the face of tough challenges.”

ROBERT WATSON, OBE  
CHAIRMAN

## Strategic progress

We have continued to make good progress growing across international markets. We successfully opened our multi-protein facility in New Zealand and there has been continued growth in protein diversification into plant-based, seafood and convenience foods.

The acquisition of Fairfax Meadow further diversifies the business into the UK food service market. We were also able to welcome Dalco fully into the Hilton Group through the purchase of the remaining shares, thereby strengthening our vegan and vegetarian proposition. Our automation, engineering and services arm has developed through the agreement for a joint venture with Agito Group, an Australian automation and technology solutions business, which brings together excellence in automation and food supply chain expertise. We acquired Foppen, a specialist smoked salmon business, with facilities in the Netherlands and Greece, which enhances our existing fish portfolio and is an entry point for us into the North American retail market. We financed the acquisition via an equity raise, and completed post the year end.

We continue to successfully execute our strategy to grow and diversify and we continue to explore opportunities to develop our cross-category business in both domestic and overseas markets as well as applying our state-of-the-art skills and experience to deliver value to our customers.

## Group performance

In 2021 we again increased our volumes maintaining a trend of continuous growth achieved in every year since Hilton's flotation in 2007. There was strong growth in adjusted profit and earnings per share despite Covid related costs although IFRS metrics were lower due to exceptional items. We also continued to invest in people and infrastructure to support future growth across the Group. There was an extensive fire at our Belgium facility but we ensured continued supply to our customers and plan to restore our production capability. Our response during the year demonstrates our ability to thrive in the face of these tough challenges.

Hilton generated strong operating cash flows during 2021 with, as expected, further significant investment in our facilities to increase capacity, improve operational efficiency and offer innovative solutions to our retailer partners.

Hilton remains financially strong with significant cash balances, undrawn committed bank facilities and operating well within our banking covenants. In January 2022 we successfully renewed our bank facilities for a further five years.

### Dividend policy

The Group has maintained a progressive dividend policy since flotation. The Board is satisfied that the Group has adequate headroom under its existing facilities and that it is appropriate to continue to operate this dividend policy. With the proposed final dividend of 21.5p per ordinary share, total dividends in respect of 2021 will be 29.7p per ordinary share, an increase of 14.2% compared to last year.

### Our Board, purpose and governance

The Hilton Board is responsible for the long-term success of the Group and establishing its purpose, values and strategy aligned with its desired culture. Our purpose is to create efficiency and flexibility in the food supply chain whilst maintaining high quality through innovative and sustainable food manufacturing and supply chain solutions with the ambition to be the first choice partner for food retailers seeking excellence, insight and growth.

To achieve this the Board has an appropriate mix of skills, depth and diversity and a range of practical business experience, which is available to support and guide our management teams across a wide range of countries as well as having in place succession planning and maintaining a talent pipeline. We remain committed to achieving good governance balanced against our desire to preserve an agile and entrepreneurial approach. I would like to thank my colleagues on the Board for their support, counsel and expertise during the year.

There are some Board changes for 2022. Patricia Dimond joined the Board and John Worby will step down at the AGM after six years. We wish John well and thank him for his service. Nigel Majewski also indicated his desire to step down from the Board at the AGM but will continue in a reduced capacity as director of investor relations and strategic development. It is planned that the current Group Financial Controller, Matt Osborne, will be appointed to succeed him as Chief Financial Officer. I am delighted that Matt will become Hilton's new CFO.

He has impressed the Board and the wider management team during his time as Group Financial Controller, and he represents the ideal candidate to take over from Nigel Majewski. I would like to thank Nigel for his significant contribution to Hilton's successful journey over the past 15 years. He was a key part of the Group's successful flotation and he has helped oversee Hilton's sustained growth since then.

The Board takes its responsibilities very seriously to promote the success of the Company for the benefit of its stakeholders as a whole. We take the interests of our workforce and other stakeholders fully into account in Board discussions and decision making. Details of the Group's policies and procedures that have been implemented to enhance stakeholder and workforce engagement, which explain how these interests have influenced our decisions, are set out in the governance section of our Annual report.

### Sustainability

The vulnerabilities of our food system are becoming ever more apparent highlighting the interdependencies between business, climate and society. We are at a critical juncture in the future of our planet with last year's IPCC report warning of increasingly extreme heatwaves, droughts and flooding, and a key temperature limit being broken in just over a decade. Continuing to perform as a prosperous and resilient business means we must also drive meaningful change for our planet. We recognise that business has a crucial role in translating the COP26 Glasgow Climate Pact commitments into rapid action.

That's why we are strengthening our commitment to the Science Based Targets Initiative to achieve a 1.5°C trajectory, marking our ambition towards a net negative future.

### Outlook and current trading

Against the backdrop of a more challenging environment, with global uncertainties impacting supply chains and inflation, the Hilton Board is confident of making further progress in 2022. We continue to explore opportunities with existing and new customers for further expansion in our domestic and overseas markets.

Our short and medium term growth prospects are underpinned by the Foppen, Dalco and Fairfax Meadow acquisitions as well as further opportunities arising across our markets by the development of our cross-category business and the application of our supply chain management expertise.

### Annual General Meeting

This year's AGM will be held at Hilton's offices at 2-8 The Interchange, Latham Road, Huntingdon, Cambridgeshire PE29 6YE in a hybrid format on 24 May 2022 at noon.

**Robert Watson OBE**  
Chairman

5 April 2022



Please refer to our website at  
[www.hiltonfoodgroupplc.com/en/investors/shareholder-meeting-documents/](http://www.hiltonfoodgroupplc.com/en/investors/shareholder-meeting-documents/)



## Chief Executive's summary



“This year has strengthened our dedication to being a leader in sustainable business to secure a better future for all.”

PHILIP HEFFER  
CHIEF EXECUTIVE OFFICER

### Strategic objectives

Our strategy continues to be to support our customers' brands and their development in local markets, thereby achieving long-term sustainable customer and shareholder value through:

- Growing volumes and extending product ranges supplied and services provided to its existing customers;
- Optimising use of assets and investing in new technology to deliver competitive advantage to our customers;
- Maintaining a vigilant focus on food safety and integrity and reducing unit costs, while improving product quality and service provision; and
- Entering new territories and markets either with new customers or in partnership with our existing customers.

This approach combined with a strong reputation, well-invested modern facilities and a robust balance sheet has generated growth over many years. We will continue to pursue both geographical expansion and range extension towards our goal of becoming the protein partner of choice, whilst at the same time actively developing, enriching, deepening and expanding the scope of our existing business partnerships, playing a full and proactive role in supporting our customers and the successful development of their brands. We have successfully expanded our product range into new proteins and categories such as seafood, vegetarian, sous vide, food service and fresh convenience foods.

## Our four key strategic objectives

# 1



Growing volumes and extending product ranges supplied and services provided to its existing customers;

# 2



Optimising use of assets and investing in new technology to deliver competitive advantage to our customers;

# 3



Maintaining a vigilant focus on food safety and integrity and reducing unit costs, while improving product quality and service provision; and

# 4



Entering new territories and markets either with new customers or in partnership with our existing customers.

## Business model

The Hilton business model is well proven and sustainable, whilst being relatively simple and straightforward. We build and operate large scale, extensively automated and robotised food processing, packing and logistics facilities for major international retailers largely on a dedicated basis. Through economies of scale we are able to secure significant efficiency savings for our customers whilst retaining a competitive margin. Our business is based on a total partnership approach with customers and suppliers forged over many years. The wide geographical spread of the Group's operations is a significant strength of our business model.

In 2021 we operated facilities in eight European countries and four facilities in Australasia, each run by a local management team enhanced by specialist central leadership, expertise, advice and support. A Portuguese facility is operated by a joint venture company in which we share the profits. Products from our facilities are sold in fourteen European countries, Australia and New Zealand.

Our businesses operate under the terms of long-term supply agreements with our retailer partners, either on a cost plus, packing rate or volume-based reward basis. These contractual arrangements, combined with our customer dedication, serve to maximise achievable volume throughput whilst minimising unit packing costs thereby delivering value to our customers.

Under the long-term supply agreements we have in place with our customers, the parameters of our revenue are clearly defined. As well as income derived from the supply of retail packed food products, there are also provisions whereby our income can be increased or decreased subject to achievement of certain pre-agreed and pre-defined key performance measures and targets designed to align our objectives with those of our customers.



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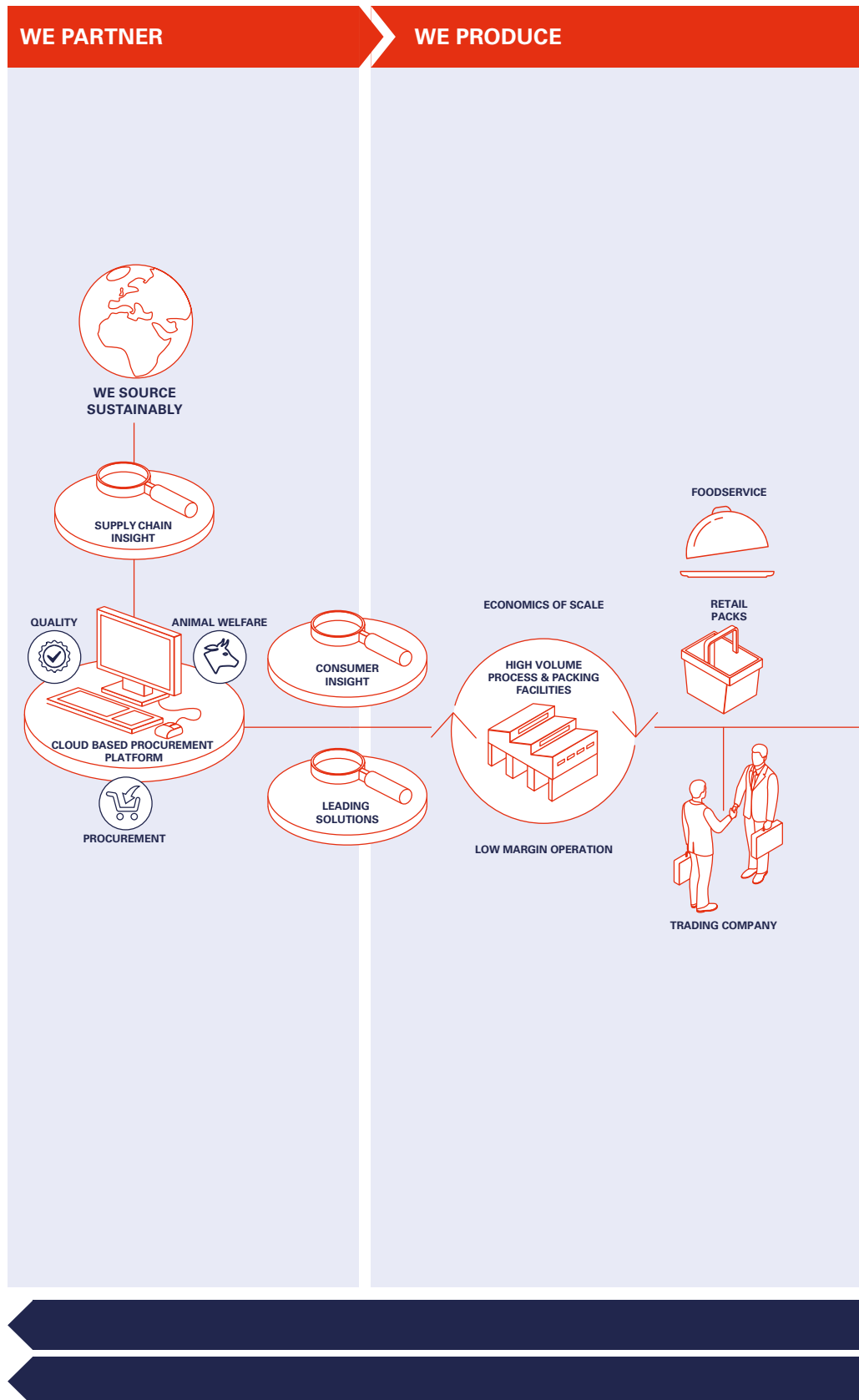
# Chief Executive's summary

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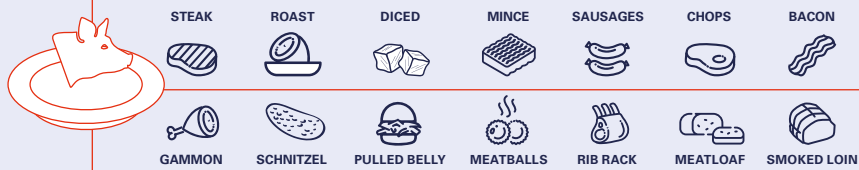
## Our business model

The Hilton business model is proven and sustainable, whilst being relatively simple and straightforward.

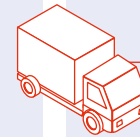
- A total partnership approach with customer and suppliers
- Raw materials sourced locally and internationally from proven suppliers
- Processed and packed in large scale, highly automated facilities using advanced robotics
- Delivered to retailers' distribution centres or direct to stores



## WE SUPPLY



DEPOT

STORE ORDER  
PICKING

## FULL TRACEABILITY

## CSR

# Chief Executive's summary

continued

Raw materials are sourced, in conjunction with our retail partners, from a combination of local sources and a wide international base of proven suppliers. It is then processed, packed and delivered to the retailers' distribution centres or stores. Our plants are highly automated and use advanced robotics for the storage of raw materials and finished products. Robotics technology has been extended in recent years both in the production environment and to the sorting of finished products by retailer store order, achieving material supply chain efficiencies for our customers. We consider that our application of technology will enable us to deliver competitive advantage to our customers.

We seek to keep ourselves at the forefront of the food packing industry, including becoming more sustainable and environmentally friendly, which helps ensure our continued competitiveness. We constantly look to drive efficiencies, always maintaining a pipeline of clear identifiable cost reduction initiatives and an open minded approach designed to continually challenge the status quo.

We consider our modern, very well-invested facilities to be a key factor in keeping unit packing costs as low as possible. We invest continuously across all areas of our business, including raw materials sourcing, packaging materials design, increased processing efficiency and storage solutions and updating our IT infrastructure. Group capital expenditure over the last five years totalled £364m.

We are a committed and loyal partner with a continuing record of delivering value through quality products with the highest levels of food safety, traceability and integrity, whilst providing a range of services which enable our customers to evolve and improve their food supply chain management. Our customer base comprises high quality retailers and our in-depth understanding of our customers' needs, together with those of their consumers, enables us to play an active role in managing their food supply chains whilst providing agile solutions to supply chain challenges as they arise. As our customers' markets change and competition increases, we need to keep a constant focus on the challenges they face so we can put forward flexible solutions, together with continuing increases in efficiency and cost competitiveness. This flexible approach and understanding of our local markets remains one of our core strengths.

As well as our ability to provide excellent execution locally, we also have at our disposal a wide and deep expertise on a number of areas of specialism, such as engineering, new product development, food related IT applications, category management support, logistics and market intelligence. We are able to apply these skills to a number of markets to support our customers in a cost-effective way.

## Business development

The Group's expansion is based on its established and proven track record, international reputation and experience and the recognised success of the close partnerships we have forged and maintained with successful retail partners over many years. Hilton's business model has proved successful in Europe and Australasia supplemented by targeted acquisitions. We have demonstrated that this business model is capable of being successfully transferred into new countries, adapted with our local customers to meet their specific requirements.

## 2021 Performance overview

2021 saw continued year-on-year sales and volume growth driven primarily by expansion including from a new facility in New Zealand which opened during the year as well as continued growth in Australia. We delivered growth in our core meat business, innovation, and new ventures despite continuing Covid challenges. There was expansion in added value poultry and innovation in seasonal range development and we saw double digit growth in fresh convenience foods. There was a strong performance in the seafood category despite challenging market conditions and we grew our vegan and vegetarian business through innovation and partnerships with global brands and retailers. Our consumer-led innovation resulted in over 700 new product launches during the year. The Foods Connected joint venture business continues to grow, providing end-to-end supply chain management services and further opportunities for category diversification. During the year we experienced an extensive fire at our Belgium facility and it was pleasing to see a rapid response to ensure continued supply to our customer with plans to restore our production capability under way.

Overall volume increased by 7.0% on a comparable 52 week basis to 492,588 tonnes (2020: 469,110 tonnes) delivering sustained volume growth across all protein categories with two-year compound

annual growth in meat & seafood of 14.3%, vegan & vegetarian 26.4% and added value easier meals 36.0%. In 2021 over 75% of the Group's volumes were produced in countries outside the UK. Adjusted operating profit increased by 12.7% on a comparable 52 week constant currency basis although the overall operating margin decreased to 2.2% (2020: 2.4%) reflecting the Australia post-JV transition arrangements and higher raw material prices. The margin per kg increased to 14.9p (2020: 14.3p) with progress made in added value and convenience foods and from reduced central costs. Our customer service level remains best in class at 96.4% (2020: 95.4%) reflecting an outstanding performance during the challenging period as the economy emerges from Covid.





The wide geographical spread of the Group increases its resilience by minimising its reliance on any one individual economy. Hilton's results are reported in Sterling and are therefore sensitive to changes in the value of Sterling compared to the range of overseas currencies in which the Group trades. During 2021 the impact of average exchange rates on our results compared with 2020 was marginal.

## Sustainability

We understand the importance of our role in the future of a sustainable food system that protects and restores our planet's resources and enhances the lives of the people and animals that produce it. This year has strengthened our dedication to being a leader in sustainable business to address the concerns that matter most to our stakeholders to secure a better future for all. Sustainability is at the heart of how we do business and this year we are pleased to introduce our new 2025 Sustainable Protein Plan with new robust targets, built around improved transparency and action re-focused to three pillars: People, Planet and Product. We are aligning our business to deliver long-term benefits to both people and planet, using our scale and reach to drive transformative change.

In 2021 our Science Based Targets were approved and we signed the business ambition to 1.5°C committing us to net zero before 2050. 100% of the paper and board we use comes from certified forests and 76% of our meat trays are made from 100% recycled PET. 98% of our UK seafood was sourced from Marine Stewardship Council certified fisheries and we signed the EU Code of Conduct on Responsible Food Business and Marketing Practices during the year.

## Progress in 2021 against our strategic objectives

	1 	2 	3 	4 
	Volume growth with existing customers	Investment in assets & capacity	Focus on food, cost, quality & service	New territories and markets
Fairfax Meadow acquisition expansion into food service	✓	✓	✓	✓
Dalco purchase of remaining shares	✓	✓	✓	
New facility opened in New Zealand	✓	✓	✓	✓
Foppen acquisition completed since the year end	✓	✓	✓	✓
Protein expansion	✓	✓	✓	✓

## Segment performance

### EUROPE

**Adjusted operating profit of £61.8m (2020: £61.4m\*) on turnover of £1,987.4m (2020: £1,952.1m\*)**

This operating segment covers the Group's businesses and joint ventures in the UK, Ireland, Holland, Belgium, Sweden, Denmark, Portugal and Central Europe. Our products are sold in 14 countries across Europe. During the year we purchased the remaining shares in the Dalco business and additionally acquired Fairfax Meadow, a UK-based business in the UK food service sector. Our Belgium facility suffered an extensive fire in June 2021. We quickly implemented our contingency plan to ensure continued local supply to our customers and we are working hard to restore our production capability while progressing an insurance claim. At SV Cuisine we have moved sous vide production to Huntingdon to reduce cost and provide additional capacity in a growing segment and we agreed early settlement of the acquisition deferred consideration.

Volumes were 2.0% lower on a 52 week basis following the Covid lockdown boost in the corresponding 2020 period. Over a two year period volumes grew at an average 3.1% per year. Sales on a 52 week constant currency basis grew by 3.1% and operating profit by 2.3% despite the lower volume. Operating margins were unchanged at 3.1% (2020: 3.1%) and operating profit margin per kg increased to 18.5p (2020: 18.0p).

### AUSTRALASIA

**Adjusted operating profit of £22.4m (2020: £16.9m\*) on turnover of £1,314.6m (2020: £769.6m\*)**

In Australia the Group previously operated a joint venture with Woolworths earning service fees based on retail packed meat produced at plants in Bunbury, Western Australia and Melbourne, Victoria. In July 2020 these plants transitioned to Hilton's ownership through the purchase of the assets relating to the joint venture. A new Hilton facility in Brisbane, Queensland opened in 2019 and a further new facility in New Zealand opened in July 2021 to supply beef, lamb, pork, chicken, seafood and added-value products.

Volumes for the year 52 week basis, which in the first half of 2020 included 50% of the JV activities, increased by 32.8% through the new facility in New Zealand and the annualisation of the higher volume growth at the Brisbane facility. Constant currency sales on a 52 week basis, which in the first half of 2020 excluded the JV activities, increased by 68.0% which is attributable to the new facility in New Zealand and also the recognition of revenue from the two Australian joint venture facilities following their transition to Hilton ownership. Operating profit increased to £22.4m (2020: £16.9m\*) although the operating profit margin per kg was steady at 14.1p (2020: 14.2p).



Progressive new build in New Zealand.

\* On a comparable 52 week basis.

# Chief Executive's summary

continued

## Resourcing for growth: culture and people

Our people are at the heart of our success and they have risen tremendously to every opportunity and challenge presented during 2021. In partnership with our customers and against the backdrop of the Covid-19 pandemic our teams have dedicated themselves to feeding our nations' families. At the same time, they have ensured the delivery of our growth agenda through organic growth into new markets and the acquisition of new businesses that complement and broaden our offering.

Our teams across the countries we operate have worked tirelessly to keep our people safe. We have continually reviewed our policies and procedures through the changing pandemic. We have ensured investment in our facilities, systems and equipment and we have fully engaged our people as we have adjusted our ways of working. I am proud of how we always work as one team sharing best practice across our international operating companies and introducing innovative approaches.

I am delighted that a record number of colleagues completed our annual engagement survey. We are committed to work safely and with regard to the well-being of our colleagues and this year we added a number of health and safety related questions to our survey. Our surveys provide invaluable feedback on which our operating companies can build plans that continuously improve employee satisfaction.

We increased the scope of our leadership development programmes with our first emerging leaders programme and overcame the challenges of the pandemic in running this successful international programme virtually. We have also continued to provide all our teams with the training they need to perform their roles safely and effectively.

We are committed to providing an inclusive working environment where everyone feels valued, respected and able to fulfil their potential. We recognise that people from different backgrounds, countries and experiences bring huge benefits to our business and each other.

This year we became a strategic sponsor of Meat Business Women the global professional networking movement for progressive women working in the meat sector. We also launched our own internal women's network, an inclusive group engaging and enabling those who identify as women in Hilton Food Group and the food sector through support, development and action.

Our recruitment policies and practices are guided by local legislation in the countries in which we operate. In the UK we give full and fair consideration to candidates with disabilities. We utilise occupational health expertise to assess new recruits' needs and make any required adjustments to the workplace and to provide ongoing support. We also adapt training to meet the needs of disabled employees. In addition, we have established a wellbeing programme which includes a network of mental health first aiders and on-site mental health and wellbeing clinics in partnership with our professional occupational health providers.

## Hilton's expansion is based on its established and proven track record





The Group currently employs over 6,000 colleagues across Europe and Australasia. We work as “one team” with local empowered leadership teams dedicated to the needs of our customers and their consumers. These teams are equipped with excellent local consumer and market insight. They also provide flexible and rapid support which has been a key strength in these pandemic conditions. Our local teams are supported by our Group capability which delivers specialist expertise and support, enables the sharing of best practice and business growth.

The Board fully understands and appreciates just how much our progress relies on the effort, personal commitment, enthusiasm, enterprise and initiative of our employees. I would like to take this opportunity, on behalf of the Board, to personally thank them all for both for their dedication and resilience during 2021 and their continuing commitment to the Group’s ongoing growth and development. In addition, I would like to take this opportunity to recognise the significant contribution made by Hilton’s CFO Nigel Majewski over the past 15 years. As he decides to step back from heading up the finance function, I would like to thank him for his instrumental role in having helped drive forwards the Group’s continued growth, both financially and operationally. I look forward to both welcoming Matt Osborne as our new CFO, and continue working with Nigel in his new role as director of investor relations and strategic development.

### Past and future trends

Over recent decades major retailers have progressively rationalised their supply base through large scale, centralised packing solutions capable of producing private label packed fresh food products. This achieves lower costs with consistent high food safety, food integrity, traceability and quality standards allowing supermarket groups to focus on their core retail business whilst addressing consumers’ continuing requirement for quality and value. This trend towards increased use of centralised packing solutions is likely to continue, albeit at different speeds across the world, representing potential future geographical expansion opportunities for Hilton.

Consumer buying patterns are evolving with more seafood and vegetarian proteins being eaten. Through Hilton’s diversification into these proteins we are well placed to grow our business.

**Philip Heffer**  
Chief Executive Officer

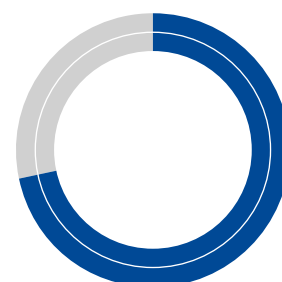
5 April 2022

### DIRECTORS



Male	5
Female	3

### SENIOR MANAGERS



Male	28
Female	11

### EMPLOYEES



Male	3,395
Female	2,386



For more information visit  
[www.hiltonfoodgroupplc.com](http://www.hiltonfoodgroupplc.com)

## Performance and financial review



Volume

+7.0%

Revenue

+21.6%

Operating profit

+12.7%



Strong cash flow generation supporting our ongoing significant investment in facilities.”

NIGEL MAJEWSKI  
CHIEF FINANCIAL OFFICER



For more information visit  
[www.hiltonfoodgroupplc.com](http://www.hiltonfoodgroupplc.com)

## Summary of Group performance

This performance and financial review covers the main highlights of the Group's financial performance and position in 2021. Hilton's overall financial performance saw continued strong growth in volumes, sales, profitability and basic earnings per share on an adjusted basis. Cash flow generation was strong, supporting our ongoing significant investment in facilities.

## Basis of preparation

The Group is presenting its results for the 52 week period ended 2 January 2022, with comparative information for the 53 week period ended 3 January 2021. The financial statements of the Group are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and UK adopted International Accounting Standards.

Hilton uses Alternative Performance Measures (APMs) to monitor the underlying performance of the Group. Management considers that APMs better reflect business performance and provide useful information in line with how management monitor and manage the business day-to-day. Unless otherwise stated financial metrics in the Financial highlights, Chairman's introduction, Chief Executive's summary and this Performance and financial review refer to the adjusted results.

## 2021 Financial performance

### Volume and revenue

Volumes grew by 5.0% (7.0% on a 52 week basis) in the year driven by growth in Australasia including the new facility in New Zealand. Additional details of volume growth by business segment are set out in the Chief Executive's summary. Revenue increased 19.0% and by 21.6% on a 52 week constant currency basis representing the volume growth and also the recognition of revenue from the two Australian joint venture facilities following their transition to Hilton ownership.

### Operating profit and margin

Adjusted operating profit of £73.6m (2020: £67.0m) was 9.8% higher than last year and 12.7% higher on a 52 week constant currency basis driven predominantly by expansion in Australasia. IFRS operating profit was £63.4m (2020: £66.9m) after charging £7.1m in exceptional costs (2020: £nil). The operating profit margin in 2021 declined to 2.2% (2020: 2.4%) mainly due to the recognition of revenue from the two Australian joint venture facilities following their transition to Hilton ownership and higher Australian raw material prices. The operating profit per kilogram of packed food sold increased to 14.9p (2020: 14.3p) reversing the trend of recent years.

### Net finance costs

Net finance costs excluding exceptional items and lease interest increased to £6.4m (2020: £5.9m) reflecting higher borrowings that financed our expansion programme. Interest cover in 2021 was unchanged at 11 times (2020: 11 times). IFRS net finance costs were £16.0m (2020: £12.8m).

### Taxation

The taxation charge for the period was £14.5m (2020: £13.5m). The effective tax rate was 21.6% (2020: 22.0%). The IFRS taxation charge was £8.1m (2020: £12.0m) with an effective tax rate of 17.1% (2020: 22.2%).

## Net income

Net income, representing profit for the year attributable to owners of the parent of £50.5m (2020: £45.3m) was 11.4% higher than last year and 14.5% higher on a 52 week constant currency basis. IFRS net income was £37.1m (2020: £39.7m).

### Earnings per share

Basic earnings per share 61.3p (2020: 55.4p) was 10.6% higher than last year and 13.8% on a 52 week constant currency basis. IFRS basic earnings per share were 45.0p (2020: 48.6p). Diluted earnings per share were 44.8p (2020: 47.9p).

### Earnings before interest, taxation, depreciation and amortisation (EBITDA)

Adjusted EBITDA, which is used by the Group as an indicator of cash generation, increased by 12.7% to £119.5m (2020: £106.0m) reflecting the growth in profitability following significant investment and by 15.8% on a 52 week constant currency basis. IFRS EBITDA was £139.0m (2020: £126.5m).

### Free cash flow and net debt position

Operating cash flow was strong in 2021 with cash flows from operating activities of £121.3m (2020: £120.8m). IFRS free cash outflow after capital expenditure of £57.4m and acquisitions £41.6m but before dividends and financing was £11.7m (2020: inflow £0.6m). During the year £75m was raised through issuing equity.

The Group closing net bank debt comprising borrowings less cash and cash equivalents excluding lease liabilities, was £84.6m (2020: £122.2m) reflecting bank borrowings of £224.7m net of cash balances of £140.0m. Net debt including lease liabilities was £328.0m (2020: £367.4m).

# Performance and financial review

continued

At the end of 2021 the Group had undrawn committed bank facilities under its syndicated banking facilities of £96.8m (2020: £51.5m). These banking facilities are subject to covenants comprising minimum tangible net worth, net bank debt to EBITDA and interest cover. Headroom under these covenants at the end of the year was at least 65% for all these metrics. Existing bank facilities were due to expire in October 2022 and consequently all borrowings at the end of the year were classed as current. Since the end of the year the Group renewed its banking facilities with a £424m five year revolving credit and term loan facility agreed with a syndicate of lenders.

The resilience of the Group has been assessed by applying significant downside sensitivities to the Group's cash flow projections. Allowing for these sensitivities and potential mitigating actions the Board is satisfied that the Group has adequate headroom under its existing committed facilities and will be able to continue to operate well within its banking covenants.

## Dividends

The Group has maintained a progressive dividend policy since flotation. The Board is satisfied that, given the Group has adequate headroom under its existing facilities, it is appropriate to continue to operate this dividend policy and has therefore recommended a final dividend of 21.5p per ordinary share in respect of 2021. This, together with the interim dividend of 8.2p per ordinary share paid in December 2021, represents a 14.2% increase in the full year dividend, as compared with last year. The final dividend, if approved by shareholders, will be paid on 1 July 2022 to shareholders on the register on 6 June 2022 and the shares will be ex dividend on 1 June 2022.

## Key performance indicators

### How we measure our performance against our strategic objectives

The Board monitors a range of financial and non-financial key performance indicators (KPIs) to measure the Group's performance over time in building shareholder value and achieving the Group's strategic priorities. The nine headline KPI metrics used by the Board for this purpose, together with our performance over the past two years, is set out opposite.

In addition, a much wider range of financial and operating KPIs are continuously tracked at business unit level.

## Financial KPIs

### Revenue growth (%)

# 19.0%

2020: 52.9%

Year on year revenue growth expressed as a percentage. The 2021 increase mainly reflected volume growth and the recognition of revenue following the transition of the two Australian JV facilities to Hilton ownership and the new facility in New Zealand.

### Adjusted operating profit margin (%)

# 2.2%

2020: 2.4%

Adjusted operating profit expressed as a percentage of turnover. The operating profit margin % in 2021 was lower due mainly to the recognition of revenue following the transition of the two Australian JV facilities to Hilton ownership and higher Australian raw material prices.

### Adjusted operating profit margin (pence per kg)

# 14.9p

2020: 14.3p

Adjusted operating profit per kilogram processed and sold in pence. The increase in 2021 compared with 2020 reflects progress made in added value and convenience foods and from reduced central costs.

### Adjusted earnings before interest, taxation, depreciation and amortisation (EBITDA)

(£m)

# £119.5m

2020: £106.0m

Adjusted operating profit before depreciation and amortisation. The increase reflected the growth in profitability following significant investments.

### Free cash flow

(£m)

# £(11.7)m

2020: £0.6m

IFRS cash (out)/inflow before minorities, dividends and financing. Operating cash flow generation in 2021 increased in line with EBITDA with lower capex spend but impacted by costs of acquisitions of £41.6m during the year.

### Net debt/EBITDA ratio

(%)

# 70.9%

2020: 115.3%

Year end net bank debt as a percentage of adjusted EBITDA. The decrease is due to the equity raise of £75m and continued strong operating cash generation.

## Non-financial KPIs

### Growth in sales volumes

(%)

# 5.0%

2020: 26.2%

Year on year volume growth. Volume growth was due primarily to opening the new facility in New Zealand in addition to continued growth in Australia.

### Employee and labour agency costs

(pence per kg)

# 60.9p

2020: 57.2p

Labour cost of producing food products as a proportion of volume. The increase reflects the Australia JV transition.

### Customer service level

(%)

# 96.4%

2020: 95.4%

Packs of product delivered as a % of the orders placed. The customer service level remains best in class.

# Performance and financial review

continued

## Treasury management

Hilton does not engage in any speculative trading in financial instruments and transacts only in relation to its underlying business requirements. The Group's policy is designed to ensure adequate financial resources are made available as required for the continuing development and growth of its businesses, whilst taking practical steps to reduce exposures to foreign exchange, interest rate fluctuation, credit, pricing and liquidity risks, as described below.

## Foreign exchange rate movements and country specific risks

Whilst the presentational currency of the Group is Sterling, most of its earnings are generated in other currencies, principally the Euro and Australian Dollar. The earnings of the Group's overseas subsidiaries are translated into Sterling at the average exchange rates for the year and their assets and liabilities at the year end closing rates. Changes in relevant currency parities are monitored on a continuing basis, with the timing of the repatriation of overseas profits by dividend payments and the repayment of any intra group loans to UK holding companies paying due regard to actual and forecast exchange rate movements.

The Group has to date decided not to hedge its foreign exchange rate exposures, but this policy is kept under continuing review and may be reappraised over time as the Group's geographic spread continues to widen. The Group's overseas subsidiaries all have natural hedges in place as they, for the most part, buy raw materials, employ people, source services, sell products and arrange funding in their local currencies. As a result the Group's exposure is in the main limited to its equity investment in each overseas subsidiary and its joint ventures, and in the translation of overseas earnings.

The level of country specific risk currently remains material for many businesses, in terms of the impact of macroeconomic developments and commodity price movements. The Group sells high quality basic food products, for which there will always be continuing demand, to successful blue chip retailers in developed countries.

## Interest rate fluctuation risk

This risk stems from the fact that the interest rates on the Group's borrowings are variable, being at set margins over SONIA and other interbank rates which fluctuate over time. The Board's policy is to have an interest rate cap on a proportion of this borrowing. The Board will review hedging costs and options should the current low interest rate environment change materially.

## Customer credit and pricing risks

As Hilton's customers comprise a small number of successful and credit worthy major multiple retailers, the level of credit risk is considered to be insignificant. Historically the incidence of bad debts has been immaterial. Hilton's pricing is based either on a cost plus, packing rate or volume based reward basis with its customers.

## Liquidity risk

Hilton Food Group remains strongly cash generative, has a robust balance sheet and has committed banking facilities for the medium term, sufficient to support its existing business. All bank positions are monitored on a daily basis and capital expenditure above set levels, together with decisions on intra group dividends, are all approved at Board meetings. All long term debt is arranged centrally and is subject to Board approval.

## Going concern statement

The Directors have performed a detailed assessment, including a review of the Group's budget for the 2022 financial year and its longer term plans, including consideration of the principal risks faced by the Group. The resilience of the Group has been assessed by applying significant downside sensitivities to the Group's cash flow projections. Allowing for these sensitivities and potential mitigating actions the Board is satisfied that the Group is able to continue to operate well within its banking covenants and has adequate headroom under its new committed facilities which do not expire until 2027. The Directors are satisfied that the Company and the Group have adequate resources to continue to operate and meet its liabilities as they fall due for the foreseeable future, a period considered to be at least 12 months from the date of signing these financial statements. For this reason they continue to adopt the going concern basis for preparing the financial statements.

The Group's bank borrowings as detailed in the financial statements and the principal banking facilities, which support the Group's existing and contracted new business, are committed. The Group is in full compliance with all its banking covenants and based on forecasts and sensitised projections is expected to remain in compliance. Future geographical expansion which is not yet contracted, and which is not built into our internal budgets and forecasts, may require additional or extended banking facilities and such future geographical expansion will depend on our ability to negotiate appropriate additional or extended facilities, as and when they are required. Since the end of the year the Group renewed its banking facilities with a £424m five year revolving credit and term loan facility.

The Group's internal budgets and forward forecasts, which incorporate all reasonably foreseeable changes in trading performance, are regularly reviewed by the Board and show that it will be able to operate within its current banking facilities, taking into account available cash balances, for the foreseeable future.

### Viability statement

In accordance with provision 31 of the 2018 UK Corporate Governance Code, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the three years ending in December 2024. A period of three years has been chosen for the purpose of this viability statement as it is aligned with the Group's three year plan, which is based on the Group's current customers and does not incorporate the benefits from any potential new contract gains over this period.

The Directors' assessment has been made with reference to the Group's current position and strategy taking into account the Group's principal risks, including those in relation to Covid-19, and how these are managed. The strategy and associated principal risks, which the Directors review at least annually, are incorporated in the three year plan and such related scenario testing as is required. The three year plan makes reasoned assumptions in relation to volume growth based on the position of our customers and expected changes in the macroeconomic environment and retail market conditions, expected changes in food raw material, packaging and other costs, together with the anticipated level of capital investment required to maintain our facilities at state-of-the-art levels.

### Cautionary statement

This Strategic report contains forward-looking statements. Such statements are based on current expectations and assumptions and are subject to risk factors and uncertainties which we believe are reasonable. Accordingly Hilton's actual future results may differ materially from the results expressed or implied in these forward-looking statements. We do not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

**Nigel Majewski**  
Chief Financial Officer

5 April 2022

# Risk management and principal risks

## Risks and risk management

In accordance with provision 28 of the 2018 UK Corporate Governance Code the Directors confirm that they have carried out a robust assessment of the emerging and principal risks facing the Group that might impede the achievement of its strategic and operational objectives as well as affect performance or cash position. As a leading food processor in a fast moving environment it is critical that the Group identifies, assesses and prioritises its risks. The result of this assessment is a statement of the principal risks facing the Group together with a description of the main controls and mitigations that reduce the effect of those risks were they to crystallise. This, together with the adoption of appropriate mitigation actions, enables us to monitor, minimise and control both the probability and potential impact of these risks.

## How we manage risk

Responsibility for risk management across the Group, including the appropriate identification of risks and the effective application of actions designed to mitigate those risks, resides with the Board which believes that a successful risk management framework carefully balances risk and reward, and applies reasoned judgement and consideration of potential likelihood and impact in determining its principal risks. The Group takes a proactive approach to risk management with well-developed structures and a range of processes for identifying, assessing, prioritising and mitigating its key risks, as the delivery of our strategy depends on our ability to make sound risk informed decisions.

## Risk management process and risk appetite

The Board believes that in carrying out the Group's businesses it is vital to strike the right balance between an appropriate and comprehensive control environment and encouraging the level of entrepreneurial freedom of action required to seek out and develop new business opportunities; but, however skilfully this balance between risk and reward is struck, the business will always be subject to a number of risks and uncertainties, as outlined below.

All types of risk applicable to the business are regularly reviewed and a formal risk assessment is carried out to highlight key risks to the business and to determine actions that can reasonably and cost effectively be taken to mitigate them. The Group's risk register is compiled through combining the set of business unit risk registers supplemented by formal interviews with senior executives and Directors of the Group. The Group has a Risk Management Committee which reports regularly to the Audit Committee and Board on the substance of the risk assessment and any changes to the nature of those risks or changes to the likelihood or materiality of the risk in question. The Risk Management Committee also reviews progress in control development and implementation of those key controls related to principal risks listed in this section of the report. The Group's internal audit function derives its risk based assurance plan on the controls after considering the risk assessment and reports its findings to the Audit Committee. The Risk Management Committee also considers the risk appetite and oversees the scenario based business continuity management exercises.

Not all the risks listed are within the Group's control and others may be unknown or currently considered immaterial, but could turn out to be material in the future. These risks, together with our risk mitigation strategies, should be considered in the context of the Group's risk management and internal control framework, details of which are set out in the Corporate governance statement. It must be recognised that systems of internal control are designed to manage rather than completely eliminate any identified risks.

## Risk management during 2021

### Brexit

Hilton's exposure is generally mitigated through our predominantly local sourcing and operating model. Impacts are likely to continue through 2022 as the UK and EU regulatory and trade environments evolve. The Group is ensuring compliance through ongoing engagement with the appropriate authorities and regulatory forums. Our dedicated Brexit team continues to monitor policy changes and amend processes and operations as required.

The structure of the UK workforce is changing in response to both reduced access to EU labour markets and Covid-related employment trends. Our recruitment and retention strategies are evolving in line with this changing landscape and our continued focus on technology and automation further reduce risk exposure in this area.

## Principal risks

The most significant business risks that the Group faces, together with the measures we have adopted to mitigate these risks, are outlined in the table below. This is not intended to constitute an exhaustive analysis of all risks faced by the Group, but rather to highlight those which are the most significant, as viewed from the standpoint of the Group as a whole.

Description of risk	Its potential impact	Risk mitigation measures and strategies adopted
<b>Strategic risks</b>		
<p><b>Risk 1</b> The Group strategy focuses on a small number of customers who can exercise significant buying power and influence when it comes to contractual renewal terms at 5 to 15 year intervals.</p> <p>➔ No movement</p>	<p>The Group has a relatively narrow, but expanding, customer base, with sales to subsidiary or associated companies of the Tesco, Ahold and Woolworths groups still comprising the larger part of Hilton's revenue. The larger retail chains have over many years increased their market share of protein products in many countries, as customers continue to move away from high street butchers towards one stop convenience shopping in supermarkets. This has increased the buying power of the Group's customers which in turn increases their negotiating power with the Group, which could enable them to seek better terms over time.</p>	<p>The Group is progressively widening its customer base and has maintained a high level of investment in state-of-the-art facilities, which together with management's continuous focus on reducing costs, allow it to operate very efficiently at very high throughputs and price its products competitively. Hilton operates a decentralised, entrepreneurial business structure, which enables it to work very closely and flexibly with its retail partners in each country, in order to achieve high service levels in terms of orders delivered, delivery times, compliance with product specifications and accuracy of documentation, all backed by an uncompromising focus on food safety, product integrity and traceability assurance. Hilton has long term supply agreements in place with its major customers, with pricing either on a cost plus or agreed packing rate basis.</p>
<p><b>Risk 2</b> The Group's growth potential may be affected by the success of its customers and the growth of their packed food sales.</p> <p>➔ No movement</p>	<p>The Group's products predominantly carry the brand labels of the customer to whom packed food is supplied and it is accordingly dependent on its customers' success in maintaining or improving consumer perception of their own brand names and packed food offerings.</p>	<p>The Group plays a very proactive role in enhancing its customers' brand values, through providing high quality, competitively priced products, high service levels, continuing product and packaging innovation and category management support. It recognises that quality and traceability assurance are integral to its customers' brands and works closely with its customers to ensure rigorous quality assurance standards are met. It is continuously measured by its customers across a very wide range of parameters, including delivery time, product specification, product traceability and accuracy of documentation and targets demanding service levels across all these parameters. The Group works closely with its customers to identify continuing improvement opportunities across the supply chain, including enhancing product presentation, extending shelf life and reducing wastage at every stage in the supply chain.</p>
<p><b>Risk 3</b> The progress of the Group's business is affected by the macroeconomic environment and levels of consumer spending which is influenced by publicity including reports concerning the risks of consuming certain foods.</p> <p>➔ No movement</p>	<p>Changing consumer purchasing habits may mean little or no overall growth in meat consumption. Consumer demand may drop due to food scares and economic conditions. No business is immune to difficult economic climates and the consequent pressure on levels of consumer spending.</p>	<p>With a sound business model including successful diversification across different proteins, broadening product ranges with our strong retail partners and a single-minded focus on minimising unit packing costs, whilst maintaining high levels of product quality and integrity, the Group has made continued progress over recent difficult economic periods. It expects to be able to continue to make progress.</p>
<p><b>Risk 4</b> As Hilton continues to grow there is more reliance on key personnel and their ability to manage growth, change, integration and compliance across new legislative and regulatory environments. This risk increases as the Group continues to expand with new customers and into new territories either organically or through acquisition with potentially greater reliance on stretched skilled resource and execution of simultaneous growth projects.</p> <p>▲ Increased</p>	<p>The Group may struggle to meet key project objectives and fail to adhere to regulatory and legislative requirements, which in turn detracts from our performance delivery for our customers.</p>	<p>The Group carefully manages its skilled resources including succession planning and maintaining a talent pipeline. The Group is evolving its people capability balanced with an appropriate management structure within the overall organisation. Hilton continues to invest in on-the-job training and career development, whilst recruiting high quality new employees, as required, to facilitate the Group's ongoing growth and in deploying resource to support the growth projects appropriately. Appointment of additional key resources and alignment of structures have supported the enhancement of project management control and oversight. Control systems embedded in project management enable the risks of growth to be appropriately highlighted and managed. To underscore our efforts, we have active relationships with strong industry experts across all areas of business growth.</p>

# Risk management and principal risks

continued

Description of risk	Its potential impact	Risk mitigation measures and strategies adopted
<b>Strategic risks</b> continued		
<p><b>Risk 5</b> The Group's business strength is affected by its ability to maintain a wide and flexible global food supply base operating at standards that can continuously achieve the specifications set by Hilton and its customers.</p> <p>➔ No movement</p>	<p>The Group is reliant on its suppliers to provide sufficient volume of products, to the agreed specifications, in the very short lead times required by its customers, with efficient supply chain management being a key business attribute. The Group sources certain of its food requirements globally. Tariffs, quotas or trade barriers imposed by countries where the Group procures meat, or which they may impose in the future, together with the progress of World Trade Organisation talks and other global trade developments, could materially affect the Group's international procurement ability and therefore potentially impact our ability to meet agreed customer service levels.</p>	<p>The Group maintains a flexible global food supply base, which is progressively widening as it expands and is continuously audited to ensure standards are maintained, so as to have in place a wide range of options should supply disruptions occur.</p>
<p><b>Risk 6</b> Contamination within the supply chain including outbreaks of disease and feed contaminants affecting livestock and fish.</p> <p>➔ No movement</p>	<p>This will potentially affect the Group's ability to procure sufficient quantities of safe raw material.</p>	<p>The Group sources its food from a trusted raw material supply base, all components of which meet stringent national, international and customer standards. The Group is subject to demanding standards which are independently monitored in every country and reliable product traceability and high welfare standards from the farm to the consumer are integral to the Group's business model. The Group ensures full traceability from source to packed product across all suppliers. Within our factories, Global Food Safety Initiative (GFSI) benchmarked food safety standards and our own factory standard assessments drive the enhancement of the processes and controls that are necessary to ensure that the risks of contaminants throughout the processing, packing and distribution stages are mitigated and traceable should a risk ever materialise.</p>
<p><b>Risk 7</b> Significant incidents such as fire, flood, pandemic or interruption of supply of key utilities could impact the Group's business continuity.</p> <p>The current Covid-19 pandemic continues to present challenges across the globe.</p> <p>➔ No movement</p>	<p>Such incidents could result in systems or manufacturing process stoppages with consequent disruption and loss of efficiency which could impact the Group's sales.</p>	<p>The Group has robust business continuity plans in place including sister site support protocols enabling other sites to step in with manufacturing and distribution of key product lines where necessary. Continuity management systems and plans are suitably maintained and adequately tested including building risk assessments and emergency power solutions. There are appropriate insurance arrangements in place to mitigate against any associated financial loss.</p> <p>The new Belgium facility suffered an extensive fire in June 2021. We quickly implemented our contingency plan to ensure continued local supply to our customers and plan to restore our production capability.</p> <p>The Covid-19 mitigation measures that we put in place were effective in navigating throughout the pandemic and are well placed.</p>

Description of risk	Its potential impact	Risk mitigation measures and strategies adopted
<b>Operational risks</b>		
<p><b>Risk 8</b></p> <p>The Group's IT systems could be subject to cyber-attacks, including ransomware and fraudulent external email activity. These kinds of attacks are generally increasing in frequency and sophistication.</p> <p>▲ Increased</p>	<p>The Group's operations are underpinned by a variety of IT systems. Loss or disruption to those IT systems or extended times to recover data or functionality could impact the Group's ability to effectively operate its facilities and affect its sales and reputation.</p>	<p>The Group has a robust IT control framework, minimum operating standards, including working towards National Institute of Technology requirements, all of which are tested frequently by internal staff and by specialist external bodies. This framework is established as the key control to mitigate cyber risk and is applied consistently throughout the Group. The increased prominence of IT risk is mitigated by investments in IT infrastructure and now forms a regular part of the Group Risk Management Committee agenda and presentations to the Board. In accordance with Group strategy IT risk is considered when looking at new ventures and control measures implemented in new sites follow the Group common standards. There is internal training and resources available with emphasis on prevention, user awareness and recovery. Increasingly, IT forms part of site business continuity exercises which test and help develop the capacity to respond to possible crises or incidents. The technical infrastructure to prevent attacks, safeguard data and the resilience to recover are continuously developed including yearly assessments to meet emerging threats. IT systems including financial and banking systems are configured to prevent fraudulent payments. There are monthly IT security reviews to ensure compliance with expected levels of applications updates, and of server and data centres together with yearly penetration testing.</p>
<p><b>Risk 9</b></p> <p>A significant breach of health &amp; safety legislation as complexity increases in managing sites across different product groups and geographies.</p> <p>— No movement</p>	<p>Such breach in health &amp; safety legislation could lead to reputational damage and regulatory penalties, including restrictions on operations, fines or personal litigation claims.</p>	<p>The Group has established robust health &amp; safety processes and procedures across its operations, including a Group oversight function which provides key guidance and support necessary to strengthen monitoring, best practice and compliance. The Group has also rolled out an enhanced standardised safety framework. Health and safety performance is reviewed regularly by the Board.</p>
<p><b>Risk 10</b></p> <p>The Group's business and supply chain is affected by climate change risks comprising both physical and transition risks. Physical risks include long-term rises in temperature and sea levels as well as changes to the frequency and severity of extreme weather events. Transition risks include policy changes, reputational impacts, and shifts in market preferences and technology.</p> <p>▲ Increased</p>	<p>Potential physical impacts from climate change could include a higher incidence of extreme weather events such as flooding, drought, and forest fires that could disrupt our supply chains and potentially impact production capabilities, increase costs and add complexity. Action taken by societies could reduce the severity of these impacts.</p> <p>Governmental efforts to mitigate climate change may lead to policy and regulatory changes as well as shifts in consumer demand. The potential transitional impacts include additional costs of low greenhouse gas emission farming systems, and the potential of carbon price regulation aimed at shifting consumers to lower carbon foods, which may reduce the profitability of some of our products. Additionally there is increased stakeholder focus on climate change issues. Our reputation could be impacted if we are not active in reducing the climate impacts of our operations and supply chains, resulting in lower demand for our products.</p>	<p>We continue to develop our approach to climate change risk mitigation. We have committed to set a science-based target through the Science Based Targets initiative and signed the Business Ambition for 1.5°C pledge to decarbonise our own operations and supply chains. We have set energy and water efficiency targets for our sites and continue to engage in global collaborative action for decarbonisation of our key raw materials. We are directing our efforts towards a net-zero carbon footprint before 2050.</p> <p>Shifts in consumer demand are an opportunity for growth in our portfolio of plant based and seafood products. Additionally, we are ensuring we have the flexibility to adapt our supply chains over time to mitigate physical disruption.</p> <p>We are conducting an assessment of the key physical and transition risks impacting our business in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. We are also, for the first time this year, reporting on our initial assessment of climate risks and opportunities in line with the TCFD framework.</p>

# Sustainability report

CEO Introduction	28
Sustainability Committee Chair's Introduction	30
Highlights	31
2025 Sustainable Protein Plan	32
Materiality matrix	34
Governance	35
Value chain influence	36
People	38
Valuing our people	40
Respecting human rights	42
Developing potential	44
Planet	46
Reducing emissions	48
Enhancing animal wellbeing	50
Nature positive	52
Product	54
Balanced healthy diets	56
Circular packaging	58
Resource efficiency	60
Food safety and quality	62
Supply Chain Integrity, Environmental Impact Assessment and Traceability	63
Climate risk and impact report (Task Force on Climate-related Financial Disclosures)	64
Climate-related metrics and targets	73
Non-financial disclosure and SASB	74



Delivering a future-ready food system means we must think critically to address the complex interconnected issues; from climate and biodiversity, to resource use, and human rights.”

PHILIP HEFFER  
CHIEF EXECUTIVE OFFICER

**I am more convinced than ever of the profound responsibility of Hilton Foods to provide affordable, nutritious, and sustainable food in the many markets in which we operate. 2021 was marked by continued disruption to our global food systems and 2022 brings the tragedy of war in Europe.**

We are thankful to all our people, who have worked tirelessly producing essential food, a testament to their resilience and resourcefulness. Our thoughts are with the families and friends of the colleagues we lost during last year.

We have a renewed understanding of how human health is inextricably linked to the health of our planet. Business has a powerful role to play in society, both by managing our impact and performance and by galvanising positive change. Delivering a future-ready food system means we must think critically to address the complex interconnected issues, from climate and biodiversity, to resource use, and human rights.

As we have grown and diversified in 2021, we have increased our sustainability ambitions. I am pleased to announce that we are launching our new '2025 Sustainable Protein Plan' delivering a refocused strategy under the pillars of People, Planet and Product. Our renewed strategy will embed sustainability into our daily actions, our decision-making and governance. Our strategy is to use our business capabilities and scale to support the UN Sustainable Development Goals. We became full participants in the UN Global Compact in 2021, and I am pleased to formally renew our continued support and commitment to the initiative and its principles.

My personal commitment is to ensure the 2025 Sustainable Protein Plan is used as a powerful catalyst for action, within our business but also across our supply chains. The task is daunting, but can be achieved through collective action. We signed the EU Code of Conduct on Responsible Food Business and Marketing Practices in 2021, which was one of the first deliverables of the EU Farm to Fork Strategy.

Last year we reported our intention to set Science Based Targets (SBTs), which have now been approved by the Science Based Targets initiative (SBTi). We also announced that we have signed the Business Ambition for 1.5°C pledge, committing us to reach net zero before 2050. We plan to submit even more ambitious targets to SBTi, aligned to the 1.5 degree track for our operations and their FLAG pathway for our supply chains.

We're delighted to be recognised by CDP as a 2021 Supplier Engagement Leader, recognising our efforts to mitigate climate risk within our supply chain. We're rolling out tailored decarbonisation plans across our own operations, employing technology for maximum heat recovery and efficiency. Hilton Foods Ireland has made significant strides, already halving their gas use across their operations since 2019.

Striving toward a more sustainable food system requires a holistic evaluation of how business engages with society, ensuring equitable access to the 'table' for all. I am thrilled to announce our commitment to advance the voice and impact of women, with a target of 30% of Hilton Foods leadership roles filled by women by 2025. We're committed to building a sustainable future together, ensuring all have the opportunity to thrive.

In 2021, we made a renewed commitment to the implementation of the United Nations Guiding Principles on Business and Human Rights (UNGPs) in our Human Rights and Supply Chain Social Responsibility Policies. This includes all agency, temporary and migrant workers.

Our teams have delivered impressive projects in 2021. Hilton Seafood UK received the Innovation in Animal Welfare Award by Compassion in World Farming for the world's first electrical humane stunner for warm water prawns. Huge progress has been made on delivering sustainable and circular packing solutions, with the replacement of plastic trays for beef mince with Flow-Wrap in the Netherlands and PaperSeal trays in Australia.

We are passionate about putting impactful climate and social actions at the heart of what we do, delivering for our employees, our customers, and shareholders alike. I hope the following report makes clear the commitment and energy Hilton Foods has delivering positive adaptations for society.

**Philip Heffer**  
Chief Executive Officer

# Sustainability report

## Sustainability Committee Chair's introduction



**Continuing to perform as a prosperous and resilient business means we must also drive meaningful change for our planet.”**

**REBECCA SHELLEY**  
**SUSTAINABILITY COMMITTEE CHAIR**

Reflecting on another year marked by continued disruption from the Covid-19 pandemic, the vulnerabilities of our food system have become ever more apparent. We are at a critical juncture in the future of our planet, where the interdependencies between business, climate and society are unmistakably clear. The Intergovernmental Panel on Climate Change (IPCC) signalled a ‘code red for humanity’ in its report earlier this year, a sobering statement for all of us who understand the urgency of the task at hand. Continuing to perform as a prosperous and resilient business means we must also drive meaningful change for our planet.

This year we have responded with speed and agility to protect lives and livelihoods, whilst growing our business. Finding a future that is sustainable for everyone on our planet demands that we intensify our capacity to create positive adaptations both for both society and the environment, and look critically at reducing negative impacts.

The COP26 summit in November 2021 achieved the Glasgow Climate Pact, a result of negotiations from almost 200 nations. We recognise that business has a crucial role in translating these commitments into rapid action. That’s why we are strengthening our commitment to the Science Based Targets initiative to achieve a 1.5°C trajectory, marking our ambition towards a net negative future.

However, we are aware that as we expedite climate action, it is of utmost importance that we secure a ‘just transition’ for society, making sure the evolution towards a climate-neutral economy happens in a fair way, leaving no one behind.

Respecting human rights, enabling the provision of fair and safe workplaces, and ensuring employees’ voices are heard throughout our value chains is essential to building back better. Momentum is building toward the EU Sustainable Corporate Governance Directive, whilst mandatory human rights due diligence legislation has already been achieved at a national level in a number of member states. We recognise the responsibility of businesses to identify and act to protect human rights in their supply chains, that’s why we advocated for similar human rights due diligence legislation to be introduced in the UK this year.

Consumption of soy for agricultural use is one of the primary causes of deforestation and biodiversity loss globally. This is why we have increased our advocacy both within the UK and EU for robust deforestation due diligence legislation, and have worked with EFECA to support Defra in the implementation of UK legislation.

Sustainability considerations also influence where consumers want to shop, and where individuals want to work. The growing prominence of the eco-conscious consumer who wants to make purchases that align with their values and have a positive impact on the planet must be addressed. We are expanding our expertise by bringing innovative solutions to deliver sustainable protein choices that perform in taste, quality and affordability for our customers.

We are committed to taking a leadership position to address the concerns that matter most to our stakeholders, whether they be our investors, our customers, our suppliers, or our own employees. Above all, this year has strengthened our dedication to being a leader in sustainable business. I hope the following report makes clear that we are an organisation which is passionate about achieving these aims for a better future for all.

# Highlights

## PEOPLE

We published our first Group Human Rights Policy and recommitted to the UN Guiding Principles



Launched our Women's Network supporting women to progress at all levels of our business



## PLANET

Hilton Seafood UK received the Compassion in World Farming Award for Innovation in Animal Welfare in 2021



**1.5°C**



In 2021, our Science Based Targets were approved and we signed the Business Ambition to 1.5°C, committing us to Net Zero before 2050

## PRODUCT

**100%**

of the paper and board we use comes from certified forests



**76%**



of our meat trays are made from 100% recycled PET



**82%**



We have reduced the weight of plastic in our mince packaging by up to 82% at Hilton Foods Holland by implementing flow wrap technology

of our UK seafood was sourced from Marine Stewardship Council certified fisheries

Using more robust methodology, we have recalculated our Scope 3 emissions at 15.5 million tonnes CO<sub>2</sub>e, in anticipation of setting more ambitious targets in 2022



We signed the EU Code of Conduct on Responsible Food Business and Marketing Practices in 2021



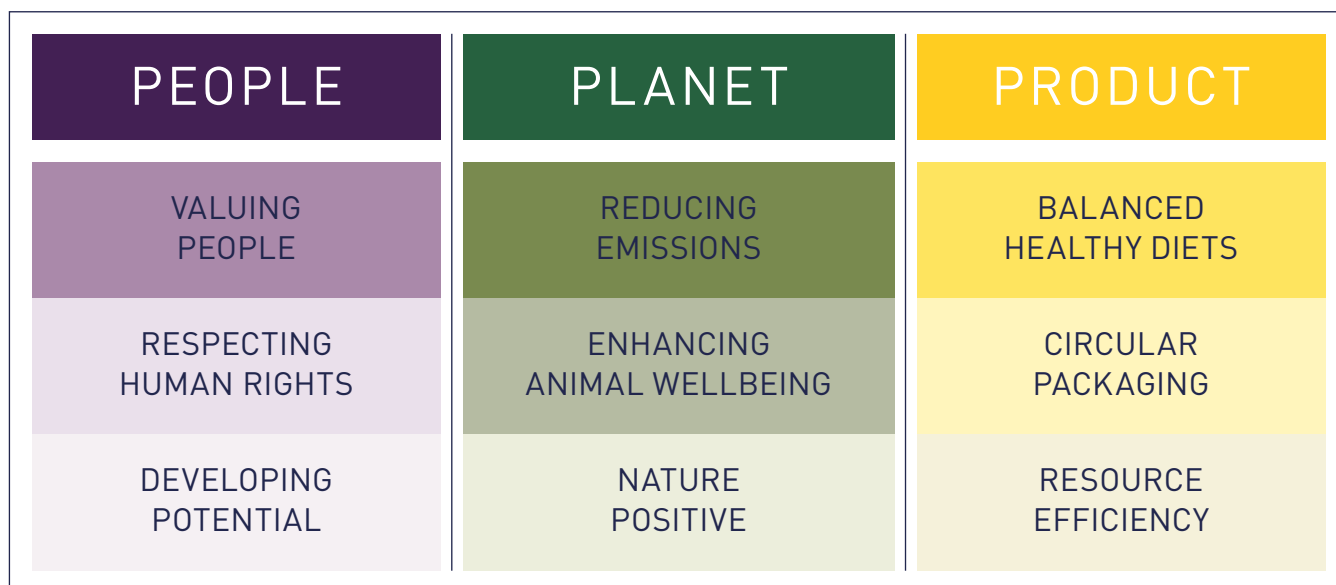
**>2.4GWh**

In 2021, we generated 2.4GWh of solar electricity at our Heathwood, Huntingdon and Grimsby sites

# Sustainability report

## Our 2025 Sustainable Protein Plan

Innovating through partnership to make nutritious protein more sustainable



Sustainability is at the heart of how we do business. This year we are pleased to introduce our new strategy, the 2025 Sustainable Protein Plan. This amalgamates the workstreams of our previous 'Quality Naturally' strategy in an improved clearer format, with new robust targets built around improved transparency and action.

We understand the importance of our role in the future of a sustainable food system that protects and restores our planet's resources and enhances the lives of the people and animals that produce it. This report sets out the work currently being undertaken by Hilton Foods, and our plans to enhance and improve. We are aligning our business to deliver long-term benefits to both people and planet, using our scale and reach to drive transformative change.

Transparency is crucial to meeting our targets, but through leveraging technological solutions to drive change within our value chains, we have been able to progress data accessibility. Our data collection platform can demonstrate where our raw materials come from, assurance of standards across our supply chains, and measure progress made towards shared goals and our 2025 targets.

The 2025 Sustainable Protein Plan is ambitious, but we're confident we can achieve our goals in partnership with our customers and suppliers as we raise the bar together.



Business as usual is changing and consumers' expectations have shifted considerably. There is a danger in setting easy targets and meeting them – we want to set stretching goals that drive impactful actions that become integrated into our core business practices. It's so much more than just reporting."

**NIGEL EDWARDS**  
GROUP CSR DIRECTOR

## PEOPLE

Page 38

## Valuing people

Being a fair, safe and inclusive employer by engaging and empowering our people while supporting our local communities.

Our people are at the core of how we do business and they bring our culture to life within our factories, offices and communities.

## Respecting human rights

Safeguarding the welfare and just treatment of all people and communities engaged with our business and supply chains.

We have a responsibility to protect the internationally recognised human rights of workers both within our business and our global supply chains. Building strong ethical standards to embed respect for human rights across our value chain is an essential step toward a fairer food system.

## Developing potential

Growing and developing our people to be the best they can be, ensuring our business is ready for the future.

We're committed to building a sustainable future together, ensuring all our employees have the opportunity to thrive. Ensuring our business is fit for the future means we have to create a visible framework for our employees to access and understand their career and training opportunities.

## PLANET

Page 46

## Reducing emissions

Going further than addressing our footprint by achieving net negative emissions across our sites and value chains.

With over 30% of global emissions coming from the food system and the impacts of climate change becoming more acute, we are working to make this complex topic actionable across our supply chain on our journey to net negative emissions.

## Enhancing animal wellbeing

Driving standards and innovation in the care of animals that enhances their lives and reduces antibiotic use.

We are actively encouraging uptake of innovation and developing standards that advance welfare and reduce the need for antibiotics throughout our global supply chains.

## Nature positive

Collaborating to improve our stewardship of land and sea; promoting biodiversity, addressing deforestation, and protecting water and soils.

We are leading collaborative action to address the key environmental challenges, shaping and guiding agendas and driving uptake of innovation at scale.

## PRODUCT

Page 54

## Balanced healthy diets

Efficient regenerative food systems producing more accessible and nutritious proteins.

By combining innovation and responsible sourcing, we ensure our consumers can make balanced choices that are healthy for them and for the planet.

## Circular packaging

Developing a circular economy for packaging and actively bringing waste materials back into use across our full value chain.

We are using innovation and our scale to drive transformational development of sustainable packaging and move towards a circular economy across our value chain.

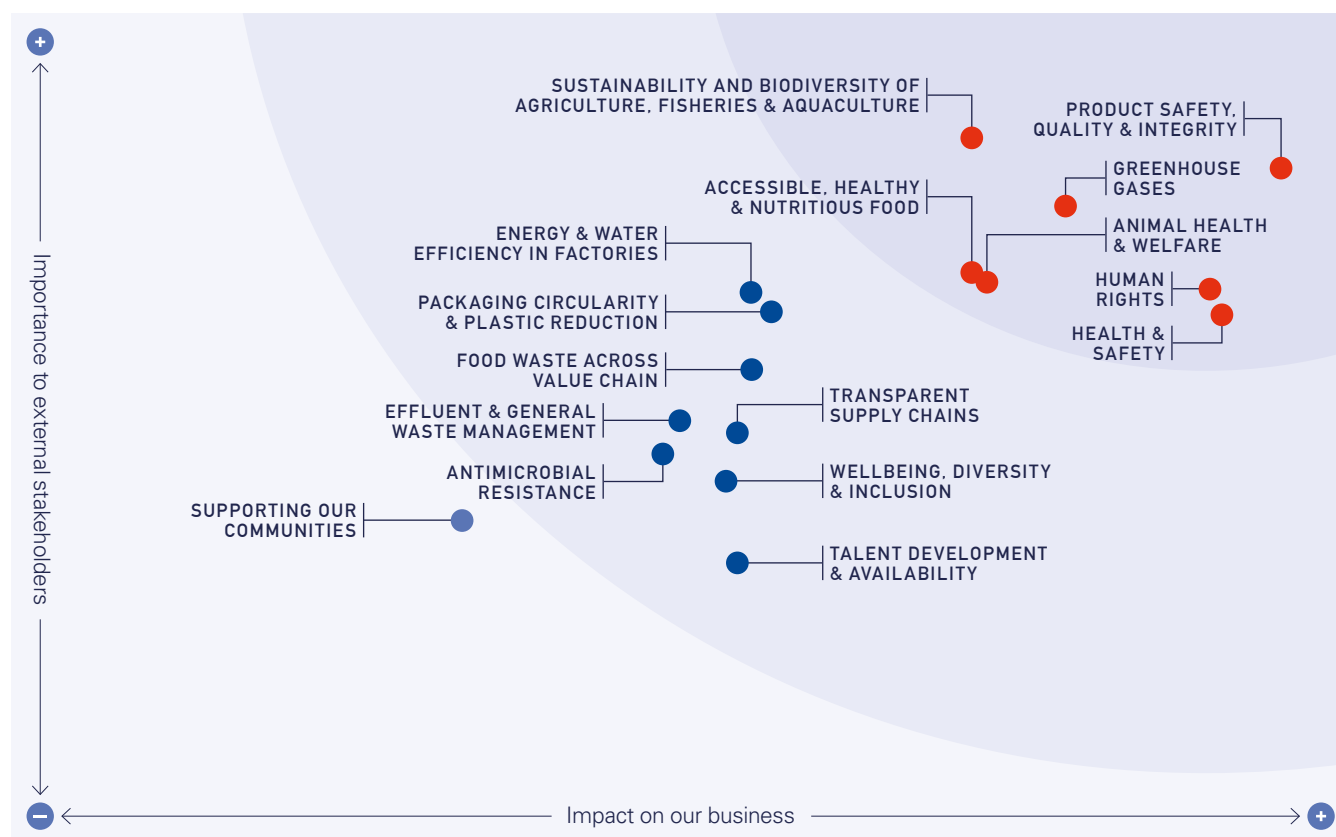
## Resource efficiency

Reducing food waste and optimising use of energy and water across sites, supply chains, and in consumers' homes.

We are constantly reducing our environmental impact by eliminating waste and driving resource efficiency.

# Sustainability report

## Materiality matrix



As part of the development of our new strategy we have updated our materiality matrix to effectively prioritise initiatives and ensure our focus is on addressing the most material issues to our business.

In the process of developing the materiality matrix, a consultation was carried out with both a cross-section of internal and external stakeholders (including NGOs, consultancies, centres of excellence, customers, retailers and partners in our agricultural, ingredient and packaging supply chains) with recognised expertise across our key risk areas. This ensures materiality is assessed against: Hilton Foods strategy, broader societal expectations, legislation, policy and the business' influence on other entities in our value chain. A thorough statistical analysis was performed on the consultation's results to ensure the views of each stakeholder group were appropriately reflected, taking into account the geographic and operational diversity of our business.

Our material issues were identified as:

- **Product safety, quality and integrity**  
Ensuring all food is safe to eat is of paramount importance to us, our products must also meet our quality specifications and be labelled correctly, covering important issues such as the allergens they contain, the country of origin and the nutritional content of the products.
- **Sustainability and biodiversity of agriculture, fisheries and aquaculture**  
This encompasses the management of inputs and output of agriculture, fisheries and aquaculture at a level that may allow its continuation in the long term in harmony with the ecosystems with which it interfaces.
- **Greenhouse gases**  
Greenhouse gas emissions occurring in our value chain, from farm, through processing, distribution and retail to consumption, and their contribution to climate change.

### ● Human rights

Respecting human rights by safeguarding the welfare and ensuring just treatment of all workers and communities engaged with our business and our supply chain.

### ● Health & safety

Safeguarding the health & safety of people in the workplace and ensuring a safety-first culture across our value chain.

These most material risks are under active management and are subjects of engagement by Hilton. These processes are under constant review and subject to ongoing improvement to ensure robust, comprehensive monitoring to best mitigate their impact.

Our 2025 Sustainable Protein Plan was built to mitigate our material issues.

# Governance

At Hilton we have embedded sustainability throughout our governance structure and decision making processes, so that we remain accountable and ensure we apply our influence for benefit of both people and planet.

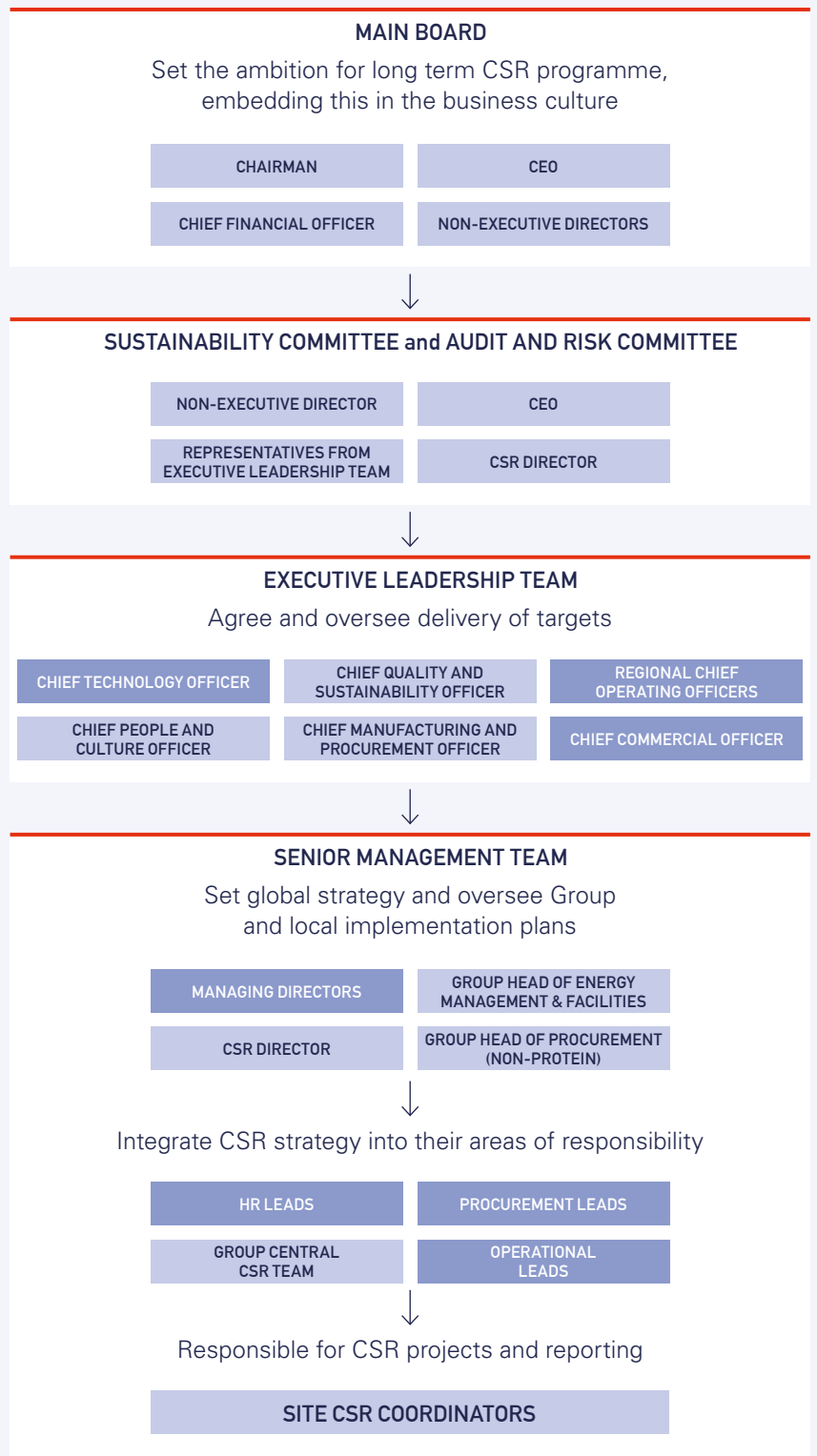
The Board ensures the ongoing success of the business, overseeing and engaging with both the Sustainability Committee and Executive Leadership Team on the direction and values of the company, including the integration of corporate social responsibility objectives. The Board is updated on sustainability objectives and strategy progress every six months.

The Sustainability Committee, chaired by Non-Executive Director Rebecca Shelley, oversees the delivery of our long-term corporate sustainability strategy and performance. The Committee approves formal reporting on corporate sustainability and provides integral support to the Senior Management Team, while evaluating both opportunities and risks alongside the Audit and Risk Committee in order to ensure a climate resilient business.

The Executive Leadership Team are updated monthly alongside the CEO on customer and corporate social responsibility targets and objectives.

The CSR team (led by the Chief Quality and Sustainability Officer and the CSR Director) coordinate our supply chain engagement and global reporting. The team acts as stewards over the sustainability strategy, assuming full responsibility for achieving targets and meeting reporting requirements.

## Who is responsible for CSR at Hilton



- Direct responsibility for CSR, including climate
- Shared responsibility

# Sustainability report

## Value chain influence

## How we work through the value chain

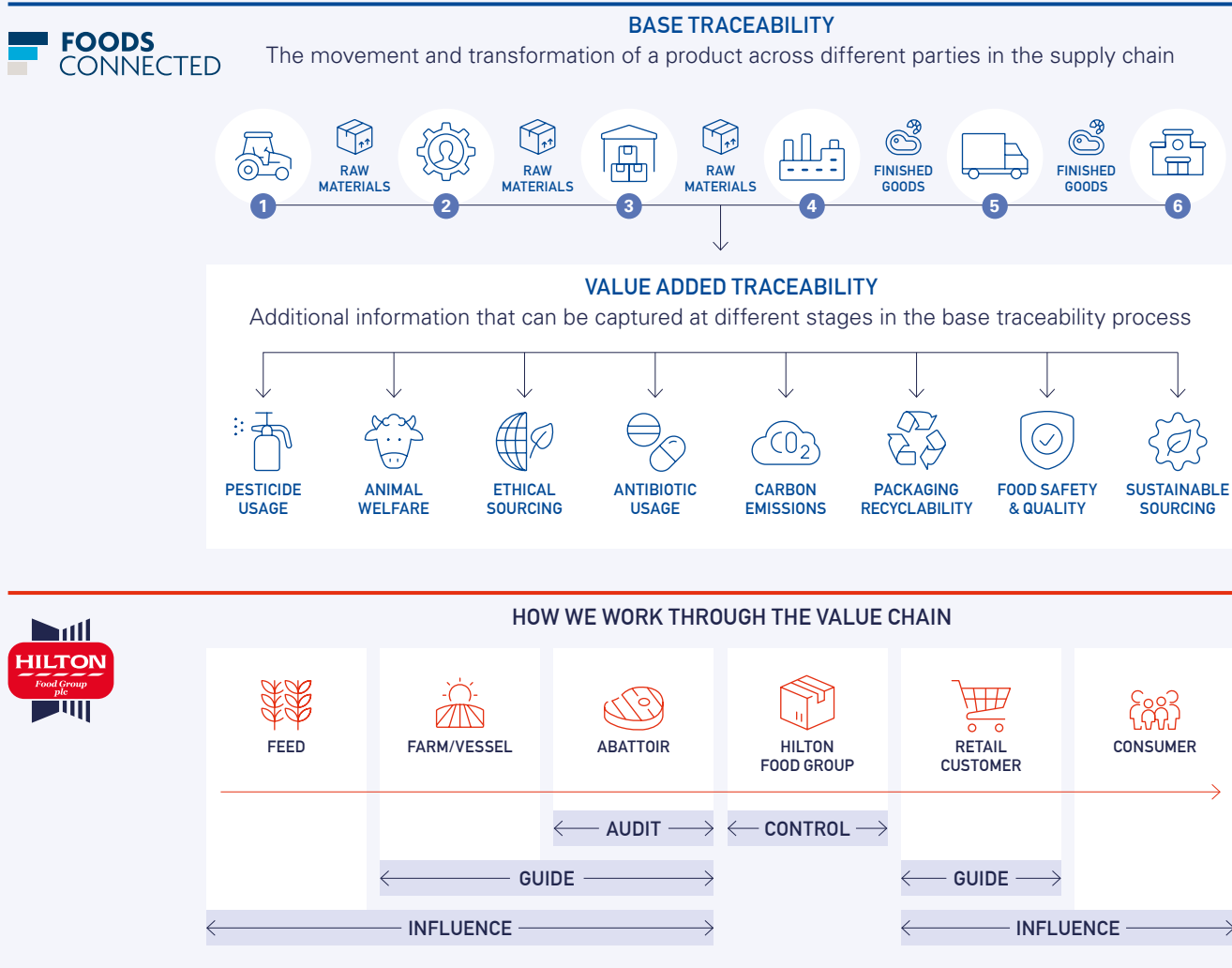
Hilton Foods engages the whole value chain to incentivise investment in step change improvements, which are economically sustainable at scale.

We do not own farms, fishing vessels or abattoirs, which gives us the freedom to work with the leaders in innovation and sustainability. The diagram shows how we guide and influence at each stage of the chain.

Foods Connected ensures we partner with suppliers that share our commitment to quality, safety, animal welfare, human rights and sustainability. The system helps us manage supplier performance and risk assessment to make sure we deliver our customer priorities.

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

## Hilton and Foods Connected – supply chain transparency



## Working with Foods Connected on transparency

We continue to work with Foods Connected to enhance transparency through digitisation of data capture within our facilities and throughout our supply chain. Some examples include rejection recording to allow comparison of supplier performance across our sites, customer complaints recording to report on trending issues, and group risk assessments which are completed by each site to inform audit scheduling based on risk. Having an aligned approach allows us to create powerful reports to manage performance, identify opportunities for continuous improvement and showcase best practice.

## A DIGITALLY CONNECTED FOOD SUPPLY CHAIN TO DELIVER TRANSPARENCY, SUSTAINABILITY AND EFFICIENCY

Hilton Foods continue to work with Foods Connected on an Innovate UK funded traceability project, to demonstrate how state-of-the-art technology can be implemented in a commercial environment to deliver a transparent supply chain where data is accurate and accessible in real-time.

Hilton Foods Huntingdon have conducted a current and future state analysis and completed a full digital gap analysis of product movement throughout the facility for a beef primal cut. This has allowed us to identify where Foods Connected and other existing systems can digitise data capture. Mapping and understanding our digital landscape is an important first step towards real time access and integration with the centralised traceability solution, Trace Connected.

Throughout this year we have refined our value propositions and used them to inform the key events and associated data that are required for a full and complete trace. These include but are not limited to, base traceability (product movement), alongside value-added traceability data, such as, product quality and inventory metrics, the scope of which can be broadened based on reporting needs.

Foods Connected have continued to design and build Trace Connected in line with our requirements, ensuring the solution is fit for purpose for the Food Industry, reducing risk, cost, waste, and ensuring product integrity throughout.

We are collaborating with one of our suppliers to capture data one step back in the supply chain to achieve interoperable traceability between multiple stakeholders and systems. Centralising traceability information end to end is both innovative, and a significant step change for the food industry.

Hilton Foods Huntingdon have completed a full analysis of product movement throughout the facility for a beef primal cut



# Sustainability report

## PEOPLE

At Hilton Foods we employ over 6,000 people, dedicated to serving our customers and the millions of consumers across 14 countries.

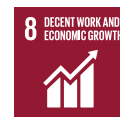
Our people are at the heart of our success and their health, safety and wellbeing is our first priority. We are an inclusive organisation built on respect, with equal opportunities for skills and career development. We work together to keep our business resilient for the future, bringing the diversity, creativity and entrepreneurial skills of our people to the fore.

It is essential that every person in our supply chains is treated fairly and rewarded appropriately for their work, whether on farm or fishing vessel, abattoir or distribution centre. Protecting human rights is about building a fairer society and food system for all.

### Alignment with the UN SDGs



**5.5** Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life



**8.8** Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment



## Valuing our people

Being a fair, safe and inclusive employer by engaging and empowering our people and supporting our local communities

### 2025 Targets

- Reduce Lost Time Incidents (LTIs) by 10% against a 2020 baseline across Hilton Foods.
- Establish a Global Wellbeing Framework to support employee wellbeing, inspiring our employees to make informed decisions about their mental, physical and financial health.
- 30% of our leadership roles filled by women.
- A commitment to equal opportunity and development for all within Hilton Foods.
- Promote growth of our Women's Network, aimed at providing support, development and action to those who identify as women within Hilton Foods.
- Employee consultative forums or works councils operational at all Hilton Foods sites.

## Respecting human rights

Safeguarding the welfare and just treatment of all workers and communities engaged with our business and supply chains

### 2025 Targets

- Have a functioning governance structure in place which addresses human rights risks and opportunities.
- Train all Hilton Foods employees on human rights.
- Modern slavery awareness training extended to managerial colleagues.
- Development and roll-out of core HFG Agency Labour Standards.
- 100% of labour and service providers audited to HFG Agency Labour Standard.
- 100% of primary suppliers agreed to HFG Supplier Social Code of Conduct.
- 100% of new primary suppliers screened using social criteria.
- 100% of high risk primary suppliers audited.

## Developing potential

Growing and developing our people to be the best they can be, ensuring our business is ready for the future

### 2025 Targets

- All production colleagues will be offered the opportunity to participate in 'work conversations' with their manager to discuss performance, development career aspirations, wellbeing and sharing ideas and feedback.
- Provide development opportunities for all management talent that has been identified as ready for succession through the annual review of leadership capability and succession. By end of 2025, there will be have been 150 through the programmes.

### Valuing our people

Being a fair, safe and inclusive employer by engaging and empowering our people while supporting our local communities

#### 2025 Strategic Goals

Continue to put the health, safety, and wellbeing of our employees at the heart of what we do

Driving a more inclusive and diverse workforce, where all have an opportunity to thrive

Engaging and empowering our people

**Our people are at the core of how we do business and they bring our culture to life within our factories, offices and communities.**

Health, safety and wellbeing is the cornerstone of our strategy, facilitated through good leadership, safe behaviour and the continuous improvement of our Global Safety Framework. 92% of our employees reported that they understand how to apply our health and safety rules in their day-to-day work. This is evidence of our strong health and safety management system.

We're working towards an ambitious future, one we want to build together with all our employees. Creating spaces where our employees can speak freely about contributing to that future and how to participate in it is vital.

We are driving an even more inclusive and diverse business through our people strategy. We believe that no one should miss out on opportunities because of their age, gender, race, social background, sexual orientation, belief, political opinion, trade union membership, disability, family responsibility (i.e. pregnancy), mental health, sensitive medical condition or any other characteristic that forms part of who they are.

In 2021, we asked our employees whether 'I feel I can be myself at work' resonated with them. 74% of our employees responded that they were able to be themselves at Hilton. This is the first time we have included a diversity and inclusion metric in our annual engagement survey, and we will use this as a way of understanding the impacts of our Inclusion and Diversity activities going forward.

#### Highlights:

- In 2021, we successfully ran a Health and Safety Awareness week across all our European sites. Our employees found creative ways to bring our health and safety culture to life, from videos, to quizzes and posters. It's important to us that everyone has an opportunity to engage positively.

- We have stepped up our focus on mental health and wellbeing. A number of our factories now have 'mental health first aiders.' The pandemic has had a profound impact on all our lives, it's important to us as a business that we look after our employees holistically.
- Many of our sites supported our employees to have their Covid-19 and flu vaccinations whilst at work. It's important to us that we make it as easy as possible for our employees to stay safe.
- Supporting our communities is a valuable part of who we are. Many of our sites have worked to fundraise for causes important to them: from Make a Wish Foundation to Parkinson's and East Anglia Children's Hospices.
- We achieved an increase in the response rate to our annual engagement survey, rising to 77% of our global business. The first step to inclusion is to listen to our people to understand how we can improve.

# 30%

By 2025, 30% of our leadership roles will be filled by women

At Hilton Foods we are passionate about supporting women and those who identify as women in their careers. Improving our gender balance is critical to us, that is why we are setting a target on women in leadership for the first time. We want to take action on progressing the careers of women within Hilton, that is why 30% of our leadership roles will be filled by women by 2025. In this context, a 'leadership role' will mean any job roles at functional lead or senior specialist level.

We will continue to be a sponsor of Meat Business Women, finding innovative ways to achieve better female representation within senior management.

## Looking forward

In 2022, we will establish a Global Wellbeing Framework to further support employee wellbeing, inspiring our employees to make informed decisions about their mental, physical and financial health. This will allow our sites to address the wellbeing needs that matter to their employees: from morning workouts in Denmark to our Your Voice and Wellbeing Committee in Ireland.

We've made a commitment to equal opportunity and development for all within Hilton Foods. In APAC we have established a Learning Management system to support our employees' development and we will build further on this in 2022 and beyond.



## WOMEN'S NETWORK 2021 LAUNCH

Last year we launched our Women's Network, aimed at providing support, development and action to those who identify as women at Hilton Foods. Over 100 colleagues from across our global business have already joined the network.

Achieving gender equality and promoting the value of careers in food production for women goes beyond targets to addressing systemic issues. We have thought critically about how to engage those in our workforce that identify as women and have created space for networking and skills development.

We plan to run four global virtual development events per year open to all, focusing on topics raised by individuals participating in our forum. The development of this forum has been informed by colleagues across our Group, it is important to us that we are led by what is important to our employees and how we work is shaped by them.



Diverse and inclusive teams are key to delivering our ambitious growth plans. It is essential that we do all that we can to demonstrate the opportunities for diverse talent that exists within our business."

**JACKIE LANHAM**  
CHIEF PEOPLE AND CULTURE OFFICER



### Respecting human rights

Safeguarding the welfare and just treatment of all people and communities engaged with our business and supply chains

#### 2025 Strategic Goals

Assess and address human rights impacts across our business activities

Extend our modern slavery strategy and awareness training to colleagues to all Hilton Foods sites

Improving access to grievance procedures across Hilton Foods

Establishing future-ready standards for agency and service staff on our sites

Hold robust due diligence on our primary (protein, ingredients and indirect) suppliers

The global food system is a complex web of activities, ranging from agricultural cultivation, production and processing to transport and consumption, upon which many livelihoods depend.

We have a responsibility to protect the internationally recognised human rights of workers both within our business and our global supply chains. This includes their labour rights; for example access to effective grievance procedures, worker representation, and a safe working environment. Building strong ethical standards to embed respect for human rights across our value chain is an essential step toward a fairer food system.

As we better understand the profound impact of Covid-19 and the tremendous shift in our society that will be required to reach Net Zero, it is essential that we work to make this a 'just transition'.

At Hilton Foods we see business done well as a vital element of ensuring a just transition: creating good jobs and opportunities for people and communities across our value chain. We have both an opportunity and a responsibility to provide a better future for all.

In 2021, we made a renewed commitment to the implementation of the United Nations Guiding Principles on Business and Human Rights (UNGPs) through the publication of our Human Rights Policy and Supply Chain Social Responsibility Policy. This sets our commitments to all workers engaged across our own operations and value chain. This includes all agency, temporary or migrant workers. The purpose of these policies is to embed respect for labour rights and improve working conditions throughout our business and supply chain.

#### Highlights:

– Alongside our new policies, our human rights strategy has been refreshed and endorsed by senior management within Hilton Foods. We plan to accelerate the work we're doing on human rights to 2025, by extending its scope and enhancing our commitments.

- We have created a new Supplier Ethical Approval & Risk Assessment process which is housed on our supplier management system, Foods Connected. We piloted this system in 2021, and will launch across our business in 2022. In addition, we have developed a new Supplier Social Code of Conduct, which sets out the behaviours and standards we expect from our suppliers. This Code of Conduct will launch in 2022.
- In 2021, we extended our in-house modern slavery and human rights standards training to our Group auditors. We see the value in empowering those working with our suppliers most frequently with the tools to speak up when they see something amiss.
- We have continued to support the outcomes of the independent Human Rights Impact Assessment, in collaboration with Tesco and local supply chain partners in our Vietnamese prawn supply chain. We are committed to understanding the impacts of our business activities on rights-holders, and working to address and enhance livelihoods.

## Advocacy for a better future

The European Commission's legislative proposal on Sustainable Corporate Governance will be published in early 2022, which is anticipated to deliver mandatory human rights and environmental due diligence expectations for businesses operating in the EU. It is vitally important that similar legislation is implemented in the UK; this is not only to ensure a 'level playing field', but a reflection of high human rights and environmental standards within the UK, and appropriate access to justice for victims.

To this end, we signed a letter advocating for the introduction of this legislation in the UK, alongside a number of our investors and customers.

## COLLABORATION AND GOVERNANCE

At Hilton Foods we recognise the importance of collective action to deliver a future ready food system. We work with a number of third parties, including NGOs to deliver this change; working to address both our own impact and wider industry issues that impact our suppliers. This collaborative work enables us to safeguard labour rights and improve working conditions.

We are a founding member of the Seafood Ethics Action Alliance (SEAA), a pre-competitive collaboration platform that works to ensure human rights in wild-capture fish supply chains are respected. We sit on the steering group of the SEAA, and have participated in the development of a risk assessment tool in 2021, with the purpose of enabling businesses to identify potential human rights risks in their supply chains (based on an agreed set of indices and criteria).

The Food Network for Ethical Trade (FNET), in which we actively participate, provides valuable due diligence and horizon-scanning for our risk assessment processes. In 2021, we participated in their Recruitment Fees Working Group, we are using these learnings to enhance our own internal procedures.

In 2021, we have held governance roles within Global Seafood Assurances, working to improve working conditions on vessels through the creation of robust health and safety and employment standards through the Responsible Fishing Vessel Scheme.

Hilton Foods supports the work of Stronger Together, a leading initiative working to provide practical solutions to business in the eradication of modern slavery and hidden exploitation. We use their training across our UK businesses, and spoke at an Australian webinar supporting their work in APAC.



# Sustainability report

## PEOPLE

### Developing potential

Growing and developing our people to be the best they can be, ensuring our business is ready for the future

#### 2025 Strategic Goals

Enhance learning and development opportunities for our employees

**We're committed to building a sustainable future together, ensuring all our employees have the opportunity to thrive.**

The culture of our business is derived from our people, that's why we are committed to developing them. The innovation, resourcefulness and dedication of our employees is what makes Hilton a great place to work.

Ensuring our business is fit for the future means we have to create a visible framework for our employees to access and understand their career and training opportunities.

This is about creating value for every employee who works with us.

As part of our capability and succession review in 2021, we worked to identify and grow talent to fill future leadership and business-critical positions. Our vision for a business ready for the future means working with our employees to identify their strengths, and making our business resilient with a strong talent pipeline.

Nurturing internal talent is important to us, that's why we run our Accelerated Development Programmes. We want to ensure everyone knows they have a place at Hilton, and support is at hand for them to become the best they can be.

In 2021, we were proud to launch our Emerging Leaders Programme, developing participants to lead and to implement change. We want to grow our future leaders to be self-aware and empathetic leaders, who are able to work across cultures and deliver our growth strategy.

#### Highlights

- In 2021, our employees accessed a total of 8444 training hours.
  - We are passionate about the unique perspectives and skills our employees bring to the table. That's why in 2021 we created reverse mentoring relationships between our executive leadership team and our shop floor employees. We hope this will encourage even better cross-pollination of ideas within our business, and ensure all levels of leadership understand what matters to employees.
  - We've extended the number of employees receiving individual performance appraisals. We focus on holistic conversations from objectives to work responsibilities and from development plans to career aspirations. We believe we engage best with our employees by working transparently with them.
  - We know the value of training for our employees and our customers. Along with upskilling, training offers important opportunities to enhance employee satisfaction, improve our internal processes and retain valuable employees.
- Our factories have conducted training covering:
- Lean Manufacturing
  - Food Safety and Allergens
  - Chemical Handling
  - First Aid
  - Electrical Safety
  - Manufacturer Training for Equipment
  - Manual Handling Training
  - Personal Development Review Training
  - Apprenticeships Across Functions
  - Modern Slavery and Human Rights



## Looking forward

At Hilton Foods, we want everyone to have an opportunity to have their achievements recognised and the chance to discuss their ambitions and job progression.

This is why we're launching 'workplace conversations' across our business. This new initiative will give every Hilton Foods employee the chance to discuss their experience at work, development and future ambitions at least twice a year. This forms part of our 2025 Sustainable Protein Plan.

Having quality conversations is a vital element of maintaining and improving employee engagement and to achieve this for our hourly paid colleagues, the approach is intentionally informal and positively focused, coming from a belief in respect and inclusion. It gives the opportunity for a straightforward conversation carried out with a genuine interest and intent and focused on what matters to our colleagues.

## An update on our Accelerated Development Programmes

Last year we announced the extension of our Accelerated Development Programme to Emerging Leaders. Despite the challenges of Covid we successfully took 18 participants from seven of our businesses on a five-month leadership development journey. They worked on live Corporate Social Responsibility projects of critical significance to Hilton Foods. We are passionate about our developing leaders building powerful futures with us.

# 18

participants in our leadership  
development programme

### CAREERS AT HILTON FOOD GROUP

The Emerging Leaders programme gave me the headspace to really think about what I wanted from my career within HFG, the perspectives of different colleagues across Europe, and the opportunity to understand new areas of our business was invaluable.

The cross-functional working enabled by the Emerging Leaders programme through project teams was brilliant, giving me an opportunity to take myself out of my comfort zone, build my network within the business, and work with colleagues I wouldn't normally work with on an unfamiliar topic. This brought lots of interesting shared learnings and broaden my knowledge within a new field.



The course helped me to see the different opportunities available across the Group. It feels like a creative way of approaching personal development."

COMMERCIAL MANAGER

### CAREERS AT HILTON FOOD GROUP

The Emerging Leaders programme was a great opportunity to get myself out of my comfort zone. This allowed me to enhance my skills and improve how I addressed and coped with more complex situations.



Hilton Food Group is being increasingly diversified, competitive, agile and technologically advanced and, more than ever, I feel ready for the challenge!"

GROUP PROCESS IMPROVEMENT LEADER

# Sustainability report

## PLANET

We believe we have a responsibility as a business to play our part in ensuring we move towards a food system that is operating within planetary boundaries. For this reason we have committed to being a net zero business by 2050. We recognise that this is a major undertaking for our supply chain and have committed to Science Based Targets to demonstrate our progress on this journey.

To reach our ambitious targets we have put in place robust decarbonisation plans for our own operations. Hilton Foods is rolling out tailored reduction and improvement plans on all sites, using low carbon technology for heat recovery and efficiency.

We have also built decarbonisation plans for our supply chains working in collaboration with our suppliers, retail partners and key industry stakeholders.

### Alignment with the UN SDGs



**2.4** By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems



**14.4** By 2020, effectively regulate harvesting and end overfishing, illegal, unreported and unregulated fishing and destructive fishing practices and implement science-based management plans



**15.2** By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally



## Reducing emissions

Going further than addressing our footprint by achieving Net Negative emissions across our sites and value chains

### 2025 Targets

- 100% renewable electricity across all our own operations in Europe by end of 2025 and globally by 2027.
- Achieve our Science Based Targets across scope 1, 2 and 3 and publish updated ambitions.
- An intensity reduction of 15% in emissions of cattle in Europe by 2025, aligned to the ERBS Sustainability objectives.

## Enhancing animal wellbeing

Driving standards and innovation in the care of animals that enhances their lives and reduces antibiotic use

### 2025 Targets

- To achieve more than 90% of livestock from farms in assurance schemes and engage in their development.
- 100% humane slaughter of animals across all our products including aquaculture.
- Ensure responsible antibiotic use throughout our supply chain.

## Nature positive

Collaborating to improve our stewardship of land and sea, promoting biodiversity, addressing deforestation, and protecting water and soils

### 2025 Targets

- Enable farmers to reduce their emissions and improve biodiversity, to promote more regenerative farming, by providing planning and reporting tools.
- 100% of seafood responsibly sourced to HFG standards (aligned to the Sustainable Seafood Coalition code and PAS 1550), actively engaging in fishery improvement projects and aquaculture standards development, and openly reporting our supply chains and their status in the Ocean Disclosure Program.
- Hilton Seafood UK directly sourced wild caught seafood 100% certified to the MSC standard or equivalent by 2025.
- We have signed up to the UK Courtauld Commitment 2030 Water Ambition to improve the quality and availability of water at catchment scale.
- Eliminate deforestation from the conversion of natural forests to agriculture or livestock production in our supply chains.
- Promoting novel proteins and oils in aquaculture feed to enable sustainable growth.
- Maintain 100% of paper and board from certified sources.

## Reduce emissions

Going further than addressing our footprint by achieving net negative emissions across our sites and value chains

### 2025 Strategic Goals

Achieve net negative emissions across our value chain to limit the impacts of climate change

With 30% of global emissions coming from the food system and the impacts of climate change becoming more acute, we are working to make this complex topic actionable across our supply chain on our journey to net negative emissions.

The first stage of this journey is building the measurement infrastructure to understand our emissions in more detail and monitor improvements. We are building an internal lifecycle assessment team and are working with Foods Connected to build tools that establish an ongoing reporting dialogue with our supply chain partners.

By building a toolset which gives a transparent view of our full value chain, we can target our resources where they will have the greatest impact and provide consumers with the clear evidence they need to make informed choices.

We are actively working with industry associations, suppliers and government to accelerate emission reductions. We recognise that the land sector has a unique opportunity in mitigating climate change. As custodians of the land, our supply chain has the capacity to sequester carbon, offsetting residual emissions from other sectors and providing long-term revenue streams.

### Highlights

- The Science Based Target initiative approved our targets to reduce absolute scope 1 and 2 GHG emissions 25% by 2030 from a 2020 base year and reduce our absolute scope 3 GHG emissions from purchased agricultural products 12.3% within the same timeframe.
- We signed up to the UN Race to Zero, announcing our commitment to achieve net zero emissions globally before 2050.
- We have brought in a dedicated LCA specialist to improve our carbon accounting infrastructure and develop our decarbonisation strategy. This has begun with work to re-baseline our scope 3 emissions in anticipation of setting more ambitious targets in 2022.
- We have solidified our commitment to lower carbon proteins by taking full ownership of vegetarian and vegan protein producer, Dalco Foods.
- We are building tools to allow us to integrate consideration of carbon emissions into new product development.
- We have reduced business travel emissions by 84% compared to 2019 by making teleconferencing the primary business technology.
- We have partnered with WRAP in the development of their Scope 3 Guidance for the Food Sector and with the UNGC in the development of guidance for seafood.
- We have worked through UK CSP to deliver common industry KPIs to enable farmers to implement reductions at farm level.

## TARGETING OUR DECARBONISATION ACTIVITIES

As part of our commitment to embedding lifecycle assessment within our business and the growing importance of environmental topics more broadly, we have expanded our team to include an experienced LCA practitioner.

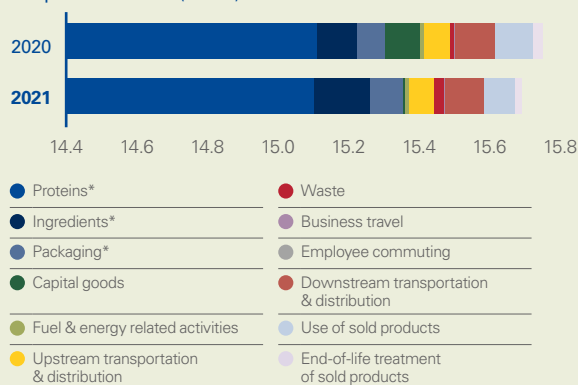
They have conducted a detailed assessment of our full business carbon footprint across our agricultural and industrial supply chains, improving upon our previous indicative methodology based on financial spend data to use physical entities.

This updated methodology estimates our total global carbon footprint at 15.5 million tonnes CO<sub>2</sub>e with 80% of that coming from the beef we pack.

This work is allowing us to better target our decarbonisation activities where they have the greatest impact, accurately assess reductions and set more ambitious targets with confidence.

For example, whilst it is small overall, we found that 90% of emissions from upstream and downstream transport occur in Australia, so improving logistics in that region will be a priority for 2022.

Scope 3 Emissions (tCO<sub>2</sub>e)



\* Purchased goods and services.

## ENVIRONMENTAL IMPACT IN VIETNAM

Environmental assessment of aquatic supply chains is often made challenging by a lack of transparent geographic or system specific data. This can make it difficult to target resources to the elements of the supply chain where they can have the greatest impact.

This is the case with many agricultural systems, due to the challenges associated with monitoring biogenic systems which are not present in most industrial systems.

Working with Tesco, IDH and Blonk, we have begun a project to build a better picture of the environmental impact of our Vietnamese aquaculture supply chain.

This project is focused on climate change, eutrophication and water consumption down to the level of the farm in Basa (Pangasius) and both intensive and extensive prawn systems, including the feed and hatcheries.

The learnings will be presented at the Seafood Expo Global in Barcelona in April 2022, enhancing capability across the industry.



## Enhancing animal wellbeing

Driving standards and innovation in the care of animals that enhances their lives and reduces antibiotic use

### 2025 Strategic Goals

Further animal welfare throughout our supply chains by raising the baseline and increasing the percentage of animals that are reared to a higher welfare standard

At Hilton Foods, animal welfare is important to us, our retail partners and their consumers. The science and understanding of animal welfare is continually improving, and we work to adopt new innovations to improve the lives of animals. Society is demanding more transparency and stakeholders such as NGOs, investors and consumers increasingly have a heightened interest in the provision of animal welfare. We actively promote and engage in standards development to deliver transparency and address welfare improvements in our supply chains.

We have increased the transparency of the animal welfare standards within our supply chains. This year we revised our animal welfare policy and issued our animal welfare statement which can be found on our website and will be updated annually. Our animal welfare statement details our approach and implementation of animal welfare; it includes our eight animal health and welfare objectives and our progress against them. We are also increasing our contribution to industry working groups to improve the lives of animals in our supply chain and the markets we operate in.

Alongside our focus on the sustainability of our products, we will ensure there is no compromise in animal welfare. We will do this by driving standards and innovation in the care of animals that enhances their lives and reduces antibiotic use.

As part of our annual audit of suppliers all our supplying abattoirs are audited for animal welfare. We have developed a further standard that gives our customers the option of a more in depth animal welfare standard at audit.

### Highlights

- Hilton Seafood received the award for Innovation in Animal Welfare in 2021 by Compassion in World Farming for progressing humane stunning in warm water prawns by adopting the worlds first commercial use of an electrical stunner.
- We achieved tier 3 in the Business Benchmark in Farm Animal Welfare, demonstrating that we have an established approach to farm animal welfare.



- We are involved in a number of industry working groups to influence the progression of animal welfare including the European Roundtable on Sustainable Beef and Global GAP standards committee.
- We were on the development group for the animal welfare goals for the Global Roundtable on Sustainable Beef.
- We supported the Hilton Foods auditors through providing internal and external training in animal welfare assessments, both to upskill their general knowledge and audit specific training on this topic.
- Our Aquaculture & Fisheries Manager is Co-Chair of Global GAP Aquaculture Committee, which we have been part of since its inception.

## AWARD-WINNING ELECTRIC STUNNER INNOVATION



The sentience of crustaceans is often overlooked and in the absence of any legislation or standards, this electric stunner for shrimp, pioneered by Hilton Seafood, has the potential to benefit billions of animals if adopted more widely across the industry.”

**TRACEY JONES**  
DIRECTOR OF FOOD BUSINESS,  
COMPASSION IN WORLD FARMING

Hilton Foods seek to ensure that all animals and farmed fish are effectively stunned prior to slaughter. All animals in all markets are routinely stunned prior to slaughter across the group.

Hilton Seafoods has made significant progress working with our suppliers to drive improved standards of humane slaughter.

A good example of this was a project that has helped to step change the humane slaughter of warm water prawns using a technology we previously introduced for stunning seabass and seabream in Turkey. This was a two-year project which resulted in the first commercial trial and the adoption of an electric stunner in warm water prawns (P. Vannamei). The electric stunner for finfish had to be modified to fit prawn production, and the stunner had to be fitted on a moving platform to allow the transfer of the stunner to the many ponds in a farm.

The evaluation concluded that the use of the stunner presented several benefits including:

- Faster method to render prawns unconscious and insensible to pain than the widely used ice slurry
- Reduced handling
- Better consistency of stun delivery
- Greater efficiency and reduction in labour during the harvest process
- Not detrimental to product quality

This work has been recognised by Compassion in World Farming when Hilton Seafood was awarded its award for Innovation in Animal Welfare in 2021.

Our Fisheries, Aquaculture and Supply Chain Manager presented this project at the Animal Welfare Research Network to share the learnings with the scientific community who may be able to adapt the technology to meet the needs of other species.



## Nature positive

Collaborating to improve our stewardship of land and sea; promoting biodiversity; addressing deforestation; and protecting water and soils

### 2025 Strategic Goals

Enhance biodiversity on land

Enhance aquatic biodiversity

We understand that we have to enhance the resilience of our planet to not just halt nature loss but reverse it. We need to take action now to reduce and remove the drivers that lead to the degradation of nature across our global supply chains. We will do this by: collaborating to improve our stewardship of land and sea; promoting biodiversity; addressing deforestation; and protecting water and soils.

We will enhance biodiversity on land by:

- Eliminating deforestation in our supply chains.
- Maintaining 100% of paper and board sourcing from certified sources.
- Enabling farmers to reduce their emissions and improve biodiversity by providing planning and reporting tools.

We will enhance aquatic biodiversity by:

- Ensuring 100% of seafood is responsibly sourced to Hilton Foods standards which are aligned to the Sustainable Seafood Coalition code and PAS 1550.
- Hilton Seafoods UK directly sourced wild caught seafood 100% certified to the MSC standard or equivalent by 2025.
- We will continue to engage in fishery improvement and aquaculture standards.
- We will continue to report our progress in the Ocean Disclosure Program.
- Promoting novel proteins and oils in aquaculture feed to enable sustainable growth.
- We have committed in the UK to the Courtauld 2030 Water Ambition to improve water catchments.

### Highlights

- We are signatories of the UK Soy Manifesto.
- We are founder members of the Soy Transparency Coalition and sponsored the first trader benchmarking report in 2021.
- Building on the success of the 2020 deforestation cut-off date set by the soy protein concentrate traders in Brazil for use in salmon.
- Focusing on beef, we have aligned a UK cattle industry soy plan in UK Cattle Sustainability Platform.
- We have achieved that 98% of our UK direct supply of wild caught fish is certified to the MSC Standard.
- We fund and actively participate in Project UK Fishery Improvement Projects (FIPs) to bring the remainder into certification.

## INFLUENCING AND RESPONDING TO LEGISLATION ON DEFORESTATION

We supported the successful advocacy for UK and European regulations to require traders of forest risk commodities to apply deforestation due diligence.

We are now actively working to support Defra with the design of the new UK regulation and to support Bord Bia to align the soy supply into Ireland with both the forthcoming UK and European requirements.



Trees and forests are true allies in the fight against the climate and biodiversity crises. Trees purify our air, cool our cities, and take up CO<sub>2</sub>. We need to be their allies too. Our deforestation regulation answers citizens' calls to minimize the European contribution to deforestation and to promote sustainable consumption.”

FRANS TIMMERMANS  
EXECUTIVE VICE-PRESIDENT  
FOR THE EUROPEAN GREEN DEAL



## COLLABORATING FOR CHANGE

We are signatories of the UK Soy Manifesto which is a collective industry commitment to ensure that all of the soy imported to the UK or used in feed for animals is from farms that are deforestation and conversion free by 2025.

Through this we are committed to:

- Collectively verifying that the supplying farms used by the traders are free from deforestation and conversion with a cut-off date of January 2020
- Ask direct suppliers to adopt and cascade the same commitment
- Build this requirement into contractual requirements through the supply chains
- Publicly disclose progress
- Support harmonised monitoring, verification and reporting



# Sustainability report

## PRODUCT

Each year we provide an estimated 150 million people access to high quality nutrition and we are committed to continuing to help each of them make better choices; better for their health, better for people and better for the environment.

Last year we processed 492,588 tonnes of protein, using 29,036 tonnes of packaging, 957,084,000 litres of water and 196,086,756 kWh of energy. The 2025 Sustainable Protein Plan will guarantee we can continue to provide access to nutritious, high quality products while ensuring we are good stewards of the Earth's resources.

### Alignment with the UN SDGs



**7.2** By 2030, increase substantially the share of renewable energy in the global energy mix



**12.3** By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses

**12.5** By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse



## Balanced healthy diets

Efficient regenerative food systems producing more accessible and nutritious proteins

### 2025 Targets

- Doubling in sales of plant based, vegetarian and flexitarian (vegetables added to products that were previously 100% meat or fish) products compared to a 2020 baseline
- Assess health and sustainability attributes of all of our proteins to provide consumers with the facts on their role in a diet that is healthy for us and the planet

## Circular packaging

Developing a circular economy for packaging and actively bringing waste materials back into use across our full value chain

### 2025 Targets

- Reduce direct packaging waste by 30% compared to a 2020 baseline
- Drive demand for circular tray-to-tray recycling and actively prioritise the use of circular material
- All our retail packaging will be fully reusable, recyclable or compostable
- Achieve a minimum of 50% average recycled content across all plastic packaging
- Reduce the weight of our plastic packaging while ensuring it remains fit for purpose

## Resource efficiency

Optimising food waste and use of packaging, energy and water across sites, supply chains, and in consumers' homes

### 2025 Targets

- Improve energy efficiency in our facilities by at least 10% compared to a 2018 baseline
- Improve water efficiency in our facilities by at least 10% compared to a 2018 baseline
- Halve our factory generated food waste by 2030 compared to 2019 in line with the Champions 12.3 commitment to deliver UN SDG 12.3

## Balanced healthy diets

Efficient regenerative food systems producing more accessible and nutritious proteins

### 2025 Strategic Goals

Enable consumers to make choices that are healthier for themselves and the planet

Increase the health scores of our current products and prioritise health in new product development

At Hilton we believe we have a responsibility to make it easier for consumers to identify the most healthy and sustainable option to enable them to make better choices. We want to help consumers make ethical and sustainable choices for both their health and the health of the planet.

Through our principle approach of consumer-led and customer-focussed, insight has shown that health and sustainability aspirations are becoming of increasing importance to consumers.

We are using innovation to provide consumers with healthy food choices in line with dietary recommendations. We promote healthy choices and provide ranges of affordable products with lower fat and salt content to help people to reduce these in their diets.

We continued to build our science-based knowledge on the positive role of each of the proteins we produce in a balanced diet, to inform our product development.

### Highlights

- We invited Professor Alice Stanton to meet with senior colleagues across our businesses to both upskill and enable us to have practical conversations on how we can ensure consumers have access to the correct information and enable them to make better choices. Professor Stanton also gave us the tools to be able to better interpret the science enabling us to have more educated conversations with our retail partners.
- Our blended meat and vegetable range in the UK has been redeveloped to achieve a new improved health score. This makes it easier for consumers to increase the amount of vegetables that they eat allowing them to make healthier meal choices. This has been achieved by using cuts of beef with more lean muscle and less fat.
- Reducing sugar and salt has been a focus area for our developers over the last 12 months. Proactively improving the nutritional value of our products. Practical examples of this have been; reducing the salt content of the Tesco Piri Piri Chicken Wings and within our Heat and Enjoy Garlic Prawns by introducing a new batter system.

## ENABLING CONSUMERS TO MAKE BETTER CHOICES

Working with Tesco we undertook a review of their meat and vegetable inclusion range, which was first launched in 2019.

Our consumer insight research told us that consumers found the meat and vegetable inclusion range helped them to make healthier choices, but that it was sometimes difficult to find in store and therefore could be more clearly communicated.

Taking learnings from the success of Plant Based in Tesco, the range was relaunched as a destination in store with both brands and own-label products to help build trust and appeal with customers.

Retaining familiar product formats has enabled consumers to make simple swaps within meals they already cook regularly at home.

The range has had strong appeal with families, and we have increasingly seen customers making repeat purchases of the products.

## DEVELOPING AND UTILISING BETTER TOOLS

In partnership with Foods Connected we have built a tool for NPDP workflow. This is a critical manager workflow and this supports us in collaboration with our colleagues across all the functions.

Getting a product from a concept to launch involves teams across every function in our business.

Workflow gives everybody clear visibility of what they have to do and when they have to do it. Which gives clarity to our colleagues.

We're working to enable consumers to increase the amount of vegetables in their diet



## Circular packaging

Developing a circular economy for packaging and actively bringing waste materials back into use across our full value chain

### 2025 Strategic Goals

Eliminate as much of the plastic waste within our own operations as possible

Achieve our commitments in the Plastics Pacts globally to drive the circular recycling of our packaging and reduce our use of virgin plastic materials

Packaging is essential to ensuring our consumer receives safe, high quality products and preventing food waste throughout the value chain. We are committed to building a circular economy, working with our partners to reduce the impact packaging has on the environment. We are working to support the development of lower impact polymer grades, introducing new fibre packaging options, and accelerating the development of global recycling infrastructure through our use of recycled content.

As part of our journey to circularity, we are ensuring we embed the waste hierarchy in every product decision we make. Reducing the amount of packaging we use is our first priority, before exploring reusable solutions and then striving for the highest quality recycling route. This is implemented through a set of sustainable design principles, using systems-thinking to ensure we are providing the best packaging solution whilst considering any second life the product might have. These strategies ensure we are able to reduce the environmental impact of our packaging throughout the full product lifecycle.

### Highlights

- 76% of our meat trays are made from 100% recycled PET.
- We have reduced the weight of our mince packaging by 74% and the plastic content by 73% at Hilton Foods Holland by implementing flow wrap technology.
- We are maintaining leadership in natural fibre packaging by ensuring 100% of the paper and board we use comes from certified forests.

- We are a signatory to the UK Plastic Pact and the European Plastics Pact and a member of the Australian Packaging Covenant Organisation.
- We have continued our work to ensure all our packaging is reusable, recyclable or compostable.
- We have continued to transition our modified atmosphere packaging (MAP) from mixed PE/PET to mono-material PET.
- Our packaging contains an average of 57% recycled plastic.
- We continue to use our Carbon Trust packaging footprint and circularity assessment tools to make the right choices.
- We have removed 10 million pads from salmon fillets, and are now testing padless meat trays.
- We have reduced the thickness of our vacuum sealed trays by 25%, delivering an estimated annual reduction of 400 tonnes of plastic.

### Waste hierarchy



## JAZZ PROJECT REDUCES WASTE TO LANDFILL

We have rolled out the Jazz project across our UK meat and fish lines.

This novel technology converts difficult-to-recycle coloured plastics into food grade packaging, which is itself recyclable, creating a circular economy.

Using this technology we were able to divert 2,231 tonnes of plastic from landfill and incineration each year, equivalent to over 100 million individual items.

# 2,231

tonnes of plastic diverted  
from landfill and incineration  
each year



## FLOW WRAP TECHNOLOGY SAVES 200+ TONNES OF PLASTIC EACH YEAR

We have reduced the weight of our mince packaging by 70% at Hilton Foods Holland by transitioning from traditional trays to flow wrap technology.

This innovation will save over 200 tonnes of plastic each year with no reduction in the product's quality or shelf life.

This has also allowed us to print product information directly onto the pack, avoiding the production of 200,000 paper labels every week.

# 70%

reduction in the weight  
of our mince packaging



## Resource efficiency

Optimising food waste and use of packaging, energy and water across sites, supply chains and in consumers' homes

### 2025 Strategic Goals

Improve resource efficiency across our global operations

Reduce waste across our full value chain

Hilton recognises the Earth's resources are finite; and is committed to minimising the resources that we do use, and working to eliminate waste throughout our value chain.

Optimising our own operations will always remain our first priority, but we are also working with our value chain partners to ensure effective monitoring and reduction of waste through the whole food system.

- We are working with our retail partners to provide product choices to consumers that help them to reduce food waste, and the use of energy and water in their homes. As part of this we are ensuring we address our key water management risks, including: drought or extreme flood events in areas which supply both core proteins and non-protein ingredients. This is a fairly material risk which is primarily mitigated through our distributed supply strategy, which reduces our dependence on any specific geography.

- Disruption to water supplies in our facilities, most likely due to a pollution event or damaged infrastructure, is mitigated by most sites having onsite stores of water capable of lasting at least one day.
- Water pollution events from our sites are mitigated by grease traps on effluent pipes.

### Highlights

- In 2021 we generated 2,466,759kWh of solar electricity at our Heathwood and Huntingdon sites.
- We have continued our programme to transition our refrigeration systems away from fluorinated gases.
- We have implemented intelligent energy monitoring across all our global sites, allowing us to effectively manage energy use across our portfolio.
- At Hilton Foods Poland we have saved 25,727kWh by optimising our use of air compressors.
- At Hilton Foods Ireland we have saved in excess of 11,000 litres per day by shutting down one of the site's cooling towers during the cold winter months. This also allows us to implement more thorough, less disruptive maintenance, improving efficiency all year and extending the life of our assets.
- We have installed charging stations across our estate to help our employees transition to electric vehicles.
- We have saved 65,151kWh at our Polish site and 14,551 at our Irish site by upgrading all our lights to LEDs.
- We have saved 89,846kWh by optimising refrigeration at our Huntingdon plant.
- We have saved 103,617kWh by optimising our use of vacuum systems at Hilton Foods Ireland and a further 74,760kWh at our SoHi joint venture in Portugal.
- We have saved 110,000kWh per year by replacing our liquid nitrogen freezing tunnels at Hilton Foods Poland with a compressor cooling system.
- We have initiated a project to implement ISO 50001 across our global sites.

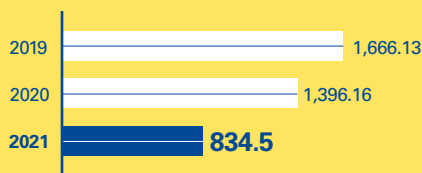
## WATER HEATING AUDIT CUTS GAS USE BY 50%

At Hilton Foods Ireland we have halved our gas use in the last two years by optimising our use of hot water.

We have implemented processes to ensure we only heat the water we need and reduced the amount we are using by auditing our cleaning processes, ensuring at all times we were not compromising hygiene.

Through this process we then changed the nozzles on the cleaning lances to halve the flow rate, changed the cleaning cycle to use cold water where it did not detrimentally affect hygiene and turned off the air handling units during cleaning to prevent overrun.

Overall the site has cut its annual consumption by 5.5 million litres of water and halved its gas use since 2019.



## EFFICIENCY FROM THE BOARDROOM TO THE SHOP FLOOR AT SOHI

From the boardroom to the shop floor, at our Portuguese Joint venture SoHi, we have implemented the principle that 'efficiency is everyone's job'.

Over the last year we have introduced a project to reduce our energy use during down time by turning off vacuum systems and other production equipment when they are not in use.

We have optimised our refrigeration systems by; changing temperature set points in different rooms, automating door operation, isolating temperatures between rooms, and switching compressors across the site to best match the load and reduce consumption.

This is an ongoing process that will continue in the coming years, we have already identified opportunities to optimise the compressed air system by eliminating losses and reducing the pressure.

By embedding a resource efficiency mindset across the site, we have already been able to implement over 400,000kWh of annual savings across the business.

# 400,000kWh

annual savings across the business  
due to resource efficiencies



# Sustainability report

## Food safety and quality



**All of our sites received the highest levels of third party and customer audit results in 2021.”**

### Food safety and quality

Hilton Foods is committed to working in an ethical, open and honest manner to produce products of the highest food safety and quality. This is underpinned by our Group Quality Policy which outlines our commitment across the Group to:

- Food safety, product quality, legality and integrity;
- The achievement of customer satisfaction by adherence to product specifications and service requirements;
- Adequate resources in the pursuit of continuous improvement for our products, processes and our people; and
- A programme to develop a food safety culture. Our commitment to food safety and quality combined with our first-class manufacturing facilities and our customer focus makes us the first choice for our retail partners.

Managerial responsibility and accountability for our product safety and quality policy sits with the Chief Quality & Sustainability Officer.

### Factory standards and quality systems

We are proud of our modern, specialised processing and packing facilities which use state-of-the-art production equipment, including a high degree of automation and the use of robotic equipment which minimises handling. We are also automating our quality checks and by doing so removing paper and reducing the risk of errors. This, combined with our high standards of hygiene and temperature controls, ensure we meet our customers' expectations for quality throughout each product's shelf life.

Our well-trained production operatives are responsible for the quality of our retail partners' products and they are supported by highly qualified and experienced quality assurance and technical teams at each site. We have developed our own HFG Factory Standards to ensure both our new and existing facilities are set up and operate to the highest standards. All our sites are audited against these standards by our group audit team. In addition each of our sites undergo independent third-party accreditation to a Global Food Safety Initiative (GFSI) recognised certification scheme.

Our retail customers make frequent visits to our sites, which in some cases includes unannounced audits and visits as part of their own surveillance. This level of attention is a valuable part of our partnership with our retail customers and gives consumers confidence that Hilton can consistently meet their expectations. All of our sites received the highest levels of third-party and customer audit results in 2021.

We maintain strong links with academia and technological advances, working alongside Campden BRI, Danish Meat Research Institute and Teagasc Ireland. We are also active members of a number of trade associations such as British Meat Processors Association, Food and Drink Federation and Seafish.

### Product standards and responsibility

The quality of the raw materials used in our products contributes significantly to the achievement of consistent finished product quality. We work closely with our suppliers to set clear specifications for the products they supply. Monitoring incoming raw material quality combined with close control of the processes we follow in our manufacturing operations ensures we are able to consistently meet the best in class specifications our retail partners set for our products.

Our product innovation capability is industry leading with local and regional centres of excellence for each of the food categories we produce. We have specialist teams at each of the sites and we share expertise in product and process development across the Group. Our creative team includes many qualified chefs who utilise the market insight teams and consumer focus groups to ensure our new product launches have a high degree of success.

Hilton's approach is to only use ingredients and additives where required to increase food safety and ensure product stability and quality. We comply with our customers' lists of prohibited additives, and actively reformulate where we can to remove artificial ingredients and unnecessary additives.

We are also supporting the reformulation of products to reduce the total salt and fat in food, and increase fibre in line with customer health targets and following FSA/EFSA guidance. Where possible we eliminate known allergens and clearly label them when present.

All of our sites have in-house testing facilities for raw material and finished products including organoleptic and physical assessment. We operate laboratory facilities in a number of our sites which carry out microbiological and chemical testing. These are operated by fully trained personnel and have appropriate local accreditation.

We have a comprehensive product recall policy and mechanism, that is verified by simulated tests, and is integrated into our wider business crisis management systems.



**Our product innovation capability is industry leading with local and regional centres of excellence for each of the food categories we produce.”**

# Supply chain integrity, environmental impact assessment and traceability



**We have developed our own supplier standards for each raw material group which clearly state the standards we expect our suppliers to operate to.”**

We partner with the best suppliers that share our commitment to quality, food safety, animal welfare and sustainability. We are committed to ensuring the integrity and traceability of the raw materials we use in our products, which includes the meat, fish, ingredients and packaging. We have developed our own supplier standards for each raw material group which clearly state the standards we expect our suppliers to operate to.

Audit frequency is determined by risk assessment which looks at a combination of raw material and supply chain threat and vulnerability, horizon scanning and supplier history. We have full traceability back to the farms and fishing vessels that supply the slaughter operations and primary processing factories in our supply chains.

Audits are carried out by our own team of qualified auditors or second party auditors against the Hilton Food Group Supplier standards. In addition, the majority of our suppliers are certified against GFSI benchmarked standards by independent audit bodies. For new suppliers our policy is to take from only GFSI certified suppliers. The current GFSI certification status of our supply chains is 93%. These audit processes have been in place for more than three fiscal years.

All UK Seafood is environmentally risk assessed in accordance with the Sustainable Seafood Coalition Codes which we helped develop as the first founding member. Currently over 98% of our wild capture volume is from certified fisheries and over 99% of our farmed fish and shellfish are from certified farms (ASC, GlobalGAP, or BAP).

All other fisheries are risk assessed against the most relevant data sources such as ICES stock assessments, Seafish RASS, Sustainable Fisheries Partnership Fish Sources, and Marine Conservation Society. We do not source from any high risk fisheries where there is no data available or there is proven poor fishery status, prevalence of illegal fishing, lack of management, or very high environmental impact.

We also buy directly from many fishing vessels that freeze their catch at sea giving us direct relationships with the major fishing quota owners.

We exercise due diligence in establishing the legal origin of seafood products and marine ingredients used in the feed for our farmed fish, and base our systems on the BSI PAS 1550 standard (for eliminating illegal unreported or unregulated fisheries) which we helped to develop. This includes audits of the feed producers and for the highest risk supply chains the fishmeal plants that supply them. Hilton Seafood has signed to support the Environmental Justice Foundation Charter for Transparency.

We hold Group Marine Stewardship Council certification for all of our manufacturing facilities that use fish, with annual compliance audits by the certification body. Hilton Seafood is founding, funding and active participants in multiple Fishery Improvement Projects to bring the remainder of our supply to certification or to develop new sources of supply. Hilton Seafood discloses all of our source species, fisheries and fish farming areas on the Ocean Disclosure Program website.

All farms, livestock facilities and slaughter facilities for farm animals, and >99% of farmed fish supplying Hilton Food Group UK, Ireland and Sweden, and the majority supplying to the other European and Australian markets are certified to independent farm assurance schemes. Where required assurance may be to higher welfare schemes or organic standards.

We have developed livestock farming and abattoir welfare standards in partnership with our retail customers. 100% of our livestock slaughter facilities are audited by a welfare qualified auditor, either to the Hilton Group Supplier Standard by our own team of welfare trained auditors, independently using a dedicated second party, or by auditors employed by our retail partners.

Hilton Seafood UK directly employs farmed fish welfare officers to audit all farmed fish slaughter facilities globally and the fish farms and hatcheries that supply them.

Our supplier approval process gives us full transparency on the safety, quality, traceability and provenance of the raw materials we use. This ensures our product labels correctly describe the provenance of the product, including its species and country of origin so that consumers can trust in the products we produce.

Our Seafood Standard includes additional requirements on fishery management, and environmental impact mitigation in fisheries and aquaculture.

Hilton actively review and engage in the sustainable development of our agriculture supply chains. We work alongside our suppliers to address the footprint of our supply chains including factories, abattoirs and farms, and we are building decarbonisation and water stewardship plans for each sector with our key suppliers. This includes addressing the GHG footprint of animal feed and other environmental risk areas.

We engage in the leadership of collaborative action to address the footprint of soy and cattle farming with the Soy Transparency Coalition, European Round Table in Beef Sustainability and UK Cattle Sustainability Platform. Our engagement is described in more detail in the Planet pillar.

Hilton additionally reviews welfare and environmental risks by using external data sources (for example lice counts, benthic scores and mortality in farmed salmon). For our aquaculture supply we are working with low stocking density farms where the environmental outputs are lower than standard with additional welfare benefits.

Hilton continually develops and refines testing methods, data collection and reporting. Samples collected from raw material deliveries are assessed for compliance to microbiological standards and agreed quality specifications. Results are used to assess the performance of suppliers and achieve continuous improvement. We conduct a wide range of authenticity testing to evaluate new supply chains and to monitor existing ones. The tests include speciation and screening for adulteration using chemical and DNA methodologies at accredited specialist laboratories. We are members of the Food Industry Intelligence Network where we compile industry-wide compliance statistics and share intelligence on suspected food fraud.

# Sustainability report

## Climate risk and impact report

Task Force on Climate-related Financial Disclosures



**We recognize that global warming is driving climate change and that governments, industry and wider society need to act together to mitigate the effects.”**

### Introduction

In 2020, we made our first TCFD disclosure that explained how our climate risk and opportunity assessments were being conducted, and how they fitted into our broader ESG strategy. This year we have made climate-related financial disclosures consistent with the TCFD's recommendations and recommended disclosures with the following exception:

- We have included details of our scenario analysis work in this report. However, Hilton is currently enhancing the number of scenarios it runs to ensure we further understand the financial impact of climate-related risk on the business. We plan to build more details into future disclosures.

We recognise that global warming is driving climate change and that governments, industry and wider society need to act together to mitigate the effects. We have identified potential risks and opportunities for our global food business and value chains and have explained the actions we are taking and plan to take in the future to mitigate the risks and maximise the opportunities.

### Governance

The governance structure is detailed in the diagram on page 35.

#### The Board's oversight of climate-related risks and opportunities

The Board, led by our Chair, Robert Watson, has ultimate responsibility for sustainability, provides rigorous challenge to management on progress against goals and targets, and ensures the Group maintains an effective risk management and internal control system, including over climate-related risks and opportunities.

The Board members also have a range of experience that is relevant to risk assessment and mitigation strategy including leading financial, supply chain, sustainability, and general governance roles within global retailers and their suppliers.

The Board convenes eight times a year and where appropriate climate-related issues form part of the Board agenda. The Board has oversight of the progress against our Sustainability strategy. The Board has full responsibility to ensure the effectiveness of the risk management systems in place, and undertakes an annual review of the principal risks that include climate change.

The Board delegates certain sustainability oversight matters to its principal committees who work in synergy with overlapping membership utilising and ensuring a broad reach of skills and expertise across the business.

#### Corporate Sustainability Committee

Climate-related issues are discussed within the Hilton Sustainability Committee, which includes the CEO as a member, and is chaired by a Non-Executive Director, Rebecca Shelley, who has relevant experience in ESG derived from four years leading Tesco's CSR strategy and delivery programme internationally, as well as establishing and running sustainability programmes for large financial services companies including Prudential. This Committee meets at least three times a year. The role of the Sustainability Committee is to review the strategy to address climate risks and opportunities, and to monitor progress in reducing our climate footprint and the footprint of our supply chains. The Committee Chair subsequently informs the Board of our strategy and progress.

#### Audit and Risk Committees

Climate-related risks and the mitigation strategies are also reviewed within the internal audit and risk management function and the Risk Management Committee. The purpose is to ensure that the risks are identified and appropriately monitored and reported to the Audit Committee which recommends the risk categorisation and agrees mitigation measures for final approval by the Board. This process provides assurance to the Board that climate-related risks are fully integrated into the risk management framework. Progress against the sustainability strategy is considered within the Audit Committee's review of the effectiveness of both the internal controls and risk management systems. This is the responsibility of the Sustainability team and enables the Board to receive assurance on the management and mitigations of our climate opportunities and risks.

The Risk Management Committee and the Audit Committee both meet four times a year. As climate change is one of our principal risks, it is reviewed and monitored at all Audit Committee meetings. A special focus workshop meeting on climate risks was held where the two committees worked together to holistically consider risk.

#### Managements role in assessing and managing climate-related risks and opportunities

Our Chief Executive, Philip Heffer has overall responsibility for climate change, and environmental matters. As part of our commitment to sustainability, he leads our positive response to addressing climate risk and opportunities.

The CSR team, led by the Chief Quality and Sustainability Officer and the CSR Director, is responsible for climate risks mitigation across our supply chains. The operations teams, led by the Chief Manufacturing and Procurement Officer, are responsible for climate risks mitigation at site levels. These teams oversee carbon reduction projects in partnership with customers and suppliers, and members of the team hold governance roles within industry collaborative forums.

Climate-related issues are monitored by the group CSR team and mitigation strategies are developed for approval by the Executive Leadership Team and reported to the Sustainability Committee by the CSR Director.

The Group Head of Internal Audit and Risk executes a key role, supported by the CSR Director, in ensuring that management are identifying, mitigating, monitoring, and reporting on all key risks including the principal risk of climate change. Through this process they coordinate the agenda for the Risk Management Committee that allows management to present their activities to mitigate the risks. They are then able to assess the effectiveness of these activities independently to report to the Audit Committee and subsequently to the Board. This provides key assurance to the Board.

The Executive Leadership Team oversees the strategy to meet our climate targets and align our product portfolio to shifts in demand.

#### Processes by which management is informed about climate-related issues

Management are advised by our internal experts in energy procurement, sustainable agriculture, sustainable fisheries & aquaculture, sustainable packaging, consumer insight, and supply chain insight. Management take external advice from specialist consultants including South Pole, Schneider Electric and IMS who advise on climate risk and mitigation options. The management team are directly engaged in national, regional, and global associations and forums that inform us about the latest science on both the risks and potential mitigations. Hilton has also directly employed a specialist in life cycle analysis and modelling of decarbonisation plans to advance our mitigation activities.

Hilton has directly engaged with a number of organisations to understand the climate risks and mitigation options during 2021. A selection are listed below.

- WWF – Engaged with the UK team to contribute to the development of their Protein Disclosure guidance and Sustainable Food Basket measure
- UN Global Compact (UNGC) – Sponsored the UNGC Ocean Stewardship Coalition and contributed extensively to their guidance on achieving Science Based Targets in Seafood
- Direct engagement with national bodies that coordinate programmes to reduce the footprint of the livestock sectors including Meat and Livestock Australia, Beef and Lamb New Zealand, Bord Bia, and The Agricultural and Horticultural Development Board in the UK
- Soy Transparency Coalition – Founder sponsor to ensure open reporting of progress by traders in South America

## Risk management

### Our processes for identifying and assessing climate risks

Climate risks (physical and transition), their severity, impacts and mitigation are considered within the Hilton Risk Management Committee and reported to the Hilton Audit Committee as described in the Governance section above. These assessments are a collaborative effort across business functions and are an opportunity to identify emerging risk, review existing risks and provide appropriate mitigation measures to reduce or manage the risk. The Committee considers the risk in terms of likelihood of occurrence, timescale and scale of potential impacts, alongside other types of risk. These determine the categorisation of principal and emerging risks that are submitted for final approval by the Board.

This assessment is where Hilton's own response to climate change is noted, with the appropriate action to deliver improvements detailed.

Existing and proposed regulatory requirements in each of our operating countries are considered, to determine compliance requirements. These include emissions and deforestation controls and product environmental labelling. Hilton actively engages in the consultation over proposed regulations and support the development of effective regulation that ensures common high standards of environmental management. We are currently supporting the development of the UK regulation to prevent the sale of products linked to illegal deforestation.

For more details of our risk management process and principal risks see page 24.

### Our processes for managing climate risks and opportunities

Our process to determine material issues was to consult with a cross-section of both internal and external stakeholders (including NGOs, consultancies, centres of excellence, customers, retailers and partners in our agricultural, ingredient and packaging supply chains) with recognised expertise across our key risk areas. This ensures that materiality is assessed against legislation, policy and the business's influence on other entities in our value chain. The resulting matrix is shown on page 34 in this report.

The climate risks prioritised in our materiality assessment formed the basis of our risk and opportunity assessment. This is detailed in the strategy section below that considered the potential impact on our sites and supply chains from climate change and Hilton's strategy in preparing its transition to a low carbon economy. We have considered how each of these risks can be mitigated (for supply chain and consumer risks) or controlled (for risks related to our own operations). All of the climate-related risks have documented action plans to address them and likewise the opportunities have action plans to enable Hilton to maximise the benefits.

# Sustainability report

## Climate risk and impact report

### Task Force on Climate-related Financial Disclosures

## Strategy

### The impact of climate-related risks and opportunities on the business's strategy and financial planning.

Last year we introduced climate change as a new principal risk – “The Group’s business is affected by climate change risks comprising both physical and transition risks. Physical risks include long-term rises in temperature and sea levels as well as changes to the frequency and severity of extreme weather events, which pose a threat to the sourcing of our raw materials. Transition risks include policy changes, reputational impacts, and shifts in market preferences and technology.”

In 2021, we conducted an exercise to further identify the specific climate change risks and opportunities that may potentially arise in each time horizon in our operations and value chains, as shown in the tables below:

This builds on the initial assessment that we conducted during 2020, and is a more detailed analysis with input from expert consultants. This analysis considers our exposure to physical impacts from climate change and the potential impacts and opportunities from the transition to a low carbon economy.

An external review was carried out of the risks of flooding and wildfires for our sites. The locations of our sites were geocoded, and overlaid with data provided by Swiss Re’s CatNet® geo-spatial tool, including the major types of flooding (river, pluvial, and coastal storm surge) and wildfire risks. There is only one site that is in an area at risk, from a coastal storm surge, in the Netherlands. All other sites are in areas of low or very low risk of flooding. None of our sites are in high risk areas for wildfires. We will continue to monitor the potential for physical risks from climate change and its impact on severe weather events.

For the purposes of this disclosure we have categorised risk as:

- Short term (likely to manifest in the next year) addressed by immediate in year actions
- Medium term (likely to manifest in the next five years) addressed by current business strategy
- Long term (likely to manifest in the next five to 50 years) addressed by incremental actions that contribute to achieving our net zero strategy

## Climate-related risks

Risk Description	Type	Area of impact	Time horizon	Likelihood	Potential positive financial impact	Response	Relevant Targets
Reduced revenue from higher emission food if consumers change their purchasing preferences to lower emission food	Transition (Market)	Downstream consumer shifts in demand	Short–Medium	Likely	Reduced revenues of higher emission foods	We are investing in acquisitions and diversification to gain market share in lower emission proteins. (Short term)  Our work to decarbonise our factories and both agricultural and industrial supply chains will give consumers a choice of lower emission proteins in all product sectors. (Medium term)	We have approved Science Based Targets for scope 1, 2, and 3.  Improve energy emissions and water efficiency in our facilities by at least 10% before the end of 2025, compared to a 2018 baseline
Storm and flood disruption in our supply chains leading to challenges sourcing raw materials	Physical (Severe Weather)	Upstream supply chain	Medium–Long	Likely locally in at least one supply chain	Disruptions in local supply affecting regional availability and/or pricing	Maintaining spread and flexibility in regional and global supply chains reduces the impacts of local disruptions. (Short to Long term)	
Reduced revenues from products with higher emissions, if carbon pricing is introduced to incentivise consumers to purchase lower carbon foods	Transition (Emerging Regulation)	Downstream consumer shifts in demand	Medium–Long	Likely	Price increases of higher emission products affecting the balance of consumer demand. Consumers moving away from proteins where the footprints have not been mitigated to lower emission proteins and/or supply chains	We are working towards our target of net zero by reducing emissions from our factories and, in partnership with suppliers, to incentivise innovation in lower footprint farming and fishing. (Medium to Long term)	We have committed to the UN Race to Zero through signing the Business Ambition for 1.5°C.  An intensity reduction of 15% in emissions of cattle in Europe by 2025, aligned to the ERBS Sustainability objectives.  100% renewable electricity across all our own operations in Europe by end of 2025 and globally by 2027.

## Climate-related opportunities

Opportunity	Type	Area of impact	Time horizon	Likelihood	Potential positive financial impact	Response	Relevant Targets
Reduced energy costs through decarbonisation of our operations and supply chains	Decarbonisation and Energy Sources	Own Operations	Short–Medium	Very likely	Reduced cost from investment in self-generation (solar/wind) and long-term contracts for renewable energy sources. Potential for revenues from participation in carbon markets within our supply chains.	Investment in self-generation of electricity. Securing long-term lowest cost contracts for renewable energy. Seeking opportunities for carbon sequestration in the supply chains to inset residual emissions and potentially to create revenue.	<p>Improve energy and water efficiency in our facilities by at least 10% before the end of 2025, compared to a 2018 baseline.</p> <p>100% renewable electricity across all our own operations in Europe by end of 2025 and globally by 2027.</p>
Growth in revenue from our ability to provide market-leading supply chain management systems and environmental data collection across multi-tier supply chains	Products & Services	Upstream	Medium	Very likely	Revenue from supply chain management services and data provision. Revenue from increased sales of existing products with lower footprints. Lower costs from more efficient and resilient supply chains. Reduced exposure to potential carbon taxes and the potential for revenue from generated carbon credits.	Utilising our IT solutions for supply chain management to lead in environmental data collection and traceability across multi-tier supply chains. Work with customers and suppliers to incentivise uptake. Utilising supply chain data to facilitate development of lower footprint versions of existing products and provide consumer messaging on the lower footprints and higher environmental standards.	<p>Enable farmers to reduce their emissions and improve biodiversity, to promote more regenerative farming, by providing planning and reporting tools.</p>
Growth in revenue from meeting consumer demand for foods with demonstrably lower footprints	Markets	Downstream	Medium	Very likely	Increased revenues from sales of profitable low climate impact products aligned to shifts in consumer demand.	<p>We are leading innovation in vegetarian, vegan, blended meat and vegetable products for the flexitarian consumer, and in seafood. These are profitable sectors where we have established expertise.</p> <p>Acquisitions and extension / adaption of existing sites to broaden our portfolio and range in low impact proteins.</p>	<p>Assess health and sustainability attributes of all of our proteins to provide consumers with the facts on their role in a diet that is healthy for us and the planet.</p> <p>Doubling in sales of vegan, vegetarian and flexitarian (vegetables added to products that were previously 100% meat or fish) products compared to a 2020 baseline.</p>
Reduced costs from improving the energy and water efficiency of our sites, and reducing waste of food and packaging	Material Efficiency	Own Operations	Medium	Very likely	Reduced energy and water costs by improved efficiency. Improved yields, lower packaging costs, and lower input costs.	Investment in heat and water recovery, investment in systems to measure and manage energy, water, and waste reduction. Improving packaging recyclability and reducing its weight. Accessing grants and subsidies to facilitate investment across our sites as they become increasingly available.	<p>Improve energy and water efficiency in our facilities by at least 10% before the end of 2025, compared to a 2018 baseline.</p> <p>Achieve a minimum of 50% average recycled content across all plastic packaging by 2025.</p> <p>All our retail packaging will be fully reusable, recyclable or compostable by 2025.</p>

# Sustainability report

## Climate risk and impact report

### Task Force on Climate-related Financial Disclosures

#### Our approach to climate scenario analysis

##### Introduction to scenario analysis

Hilton's primary revenue base is currently derived from meat proteins, and according to the OECD-FAO Agricultural Outlook 2021-2030, global meat consumption is expected to increase 14% by 2030 with population growth being the primary driver. While growth in meat consumption differs within different regions, Hilton operates on a global scale and is continually looking to enter into new markets. With agile operations that enable rapid change in response to market shifts, we are well placed to respond to changes in demand for protein. Through our forward looking risk assessment approach we are well aware of changes to the market which may drive shifts in demand for proteins. This could include a trend toward lower carbon or healthier alternatives, and may incorporate market disruptors such as lab-based proteins. With our lean operating chains and an ability to rapidly alter operations to suit a dynamic market, we are well placed to respond to market demands as and when they arise.

We have strong strategies to reduce our scope 1 and 2 emissions so we are confident of meeting our targets for the emissions related to our operations. Hilton does not directly own or operate the farms or abattoirs from which we source our protein products where the more significant impact comes from, ie our scope 3 emissions. We have therefore focused our scenario analysis on the impact that policy changes or consumer purchasing behaviours are likely to have on the Group's businesses and strategy.

Many of our supply chain partners are within the agricultural sector, which both contributes to climate change and is affected by climate change. Many of the jurisdictions in which we operate are aiming to reduce their greenhouse gas emissions from agriculture and adapt their food-production systems to cope with climate change.

To achieve the emissions reductions required, there are calls by the UK Climate Change Committee and others to change consumers eating habits to lessen meat consumption and increase other protein sources in their diet. Policy changes may therefore be implemented to drive down emissions in the agricultural sector and to shift consumer behaviours toward lower carbon options. Changes in carbon policy could be realised as a carbon tax or levy on food producers or retailers, inclusion of agricultural activities within existing cap and trade schemes, or through adjustments to existing agricultural subsidies.

Policy mechanisms will, however, need to balance emissions reductions with the needs of a growing population and ensure continued levels of food security which contribute to a balanced and healthy diet. As such, there may be an increase in incentives for carbon offsetting schemes on agricultural land, or increased R&D incentives for low carbon agricultural techniques. The situation is currently unclear and is likely to be implemented in different ways across different political landscapes.

While future policy is uncertain, as part of our initial climate-related scenario analysis, Hilton sought to deepen understanding of how changes to carbon tax could impact upon our supply chain and impact upon pricing strategies adopted for different protein products. We are aware that consumer purchasing is heavily dependent on fluctuations in the price of protein products. As such, we sought to understand how a change in carbon cost throughout the supply chain could result in a shift to consumer behaviour. Our internal scenario analysis is continually developing and improving and future disclosures will build on the work carried out so far for 2021.

The scenario analysis we have completed looks at the likely impact on relative product cost as a result of carbon pricing and the likely changes in demand that will induce.

#### Assumptions and uncertainties

The outputs of our scenario analysis are highly sensitive to the assumptions used for modelling and are outlined as the potential impact we could face as a business before taking any mitigating actions into account. The modelling is not intended to be a forecast of the impacts on our business, but an illustration of how changes to policy could impact upon our key product portfolios.

Scenario modelling has many limitations and the studied scenarios are not forecasts, but are useful to evaluate a range of hypothetical outcomes within a plausible range under specific assumptions. Longer timeframes entail greater uncertainty and thus it is more challenging to model these outcomes. All results should be considered in light of these limitations.

#### Key inputs for our scenario analysis

##### Regional protein consumption

To develop a baseline understanding of consumption data for different protein sources in different geographical regions, we have considered the OECD-FAO Agricultural Outlook 2021-2030 which provides a baseline projection for protein consumption based on expectations of regional demand.

We have considered our three key operating regions: the UK and Ireland, Europe and Australia. Our Dalco operations and SoHi joint venture operations are included in the modelling but Fairfax Meadow is not included in this year's modelling as it was acquired too late in the process. We consider impacts to a range of protein products, primarily pork, beef, lamb, fish and vegetarian proteins.

Additional factors such as significant and unexpected inflation, efficiencies in farming practices, changes in the cost of agricultural production and changes in policy may further impact upon regional supply and demand and this would impact upon our analysis.

## Carbon emissions

At Hilton, we have an in-depth understanding of the emissions associated with the products we produce. The bulk of our emissions arise from farming activities, feed provided to livestock and enteric fermentation, with smaller amounts attributable to processing, transport, packaging and retail. We are in the process of aligning our carbon reduction trajectory with the Science Based Targets initiative's Forest, Land and Agriculture standard, which sets out ambitious reductions trajectories to prevent the worst impacts of global warming and have applied the relevant emissions reductions to our portfolio emissions. It should be noted that any deviations from this emissions reduction pathway by either Hilton or its suppliers would result in a higher level of emissions and a more significant impact to our cost base, in the event of a change in carbon policy.

## Carbon policy

It is currently unclear where and how changes to carbon policy could impact upon the supply chain. We have therefore assessed the impact of changes to a carbon price across the supply chain, to assess how this could impact upon the retail value of our produce, and consequently on consumer behaviour. The carbon prices considered are derived from IEA's Stated Policies Scenario (STEPS) and the IEA's Sustainable Development Scenario and are outlined below.

Our modelling is highly sensitive to changes in carbon price.

	IEA Stated Policies	IEA Sustainable Development
Warming alignment by 2100	2.6°C	Well below 2°C
Carbon price 2030 (US\$2020 per tonne CO <sub>2</sub> e)	\$65	\$100

## Impact of carbon policy on sales values

Our assessment considered the impact of a change in carbon policy within the supply chain and how that could impact upon the potential for increased costs throughout that supply chain. While it is currently unclear the extent to which a change in carbon policy would result in increased costs for Hilton, it is possible that this would result in a change to the cost base of our proteins and would therefore impact upon the pricing of our products. As can be seen from the table below, beef and lamb products would receive the largest increase in pricing. Fish and plant products do not increase as significantly in price when applying either the stated policies scenario carbon price, or the sustainable development scenario carbon price.

There are a number of differences in the price differential for products within different regions and across different scenarios. Beef, for example, displays a medium impact within the STEPS scenario in the UK and Ireland, but a high impact elsewhere.

Similarly, lamb displays a medium impact in the STEPS scenarios, and a high impact in the SDS scenarios, apart from Europe, where the impact for the SDS scenario is also medium. The impact of carbon pricing on the cost of pork has a medium impact within the UK and Ireland for both scenarios, but only in the SDS scenario for Europe.

These differences are largely a result of the distribution of GHG emissions across the product portfolio when compared to the original cost of the product. Beef in the UK and Ireland, for example, has a lower carbon impact when looking at the carbon impact relative to the cost of product, whereas pork within the UK and Ireland has a higher carbon impact when looking at the impact relative to the cost of product. These differences result in regional variations when looking across different products and regions.

## Indication of how a change in carbon price could impact upon pricing in 2030

	Australia		UK and Ireland		Mainland Europe	
	STEPS 2030	SDS	STEPS	SDS	STEPS	SDS
Pork	○	○	●	●	○	●
Beef	●	●	●	●	●	●
Lamb	●	●	●	●	●	●
Fish	○	○	○	○	*○	*○
Plant	○	○	○	○	○	○

\* In 2020 Hilton had no operations outside of the UK and Ireland relating to fish products, this will change in 2022 and is expected to change significantly by 2030. An assumption has been made that a change in carbon policy would result in a low impact on pricing in 2030, in line with expectations for Australia, UK and Ireland.

STEPS = IEA's Stated Policies Scenario

SDS = IEA's Sustainable Development Scenario

- Low impact
- Medium impact
- High impact

# Sustainability report

## Climate risk and impact report

### Task Force on Climate-related Financial Disclosures

#### Impact of carbon policy on sales volumes

Past trends in consumer behaviour have shown us that changing the pricing of a product is likely to impact upon consumer behaviour and as such, where carbon policy changes result in an increase in our pricing strategy, this may result in a shift in sales volumes for certain products. However, it is not just the percentage change in price that matters, but the gross change. As an illustrative example, a 10% increase in the cost of a lamb joint is likely to have a more significant impact in consumer behaviour due to the significant gross cost increase in that product. A 10% increase in the cost of pork mince, however, may not have such a significant impact as the gross change in cost does not have such a significant impact on household spend.

Reducing the consumption of one protein source may also impact upon the demand for other protein sources, as consumers switch to alternative sources of protein. A shift away from high-cost lamb could result in an increase in demand for lower-cost pork, for example, and is a pattern we have witnessed within historic sales trends. There is, however uncertainty around future trends for vegetarian and plant-based options which are fast-growing areas within the protein industry.

In order to assess how carbon policy could impact upon consumer behaviour we have considered baseline trajectories for protein consumption (derived from OECD-FAO forecasts) and overlaid the impact of a change in carbon policy and pricing strategies in driving consumer behaviour, based on our historic understanding of how pricing shifts impact upon consumer behaviour. It should be noted that due to data limitations of the OECD-FAO data forecasts (which looks solely at a limited set of plant proteins), we have assessed the expected potential growth in the alternative protein market, which better represents Hilton's operations.

The table below sets out how consumer behaviour may change, based on a change in product pricing arising from potential changes to carbon policy.

From our analysis it is possible that changes to carbon policy may result in rebalancing of protein sales from beef and lamb toward lower carbon and healthier alternatives such as plant. This may benefit fish and seafood to a lesser extent, given that minor changes in price fluctuations can impact significantly on gross price changes, though a strong desire for healthier options is expected to continue to drive underlying growth. In addition, it is our expectation that changing consumer trends will result in increased demand for alternative emerging proteins.

#### Our approach to scenario analysis – further developments

Using the work undertaken in 2021 and 2022, Hilton is in the process of understanding how a change in carbon policy could impact upon our overall revenues and costs. This work will progress over the course of 2022.

#### Indication of how a change in carbon policy could impact upon consumption trends

	Australia		UK and Ireland		Mainland Europe	
	STEPS	SDS	STEPS	SDS	STEPS	SDS
Pork	●	●	●	●	●	●
Beef	●	●	●	●	●	●
Lamb	●	●	●	●	●	●
Fish	●	●	●	●	*●	*●
Plant	○	○	○	○	○	○

\* In 2020 Hilton had no operations outside of the UK and Ireland relating to fish products, this will change in 2022 and is expected to change significantly by 2030. An assumption has been made that a change in carbon policy would result in a low impact on pricing in 2030, in line with expectations for Australia, UK and Ireland.

STEPS = IEA's Stated Policies Scenario

SDS = IEA's Sustainable Development Scenario

- Potential significant modelled increase
- Potential for no significant modelled change
- Potential significant modelled decrease

## Hilton's Response to Mitigate Potential Impacts

Tackling Emissions	Ambitious decarbonisation plans for each of our key supply chains supported by expert external advisors	Engagement in the governance of key global and local forums to reduce the emissions of cattle and aquaculture	Investment in renewable energy and self-generation, alongside industry-leading efficiency for our own sites
Supporting Consumers to Transition their Diets	Investing in acquisitions and organic growth that diversifies our protein portfolio and aligns to the future market balance	Developing tools to integrate lifecycle assessment into product and packaging development, in a holistic approach to circular food systems	Leading in the development and marketing of plant-based and vegetarian products
Influencing Nature Positive Policies	Advocacy for industry wide commitments to end deforestation in the Cerrado	Actively supporting the introduction of regulations that ban trading in products sourced from illegally deforested farms	Engaging in Fishery Improvement Projects to establish fish stock governance based on science and ensure the sustainability of our supply chains

## The resilience of our strategy against different climate-related scenarios

### Protein mix and diversification

Hilton has long been aware of the trends toward healthier and more sustainable eating. Social consciousness is of growing importance to consumers when making decisions about their lives and the food they eat. We want to help customers make ethical and sustainable choices for both their health and the planet. Shifting to sustainable food consumption was a key pillar for the UN 2021 Food Summit and the EU farm-to-fork strategy.

During 2021 we reached an agreement to acquire the remaining 50% of our joint venture partner Dalco Food B.V. – a leading vegan and vegetarian product manufacturer. This acquisition is in line with Hilton's strategy to further diversify and strengthen its protein offering within the fast-growing and attractive vegan and vegetarian market. The agreement will build on the success of the existing partnership and will see Hilton commit ongoing investment in order to significantly increase its capacity to customers, grow its ranges and develop new, innovative, plant-based products. In early 2022 we took a further active step to diversify into fish, a lower carbon protein, by the acquisition of Foppen.

For Tesco UK, we launched several vegan Christmas items in the Wicked Kitchen Brand with the Wicked Kitchen No Turkey Crown being the top-selling meat alternative Christmas product. We have introduced a range of products globally, incorporating vegetables into products that were originally 100% meat. This enables consumers to balance their meat and vegetable consumption without changing their favourite meals.

We recognise, however, that protein demand is expected to double by 2050 and a balance of food sources will be needed that can meet the full nutritional requirements of a growing population. We are also, therefore focusing on the resilience of our supply chain within a sustainable economy (see our decarbonisation strategy below).

Hilton's role is to enable consumers to choose from a range of sustainable and healthy proteins and to provide them with the information to make these choices. To do this we are measuring and addressing the footprints of the foods we make and diversifying our range into fast-growing low impact sectors.

Hilton will provide its partners with a balanced portfolio of meat and fish products that have significantly reduced environmental impacts, alongside growing its sales of vegetarian and vegan plant-based alternatives.

There will also be opportunities for premium retail and food service products across all proteins, especially linked to seasonal celebrations. For example, there has been double-digit percentage growth across the premium own label Christmas products over the last two years in the UK.

### Agility of operating structure

Hilton operates an agile business model which enables a fast response to changing market demands, such as those that may arise in a population that moves quickly toward lower carbon food options. We do not own or operate abattoirs or farms directly, and as such are able to continually assess our relationships with suppliers to ensure that our supplier relationships are the most effective in contributing to our wider corporate strategy.

# Sustainability report

## Climate risk and impact report

### Task Force on Climate-related Financial Disclosures

Our consumer and market insight teams map emerging consumer behaviour and follow developing regulation, supported by our membership of trade associations such as the Food and Drink Federation. Our continual stakeholder consultation enables us to identify trends in consumption, whether this be toward lower carbon alternatives, healthier alternatives, or where there is increased interest in as yet untested technologies such as lab-based proteins. This enables us to continually assess whether our product portfolio is resilient against a changing consumer market.

Our agile operating supply chain also enables us to make adaptations to product options to increase affordability and ensure access to protein in the event of significant changes to pricing. This could result in increased levels of mixed meat proteins, or mixed vegetable and meat products, to ensure that a growing population is not priced out of a healthy diet.

#### Decarbonisation

Our climate risk mitigation strategy for our own sites starts with securing renewable energy contracts with support from Schneider Electric. We are reducing our operational climate change impact through investment in energy and water efficiency measures such as heat pumps, solar self-generation, and lower energy use equipment. We have invested in line-by-line energy monitoring to determine and act on efficiency improvement savings.

Hilton is aware that the protein needs of a growing population mean that it is important to work with supply chains to decarbonise. At Hilton, with support from independent experts such as South Pole, we actively review and engage in the sustainable development of our agricultural supply chains. We work alongside our suppliers to address the footprint of our supply chains including factories, abattoirs and farms, and we are building decarbonisation and water stewardship plans for each sector with our key suppliers. This includes partnering to address the GHG footprint of animal feed and other environmental risk areas.

- We are vice chair of the European Roundtable for Beef Sustainability (ERBS). The ERBS has set a target to reduce cattle emissions by 15% by 2025 and has established national platforms, including the UK Cattle Sustainability Platform, where Hilton is coordinating the actions to deliver the emissions reduction target.
- In the Netherlands, we have collaborated with a dairy company to take ex-dairy cows and finish them to produce beef with an independently verified significantly lower climate footprint than dedicated beef cattle.
- We are evaluating the impact on methane production in the rumen of cattle from novel feeds and optimised feed formulations. The most effective mitigations will be promoted across our supply chains with support from our suppliers and the collaborative platforms that we engage in.

- We are full participants in the UNGC and the Action Platform for Sustainable Ocean Business. We contributed to their report 'Accelerating Sustainable Seafood' that explains the key enablers for seafood to transition to net zero carbon and other SDG objectives, and their forthcoming guidance on Science Based Targets for ocean businesses.
- Hilton is engaging in advocacy to end deforestation associated with soy and cattle in Brazil as one of the Signatories of Support for the Cerrado Manifesto. We took part in the successful negotiations, to set a 2020 cut-off date, with the traders supplying salmon feed companies. We are also founding members of the Soy Transparency Coalition that benchmarks soy traders on their programmes to halt deforestation.

#### Adaption to physical impacts of climate change

To address the risk of extreme weather events in our supply chains we maintain flexible and diverse supply partnerships to ensure we can rebalance supplies when one supplier or area is affected.

As part of our work to achieve water efficiency and risk mitigation we utilise water supply buffer tanks to ensure we have access to peak water requirements when water supply is reduced. Where required we incorporate flood mitigation including run-off water capture tanks to protect the local water systems.

# Climate-related metrics and targets

## The metrics we use to assess climate-related risks and opportunities

The key metrics that Hilton uses to measure its climate-related impacts are scope 1, 2 and 3 emissions combined with total consumption and usage of electricity, gas, water and refrigerants. Our GHG emissions inventory data is independently verified. We also monitor the split between renewable and non-renewable energy as we seek to move towards more renewable sources.

## Our targets used to manage climate-related risks and opportunities

The sustainability strategy includes the following climate-related goals and objectives that are monitored against annual KPIs and our progress is reported to and reviewed by the Board.

## Our scope 1, 2 and 3 emissions

In 2021 we have measured our own scope 1 and 2 emission sources and conducted a review of our scope 3 emissions with support from the consultancy South Pole. This confirmed that the largest impact is from our scope 3 purchased goods and services, with cattle being the single largest sector.

In our assessing and reporting of scope 1, 2 and 3 emissions we follow the GHG corporate protocol. We consider both location and market-based emissions, and utilise the most appropriate public data for our supply chains combined with supplier-specific emission factors. Our scope 1, 2 and 3 emissions are validated and verified by GEP Environmental to a 'limited level of assurance', which is in line with ISO 14064:3. The emissions are detailed on page 74.

## Our Science Based Targets

To address our climate footprint the decision was taken to set Science Based Targets for our own operations and our supply chains. These targets were approved by the Science Based Target initiative during 2021. We also committed to the Business Ambition for 1.5°C to align our long-term targets against a track to achieve net zero before 2050.

To achieve these targets, we have built decarbonisation plans for each of our operations in line with the path required to meet interim and final targets. This has been supported by Schneider Electric and includes identifying specific opportunities for heat recovery and efficiency projects and obtaining ISO 50001 energy management certification globally. We are also seeking opportunities for investment and grant support for low carbon technology for both heat generation using renewable energy, and water capture and treatment, which we plan to introduce in due course.

We are working with our key suppliers to build decarbonisation plans for our supply chains. For our livestock supply chains our decarbonisation plans are being aligned to the Science Based Target initiative, Forestry, Land and Agriculture (SBTi FLAG) pathways. These are being determined for each type of livestock and will be agreed with the suppliers concerned.

Once these decarbonisation plans are all in place, we plan to submit new more ambitious targets to the SBTi for approval.

Goals	Targets
Improve resource efficiency across our global operations	Improve energy and water efficiency in our facilities by at least 10% before the end of 2025, compared to a 2018 baseline. We report on total water withdrawn and total water consumed, in regions with high water stress.
Reduce waste across our full value chain	Halve our own food waste by 2030 compared to 2019 and continue to publish food waste annually, in line with the Champions 12.3 commitment to deliver UNSDG 12.3.
Achieve net negative emissions across our value chain to limit the impacts of climate change	Achieve our Science Based Targets across Scope 1, 2 and 3 and publish updated ambitions. See details below this table. An intensity reduction of 15% in emissions of cattle in Europe by 2025, aligned to the ERBS Sustainability objectives. 100% renewable electricity across all our own operations in Europe by end of 2025 and globally by 2027.
Enhance biodiversity on land	Eliminate deforestation from the conversion of natural forests to agriculture or livestock production in our supply chains by the end of 2025. Enable farmers to reduce their emissions and improve biodiversity, to promote more regenerative farming, by providing planning and reporting tools.
Transition consumer diets	Assess health and sustainability attributes of all of our proteins to provide consumers with the facts on their role in a diet that is healthy for us and the planet. Doubling in sales of vegan, vegetarian and flexitarian (vegetables added to products that were previously 100% meat or fish) products compared to a 2020 baseline.
Circular packaging	Achieve a minimum of 50% average recycled content across all plastic packaging by 2025. All our retail packaging will be fully reusable, recyclable or compostable by 2025.

## Our approved targets

Percentage reduction targets	Target year 2025	Target year 2030
Scope 1* (WB2C)	12.5%	25%
Scope 2* (WB2C)	12.5%	25%
Scope 3** (2C)	6.5%	12.3%

\* Well below 2°C pathway.

\*\* 2°C pathway.

# Sustainability report

## Non-financial KPIs

Carbon Footprint	2021			2020 (SBT base year)			2019		
	UK	Global (excl. UK)	Total	UK	Global (excl. UK)	Total	UK	Global (excl. UK)	Total
Scope 1 (tCO <sub>2</sub> e)	5,999	9,562	15,561	4,503	6,136	10,639	6,832	4,720	11,552
Scope 2 – location based (tCO <sub>2</sub> e)	8,900	48,349	57,249	8,607	49,069	57,675	7,609	44,609	52,218
Scope 2 – market based (tCO <sub>2</sub> e)	1,182	40,822	42,004	0	47,103	47,103			
Scope 3 – 01. Purchased goods and services	3,250,823	11,867,233	15,136,440	3,890,451	11,395,565	15,286,016			
Scope 3 – 02. Capital goods	2,004	5,950	7,954	3,578	102,644	106,221			
Scope 3 – 03. Fuel and energy related activities	1,649	8,019	9,668	1,535	9,799	11,334			
Scope 3 – 04. Upstream transportation and distribution	2,478	75,189	77,666	3,040	75,673	78,713			
Scope 3 – 05. Waste	18,004	11,195	29,199	6,062	6,970	13,032			
Scope 3 – 06. Business travel	39	141	180	2	3	5			
Scope 3 – 07. Employee commuting	898	1,425	2,323	917	1,081	1,998			
Scope 3 – 08. Upstream leased assets	–	–	–	–	–	–			
Scope 3 – 09. Downstream transportation and distribution	4,961	114,599	119,560	4,240	118,841	123,082			
Scope 3 – 10. Processing of sold products	–	–	–	–	–	–			
Scope 3 – 11. Use of sold products	7,911	84,093	92,004	8,199	104,641	112,840			
Scope 3 – 12. End-of-life treatment of sold products	6,357	17,032	23,389	6,432	23,471	29,904			
Scope 3 – 13. Downstream leased assets	–	–	–	–	–	–			
Scope 3 – 14. Franchises	–	–	–	–	–	–			
Scope 3 – 15. Investments	–	–	–	–	–	–			
Scope 3 – Forestry, Land and Agriculture (FLAG) (tCO <sub>2</sub> e)	3,241,797	11,802,691	15,044,488	3,860,330	11,340,601	15,200,931			
Scope 3 Upstream (tCO <sub>2</sub> e)	3,275,894	11,969,151	15,263,431	3,905,585	11,591,734	15,497,320			
Scope 3 Downstream (tCO <sub>2</sub> e)	19,229	215,724	234,953	18,872	246,954	265,825			
Scope 3 – Non-FLAG (tCO <sub>2</sub> e)	53,327	382,184	453,895	64,127	498,087	562,214			
Total Scope 3 (tCO <sub>2</sub> e)*	3,295,123	12,184,875	15,498,383	3,924,457	11,838,688	15,763,145			
Total Scope 1, 2 and 3 – location based (tCO <sub>2</sub> e)	3,310,022	12,242,786	15,571,193	3,937,567	11,893,893	15,831,459			
Intensity ratio SC1&2 (tonnes CO <sub>2</sub> per tonne of product produced)	0.03	0.19	0.12	0.03	0.12	0.15	0.04	0.13	0.17

\* Scope 3 emissions reported in this year's report differ from those reported in 2020 due to significant methodological change from financial screening to detailed LCA. This is described in Reducing Emissions (page 48).

2020 scope 1 and scope 2 (location and market based) reported emissions and 2021 scope 1, 2 and 3 emissions have been externally verified with limited assurance by an independent third party (GEPEnv) in accordance with ISO 14064:3.

UK scope 2 (Market) emissions in 2021 are not zero due to the purchase of Fairfax Meadow, all other UK sites continue to use 100% renewable electricity.

All 2021 UK data includes full year data for Fairfax Meadow, in addition to Hilton Foods UK (incorporating Hilton Foods Solutions), SVC and Hilton Seafood sites. Likewise, Global data includes full year data for Dalco. We follow the GHG corporate protocol to calculate our scope 1 and 2 emissions, using IEA emissions factors for our location based emissions and supplier specific factors to calculate our market based emissions.

Energy, kWh	2021			2020			2019		
	UK	Global (excl. UK)	Total	UK	Global (excl. UK)	Total	UK	Global (excl. UK)	Total
Total renewable fuel consumption	0	0	0	0	0	0	0	0	0
Coal	0	0	0	0	0	0	0	0	0
Heavy Oil	0	0	0	0	0	0	0	0	0
Transport Fuel	5,584,948	1,044,790	6,629,737						
LPG	0	87,042	87,042	0	1,981,079	1,981,079			
Natural Gas	15,537,123	24,876,987	40,414,110	21,332,658	30,218,747	51,551,406			
Total non-renewable fuel consumption	21,122,071	26,008,819	47,130,889	21,332,658	32,199,827	53,532,485			
Solar electricity generation	223,291	2,926,408	3,149,699	243,000	2,260,000	2,503,000	0	0	0
Total renewable electricity consumption	38,510,862	35,573,856	74,084,718	243,000	25,984,033	26,227,033			
Total non-renewable electricity consumption	3,784,729	63,979,808	67,764,537	37,526,233	71,445,071	108,971,304			
Proportion of renewable electricity	91%	36%	52%						
Total renewable other energy consumption	0	0	0	0	0	0			
Non-renewable other energy consumption (district heating)	0	7,106,611	7,106,611	0	1,392,196	1,392,196			
Total renewable energy consumption	38,510,862	35,573,856	74,084,718	243,000	25,984,033	26,227,033			
Total non-renewable energy consumption	24,906,799	97,095,238	122,002,037	58,858,892	105,037,093	163,895,985			
Total energy consumption	63,417,662	132,669,094	196,086,756	59,101,892	131,021,126	190,123,018			
Energy consumption (kWh used per tonne of product produced)	293	513	806	447	397	411			

\* Details of efficiency measures are included in Resource Efficiency, on page 60.

Freshwater (m³)	UK*	The Netherlands	Ireland	Sweden	Portugal^	Denmark	Poland	Australia	Total freshwater use	Total freshwater withdrawals	Intensity (m³ per tonne of product produced)
2019	297,500	169,000	49,000	59,000	35,000	45,000	74,000	47,000	775,500		
2020	329,600	164,700	45,000	58,300	31,950	46,000	96,000	249,300	1,020,850		
2021	290,064	173,478	39,231	61,830	28,953	44,945	89,366	268,447	957,084	941,743	1.91

\* Fairfax Meadow not included.

^ Adjusted to JV holding.

Sites in areas of water stress (defined by World Resources Institute).

Data from New Zealand is not included for this year as the site was not fully operational and data is impacted by construction use.

Very high = 0

High = 1 Truganina

#### Packaging

Total weight of packaging	29,036
Percentage from recycled materials	57%
Percentage that is recyclable, reusable, and/or compostable	75%

Workforce	2021			2020			2019			2018			2017		
Gender	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Board	5	2	7	5	2	7	5	1	6	5	1	6	5	1	6
Executive Management	7	3	10	8	2	10	8	2	10	8	2	10	8	2	10
Senior management*	28	11	39	47	11	58	39	11	50	39	11	50	40	8	48
Employees	3,395	2,386	5,781	3,185	2,206	5,391	2,981	1,963	4,944	2,878	1,840	4,718	2,483	1,188	3,671
Board	71%	29%		71%	29%		83%	17%		83%	17%		83%	17%	
Executive Management	70%	30%		80%	20%		80%	20%		80%	20%		80%	20%	
Senior management	72%	28%		81%	19%		78%	22%		78%	22%		83%	17%	
Employees	59%	41%		59%	41%		60%	40%		61%	39%		68%	32%	
Soft skills training			8,444			6,554			4,523						
% of employees covered by collective bargaining agreements			41%			33%									
Total staff turnover			24.91%			17.10%			21.90%			22.50%			30.60%
Total fatality rate			0			0			0			0			0

Health and Safety	2021	2020	2019	% Change (2021 vs 2020)
Hours Worked	9,559,280	9,143,579	9,717,405	4.5%
First Aid Incidents	586	677	573	-13.4%
Lost Time** Incidents	138	87	147	58.6%
Lost Time Incident Frequency Rate	14.44	9.51	15.13	51.8%
Number of Days Lost	3514	2,198	2,012	59.9%
Lost time incident severity rate	367.63	240.33	207.05	53.0%
Non injury incidents/hazards	5,191	4,993	85*	4.0%

\* This data was not recorded on a Group basis in this format in 2019.

\*\* The definition use of a 'lost time incident' is when the injured person does not attend work for the start of their next shift not including the day of the incident.

Lost-time incident rate for current and last 2 fiscal years covers 100% of directly employed Hilton employees.

Nutritional Context, for growing areas in healthier products % of total sales	Total sales 2021
Products with a high source of Omega 3	1%
Low fat products (<3%)	3%
Lower fat products (<5%)	16%
Products containing E Numbers	21%
Low salt products (less than 0.12g/100g)	15%

#### Other information

Charitable donations in 2021	£72,629
Total site waste (tonnes)	47,405
We have received no human rights/quality violations for the past three years	
No Hilton Foods staff have been disciplined or dismissed due to non-compliance with anti-corruption policy/policies in the current and last 2 fiscal years	
Customer service level (%)	96.44%
Product produced	492,588

# Sustainability report

## SASB Processed Foods

### Reporting Recommendations

SASB Code	Sub-category	2nd sub-category	Disclosure	Unit of measure	Direct Response
FB-FR-130a.1	Energy Management	Measurement	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	Gigajoules (GJ), Percentage (%)	Total energy consumption, proportion from the grid and proportion from renewable sources are detailed in the 'Resource Efficiency' disclosure on page 60 of this document.
FB-PF-140a.1	Water Management	Measurement	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Thousand cubic meters (m³), Percentage (%)	Total water withdrawals and total water consumption are detailed in the 'Resource Efficiency' disclosure on page 60 of this document. All data is adjusted to reflect our holding in our SoHi joint venture.  The difference between the two can be accounted for by rainwater harvesting operations at our SoHi JV. 12% of water is abstracted in high stress areas, as defined by WRI, all at our Truganina plant.
FB-PF-140a.2	Water Management	Measurement	Number of incidents of non-compliance associated with water quantity and/or quality permits, standards, and regulations	Number	There has been one issue of non-compliance associated with water quantity and/or quality permits, standards, and regulations in 2021, with our trade waste permit at our Truganina plant. We have worked with the local regulator to resolve this and municipal system was not impaired as a result of this non-compliance.
FB-PF-140a.3	Water Management	Description	Description of water management risks and discussion of strategies and practices to mitigate those risks	N/A	See 'Resource Efficiency' disclosure on page 60 of this document.
FB-PF-250a.1	Food Safety	Measurement	Global Food Safety Initiative (GFSI) audit (1) non-conformance rate and (2) associated corrective action rate for (a) major and (b) minor non-conformances	Rate	We have 17 sites which are all GFSI certified, one site which is currently not operational and one that is newly constructed and is preparing for GFSI certification in 2023.  14 sites are certified against the BRC standard, 7 sites are AA grade (<5 minors), 7 sites are A grade (6-10 minors).  3 sites are certified against the FSSC 22000 standard all of which have been graded as Pass.  We have 1 joint venture which is certified against the FSSC 22000 standard, which has been graded as Pass.
FB-PF-250a.2	Food Safety	Measurement	Percentage of ingredients sourced from Tier 1 supplier facilities certified to a Global Food Safety Initiative (GFSI) recognised food safety certification program	Percentage (%) by cost	In FY21, 93% of our ingredients sourced from Tier 1 supplier facilities certified to a Global Food Safety Initiative (GFSI) recognised food safety certification program.
FB-PF-250a.3	Food Safety	Measurement	(1) Total number of notices of food safety violation received, (2) percentage corrected	Number, Percentage (%)	In FY21 we received no notices of food safety violations.
FB-PF-250a.4	Food Safety	Measurement	(1) Number of recalls issued and (2) total amount of food product recalled	Number, Metric tons (t)	In FY21 we had no product recalls.
FB-PF-260a.1	Health & Nutrition	Measurement	Revenue from products labelled and/or marketed to promote health and nutrition attributes	Reporting currency	Hilton Foods is a predominantly own label provider to our customers' brands. We work with our customers to enhance the health and nutrition attributes of our products. We do not currently gather data on the revenue of sales from products labelled and/or marketed to promote health and nutrition attributes. We are working to develop an internal database to be able to gather and share data on the nutritional attributes of our products across our different markets.

SASB Code	Sub-category	2nd sub-category	Disclosure	Unit of measure	Direct Response
FB-PF-260a.2	Health & Nutrition	Description	Discussion of the process to identify and manage products and ingredients related to nutritional and health concerns among consumers	N/A	<p>Hilton Foods is actively engaged in reformulating products to reduce the salt, sugar, calories and fat levels, where appropriate, across our global product range.</p> <p>We actively promote the adoption of Omega 3 products among our customers, and engaging the salmon industry to increase the Omega 3 content of salmon feed and therefore the levels in the finished product.</p> <p>As a predominately private label supplier, we work in partnership with our customers to deliver health benefits to their consumers, please refer to 'Balanced healthy diets' on page 56 of this document for further information.</p>
FB-PF-270a.1	Product Labeling & Marketing	Measurement	Percentage of advertising impressions (1) made on children and (2) made on children promoting products that meet dietary guidelines	Percentage (%)	Hilton Foods is a predominantly own label provider to our customers' brands, so we do not conduct any consumer facing marketing – whether to children or otherwise.
FB-PF-270a.2	Product Labeling & Marketing	Measurement	Revenue from products labeled as (1) containing genetically modified organisms (GMOs) and (2) non-GMO	Reporting currency	Hilton Foods does not generate revenue from products labelled as (1) containing genetically modified organisms (GMOs) and (2) non-GMO.
FB-PF-270a.3	Product Labeling & Marketing	Measurement	Number of incidents of non-compliance with industry or regulatory labeling and/or marketing codes	Number	Hilton Foods has not received any incidents of non-compliance with industry or regulatory labeling and/or marketing codes in FY21.
FB-PF-270a.4	Product Labeling & Marketing	Measurement	Total amount of monetary losses as a result of legal proceedings associated with labeling and/or marketing practices	Reporting currency	Hilton Foods has not been a party to any legal proceedings in FY21 in relation to branding/ product labelling.
FB-PF-410a.1	Packaging Lifecycle Management	Measurement	(1) Total weight of packaging, (2) percentage made from recycled and/or renewable materials, and (3) percentage that is recyclable, reusable, and/or compostable	Metric tons (t), Percentage (%)	Total weight of packaging, the proportion of that from recycled and renewable sources and the proportion that is recyclable, reusable or compostable are detailed in the packaging section on page 58.
FB-PF-410a.2	Packaging Lifecycle Management	Description	Discussion of strategies to reduce the environmental impact of packaging throughout its lifecycle	N/A	See 'Circular Packaging' disclosure on page 58 of this document.
<b>Activity Metrics</b>					
FB-PF-000.A	N/A	Measurement	Weight of products sold	Metric tons (t)	492,355
FB-PF-000.B	N/A	Measurement	Number of production facilities	Number	Hilton Food Group has 18 production sites which are wholly-owned, and one joint venture.

### Approval of the Strategic report

Pages 6 to 77 of this Annual report comprises a Strategic report which has been drawn up and presented in accordance with applicable English company law, in particular Chapter 4A of the Companies Act 2006, and the liabilities of directors in connection with this report shall be subject to the limitations and restrictions provided by such law.

It should be noted that the Strategic report has been prepared for the Group as a whole, and therefore gives greater emphasis to the Company and its subsidiaries when viewed in its entirety.

Approved by order of the Board of Directors

**Neil George**  
Company Secretary  
5 April 2022

# Governance

Board of Directors	80
Directors' report	82
Corporate governance statement	84
Report of the Audit Committee	90
Report of the Nomination Committee	94
Directors' remuneration report	96
Directors' remuneration policy	99
Annual report on remuneration	104
Statement of Directors' responsibilities	111
Independent auditors' report	112





## SEAFOOD



To fuel growth, we constantly seek out new opportunities and inspiration. We explore swiftly and innovate with focus, delivering new ideas and commercial advantage for our partners.

- Operational and strategic progress in seafood category despite challenging market conditions.
- Completed acquisition of smoked salmon specialists, Foppen, to complement and grow our seafood portfolio into 2022.



For more information visit  
[www.hiltonfoodgroupplc.com](http://www.hiltonfoodgroupplc.com)

# Board of Directors

## Non-Executive Chairman



**ROBERT WATSON OBE** N  
**NON-EXECUTIVE CHAIRMAN**

**Tenure:** 19 years

Robert joined Hilton as Chief Executive in 2002 and was appointed as Executive Chairman in 2018. He transitioned to a non-executive capacity on 1 January 2021. Robert is Chairman of the Board and is also Chairman of the Nomination Committee.

**Key skills and competencies:** Robert has over 40 years' experience in the meat industry, has proven himself as an industry leader and has overseen the successful growth of the Hilton Food Group to date. Robert brings this wealth of experience and valuable skills as Chairman of the Group.

**Current external appointments:** Whitworths Holdings Ltd.

**Previous experience:** A founder of the Foyle Food Group in 1977 and previously a board member of the Livestock Meat Commission and Food For Britain.

## Executive Directors



**PHILIP HEFFER**  
**CHIEF EXECUTIVE OFFICER**

**Tenure:** 27 years

Philip joined Hilton at its inception in 1994, as Managing Director of the Group's UK subsidiary and from 2012 to 2018, served as Hilton's Chief Operating Officer. He was promoted to Chief Executive Officer on 1 July 2018.

**Key skills and competencies:** Philip attended Smithfield College and is an associate member of the Institute of Meat. Philip is responsible for developing Hilton's businesses with its major customers. His in-depth knowledge and experience of the meat industry provides valuable contribution to the Board.

**Current external appointments:** None.

**Previous experience:** Senior positions within the RWM Food Group.



**NIGEL MAJEWSKI**  
**CHIEF FINANCIAL OFFICER**

**Tenure:** 15 years

Nigel was appointed Chief Financial Officer of Hilton in 2006, following 11 years in senior finance roles with PepsiCo.

**Key skills and competencies:** Nigel has extensive financial and commercial experience within UK and European meat and other food markets. He is a qualified Chartered Accountant and has a first class honours degree in accountancy.

**Current external appointments:** None.

**Previous experience:** Senior finance and commercial roles with Bernard Matthews plc, Royal Dutch Shell and Whitbread and Co. More recently Nigel was CFO of the company's European business, and prior to this, as Finance Director for Pepsi-Cola General Bottlers, Poland.

### COMMITTEES KEY

- A Audit Committee
- R Remuneration Committee
- N Nomination Committee

John Worby, Christine Cross, Angus Porter, Rebecca Shelley and Patricia Dimond are all considered to be independent.

## Non-Executive Directors



### 1. JOHN WORBY **A R N** NON-EXECUTIVE DIRECTOR & SENIOR INDEPENDENT DIRECTOR

**Tenure:** 6 years

John joined Hilton as an independent Non-Executive Director in 2016. He is Chair of the Audit Committee and is the Senior Independent Director.

**Key skills and competencies:** John is a Chartered Accountant and as well as financial and accounting skills has a wealth of experience of working in public companies and the food sector.

**Current external appointments:** Non-Executive Director and Audit Committee chair at Carr's Group plc.

**Previous experience:** John was Group Finance Director at Genus plc and Group Finance Director and Deputy Chairman of Uniq plc. He was Non-Executive Director at Fidessa Group plc, Cranswick plc, and Connect Group plc and a member of the Financial Reporting Review Panel.

### 2. CHRISTINE CROSS **A R N** NON-EXECUTIVE DIRECTOR

**Tenure:** 6 years

Christine joined Hilton as an independent Non-Executive Director in 2016. She is Chair of the Remuneration Committee.

**Key skills and competencies:** Christine was originally a food scientist before devoting 14 years to 2003 with Tesco in senior roles focusing on own brand, non-food and global sourcing. She brings a wealth of global experience with a wide range of food and non-food retailing businesses to the Board.

**Current external appointments:** Non-Executive Directorships with Coca-Cola Europacific Partners plc, Clipper Logistics plc and several private companies as well as numerous advisory roles.

**Previous experience:** Christine was Non-Executive Director at zooplus AG (Germany), Sonae SGPS SA (Portugal), Next plc, Woolworths Limited (Australia), Brambles Limited (Australia) and Kathmandu Holdings Limited (New Zealand).

### 3. ANGUS PORTER **A R N** NON-EXECUTIVE DIRECTOR

**Tenure:** 3 years

Angus joined Hilton as an independent Non-Executive Director in 2018. He is the designated NED for workforce engagement.

**Key skills and competencies:** Angus' extensive knowledge and experience in public companies and the food and retail sectors are valuable to the decisions of the Board. He has an MA in natural sciences and PhD from the University of Cambridge.

**Current external appointments:** Non-Executive Chairman at McColl's Retail Group plc and Co-Chairman of Direct Wines Ltd.

**Previous experience:** Angus has held numerous executive and non-executive roles including Mars, BT, Abbey National and WPP. He was Chief Executive of the Professional Cricketers' Association, Non-Executive Director and Senior Independent Director of Punch Taverns plc and Non-Executive Director of TDC A/S (Denmark).

### 4. REBECCA SHELLEY **A R N** NON-EXECUTIVE DIRECTOR

**Tenure:** 2 years

Rebecca joined Hilton in 2020 as an independent Non-Executive Director. She chairs the executive sustainability committee.

**Key skills and competencies:** Rebecca has held market-facing investor relations and corporate communications roles at a number of listed companies. She has a BA (Hons) in Philosophy and Literature from the University of Warwick and an MBA in International Business and Marketing from Cass Business School.

**Current external appointments:** Non-Executive Director at Sabre Insurance Group plc, Liontrust Asset Management plc and Arraco Global Markets Ltd.

**Previous experience:** Rebecca was Group Communications Director and a member of the Executive Committee at Tesco plc and Global Corporate Affairs Director at TP ICAP plc. Other roles include Norwich Union plc, Prudential plc and as a partner at Brunswick LLP. She was also on the Board of the British Retail Consortium and a Trustee of the Institute of Grocery Distribution.

### 5. PATRICIA DIMOND **A R N** NON-EXECUTIVE DIRECTOR

**Tenure:** appointed 1 April 2022

Patricia joined Hilton in 2022 as an independent Non-Executive Director.

**Key skills and competencies:** Patricia qualified as a Chartered Accountant working with Deloitte in Canada and the UK, is a CFA charter holder and holds an MBA from IMD Switzerland with a 30 year international career in consumer, retail and financial markets.

**Current external appointments:** Non-Executive Director at Foresight VCT plc, LXI REIT plc, Aberforth Smaller Companies plc, English National Opera and the National Academy for Social Prescribing.

**Previous experience:** Executive roles with Storehouse, Mothercare and Value Retail plc and a management consultant with McKinsey & Co.

## Company Secretary



### NEIL GEORGE COMPANY SECRETARY

Neil joined Hilton in 2007 and is a Chartered Accountant.

# Directors' report

The Directors present their report together with the audited consolidated financial statements for the 52 weeks ended 2 January 2022. Reference to other relevant information incorporated into this report is below.

## Strategic report

The Strategic report on pages 4 to 77 sets out the development and performance of the Group's business during the financial year, the position of the Group at the end of the year, future developments and a description of the principal risks and uncertainties facing the Group. The Group's financial instruments risk management objectives and policy are discussed in the treasury risk management policies section of the Performance and financial review on page 22.

This Strategic report also includes the Sustainability report on pages 28 to 77 which contains details of the Group's employment practices and greenhouse gas emissions.

A statement which sets out how the Directors have had regard to the matters under Section 172 of the Companies Act 2006 is also included in the Strategic report.

## Corporate governance and other statutory disclosures

The Corporate governance statement, Board Committee reports and Directors' remuneration report on pages 84 to 110 includes information required by DTR 7.2.

All necessary disclosures required under LR 9.8.4 have been made.

## Non-Financial Reporting Directive

The EU Non-Financial Reporting Directive has been implemented into English law and requires companies to disclose non-financial information necessary to provide investors and other stakeholders with a better understanding of a company's development, performance, position and impact of its activity.

The table below sets out where stakeholders can find information in our Strategic report relating to non-financial matters.

Information requirement	Where to read more	Page
Business Model	Our business model	11 to 14
Principal risks	Risk management and principal risks	24 to 27
Non-financial KPIs	Key performance indicators	20 to 21
Environment	Sustainability report	28 to 77
Employees		28 to 77
Human rights		28 to 77
Social matters		28 to 77
Anti-bribery and corruption	Corporate governance statement	84 to 89

## Principal activities

The Group is a leading international protein producer.

## Results and dividends

The profit before income tax is £47.4m (2020: £54.0m).

An interim dividend of 8.2p per ordinary share was paid in November 2021. The Directors recommend the payment of a final dividend for the period which is not reflected in these financial statements, of 21.5p per ordinary share totalling £19.1m, which, together with the interim dividend, represents 29.7p per ordinary share for the year. Subject to approval at the Annual General Meeting, the final dividend will be paid on 1 July 2022 to members on the register at the close of business on 6 June 2022. Shares will be ex dividend on 1 June 2022.

## Directors and their interests

The Directors of the Company in office throughout 2021, together with their biographical details, are set out on pages 80 and 81. All the Directors served for the whole of the year under review except Patricia Dimond who joined the Board on 1 April 2022. Details of Directors' interests in shares are provided in the Directors' remuneration report on page 107.

Directors are subject to reappointment at the Company's AGM following the year in which they are appointed. Under its Articles all Directors will retire and stand for election or re-election, as appropriate, at each Annual General Meeting.

## Directors' indemnities

As permitted by law and its Articles of Association the Company has in place appropriate directors' and officers' liability insurance cover during the year and up to the date of signing this report.

## Substantial shareholdings

As at the date of this report, the Company is aware or has been notified of the following interests of 3% or more of the voting rights of the Company:

Group	Number of ordinary shares	Percentage of issued share capital	Nature of holding
abrdn	9,843,027	11.07%	Indirect
Capital Group	5,985,063	6.73%	Indirect
Schroder Investment Management	4,108,235	4.62%	Indirect
BlackRock	3,291,802	3.70%	Indirect
Montanaro Investment Managers	2,854,000	3.21%	Indirect
Invesco	2,783,638	3.13%	Indirect
Vanguard Asset Management	2,695,025	3.03%	Indirect
R. Heffer	2,677,233	3.01%	Direct
Polar Capital	2,669,911	3.00%	Indirect

Additionally Directors' interests in shares total 7.01% and details are given on page 107.

There are robust safeguard controls in place to monitor transactions between major shareholders of the Company. These include share register analysis on at least a quarterly basis and weekly share transaction reporting.

As a policy Hilton does not have any devices which would limit the ability to perform a takeover of Hilton Food Group plc. This includes devices which would limit share ownership and/or issue new capital for the purpose of limiting or stopping a takeover.

## Political donations

No donations for political purposes were made during the year (2020: £nil). The practice of making political donations would require authority from shareholders and Hilton has never sought such authority.

## Share capital and control

The following information is given pursuant to Section 992 of the Companies Act 2006:

- the Company has one class of share being ordinary shares of 10p each which have no special rights. The holders of ordinary shares rank equally and are entitled to receive dividends and return of capital as declared and to vote at general meetings. With minor exceptions, there are no restrictions on transfers of ordinary shares.
- there are no restrictions on voting rights of ordinary shares.
- rights over ordinary shares issued under employee share schemes are exercisable directly by the employees. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of its shares or on voting rights.
- the Company may appoint or remove a Director by an ordinary resolution of the shareholders. Additionally the Board may appoint a Director who must retire from office at the following Annual General Meeting and if eligible then stand for re-election.

- the Company's Articles may be amended by a special resolution of the shareholders.
- the Directors have general powers to manage the business and affairs of the Company. Additionally the following specific authorities were passed as resolutions at the Company's Annual General Meeting held on 24 May 2021:

- Directors have authority to resolve that the Company shall purchase up to 10% of its own shares subject to certain conditions.
- Directors have authority, within limits, to exercise the powers of the Company to allot shares and limited authority to disapply shareholder pre-emption rights.

Both these authorities expire on the earlier of the date of 24 August 2022 or the next Annual General Meeting at which renewal of these authorities will be sought.

- the Company has significant long term supply agreements with customers which the customer may terminate in the event that ownership of the Company, following a takeover, passes to a third party which is not reasonably acceptable to that customer. There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

The Companies Act 2006 also allows that Hilton Food Group plc shareholders representing at least 5% of paid-up capital with voting rights of the Company can require that the Directors call a general meeting to include the text of a resolution that may properly be moved at that meeting. Additionally shareholders have the right under the Company's Articles to vote on resolutions to re-appoint every director annually at each Annual General Meeting.

## Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' report are listed on pages 80 and 81. Having made enquiries of fellow Directors and the Company's auditors, each of these Directors confirm that:

- to the best of each Director's knowledge and belief, there is no information relevant to the audit of which the Company's auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## Independent auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office and a resolution proposing their reappointment will be submitted at the Annual General Meeting.

## Annual General Meeting

The Notice convening the Annual General Meeting can be found in the separate Notice of Annual General Meeting accompanying this Annual report and financial statements, and can also be found on the Company's website at [www.hiltonfoodgroupplc.com/en/investors/shareholder-meeting-documents/](http://www.hiltonfoodgroupplc.com/en/investors/shareholder-meeting-documents/).

By order of the Board

**Neil George**  
Company Secretary

5 April 2022

# Corporate governance statement

## Introduction

**The Hilton Board is responsible for the long-term success of the Group and establishing its purpose, values and strategy aligned with its desired culture.**

## Company purpose, values and culture

Our purpose is to create efficiency and flexibility in the food supply chain without compromising quality through innovative and sustainable food manufacturing and supply chain solutions with the ambition to be the first choice partner for food retailers seeking excellence, insight and growth. Hilton's model of 'growth through total partnership' creates value for its stakeholders as well as contributing to wider society.

Hilton has developed its strategic compass through which desired values include being dedicated, ambitious, curious, entrepreneurial and resilient. We remain committed to achieving good governance balanced against our desire to preserve an agile and entrepreneurial culture with a strong client and talent focus.

## Governance framework

The Board heads the Group's governance structure and is collectively responsible for promoting the long-term sustainable success of the Group, within a framework of prudent and effective controls that enable risk to be assessed and appropriately managed. It is responsible for setting and approving the strategy and key policies of the Group and monitoring the progress towards achieving these objectives. The Board aims to enhance shareholder value by providing entrepreneurial leadership for the Group whilst ensuring there is an appropriate framework of checks and balances in place.

The Board has delegated certain responsibilities to formal Board sub-committees which comprise an Audit Committee, Remuneration Committee and Nomination Committee.

These Committees operate under defined terms of reference that are approved by the Board which ensures that each Committee has sufficient resources to undertake their duties. Each Committee reports regularly to the Board. Executive Committees include a Risk Management Committee which reports to the Audit Committee and a Sustainability Committee which is chaired by an Independent Non-Executive Director.

During the year an additional Board sub-committee was formed to oversee the finalisation of the SV Cuisine acquisition deferred consideration. Given Philip Heffer's conflict of interest in this transaction the Board considered it appropriate to establish this new committee chaired by John Worby, the Senior Independent Director, with other members comprising Christine Cross and Robert Watson. All parties agreed to reduce the length of the deferred consideration period with complicating factors including proposed capex investment in the business and a proposed move of the SV Cuisine business to Huntingdon. The Committee liaised with external advisors and negotiated a fair consideration agreed with all parties which was endorsed by Hilton's other Non-Executive Directors.

## Governance code and compliance

We evaluate our governance against principles and provisions contained in the 2018 UK Corporate Governance Code issued by the Financial Reporting Council which can be obtained from [www.frc.org.uk/corporate/ukcgcode.cfm](http://www.frc.org.uk/corporate/ukcgcode.cfm). This Corporate governance statement together with the Board Committee reports and the Directors' remuneration report on pages 84 to 110 detail how the Board applies the principles of good governance and best practice as set out in this Code.

The Directors consider that the Company has complied with the provisions of the Code during 2021 except for two provisions relating to Hilton's Chairman. Robert Watson is one of Hilton's founders, joining its Board as Chief Executive in 2002. In 2018 he transitioned to Executive Chairman and from 1 January 2021 moved into a non-executive capacity.

Provision 9 of the Code states that a chairman should be independent on appointment and that a chief executive should not go on to become chair of the same company although the Code does recognise that this can happen in exceptional circumstances. Additionally Provision 19 of the Code states that the chair should not remain in post beyond nine years from the date of their first appointment to the board. Whilst Robert's position does not comply with these provisions the Directors are of the strong view that there are valid exceptional circumstances which are in the best interests of the Company and its stakeholders and these are detailed on page 85.

## The Board

### Board responsibilities

The Board has specific powers reserved to it contained in a schedule of matters reserved for decision by the Board. These powers include changes to capital structure, acquisitions and disposals, major trading agreements, major capital expenditure projects, dividends, treasury and risk management policies, approval of budgets and financial reports, and the giving of any guarantees or letters of comfort. The Board also has responsibility for setting policy and monitoring matters including financial and risk control, health and safety policy, management succession and planning and environmental issues.

There is a clear written division of responsibilities between the Chairman and the Chief Executive, agreed by the Board, split between running the Board and the business. They maintain a close working relationship, speaking regularly between Board meetings to ensure a full understanding of evolving issues and to facilitate swift decision making.

Implementation of the agreed strategy and budget and the day-to-day management of the Group's operations is delegated to an executive leadership team led by the CEO.

## Membership

At the date of this report the Board consists of the Chairman, two Executive Directors and five Non-Executive Directors whose names, responsibilities, brief biographies and membership of Board Committees are set out on pages 80 and 81. The Directors bring strong judgment and expertise to the Board's deliberations and with diversity achieves a balance of skills and experience appropriate for the requirements of the business.

On 1 April 2022 Patricia Dimond joined the Board as an independent Non-Executive Director. Patricia brings a wealth of experience including a 30 year international career in consumer, retail and financial markets workings with FTSE 100, Private Equity and owner managed companies. More information on Patricia's experience can be found on page 81. John Worby has advised the Board that he will not be seeking re-election at Hilton's AGM and therefore will step down from the Hilton Board on 24 May 2022.

Nigel Majewski also indicated his desire to step down from the Board at the AGM but continue in a reduced capacity as director of investor relations and strategic development. It is proposed that the current Group Financial Controller, Matt Osborne, be appointed to the Board as Chief Financial Officer.

All Directors are reappointed annually under the Company's Articles and for FTSE 350 companies under the Code. All new Directors are subject to reappointment by shareholders at the first opportunity following their appointment.

## Chairman

Robert Watson is one of Hilton's founders and as such has an intimate knowledge of the business as well as having relationships with key decision makers at supermarket retailing businesses around the world. He has held senior Hilton Board positions since 2002 and during that time has guided the Group to significant continuous and sustainable growth including a successful flotation in 2007.

This success is illustrated by the graph on page 109 which charts Hilton's total shareholder return over the past ten years showing average compound annual growth of 18.2% which compares with 11.6% achieved by the FTSE 250 Index. A further indicator of Hilton's enduring success is the average compound annual growth in Hilton's adjusted operating profit which, in the 15 years since flotation, is 11.0%.

Robert joined Hilton initially as Chief Executive, transitioning during 2018 to Executive Chairman, and on 1 January 2021 he moved into a non-executive capacity. This transition path has been discussed with Hilton's major shareholders over a number of years to ensure both openness and transparency and to gauge their views. They have been supportive of these changes to date and Hilton will continue to engage with them in the future to ensure that this remains the case.

Robert has been instrumental in Hilton's success over a prolonged period and Hilton's other Directors are of the strong view that Robert's knowledge and experience within the business can contribute to our further growth and success in the future. The Board believes that he has demonstrated, and will continue to demonstrate, objective judgment that is in the best interests of the Company. The 2019 external board evaluation supported the Board's view concluding that the retention of Robert Watson has not only sustained shareholder value but proved an effective learning environment for the CEO.

Whilst Robert cannot be designated as independent under the Code the Board believes that he has, since moving to Non-Executive Chairman, distinguished himself by critically scrutinising decisions purely on the basis of his extensive knowledge of the Company, its history, the industry in which it operates and its stakeholders. He has shown that he is able to chair and monitor the Company without prejudice and that he is impartial in his judgement and voting behaviour. He is also supported in this by a strong Senior Independent Director.

In view of the above, the Board believes that there are valid exceptional circumstances envisaged by the Code which are in the best interests of the Company and its stakeholders for Robert to continue as Hilton's Chairman. We do also appreciate stakeholder concerns to ensure appropriate governance, and specifically with regard to the balance of the Hilton Board, which comprises a majority of independent Non-Executive Directors. The Board maintain an ongoing focus on appropriate succession planning arrangements and it is anticipated that Robert will step down in 2023 or 2024.

## Non-Executive Directors

The Non-Executive Directors, excluding the Chairman but including the Senior Independent Director, are considered to be independent all having served on the Board for six years or less. Whilst all the Non-Executive Directors hold other directorships outside Hilton it is considered that they are all able to devote sufficient time to meet their board responsibilities. The Non-Executive Directors do not participate in any of the Group's pension arrangements or in any of the Group's bonus or share option schemes.

The Non-Executive Directors met once during the year specifically to scrutinise the performance of the executive management. A further meeting was held without the Chairman present to assess his performance.

## Senior Independent Director

John Worby, the Senior Independent Director, is available to shareholders as an alternative to the Chairman, CEO and CFO. Following all conversations or meetings he reports any relevant findings to the Board. When John steps down from the Hilton Board in May Angus Porter will become the Senior Independent Director.

# Corporate governance statement

## continued

### Board balance and diversity

During the year the balance of independent Non-Executive Directors on the Board was 57% and female representation on the Board was 29%. Following the appointment of Patricia Dimond and upcoming departure of John Worby female representation on the Board will increase to 43%.

Hilton is committed to diversity on its Board, executive committee and its direct reports including implementing targets for female representation and persons of colour. We will look to increase diversity within the Group at every opportunity albeit that there are no further planned changes to the Board's size or composition in the coming year.

### Directors' conflicts of interest

Under the Companies Act 2006, the Group's Directors have an obligation to avoid any situation where they have a conflict of interest. The Group has in place procedures that require all Directors to notify the Group of any conflicts of interest and, for any such conflicts of interest to be authorised by non-interested Directors, which is permitted under the Company's Articles. The Board considers that the Directors' powers of authorisation of conflicts have operated effectively and that the procedures set out above have been followed properly.

There was a continuing conflict of interest involving Hilton's CEO, Philip Heffer, in relation to SV Cuisine Limited, a UK based sous vide manufacturer acquired in 2019. Prior to the acquisition, Philip was a shareholder in SV Cuisine and was also a director, an office he resigned immediately following the acquisition. The transaction involved deferred consideration which was agreed and paid during the year. Philip did not participate in the decision to agree this deferred consideration and his conflict of interest thereafter ceased.

### Information and support provided to Board members

Members of the Board and its Committees are given appropriate documentation in advance of each Board and Committee meeting. For regular Board meetings these include a detailed period report on current and forecast trading, with comparisons against both budget and prior years. For all meetings appropriate explanatory papers are circulated well in advance on matters which the Board or Committee will be required to approve or provide responses.

The Board operates both formally through Board and Committee meetings and informally through regular contact between Directors. To assist them in carrying out their responsibilities the Directors have, in addition to full and timely access to all relevant information from management in advance of Board meetings, the right to obtain independent professional advice at the Company's expense and the advice and services of the Company Secretary to enable them to perform their duties as Directors. The Company Secretary is responsible to the Board, through the Chairman, for all governance matters. The appointment and removal of the Company Secretary is determined by the Board as a whole.

### Attendance at Board meetings

The Board meets not less than eight times a year to direct and control the strategy and operating performance of the Group. The following table sets out the Board meeting attendance by Board members together with the percentage attended. Attendance at Board Committee meetings is set out in each Committee report.

	Number attended	Percentage attended
Robert Watson	8	100%
Philip Heffer	8	100%
Nigel Majewski	8	100%
John Worby	8	100%
Christine Cross	8	100%
Angus Porter	8	100%
Rebecca Shelley	8	100%

### Other Governance

#### Performance evaluation

An external evaluation of the Board and its Committees was last performed in 2019. An internal evaluation was performed during 2021 whereby each Director completed a detailed written questionnaire with the opportunity to comment on any issue not directly covered by the questionnaire. The responses were analysed and considered by the Board who have concluded that the individual Directors, the Board and its standing Committees continue to perform effectively. The next external evaluation is due during 2022.

#### Annual General Meeting

Our 2022 AGM will continue in a hybrid format at which shareholders will be asked to vote on 20 resolutions dealing with key governance matters, including the reappointment of all Directors, approval of the Directors' remuneration report and policy, and the reappointment of the auditor.

#### Risk management and internal control

The Board of Directors has overall responsibility for the Group's systems of internal control including financial, operational and compliance controls and risk management which operate to safeguard the shareholders' investments and the Group's assets and for reviewing their continuing effectiveness. Such an internal control system can only provide reasonable and not absolute assurance against material misstatement or loss as it is designed to manage rather than eliminate risk and failure to meet business objectives.

The Board has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity, which are summarised in the Risk management section on pages 24 to 27.

The Group operates within a clearly defined organisational structure with established responsibilities, authorities and reporting lines to the Board. The organisational structure is designed to plan, execute, monitor and control the Group's objectives effectively and ensure internal control becomes integral to all the Group's operations.

The Board confirms that the Group's internal risk based control systems have been fully operative up to the date of the Annual report being approved, key ongoing processes and features of which are set out below:

- appropriate mechanisms to identify and evaluate business risk;
- a Group internal audit function which is involved in the review and testing of the internal control systems and of key risks across the Group in accordance with an annual programme agreed with the Audit Committee;
- a strong control environment;
- an information and communication process; and
- a monitoring system and regular Board reviews for effectiveness.

The Group's planning and financial reporting procedures include detailed budgets and a three year strategic plan which are approved by the Board. Periodic management accounts report performance compared to the budget and additionally forecasts are updated through the year. These management accounts together with half-yearly and annual accounts are reviewed. All financial information published by the Group is approved by the Board and Audit Committee.

The Chief Financial Officer and Group Financial Controller are responsible for overseeing the Group's internal controls. The management of the Group's businesses have identified the key business risks within their operations. These have been reviewed and discussed through the Risk Management Committee and by the Audit Committee and their financial implications and the effectiveness of the control processes in place to mitigate these risks have been assessed. The Board has reviewed a summary of these findings and this, together with its direct involvement in the strategies of the business, investment appraisal and budgeting processes, has enabled the Board to report on the effectiveness of the Group's internal control systems.

### Whistleblowing policy

Hilton is committed to a free and open culture in dealings between its officers, employees, customers, suppliers and all people with whom the Group engages in business relations. We seek to conduct our business honestly and with integrity at all times. The Board has therefore established a whistleblowing policy which covers all our employees and operations so that any suspected business misconduct can be reported. The policy allows anonymised reporting and that reports are treated confidentially. More information on this policy can be found on our website. The Board reviewed and updated this policy during the year to comply with the common minimum internal reporting standards contained in the EU Whistle Blower Directive and to introduce a 24/7/365 telephone and web-based reporting service available in all local languages. The Audit Committee receives reports on any communications reported via this mechanism.

### Anti-bribery and anti-corruption policy

Hilton has a zero tolerance approach to bribery and corruption and accordingly the Board has established an anti-bribery and anti-corruption policy. This policy, which is available in local languages, covers all our employees and operations and also applies to third parties such as suppliers, contractors and other business partners. The policy defines and prohibits bribes and facilitation payments and covers all corporate hospitality including gifts, entertaining and charitable donations which must be authorised. Hilton does not make contributions to political parties. Regular training is provided to all colleagues to maintain awareness of these policies and processes.

### Directors' duties and stakeholder engagement

Section 172 of the Companies Act 2006 requires company directors to act in the way he or she considers, in good faith, would be most likely to promote the long-term success of the company for the benefit of its members as a whole and other stakeholders.

The Directors ensure that the views of the Company's key stakeholders are known and fully considered during their discussions and decision-making. Proposals submitted to the Board on all significant decisions include a section that assesses the potential impact on our stakeholders and their interests. This is intended to guide Board discussions to ensure that these interests are adequately considered when decisions are made to approve business projects and the Company's strategy.

During 2021 the key decisions for the Board related to the continuing response to Covid and proposals to expand the business including Fairfax Meadow and Foppen acquisitions, Dalco purchase of remaining shares and a joint venture. Additionally Board oversaw the opening of the new facility in New Zealand, other significant capital expenditure investment proposals and also the relocation of SV Cuisine.

# Corporate governance statement

## continued

### Case study – business relocation

In 2019 Hilton acquired SV Cuisine, a standalone business based at Wednesbury located north-west of Birmingham with approximately 200 employees and agency workers in a variety of skilled and unskilled roles producing slow cooked sous vide products. In March 2021 we announced the intention to relocate the business to our Hilton Foods UK facility in Huntingdon, some 88 miles away. The reasoning for the move was that retaining Wednesbury as a standalone facility could not maintain market competitiveness and as such was not fit for the long-term sustainability of the business. There was a need to become more cost-efficient in an increasingly competitive market which could only be achieved through synergies from combining with another larger facility.

Whilst we wanted to keep all our staff we recognised that the distance may be too great to expect them to move with the business and of course we respected their wishes. Hilton therefore put in place a range of measures, including offering retention bonuses ensuring continued production, to support our people.

- Relocation support
  - Financial including relocation expenses and staff loans
  - Information comprising open days at the Huntingdon facility and information about the local area including accommodation, schools, community and council support
  - Details of vacancies at Hilton's other UK facilities
- Redundancy support
  - Outplacement support including CV writing guidance, career workshops and interview training
  - Redeployment workshops including partnering with local businesses, agencies and jobcentres
  - Free financial information and a confidential helpline

Up to the time that production ceased at Wednesbury in August 2021 we sustained good overall factory performance and a high customer service level whilst employee turnover remained low. A positive culture was maintained throughout the process which resulted in no redundancy appeals or grievances.

### Our shareholders

The Board promotes open communication with its shareholders. We aim to provide transparent, clear and balanced communications so that they understand our business strategy and how we deliver long term shareholder value through earnings and capital growth. The Chief Executive Officer and Chief Financial Officer meet regularly and have dialogue with institutional shareholders both to discuss the Group's performance and prospects and to develop an understanding of their views which are relayed back to the Board. The Board's current assessment of the Group's position and prospects are set out in the Strategic report on pages 6 to 77. Twice a year general presentations are given to analysts covering the annual and half year results. Additionally other reports and forecasts, together with relevant articles in the financial press, are circulated to the Board.

The Executive Directors are available to meet the Company's major shareholders if required and, together with the Chairman and Senior Independent Director, are available to listen to the views of shareholders, should they have concerns which have not been previously resolved or which it was inappropriate to voice at prior meetings. All shareholders have the opportunity to ask questions at the Company's Annual General Meeting, which all Directors and the Chair of every Board Committee usually attend. In addition the Group's website containing published information and press releases can be found at [www.hiltonfoodgroupplc.com](http://www.hiltonfoodgroupplc.com).

During 2021 the pandemic continued to disrupt our ability to hold physical meetings. Instead an increased frequency of virtual presentations and meetings were offered to keep shareholders up to date.

### Our customers and suppliers

The Board and senior management engage with our customers and suppliers through an established total partnership strategy to discuss and reach agreements on product quality and payment terms, address concerns, identify risks, suggest solutions and demonstrate best practice.

Our customers comprise high quality food retailers based in Europe and Australasia. We create long-term partnerships with these retailers which are key drivers of the Company's growth and continued success. Through these established partnership arrangements we are able to successfully deliver safe, high quality products, competitively priced ensuring the highest level of customer satisfaction. We communicate with our customers every day to gain an in depth understanding of their, and their consumers', needs and expectations, and the markets within which they operate.

We work closely with local and international suppliers, as part of an integrated food supply chain, which enables us to create effective partnerships that combines our knowledge of industrial-scale food production and consumer needs and expectations with their expertise in the supply of sustainable and innovative raw materials.

Our products are governed by national legislation and food safety standards throughout the supply chain. We hold regular dialogue with our suppliers on governance and compliance matters, including human rights and modern slavery. Further details on how we engage our suppliers on these matters can be found in the Sustainability report on pages 28 to 77.

### Our people, including workforce engagement

The Board recognises the value its employees contribute to the Company's sustainable long-term success, which is why the Group is committed to engaging with its workforce to discuss employee interests and concerns, as well as to identify and develop talent within the Group. Some of the workforce engagement mechanisms established to date, enabling employees to raise any matters of concern, are as follows:

- Angus Porter is the designated Non-Executive Director appointed by the Board to head the Group's workforce engagement procedures. Angus works closely with the Group key personnel to ensure the Group's engagement practices in relation to its employees are appropriately monitored and reporting back to the Board on his findings and interactions;
- An annual workforce engagement survey to capture the views and opinions of the workforce regarding how they feel about working in the Group, and the support they receive;
- Induction programmes for new employees;
- Internal communications App, "MyHFG", which is an information and communication resource that provides a platform for employees to receive news, participate in the annual engagement survey and a number of other activities. "MyHFG" proved to be an invaluable resource during the pandemic;
- Hosting of virtual leadership conferences and town halls during the year to ensure our employees are fully engaged in strategy and progress and know how they can personally contribute;

- Values rewards programmes, such as "Hilton Heroes" across the Group to identify and reward dedication and talent within the workforce;
- Employee forums with a view to strengthening the 'employee voice' within the Group;
- Continuation of our accelerated leadership development programmes utilising virtual technology during the pandemic;
- Development of a people analytics dashboard to ensure continuous development in relation to our workforce;
- Development of an inclusion and diversity strategy including strategic sponsorship of the Meat Business Women network and the launch of the HFG Women's Network;
- A remote working toolkit to support home workers and their leaders during the pandemic;
- Implementation of global health and safety standards and KPIs; and
- A whistle-blowing mechanism through which employees and others can raise concerns about suspected business misconduct, wrongdoing including in financial reporting or other matters or dangers at work.

Further measures include understanding reasoning behind emotive employee survey responses, establishing better communication and information flow locally amongst the business divisions and improving teams' working together and manager feedback.

The Board has assessed the above engagement mechanisms and corrective actions and is satisfied that these are aligned with the Company's purpose, values and strategy.

### Community & environment

Hilton seeks to be a good neighbour in all its locations and is committed to social responsibility built through the relationships we have with our communities and legitimate public interest groups. Further details on how we engage with the community and on environmental matters can be found in the Sustainability report on pages 28 to 77.

With regard to tax we recognise the importance of the tax contribution that we make and consider the needs of all our stakeholders. Hilton is committed to paying the right amount of tax at the right time. We have a low risk appetite with a simple corporate structure based around our commercial operations. We do not engage in planning schemes or arrangements that could be considered aggressive or artificial in nature. Consistent with this, the Group's approach to transfer pricing is to ensure that transactions reflect the underlying commercial arrangements, and therefore the use of transfer pricing as a means to artificially avoid tax is prohibited.

By order of the Board

**Neil George**  
Company Secretary

5 April 2022

## Report of the Audit Committee



“Key areas of focus included reviewing acquisition accounting and the new TCFD disclosures.”

JOHN WORBY  
CHAIRMAN OF THE AUDIT COMMITTEE

### Attendance at meetings of the Audit Committee

	Number attended	Percentage attended
John Worby	4	100%
Christine Cross	4	100%
Angus Porter	4	100%
Rebecca Shelley	4	100%

### Role of the Committee

The Audit Committee is established by the Board of Directors. Terms of reference formalise the roles, tasks and responsibilities of the Committee to comply with the UK Corporate Governance Code and to achieve best practice. The Committee terms of reference are available and can be found on the Company's website at [www.hiltonfoodgroupplc.com](http://www.hiltonfoodgroupplc.com).

The Committee meets at least three times per year.

### Membership of the Committee

Members of the Committee are appointed by the Board on the recommendation of the Nomination Committee. In 2021 the Committee comprised the Chairman of the Committee, John Worby, and the other Independent Non-Executive Directors, Christine Cross, Angus Porter and Rebecca Shelley. Patricia Dimond joined the Committee on 1 April 2022. At least one member has recent and relevant financial experience and between them they have a wide experience of the food industry and commerce in general.

Other individuals such as the Chairman, Chief Executive Officer, Chief Financial Officer, Internal Auditor and the external auditors are invited to attend meetings as appropriate. The external auditors and the Internal Auditor have the opportunity for direct access to the Committee without the Executive Directors being present.

## Responsibilities of the Committee

The main responsibilities of the Audit Committee, which are contained in the UK Corporate Governance Code and also in the Committee's terms of reference, are the review and monitoring of:

- the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them;
- whether the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy;
- the Company's internal financial controls and internal control and risk management systems and their effectiveness;
- the work done and the effectiveness of the Company's internal audit function;
- the scope and effectiveness of the external auditors including making recommendations to the Board, about the appointment, reappointment and removal of the external auditor, and approving their remuneration and terms of engagement;
- the external auditor's independence and objectivity including the policy on the engagement of the external auditor to supply non-audit services, considering the impact this may have on independence;
- the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements; and
- the adequacy of the Company's whistleblowing and anti-bribery arrangements.

As part of its responsibilities the Committee meets with the external auditors and the head of internal audit at least once a year without management being present. In addition it reports to the Board on how it has discharged its responsibilities.

## How the Committee has discharged its responsibilities

During 2021 the Committee met four times at appropriate intervals in the financial reporting and audit cycles. The work of the Committee during the year focused on the key areas set out below.

### Monitoring the integrity of the financial statements including significant judgements

The Committee reviewed the half and full year financial reports including the application of accounting policies, estimates and judgements in their preparation and, the clarity and completeness of the disclosures. The Committee also held discussions with management and the external auditor and reviewed supporting papers in respect of these matters.

The key areas of focus and significant issues considered during the year were:

- a review of revenue recognised on the Group's major contracts. The external auditor identified complex customer arrangements as an area of audit focus and the Committee fully considered these issues, including a review of customer balances in relation to these contracts at the year end. The Committee concurred with these balances. As Hilton's contracts with its customers include pre-agreed and pre-defined revenue parameters, performance measures and targets there were no significant estimates or judgements involved in relation to these contracts;
- a review of the accounting for the acquisition of Fairfax Meadow and the remaining shareholding in Dalco, including the allocation of the purchase price, including intangible assets and goodwill. The Committee considered papers prepared by management and concurred with the preliminary accounting treatment and disclosures made in the Annual report;

- a review of accounting developments. The Committee reviewed the impact of new IFRS standards effective in the year and their adoption by the UK;
- an assessment of the Group's cost plus contracts in relation to IFRS 16 to determine whether they contain a lease. The Committee particularly focused on new contracts entered into during the year. As in previous years the Committee remains comfortable that there are no such implied lease arrangements;
- reviewing the SV Cuisine acquisition deferred consideration;
- reviewing the impacts and insurance claim status from the fire at Hilton's facility in Belgium and reviewing and agreeing the treatment of asset write offs and related disclosures;
- the Committee held a separate workshop with key executives to review the work done and proposed disclosures to meet the disclosure requirements under the Task Force on Climate-related Financial Disclosure (TCFD) framework including the reasonableness of the metrics and targets disclosed in the Annual report. The Committee was satisfied with the disclosures made (pages 64 to 72); and
- a review of the continuing impact of Covid-19 on the business and its projected cash flows. The Committee considered the impact of potential sensitivities on the Group's cash flows and concurred that the statements made in relation to going concern and the Group's viability were appropriate.

The Committee was satisfied that the Annual report and financial statements were, taken as a whole, considered to be fair, balanced and understandable and provide the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

# Report of the Audit Committee

## continued

The Committee reviewed a paper prepared by the Chief Financial Officer relating to going concern and the Group's longer term viability and concluded that the Group should be considered as a going concern. The proposed disclosures relating to the Group's longer term viability were agreed.

Thereafter the Committee recommended that the Board approve these financial reports for publication and that the letter of representation to the external auditor be signed.

### Internal audit, risk management and internal controls

During the year the Internal Auditor reported to the Committee on the internal audit work performed and on key focus areas for future work. There was ongoing focus on the continuing challenges from the Covid-19 pandemic including a roadmap out of lockdown. Additional work included risk assurance mapping, climate change including TCFD and business continuity following the Belgium fire.

The Committee also reviewed the Group's cyber security and preparedness against cyber attacks. The Committee noted the findings from this and other work done and agreed the internal audit plan for the year ahead. The Committee was satisfied that the internal audit function had been effective in its work during the year.

The Committee received regular updates on risk management including changes to the assessments of risks and consideration of emerging risks. The Committee also reviewed the work done by the Risk Management Committee and an updated Principal Risks Register. At the end of the year, the Committee considered a report from the Head of Internal Audit on the effectiveness of the risk management and internal control systems. Based on the report and the work done by internal audit during the year, the Committee concluded that the Group's internal control and risk management systems were operating effectively and reported accordingly to the Board.

The Committee also receives updates on any allegations of whistle-blowing, bribery and fraud in the business at every meeting together with individual updates as required. The Committee was satisfied with management actions in respect of such allegations.

### External audit

The Committee oversees the relationship with, and the performance of, the external auditor. UK law sets the maximum duration for an audit firm to conduct the statutory audit of a public interest entity as 10 years although can be extended to up to 20 years where a public tendering process is conducted every 10 years. The Committee has complied with the Competition and Markets Authority 'The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014'.

The current external auditor, PricewaterhouseCoopers LLP (PwC), were appointed in 2007 and reappointed in 2016 following a public audit tender process. As a result new external auditors are required to be appointed by 2026. However, it is the Audit Committee's current intention to undertake an audit tender at an earlier date so that new external auditors are appointed for the 2024 audit.

The current audit partner took over responsibility for the audit in 2019 in accordance with PwC's policy that the lead partner is rotated every five years to ensure continued objectivity and independence. The next rotation is due in 2024. The engagement partners on key components are also required to rotate every five years.

Meetings were held with the external auditor before the audit to agree their audit plan and fees and after their half year review and year end audit work to discuss their key findings. The Committee considered issues raised by PwC in their audit management letter ensuring that they were discussed locally with an action plan to resolve.

PwC annually confirm their compliance with UK regulatory and professional requirements including ethical standards and that their objectivity is not compromised. Their audit work is subject to independent partner and periodic quality control reviews. Potential independence threats through the provision of non-audit services are mitigated through various safeguards. During 2021 the Committee were advised that the Financial Reporting Council's (FRC) Audit Quality Review team had selected the Hilton Food Group plc 2020 audit for specific review. PwC discussed a summary of the findings from this review with the Audit Committee in February 2022. There were no key findings arising from the review.

After the conclusion of the audit, the Committee reviewed the effectiveness of the audit including PwC's performance based on a questionnaire completed by members of the Committee and key finance staff. The conclusion was that the audit had been effective.

The Committee continues to be satisfied with the independence and performance of PwC and have therefore recommended to the Board that they should be reappointed as the Group's auditor at the forthcoming Annual General Meeting.

### Non-audit services and fees

Hilton's policy on the use of the external auditor for non-audit services designed to preserve the independence of the external auditor was reviewed and updated during the year. This policy categorises non-audit services into (i) continuing services which the Committee permits the external auditor to undertake subject to a price cap; (ii) irregular or significant services requiring Committee approval on a case by case basis; and (iii) non-permitted services.

The level of non-audit fees was reviewed which in 2021 at £74,000 (including £49,000 for work in connection with the half year review) represents 10% of audit fees in the year and an average of 12% over three years which compares with a 70% cap. Excluding items required by EU or national legislation, the three year average of non-audit fees was 4% of audit fees. Further details of audit and non-audit costs can be found in note 6 on page 134. The Committee considers that the level of non-audit fees does not affect the independence of the external auditor.

### Other

The whistle-blowing policy was updated to comply with the common minimum internal reporting standards contained in the EU Whistle Blower Directive and the introduction of a 24/7/365 telephone and web-based reporting service available in all local languages. Meetings were held with both the external and internal auditors without management present.

### Conclusion

The Committee considers that the work performed as detailed above demonstrates that the Committee continues to operate effectively and discharges its responsibilities.

I will be available to shareholders at the forthcoming Annual General Meeting to respond to any questions relating to the work of the Committee.

On behalf of the Audit Committee

**John Worby**

Chairman of the Audit Committee

5 April 2022

# Report of the Nomination Committee



“The Committee considered the continuing evolution of a strong, well-balanced and diverse Board.”

ROBERT WATSON OBE  
CHAIRMAN OF THE NOMINATION COMMITTEE

## Attendance at meetings of the Nomination Committee

	Number attended	Percentage attended
Robert Watson OBE	2	100%
John Worby	2	100%
Christine Cross	2	100%
Angus Porter	2	100%
Rebecca Shelley	2	100%

## Role of the Committee

The Nomination Committee is established by the Board of Directors. Terms of reference formalise the roles, tasks and responsibilities of the Committee to comply with the UK Corporate Governance Code and to achieve best practice. The Committee terms of reference are available and can be found on the Company's website at [www.hiltonfoodgroupplc.com](http://www.hiltonfoodgroupplc.com). The Nomination Committee leads the process for Board appointments.

The Committee meets on an as required basis.

## Membership of the Committee

The Committee is chaired by the Chairman of the Board. The independent Non-Executive Directors are the other members of the Committee who therefore comprise the majority. Patricia Dimond joined the Committee following her appointment as a Non-Executive Director on 1 April 2022.

## Responsibilities of the Committee

The main responsibilities of the Nomination Committee which are contained in the UK Corporate Governance Code and also in the Committee's terms of reference are:

- to review the structure, size and composition of the Board and its Committees which should have a combination of skills, experience and knowledge;
- to promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths;
- to give consideration to succession planning for Directors and other senior executives and identify appropriate candidates for the approval of the Board;
- to make recommendations to the Board with regard to any changes and oversee new appointments to the Board;
- to review the results of the Board performance evaluation relating to the composition of the Board; and
- to review the time requirements of Non-Executive Directors.

## How the Committee has discharged its responsibilities

During 2021 the Committee met twice and considered a range of topics including resource, succession planning and reviewing time commitments.

The Committee considered the continuing evolution and composition of the Board in order to maintain a strong, well-balanced and diverse Board with particular focus in the year on the Chairman, Non-Executive Director and CFO positions.

The Committee gave further consideration to the Chairman position and planning for the time when I step down which is anticipated to be in 2023 or 2024. Plans for a process to appoint my successor are being developed.

The Committee noted that John Worby had advised the Board that he will not be seeking re-election at Hilton's AGM. Therefore the need for a further Independent Non-Executive Director was identified to replace John. Desirable attributes for potential candidates included financial expertise as well as experience in the food, retail and international sectors and having the capacity to give the necessary time commitment. Hilton engaged Sam Allen Associates, who have no connection with the Company or individual directors, to lead the search. They identified and approached potential candidates leading to the development of a shortlist who were interviewed, and references taken, following which the Committee recommended to the Board that Patricia Dimond be appointed. Following her commencement on 1 April 2022 and John's departure in May the balance of the Board independence will be maintained at 57% and Board gender diversity from 29% to 43%.

Nigel Majewski indicated his desire to step down from the Board in a reduced capacity. I am delighted that he has agreed to stay with Hilton as director of investor relations and strategic development. Through the Group's talent pipeline an internal candidate was identified as the replacement Chief Financial Officer. The Committee recommended to the Board that Matt Osborne, the current Group Financial Controller, be appointed and he will take up the position following the AGM in May.

Hilton is an inclusive business and we ensure that we give equal access to all opportunities. Our approach supports diversity which is overseen by the Committee. The gender balance of those in senior management and their direct reports continues to improve increasing from 24% in 2020 to 28% in 2021. We continue to develop management structures to promote our talent pipeline as part of a succession planning process covering the Directors and senior management positions to enable, where possible, recruitment of vacant positions from internal candidates. Accordingly processes are in place to assess the current management population against criteria for larger management roles they could potentially fill in the future and put in place individual development plans. Given the growth in business categories and geographies, the Committee continues to monitor the planning of resource implications. The Chairman has discussions with each Director to review and agree their training and development needs.

## Conclusion

The Committee considers that the work performed as detailed above demonstrates that the Committee continues to operate effectively and discharges its responsibilities.

I will be available to shareholders at the forthcoming Annual General Meeting to respond to any questions relating to the work of the Committee.

On behalf of the Nomination Committee

**Robert Watson OBE**

Chairman of the Nomination Committee

5 April 2022

# Directors' remuneration report



“Annual bonus and LTIP outcomes are reflective of strong Group and individual performance.”

CHRISTINE CROSS  
CHAIRMAN OF THE REMUNERATION COMMITTEE

## Attendance at meetings of the Remuneration Committee

	Number attended	Percentage attended
Christine Cross	2	100%
John Worby	2	100%
Angus Porter	2	100%
Rebecca Shelley	2	100%

## Annual Statement

Dear Shareholder,

On behalf of the Board I am pleased to present the Directors' remuneration report for the 52 weeks ended 2 January 2022. This report sets out the Company's policy on Directors' remuneration as well as information on remuneration paid to Directors during the year. The report complies with the requirements of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and has been prepared in line with the recommendations of the 2018 UK Corporate Governance Code (the 'Code') and the Financial Conduct Authority Listing Rules (the 'Listing Rules').

2021 saw continued disruption due to the Covid pandemic combined with the rapid organic and inorganic growth of the Group. We continued to keep our factories open and ensure that supermarket shelves were stocked with fresh food products whilst safeguarding our workforce. We did not seek or receive any governmental assistance or support including no use of furlough in our production facilities and no redundancies and our progressive dividend policy was maintained.

A new facility in New Zealand opened during the year. We also acquired Fairfax Meadow and bought the remaining stake in Dalco, both elements of our continued diversification by product and route to market. Amidst this, the Group delivered significant adjusted operating profit and earnings per share (EPS) growth of over 9%.

## Directors' remuneration major decisions and substantial changes

### 2021 pay outcomes

The Company continues to successfully implement its strategy with a wide spread of the Group's operations across Europe and the Asia Pacific region which represents a material strength. The financial results for 2021 were strong reflecting ongoing efforts by management to overcome significant challenges in our response to Covid. The remuneration policy operated as intended in terms of Company performance and quantum and accordingly no changes were considered to be necessary and no discretion exercised. The annual bonus will pay out at 68% of the maximum and LTIP awards will vest at 70.4% of the maximum. There were no payments to Directors during the year outside of the approved Policy and there were no changes made to the terms of the bonus or outstanding share awards.

### Annual bonus

The financial element of the annual bonus was based on the Group's underlying adjusted profit before tax. The actual performance exceeded the target by 1.4% resulting in a financial element bonus of 65.0% of salary being awarded.

This is augmented by the personal element of the bonus for the Executive Directors which was based on performance objectives set in respect of delivering the strategy, planning for the future, leading the food quality, health and safety and environmental agenda, ensuring a culture and talent pipeline and building positive relationships with investors. Managing the ongoing Covid situation was an additional task to these objectives.

The Committee's assessment of performance was that both Executive Directors should receive 20% of salary for above target performance.

In aggregate a total bonus of 85.0% of salary is payable to each Executive Director in respect of 2021 performance out of a maximum of 125% of salary.

### Long Term Incentive Plan

The LTIP award granted in 2019 and due to vest in 2022 was subject to performance against stretching target metrics including EPS with a weighting of 70% and TSR with a weighting of 30%. Threshold EPS performance was set at growth of 6% per annum whereby 10% of the awards would vest, rising to EPS growth of at least 15% per annum whereby 100% of the awards would vest. Threshold TSR performance was median whereby 10% of the awards would vest rising to upper quartile whereby 100% of the awards would vest.

Following the end of the three year performance period ended 2 January 2022, compound annual EPS growth was 13.15% with 81.5% vesting and TSR performance was 66th out of 163 constituents with 44.4% vesting meaning that overall 70.4% of these awards will vest.

The Committee believes the annual bonus and LTIP outcomes are reflective of Group and individual performance over the relevant one and three year performance periods. An outstanding performance that demonstrated the strength and motivation of the management team in operating through taxing times.

New LTIP awards were granted in 2021 which are subject to EPS and TSR performance conditions. The EPS 6% threshold and 13% maximum compound annual growth targets reflect Hilton's business cycle. The Committee considers that these targets are robustly challenging given the geographic expansion and market dynamics.

### 2022 implementation

The current remuneration policy will soon reach the end of its three year term. Consequently a new policy will be submitted at the forthcoming AGM for approval by shareholders. The proposed changes to the policy are summarised below with the detailed policy wording in the policy section of this Directors' remuneration report together with an illustration of future application of remuneration policy. We have consulted with major shareholders and the main representative bodies to ensure that we are implementing the policy in a way that is aligned with good governance and commercial best practice whilst motivating the management team to continue delivering for all stakeholders.

### Base salaries

Our broad principle for base salary is to align any increases for the Executive and Non-Executive team with the wider workforce and this principle has been in place for two years for the CEO post his succession to the role. The Committee recognised Hilton's continuing significant growth, international breadth and complexity achieved during 2021 and also the Foppen and Agito acquisitions completed since the end of the year. This rapid expansion, designed to deliver long-term sustainable value to shareholders, is set to continue through 2022 and into 2023. This results in a business where the production facilities have increased by 61%, the number of countries with operations by 33% and the number of employees by over 50% since 2018. Given the above, the CEO role is significantly larger, more complex and with more global demands and accordingly the Committee approved an increase in Philip's base salary by 12.6% to £570k from 1 January 2022 and with a further realignment in January 2023.

### Pension and benefits

Pension contributions for the CEO and CFO, and all future Executive Director appointments, will be workforce aligned, as required by the Code. Contributions will be reduced from 15% to 7% of salary, following the approval of the triennial remuneration policy at the 2022 AGM bringing the Company into compliance with the Code.

### Variable pay

For 2022 the maximum annual bonus opportunity will continue to be capped at 125% of base salary for Executive Directors which has remained unchanged for the past eight years. The financial element of up to 105% of salary will be measured by comparing targeted performance against the underlying adjusted profit before acquisition intangible amortisation, depreciation of fair value adjustments to property, plant & equipment, exceptional items and tax removing any tax implications which are largely out of management's control. In addition 20% of salary will be available based on individual performance against personal and strategic objectives aggregating to a 125% of salary maximum bonus opportunity for the Executive Directors. The annual bonus targets are considered to be commercially sensitive at this point although full disclosure of the targets and performance against them will be provided on a retrospective basis in next year's Directors' remuneration report.

# Directors' remuneration report

## continued

Under the new policy the maximum annual bonus opportunity to be operated from 2023 will increase to 150% of salary for which a bonus deferral mechanism will be introduced whereby one third of any bonus over 50% of salary will be deferred into Hilton shares for two years.

The 2022 LTIP awards for Executive Directors are expected to be granted over shares equal to 175% of salary with vesting determined by stretching EPS and relative TSR performance targets. Under the new policy this limit will remain unchanged. Given the considerable focus on ESG and in particular climate-based measures linked to science-based targets, wastage and carbon neutrality, we have developed robust quantitative measures over the last year and plan to introduce them from the 2023 LTIP onwards once the Committee is comfortable with the calibration of the targets.

### Other policy changes

Annual bonus and LTIP malus and clawback provisions will be updated to align with the Code.

The CFO shareholding guideline will increase from 175% of salary to 200% of salary. No change will be made to the CEO's shareholding guideline (300% of salary).

Post cessation shareholding guidelines will increase to 100% of the relevant in-employment guideline for two years post cessation (from 50% for one year currently).

### Activities of the Committee

The Committee's main activities during 2021 are summarised below and full details are set out in the relevant sections of this report.

- Agreeing Executive Director base salary increases for 2022;
- Agreeing annual bonus award levels for 2020 and setting the targets for 2022;
- Reviewing the EPS performance targets and determining the percentage vesting for the 2018 LTIP awards which vested in 2021;
- Approving the LTIP awards granted in 2021;
- Approving the issue of the Sharesave scheme for 2021;

- Reviewing the CEO pay ratio disclosures;
- Reviewing pensions across the Group in order to approve a pension alignment strategy; and
- Performing an annual evaluation of the Committee's performance and reviewing its terms of reference.

In addition, the Committee considered how the remuneration policy and practices are consistent with the six factors set out in Provision 40 of the Code:

**Clarity** – Our policy (current and proposed) approved by shareholders in 2019 is understood by our senior executive team and has been clearly articulated to our shareholders and representative bodies (both on an ongoing basis and when changes are proposed). This includes appropriate two way dialogue with staff, and consideration of their views in respect of remuneration within the Group.

**Simplicity** – The Committee is mindful of the need to avoid overly complex remuneration structures which can be misunderstood and deliver unintended outcomes. Therefore, a key objective of the Committee is to ensure that our executive remuneration policies and practices are straightforward to communicate and operate.

**Risk** – Our policy (current and proposed) has been designed to ensure that inappropriate risk-taking is discouraged and will not be rewarded through (i) the balanced use of annual and long-term pay which employ a blend of financial, non-financial and shareholder return targets; (ii) the significant role played by equity in our incentive plans; and (iii) malus/clawback provisions.

**Predictability** – Our incentive plans are subject to individual caps, with our share plans also subject to market standard dilution limits.

**Proportionality** – There is a clear link between individual awards, delivery of strategy and our long-term performance. In addition, the significant role played by performance-related pay, together with the structure of the executive directors' service contracts, ensures that poor performance is not rewarded.

**Alignment to culture** – Our executive pay policies are fully aligned to our culture through the use of metrics in both the annual bonus and LTIP.

### Use of discretion

Under the Code and its terms of reference, the Committee has the right to exercise independent judgment and discretion in its assessment of Directors' remuneration, taking account of the performance of the Company, Directors' individual performances and wider circumstances. The Committee was satisfied that no discretion needed to be exercised in respect of the policy or its operation for the 52 weeks ended 2 January 2022.

### Looking ahead

The Remuneration Committee is committed to ensuring that the policy and its implementation remains compliant with all legislative requirements as they come into force, and is aligned with evolving best practice, while continuing to take account of our overarching remuneration philosophy and delivering value to shareholders.

Transparency and equality of pay across all grades, gender and geographies remains a key focus of the business and is a regular item on the Committee's agenda.

### Shareholder consultation and AGM approvals

Every year all shareholders have the right to vote on the executive remuneration as proposed by the Board. At our forthcoming 2022 AGM an advisory resolution in respect of the Directors' remuneration report (excluding the policy) together with a binding resolution on the proposed new remuneration policy will be put to shareholders. I would like to thank investors and the representative bodies for their positive feedback on the new policy proposals which the Committee considered in detail.

I hope we continue to receive your support in respect of our Annual report at our forthcoming AGM.

### Christine Cross

Chair of the Remuneration Committee

## Directors' remuneration policy

### Introduction

The current remuneration policy was passed by a binding shareholder vote at the Company's 2019 Annual General Meeting and became effective from the date of that meeting. Following its three year term a new policy, as set out below, will be proposed as a resolution subject to a binding shareholder vote at the Company's 2022 Annual General Meeting.

The new policy takes into account the provisions of the 2018 UK Corporate Governance Code and other good practice guidelines from institutional shareholders and shareholder bodies. Subject to approval by shareholders it will become effective from the 2022 AGM date and shall be in place for the next three year period unless a new policy is presented to shareholders before then. All payments to Directors during the policy period will be consistent with the approved policy.

### Policy scope

The Policy applies to the Chairman, Executive Directors and Non-Executive Directors.

### Overview of remuneration policy

The Committee considers that the Group's remuneration policies should encourage a strong performance culture and emphasise long term shareholder value creation in order to be aligned with shareholders' interests.

The policy, developed following a comprehensive remuneration review, has the following objectives:

- To develop a remuneration structure which supports the Company's strong performance culture and our key objective of creating long term shareholder value;
- To enable the Company to recruit and retain executives with the capability to lead the Company on its ambitious growth path;
- To ensure our remuneration structures are transparent and easily understood both internally and externally;
- To align the interests of all our stakeholders; the HFG team, our customers, the communities and environment in which we operate and our shareholders; and
- To reflect principles of best practice.

A summary of the key changes proposed for inclusion in the new remuneration policy are as follows:

- Annual bonus potential for the CEO and CFO to increase from 125% to 150% of salary from the next bonus year commencing on 1 January 2023;

- The introduction of a bonus deferral mechanism such that one third of any bonus over 50% of salary to be deferred into HFG shares for two years;
- Pension contributions for the CEO and CFO, and all future Executive Director appointments, to be workforce aligned, reducing from 15% to 7% of salary, to take effect from the date of 2022 AGM Policy approval;
- Annual bonus and LTIP malus and clawback provisions to be updated to align with the 2018 UK Corporate Governance Code;
- CFO shareholding guideline to increase from 175% of salary to 200% of salary. No change will be made to the CEO's shareholding guideline (300% of salary);
- Post cessation shareholding guidelines increased to 100% of the relevant in-employment guideline for 2 years post cessation (from 50% for 1 year currently). The increased guideline will only include shares from share awards granted post the 2022 AGM (i.e. own shares purchased and shares from past awards will be excluded); and
- No change to the current 175% of salary LTIP potential albeit the Committee intends to supplement the EPS and relative TSR performance measures with ESG performance measure(s) from 2023 onwards.

### Remuneration policy table

The following table summarises all elements of pay which make up the total remuneration opportunity for Directors, and details how each element is operated and links to the Company's strategy.

Element	Purpose and link to strategy	Operation	Maximum opportunity
Base salary	To recruit and reward executives of a suitable calibre for the role and duties required.	<p>Normally reviewed annually by the Committee with effect from 1 January, taking account of Company size and structural changes, performance, individual performance, changes in responsibility and levels of increase for the broader employee population.</p> <p>Reference is also made to levels within relevant FTSE and industry comparators on a periodic basis although this is only one factor that is taken into account when determining pay levels and increases.</p> <p>The Committee considers the impact of any base salary increase on the total remuneration package.</p> <p>Pay levels throughout the organisation are also taken into account in order to ensure adequate provision for timely succession.</p>	<p>Normally capped by the increases made to the general workforce.</p> <p>On occasion it may be appropriate for a new director to be positioned on a below market base salary but then to provide above market increases as the executive gains experience in the role.</p>
Benefits	To provide market competitive benefits to ensure the retention of employees.	<p>The Company typically provides:</p> <ul style="list-style-type: none"> <li>– Company car and fuel;</li> <li>– Private healthcare; and</li> <li>– Other ancillary benefits, including relocation expenses (as required).</li> </ul> <p>Any reasonable business related expenses (including tax thereon) may be reimbursed.</p> <p>Executive Directors are eligible for other benefits which are introduced for the wider workforce on broadly similar terms.</p>	<p>The value of traditional benefits is based on the cost to the Company and is not pre-determined.</p> <p>Relocation expenses or benefits will take into account the nature of the relocation and will be provided on a fair and reasonable basis.</p>

# Directors' remuneration report

continued

Element	Purpose and link to strategy	Operation	Maximum opportunity
<b>Pension</b>	To provide adequate retirement benefits.	Employer contributions are made to money purchase pension schemes or in certain circumstances a salary supplement may be paid in lieu of such pension contributions.	Up to 7% of basic salary to align with the broader workforce.
<b>Annual bonus</b>	To encourage and reward delivery of the Company's short term financial and/or strategic objectives.	<p>The Committee will review performance metrics at the start of the year. Performance criteria will be aligned to the Company's strategic objectives at that time.</p> <p>The majority of the bonus will be linked to challenging financial metrics, which will typically include a measure of profit. Strategic or other individual targets may be used to determine a minority of the bonus outcome.</p> <p>For financial measures, typically a sliding scale of targets will be set. Where operated, no more than 20% of that element shall be payable for threshold performance. It may not be possible to set sliding scale targets for individual or strategic measures but full disclosure on the objectives and performance against these will be provided on a retrospective basis.</p> <p>One third of any bonus over 50% of salary will be deferred into shares for two years.</p> <p>Dividend equivalents may be paid on the value of dividends paid during the vesting period on any deferred bonus shares. The payment may be in the form of additional shares and may assume reinvestment.</p> <p>Bonuses are subject to malus and claw-back provisions in circumstances of misstatement, error or gross misconduct, reputational damage and insolvency/corporate failure.</p>	Up to 150% of base salary (125% of base salary for 2022).
<b>Long term incentives</b>	To encourage and reward delivery of the Company's medium term objectives. To provide a way of building up a meaningful shareholding in the Company and providing alignment with shareholders' interests.	<p>Under its Long Term Incentive Plan (LTIP) Hilton makes annual awards of conditional shares or nil cost options to selected senior executives.</p> <p>Awards vest subject to continued employment and satisfaction of challenging performance conditions measured over three years to be satisfied by the issue of new shares or through purchasing shares in the market.</p> <p>The performance measures will be based on financial (e.g. EPS), share-price related (e.g. relative TSR) and, when appropriate, ESG performance targets.</p> <p>Performance targets will be determined at the date of grant with up to 10% vesting at threshold performance. The Committee may introduce new, or reweight existing, performance measures so that they are aligned with the Company's strategic objectives at the start of each performance period. Quantitative ESG measures aligned with Company strategic objectives may also be added capped at 15% of the total award.</p> <p>Awards are subject to malus and claw-back provisions for three years following vesting in circumstances of material misstatement, error or misconduct, reputational damage and insolvency/corporate failure.</p> <p>A two-year post-vesting holding period will operate for LTIP awards granted to Executive Directors.</p> <p>Dividend equivalents may be paid on the value of dividends paid during the vesting period or any holding period (if applicable). The payment may be in the form of additional shares and may assume reinvestment.</p>	Up to 175% of salary for all Executive Directors.
<b>All employee share schemes</b>	To encourage employee share ownership and thereby increase their alignment with shareholders.	<p>All employees are eligible to join any permissible all employee scheme. Executive Directors will be eligible to participate in any all employee share plan operated by the Company on the same terms as other eligible employees.</p> <p>Under Hilton's Sharesave Scheme (HMRC approved for the UK and Ireland) regular savings over three years is followed by a six month period to exercise the options granted.</p> <p>No performance conditions attach to options granted under the Scheme.</p>	The maximum level of participation is subject to the limits imposed by HMRC from time to time (or a lower cap set by the Company).

Element	Purpose and link to strategy	Operation	Maximum opportunity
<b>Shareholding and post cessation guidelines</b>	To further align Executive Directors' interests with those of long term shareholders and other stakeholders.	Executive Directors are expected to build a holding in the Company's shares equal to a minimum value of 300% of base salary for the Chief Executive Officer and 200% of base salary for all other Executive Directors.  To the extent that this guideline has not been achieved, executives are normally required to retain 50% of any vested share awards (after the sale to meet tax obligations). Shareholdings for new executive Board members can be built over a five year period.	N/A
		Post cessation shareholding guidelines will increase to 100% of the relevant in-employment guideline for two years post cessation (from 50% for one year currently). However the increased guideline will only include shares from share awards granted post the 2022 AGM (i.e. own shares purchased and shares from past awards will be excluded). The previous policy post cessation guideline will continue to apply until sufficient shares under the new policy have been acquired.	N/A
<b>Non-Executive Director fees</b>	To attract and retain a high-calibre Non-Executive Chairman and Non-Executive Directors by offering a market competitive fee level.	<p>The Non-Executive Directors receive fees for carrying out their duties.</p> <p>Fees are reviewed annually. A base fee is augmented for Committee Chairmanship or membership to take into account the additional time commitment and responsibilities associated with those committees. Neither the Chairman nor the Non-Executive Directors are eligible for any performance related remuneration.</p> <p>Non-Executive Director remuneration is determined by the Chairman and the Executive Directors. The Executive Chairman's remuneration is determined by the Remuneration Committee. If there is a temporary yet material increase in the time commitments for Non-Executive Directors, the Board may pay extra fees on a pro-rata basis to recognise the additional workload.</p> <p>Additional fees may be payable in relation to extra responsibilities undertaken such as chairing a Board Committee and/or a Senior Independent Director role or being a member of a committee.</p> <p>Any reasonable business-related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit.</p>	<p>As for the Executive Directors, there is no prescribed maximum annual increase, although will normally align to the workforce pay increase.</p> <p>Any increases to fee levels will take into account the general salary increase for the broader UK employee population, the level of time commitment required to undertake the role and the level of fees paid in the general market.</p>

- As Hilton operates in a number of geographies, remuneration practices vary across the Group. However, employee remuneration policies are based on the same broad principles and the remuneration policy for the Executive Directors is designed with regard to the policy for employees as a whole. For example, the Committee takes into account the general base salary increase for the broader UK employee population when determining the annual salary review for the Executive Directors. There are some differences in the structure of the remuneration policy for the Executive Directors and other senior employees, which the Remuneration Committee believes are necessary to reflect the different levels of responsibility of employees across the Company. The key differences in remuneration policy between the Executive Directors and employees across the Group are the increased emphasis on performance related pay and the inclusion of a share based long term incentive plan for Executive Directors. There is a lower aggregate incentive quantum at below executive level with levels driven by market comparatives and the impact of the role. Long term incentives are not provided outside of the most senior executives as they are reserved for those viewed as having the greatest potential to influence Group levels of performance.
- Long term incentive and Sharesave schemes are operated in accordance with their respective Scheme and other rules under which the Committee has some discretion relating to their administration which is consistent with market practice. Under the LTIP such discretion covers:
  - participation;
  - the timing of the grant of award and/or payment;
  - treatment of awards in the event of good leavers (including determination of good leaver status), death and intervening events (including variations in capital and change of control) which address vesting date, exercise period and reduction in number of vesting options;
  - minor alterations to benefit the plan administration, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment; and
  - where an event has occurred such that it would be appropriate to amend the performance condition so long as the altered performance condition is not materially less difficult to satisfy; and adjusting the long term incentive vesting outcome if the level of vesting is not considered to be commensurate with performance over the period. The Committee, in using its discretion, would act fairly and reasonably and would seek to consult with shareholders prior to the use of any upwards discretion.

# Directors' remuneration report

continued

## Other policy information

Element	Description
<b>Non-UK based Directors and foreign currency translation</b>	Directors may be employed who are based outside of the UK and therefore subject to the employment laws and accepted practice for that country which may be different to those in the UK. The Committee will ensure that any future overseas based Directors are remunerated on an equivalent basis as in the UK albeit that it may be necessary to satisfy local statutory requirements.
<b>Approach to recruitment</b>	<p>The remuneration package for a new Executive Director would be set in accordance with the terms of the Company's approved remuneration policy in force at the time of appointment. For the appointment of a new Chairman or Non-Executive Director, the fee arrangement would be set in accordance with the approved remuneration policy in force at that time.</p> <p>The salary for a new Executive Director shall take into account the experience and calibre of the individual and the market rate required for recruiting him or her. The initial salary may be set below the normal market rate, with phased increases over the first few years as the Executive Director gains experience in their new role. Pension provision will be workforce aligned.</p> <p>Depending on the timing of the appointment, the Committee may deem it appropriate to set different annual bonus performance criteria for the remainder of the first performance year of appointment. The bonus would be pro-rated to reflect the portion of the year in employment. In addition, an LTIP award can be made shortly following an appointment (providing that the Company is not in a closed period). The maximum bonus and LTIP grant level will be in accordance with the maxima outlined in the policy table.</p> <p>If an individual is forfeiting remuneration from his or her previous employer, the Committee may offer additional cash and/or share-based elements when it considers these to be in the best interests of the Company and its shareholders. Such payments would reflect and be limited to remuneration relinquished when leaving the former employer and would reflect (as far as possible) the nature and time horizons attaching to that remuneration and the impact of any performance conditions. The aim of any such award would be to ensure that so far as possible, the expected value and structure of the award will be no more generous than the amount being forfeited. Shareholders will be informed of any such payments in the remuneration report.</p> <p>For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role will be allowed to pay out according to its terms. In addition, any other ongoing remuneration obligations existing prior to appointment may continue.</p> <p>For external and internal Executive Director appointments the Committee has the discretion to pay ongoing relocation costs for a reasonable period, as well as one-off payments (assuming they are fair and reasonable).</p> <p>Any share-based awards referred to in this section will be granted as far as possible under the Company's existing share plans. If necessary, awards may be granted outside of these plans as permitted under the Listing Rules.</p>
<b>Payment for loss of office</b>	<p>Payments for loss of office are made in accordance with the terms of the Directors' service contracts as below.</p> <p>On termination no bonus is payable unless the Committee determines good leaver circumstances apply where, subject to performance conditions, a pro-rata bonus may be payable at the Company's discretion.</p> <p>LTIP awards will generally lapse on cessation although they may be capable of vesting in certain good leaver situations. For good leavers, outstanding share awards may vest at the original vesting date, or on the date of cessation if the Committee decides, subject to time pro-rating and the performance conditions being satisfied.</p> <p>In accordance with its terms of reference the Committee ensures that contractual terms on termination, and any payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised. The Committee may pay reasonable outplacement and legal fees where considered appropriate. In addition, the Committee may pay any statutory entitlements or settle or compromise claims in connection with a termination of employment, where considered in the best interests of the Company.</p>
<b>Consideration of shareholder views</b>	The Committee is always interested in shareholder views and is committed to an open dialogue. Accordingly, the Committee will seek to engage with major shareholders on any proposed significant changes to its remuneration policies or in the event of a significant exercise of discretion. The Committee considers shareholder feedback received in relation to each AGM alongside views expressed during the year. In addition, we engage actively with our largest shareholders and consider the range of views expressed.
<b>Consideration of employment conditions elsewhere in the Group</b>	The Committee takes into account the general employment reward packages of employees across the Group when setting policy for Executive Director remuneration and is kept informed of changes in pay across the Group. Employees have not previously been actively consulted on Director remuneration policies but this may be considered in future where appropriate.

## Director service contract and other relevant information

Provision	Executive Directors	Non-Executive Directors
<b>Term</b>	Philip Heffer and Nigel Majewski appointed on 24 April 2007 with no fixed term	Robert Watson – from 1 January 2021 John Worby – from 23 March 2019 Christine Cross – from 23 March 2019 Angus Porter – from 1 July 2018 Rebecca Shelley – from 1 April 2020
<b>Re-election at AGM</b>	Annually under the Company's Articles and for FTSE 350 companies under the UK Corporate Governance Code	Annually under the Company's Articles and for FTSE 350 companies under the UK Corporate Governance Code
<b>Notice period</b>	Up to 12 months for both the Company and the Director. The service contract policy for new appointments will be on similar terms as existing Directors	Six months for both the Company and the Director
<b>Termination payment/ payments in lieu of notice</b>	Up to 12 months' salary in lieu of notice. If a claim is made against the Company in relation to a termination (e.g. for unfair dismissal), the Committee retains the right to make an appropriate payment in settlement of such claims as considered in the best interests of the Company. Additional payments in connection with any statutory entitlements (e.g. in relation to redundancy) may be made as required	None
<b>Change of control</b>	There are no enhanced terms in relation to a change of control	There are no enhanced terms in relation to a change of control
<b>External appointments</b>	External appointments can be held and earnings retained from such appointments with the Company's permission	N/A

## Inspection

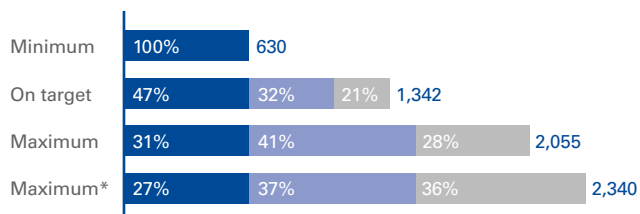
Executive Director service agreements and Non-Executive Director appointment letters are available for inspection at the Company's registered office.

## Illustration of future application of remuneration policy

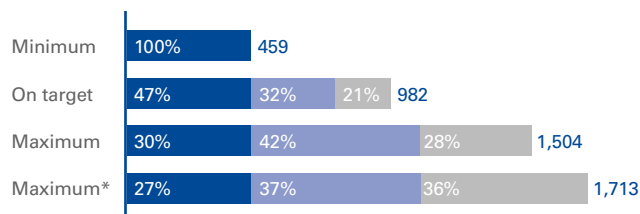
The chart below illustrates 2022 Executive Directors' remuneration at different levels of performance under the remuneration policy.

### 2022 DIRECTOR REMUNERATION ILLUSTRATION £'000

#### Philip Heffer



#### Nigel Majewski



● Fixed    ● One year targets    ● Multiple year targets

\* With 50% share price growth

#### Notes

- Fixed elements of pay comprise salary and fees, benefits and pension. Salary and fees include known increases and benefits are included at 2021 levels. Pension is included at 7%.
- One year targets represent the annual bonus under the updated remuneration policy even though it will not apply until 2023. The minimum scenario assumes no bonus on the basis that threshold is not reached, the on target scenario assumes aggregate 75% of salary bonus, and the maximum scenario assumes the full 150% bonus.
- Multiple year targets comprise long term incentives. The minimum scenario assumes that threshold performance is not reached with no awards vesting, the on target scenario is based on 50% of the awards vesting and the maximum scenario reflects the maximum performance with 100% of the awards vesting.
- The basis of the calculation of the share price appreciation is that the share price embedded in the calculation for the 'maximum' bar chart is assumed to increase by 50% across the performance period.

# Directors' remuneration report

continued

## Annual report on remuneration

### Role of the Committee

Remuneration policy is delegated by the Board to the Remuneration Committee established by the Board of Directors. Terms of reference formalise the roles, tasks and responsibilities of the Committee to comply with the Code and to achieve best practice. The Committee's terms of reference are available and can be found on the Company's website at [www.hiltonfoodgroupplc.com](http://www.hiltonfoodgroupplc.com).

The Committee meets at least twice per year.

### Membership of the Committee

Members of the Committee are appointed by the Board on the recommendation of the Nomination Committee and in consultation with the Chair of the Remuneration Committee. In 2021 the Committee comprised the independent Non-Executive Directors Christine Cross, John Worby, Angus Porter and Rebecca Shelley. Patricia Dimond joined the Committee following her appointment as a Non-Executive Director on 1 April 2022. The Committee is chaired by Christine Cross who had extensive experience of serving on remuneration committees prior to her appointment to chair the Committee.

Other individuals such as the Chairman, Chief Executive and external advisors may be invited by the Committee to attend meetings as and when required. The Company Secretary is in attendance at all meetings.

### Responsibilities of the Committee

The main responsibilities of the Remuneration Committee which are contained in the Code and also in the Committee's terms of reference are:

- setting the remuneration policy and agreeing payments for the Company's Non-Executive Chairman, the Executive Directors and Senior Leadership Team;
- approving the design of, and determining the targets for, any performance-related pay schemes operated by the Company and approving the aggregate annual payments made under such schemes;
- reviewing the design of all share incentive plans for approval by the Board and shareholders; and
- reviewing all elements of workforce remuneration and associated policies.

### External advisors

The Committee appointed and is advised by FIT Remuneration Consultants LLP on remuneration matters. FIT's fees, on a time and expense basis, for advice provided to the Remuneration Committee during the year were £12,750. FIT does not provide any other services to the Group and the Committee is satisfied that it provides independent and objective remuneration advice. FIT is a signatory to the Code of Conduct for Remuneration Consultants in the UK, details of which can be found on the Remuneration Consultants Group's website at [www.remunerationconsultantsgroup.com](http://www.remunerationconsultantsgroup.com).

### Share scheme dilution limits

The Company applies established good governance restrictions over the issue of new shares under all its share schemes of 10% in 10 years and 5% in 10 years for discretionary schemes. As at 2 January 2022 the headroom available under these limits was 1.9% and 0% respectively.

### Statement of voting at Annual General Meeting

The following table shows the voting results in respect of the 2020 Directors' remuneration report (other than the Directors' remuneration policy) at the 2021 AGM and the last time the remuneration policy was approved by shareholders at the 2019 AGM:

	Approve Directors' remuneration report	Approve Directors' remuneration policy
AGM year	2021	2019
Resolution type	Advisory	Binding
Votes for %	64,582,070 97.79%	59,981,468 86.35%
Votes against %	1,456,835 2.21%	9,482,939 13.65%
Votes withheld	814,022	844,433

The remainder of this section is subject to audit.

## Single total figure table of remuneration

The remuneration of individual Directors is set out below.

52 weeks to 2 January 2022	Salary and fees (note 1) £'000	Benefits (note 2) £'000	Pension (note 3) £'000	Total fixed pay £'000	Annual bonus (note 4) £'000	Long term incentive (note 5) £'000	Total variable pay £'000	Total £'000
<b>Executive Directors</b>								
Philip Heffer	506	20	76	602	430	654	1,084	1,686
Nigel Majewski	410	12	62	484	349	530	879	1,363
<b>Non-Executive Directors</b>								
Robert Watson	265	–	–	265	–	282	282	547
John Worby	60	–	–	60	–	–	–	60
Christine Cross	60	–	–	60	–	–	–	60
Angus Porter	55	–	–	55	–	–	–	55
Rebecca Shelley	55	–	–	55	–	–	–	55
<b>Total</b>	<b>1,411</b>	<b>32</b>	<b>138</b>	<b>1,581</b>	<b>779</b>	<b>1,466</b>	<b>2,245</b>	<b>3,826</b>

53 weeks to 3 January 2021	Salary and fees (note 1) £'000	Benefits (note 2) £'000	Pension (note 3) £'000	Total fixed pay £'000	Annual bonus (note 4) £'000	Long term incentive (note 5) £'000	Total variable pay £'000	Total £'000
<b>Executive Directors</b>								
Robert Watson	397	24	60	481	497	387	884	1,365
Philip Heffer	496	28	74	598	620	547	1,167	1,765
Nigel Majewski	402	19	60	481	502	454	956	1,437
<b>Non-Executive Directors</b>								
John Worby	59	–	–	59	–	–	–	59
Christine Cross	59	–	–	59	–	–	–	59
Angus Porter	51	–	–	51	–	–	–	51
Rebecca Shelley (appointed 1 April 2020)	38	–	–	38	–	–	–	38
<b>Total</b>	<b>1,502</b>	<b>71</b>	<b>194</b>	<b>1,767</b>	<b>1,619</b>	<b>1,388</b>	<b>3,007</b>	<b>4,774</b>

### Notes

#### 1. Salary and fees

Reflects salaries/fees paid to Directors in respect of 2021 (with 2020 comparatives).

#### 2. Benefits

Benefits provided comprised company car and fuel and private healthcare.

#### 3. Pension

Payments were made during 2021 to money purchase pension schemes or in lieu as a salary supplement at the rate of 15% of base salary for all Executive Directors.

#### 4. Annual bonus

The 2021 annual bonus had two elements. The financial element bonus was based on adjusted profit before tax performance against a sliding scale of targets. A strategic element bonus was available based on achievement of personal objectives. The bonus outcome for 2021 for all Executive Directors is summarised below.

Bonus element	Metric	Threshold performance	Target performance	Maximum stretch target	2021 achieved
Financial	Adjusted profit before tax	£61.1m	£66.3m	£69.6m	£67.2m
	% against target	92%	100%	105%	101.4%
	% of base salary	20%	50%	105%	65.0%
Strategic	% of base salary			20%	20.0%
<b>Total</b>	<b>% of base salary</b>			<b>125%</b>	<b>85.0%</b>

The Executive Directors were given a number of different personal and strategic objectives individually tailored to their role and the needs of the business in the year now under review. The achievements against these objectives were considered carefully by the Committee. A summary of these objectives and achievements for the Executive Directors is set out below together with the assessment and overall outcome. Covid 19 added an additional task to all objectives, not envisaged when these were written, but the performance of the Group through the pandemic is testament to efforts in maintaining supply to customers whilst protecting the workforce. In a year of exceptional performance both Executive Directors were deemed to have achieved a full 20% on their strategic objectives.

# Directors' remuneration report

## continued

### Philip Heffer

Objectives	Detailed Targets	Remuneration Committee Assessment
1. Driving growth & financial performance – Implement the strategic plan with investment choices	1.1 Secure major retailer contracts in all markets for meat and fish with scope for range expansion 1.2 Ensure expansion of continental European and Australasia factory projects 1.4 Make substantial progress towards an additional major market 1.5 Proactively develop the non-meat elements of the business through organic growth and M&A 1.6 Grow share in new categories with existing & new customers 1.7 Manage the implications of Brexit and Covid-19	Met in full Various meat, including fresh food, and fish contracts agreed. Expansion of Hilton Seafoods has commenced. The New Zealand facility opened in July 2021. Fish and poultry supplies in Denmark have commenced. Potential new projects are being negotiated. Acquisitions of Fairfax Meadow and the remaining shares in Dalco were completed and agreement reached on Foppen. Strong plant-based market share growth. All factories kept open through Covid.
2. Customer experience – Ensure that our customers are assured of the leading market proposition in the fresh protein sector	2.1 Continue to develop HFG record on food safety, provenance & quality 2.2 Develop a comprehensive ESG policy whilst proactively supporting our customers' CSR agendas 2.3 Focus on customer and end consumer sales data to inform a structured plan for product innovation	Met in full Quality and food safety culture significantly improved across the Group. ESG ratings have improved and our CSR credentials with our customers are seen as a USP of Hilton. Insights significantly improved and innovation of over 400 new products in 2021.
3. Continuous improvement – Maintain & develop efficiency of operations	3.1 Oversee the strategic plan, review all existing plant and planned capex investment to align operating costs and efficiency 3.2 Support our lead on quality & health & safety through a focus on quantitative KPIs & metrics to monitor performance 3.3 Fully utilise & develop technology expertise within the Group to maintain competitive advantage 3.4 Leverage the central function & local business units to foster shared learnings and continue improvement	Met in full Strategic plan is on track. Capex proposed for 3 years for cost reduction programme, but delayed due to recent M&A activity. Full health & safety and quality KPI metrics implemented across all regions. Technical capability improved within the Hilton teams. Foods Connected is gaining new business wins. Consulting services arm is expanding boosted by Agito JV investment. Cyber security improved across the Group. There are ongoing shared learnings which will be developed further.
4. Culture, talent, succession planning and diversity – Maintain & develop efficiency of operations	4.1 Annually review succession plans for the executive leadership team 4.2 Oversee the development of a clear job banding plus an inclusion policy for the Group 4.3 Oversee the employee engagement plan & follow up actions	Met in full Succession and capability plan reviewed and updated during the year. Job banding and inclusion policy implemented. Engagement survey completed and action plan implemented.
Outcome of strategic personal objectives, Remuneration Committee assessment:		After considering the performance against the targets set out above, the Committee awarded a 20% bonus against the strategic objectives.

### Nigel Majewski

Objectives	Detailed Targets	Remuneration Committee Assessment
1. Financing strategy – Support the growth agenda	1.1 Overall approach to next stage of renewal of facilities, new builds & acquisitions 1.2 Growth agenda items of key capital market and investor focus 1.3 Support for ongoing customer contract development to align with strategic goals	Met in full Screening and management of all investments to meet long-term financial plans and operational needs. Raised £75m equity to ensure HFG growth can be funded within the stated net debt to EBITDA limit. Strategy accepted by funds and analysts as evidenced during roadshow for acquisition of Foppen, Fairfax and Dalco.
2. Investor relations – In existing & potential new markets	2.1 Continue to build relationships. Extend and on board new investors as required	Met in full Ongoing positive relationships. A number of new investors introduced as part of the equity raise. Supported introduction of more effective PR support. Upgraded broker support team through selection and execution of agreement with a new broker.
3. Continued growth & financing – Appropriate to support strategy & operations	3.1 Update long term financial plans as a basis for demonstrating growth 3.2 Put in place financing as required 3.3 Execute acquisitions to support growth 3.4 Support commercial discussions for organic growth	Met in full Long term plans regarded as credible when presented to enlarged bank consortium. Raised £424m through expanded bank consortium. Discussions continue to move forward on organic growth projects. Successfully completed four acquisitions and JV transactions.
4. Succession planning – Financial support, talent development & succession	4.1 Continue the development of the Finance Team & Financial Reports in line with business needs	Met in full Successor identified, endorsed and underway to ensure a smooth transition in which relationships are kept positive
Outcome of strategic personal objectives, Remuneration Committee assessment:		After considering the performance against the targets set out above, the Committee awarded a 20% bonus against the strategic objectives.

### 5. Long term incentive

Long term incentives comprise the number of share awards under the Company's share plans where the achievement of performance targets ended in the year multiplied by the difference between the share price on the date of vesting and the exercise price.

Awards were granted in 2019 under the Long Term Incentive Plan which are due to vest in 2022 subject to performance conditions covering the three financial years 2019-2021 with a 70% weighting given to an EPS metric and a 30% weighting to a TSR metric. The share price at the date the awards were granted was £10.66. The expected long term incentive outcome is summarised below.

EPS metric	Threshold performance	Maximum performance	2021 achieved
2019-21 adjusted basic EPS % annual growth	6%	15%	13.15%
Vesting %	10%	100%	81.5%

TSR metric	Threshold performance	Maximum performance	2021 achieved
2019-21 adjusted TSR growth	Median	Upper quartile	66th out of 163 constituents
Vesting %	10%	100%	44.4%

The overall expected vesting is 70.4% which is not affected by any assumptions over acquisitions.

Director	Awards granted No.	Awards expected to vest 70.4% No.	Average share price of £11.63 £'000	Amount attributable to share price appreciation £'000
Robert Watson*	34,434	24,242	282	24
Philip Heffer	79,873	56,231	654	55
Nigel Majewski	64,697	45,547	530	44

\* The award to Robert Watson was granted when in an executive capacity and adjusted pro rata following his transition to a non-executive capacity.

The long term incentive values for 2020 have been restated based on the actual share price at vesting (£11.20 instead of the 2020 year end share price of £11.14).

#### 6. Payments to past directors

There were no other payments made to former directors in 2021.

#### 7. Payments for loss of office

There were no payments for loss of office made in 2021.

## Director shareholding and share interests

Details of Director shareholdings and changes in outstanding share awards were as follows:

Director	Type	At 3 January 2021	Granted (note 4)	Exercised	Lapsed	At 2 January 2022	Exercise price (pence)	Earliest exercise date	Latest exercise date	Notes
Robert Watson	Shares	2,304,814				2,317,292				1
	Share options	1,394	–	(1,394)	–	–	645.50	01.06.20	01.12.20	2
	Share options	1,084	–	(1,084)	–	–	830.00	01.06.21	01.12.21	2
	Total share options	2,478	–	(2,478)	–	–				
	Nil cost options	34,568	–	(34,568)	–	–	nil	03.07.21	03.07.28	3
	Nil cost options	34,434	–	–	–	34,434	nil	21.05.22	21.05.29	3
	Nil cost options	5,017	–	–	–	5,017	nil	28.09.23	28.09.30	3
	Total nil cost options	74,019	–	(34,568)	–	39,451				
Philip Heffer	Shares	3,823,172				3,824,566				1
	Share options	1,394	–	(1,394)	–	–	645.50	01.06.20	01.12.20	2
	Total share options	1,394	–	(1,394)	–	–				
	Nil cost options	48,873	–	–	–	48,873	nil	03.07.21	03.07.28	3
	Nil cost options	79,873	–	–	–	79,873	nil	21.05.22	21.05.29	3
	Nil cost options	72,981	–	–	–	72,981	nil	28.09.23	28.09.30	3
	Nil cost options	–	73,089	–	–	73,089	nil	11.05.24	11.05.31	3
	Total nil cost options	201,727	73,089	–	–	274,816				
Nigel Majewski	Shares	103,829				103,829				1
	Share options	732	–	–	–	732	1228.00	01.08.23	01.02.24	2
	Total share options	732	–	–	–	732				
	Nil cost options	50,365	–	–	–	50,365	nil	20.04.18	20.04.25	3
	Nil cost options	50,296	–	–	–	50,296	nil	25.04.19	25.04.26	3
	Nil cost options	32,287	–	–	–	32,287	nil	24.04.20	24.04.27	3
	Nil cost options	40,528	–	–	–	40,528	nil	03.07.21	03.07.28	3
	Nil cost options	64,697	–	–	–	64,697	nil	21.05.22	21.05.29	3
	Nil cost options	59,115	–	–	–	59,115	nil	28.09.23	28.09.30	3
	Nil cost options	–	59,202	–	–	59,202	nil	11.05.24	11.05.31	3
	Total nil cost options	297,288	59,202	–	–	356,490				
John Worby	Shares	9,000				9,719				1
Christine Cross	Shares	15,000				25,000				1
Angus Porter	Shares	1,000				2,877				1
Rebecca Shelley	Shares	1,966				3,281				1

#### Notes

1. All shares are beneficially owned with the exception of 1,316,917 shares held by various family trusts of which Robert Watson is a trustee. Since the end of the year Robert Watson sold 50,000 shares. There have been no other changes in the interests of Directors between 2 January 2022 and the date of this report.

# Directors' remuneration report

## continued

The Company's remuneration policy includes a shareholding guideline such that Executive Directors are expected to build a holding in the Company's shares at least equal to a minimum value as a percentage of base salary. At 2 January 2022 the guideline and actual share holdings were as follows:

Director	Guideline minimum holding value as a % of salary	Actual holding value as a % of salary	Guideline met?
Philip Heffer	300%	8,613%	Yes
Nigel Majewski	175%	289%	Yes

- Share options granted under Hilton's all employee Sharesave Scheme.
- Nil cost options granted under the Long Term Incentive Plan which are subject to the performance conditions and compound earnings per share growth below on a sliding scale over the performance period.

Grant year	Performance basis	Performance period	Threshold vesting	Compound annual growth at threshold vesting	Maximum vesting	Compound annual growth at maximum vesting
2018	EPS 100%	2018–2020	10%	6%	100%	14%
2019	EPS 70%	2019–2021	10%	6%	100%	15%
	TSR 30%	2019–2021	10%	Median	100%	Upper quartile
2020	EPS 70%	2020–2022	10%	6%	100%	12%
	TSR 30%	2020–2022	10%	Median	100%	Upper quartile
2021	EPS 70%	2021–2023	10%	6%	100%	13%
	TSR 30%	2021–2023	10%	Median	100%	Upper quartile

4. Grant of nil cost option awards in the year were as follows:

Director	Face value	Number of shares under 2021 LTIP award	Proportion of salary	Share price date	Closing share price
Philip Heffer	£885,843	73,089	175%	10 May 2021	1212p
Nigel Majewski	£717,532	59,202	175%	10 May 2021	1212p

## Further information

### Statement of implementation of remuneration policy in the 2022 financial year

#### Base salaries, benefits and pension

For 2022 the salary for Philip Heffer has been increased to reflect the larger, more complex and more global demands of the CEO role as explained in the Chair's annual statement on page 97. Nigel Majewski's salary has increased by 2% in line with the increases of the general workforce.

	2021 £'000	2022 £'000
Philip Heffer	506	570
Nigel Majewski	410	418

There are no changes in benefits. However pensions will decrease to 7% of salary at the 2022 AGM.

#### Annual bonus

The maximum annual bonus in 2022 will continue to be set at 125% of salary. This bonus will be payable subject to stretching targets around the adjusted profit before tax metric (up to 105% of salary) and personal and strategic targets (up to 20% of salary). Both financial targets, set with reference to the budget, and the personal and strategic targets (covering responsible customer, category and geographic growth with financial and people resource to support) are considered commercially sensitive. The Committee will therefore disclose targets on a retrospective basis.

#### 2022 LTIP awards

The Committee will make a decision to grant LTIP awards to Executive Directors over shares equal to 175% of salary in 2022 following the Annual report approval date.

**EPS – 70% of awards** – stretching yet motivational targets to be measured over the three financial years commencing with the year of grant.

**TSR – 30% of awards** – 10% of this part of an award will vest for median performance against the constituents of the FTSE 250 (excluding investment trusts) increasing pro rata to full vesting for this part of an award for upper quartile performance measured over the three financial years commencing with the year of grant. In addition, no part of this award may vest unless the Committee is satisfied with the underlying performance of the Company.

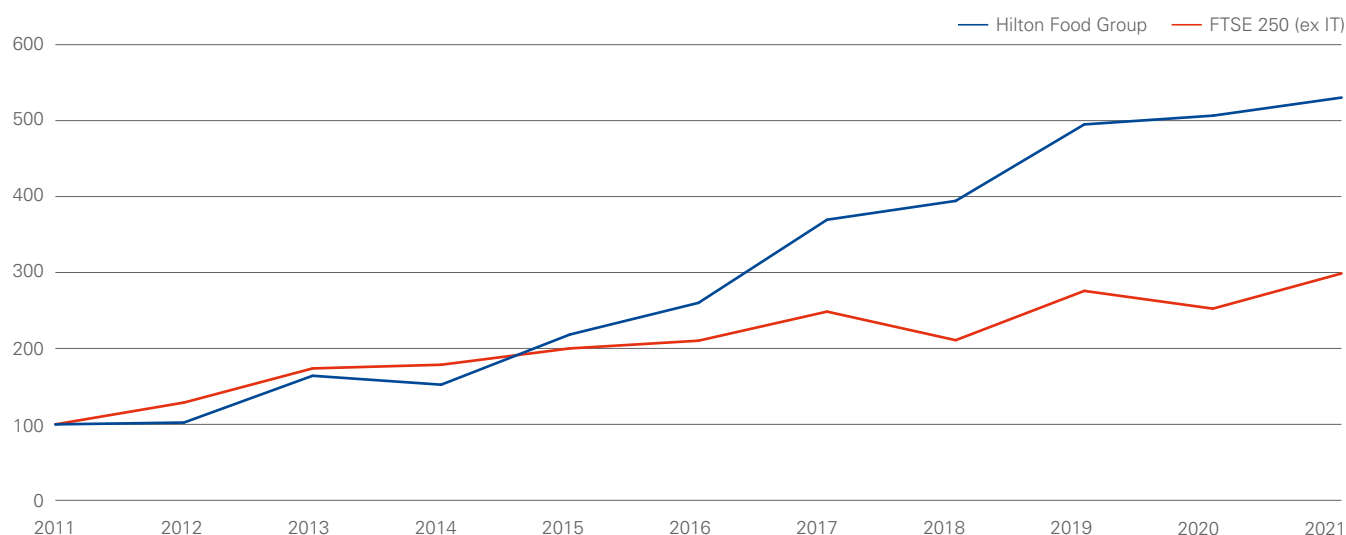
Details of the 2022 grant and EPS performance targets noted above will be published immediately following the grant via a Regulatory Information Service.

#### Non-Executive Directors

Fees for the Chairman and all the independent Non-Executive Directors will increase by 2% in line with the increases of the general workforce. These pay elements will be operated in line with the approved policy.

## TSR performance graph

The graph below shows the Total Shareholder Return performance (TSR) (share price movements plus reinvested dividends) of the Company compared against the FTSE 250 Index covering the ten years from 2012 to 2021. The FTSE 250 Index is, in the opinion of the Directors, the most appropriate index against which the TSR of the Company should be measured as it is a broad equity index of which Hilton Food Group plc is a constituent.



## Chief Executive Officer remuneration ten year trend

	2012	2013	2014	2015	2016	2017	2018 <sup>2</sup>	2019	2020	2021
Total remuneration (£'000)	593	610	626	784	1,235	1,570	1,627	1,562	1,765	1,686
Annual bonus (as a percentage of the maximum)	10%	42%	32%	60%	69%	80%	78%	100%	100%	68%
Long term incentive vesting (as a percentage of the maximum)	100%	n/a <sup>1</sup>	0%	0%	61%	73%	88%	66%	100%	70%

### Notes

- There were no long term incentive awards that were due to vest dependent on a performance period ending in 2013.
- Robert Watson was CEO until 30 June 2018 when the current CEO Philip Heffer was appointed. Data for the 2018 year comprises the remuneration of Robert Watson from 1 January 2018 to 30 June 2018 and that of Philip Heffer from 1 July 2018 to 30 December 2018.

## Director remuneration percentage change

	2021 percentage increase over 2020			2020 percentage increase over 2019		
	Salary/fees % change	Benefits % change	Annual bonus % change	Salary/fees % change	Benefits % change	Annual bonus % change
<b>Executive Directors</b>						
Philip Heffer	2.0%	-29.0%	-30.6%	2.0%	-31.6%	2.0%
Nigel Majewski	2.0%	-39.9%	-30.6%	2.0%	18.2%	2.0%
<b>Non-Executive Directors</b>						
Robert Watson (Executive Director in 2020)	-33.3%	-100.0%	-100.0%	2.0%	21.9%	2.0%
John Worby	2.0%	n/a	n/a	2.0%	n/a	n/a
Christine Cross	2.0%	n/a	n/a	2.0%	n/a	n/a
Angus Porter	7.9%	n/a	n/a	2.0%	n/a	n/a
Rebecca Shelley (appointed during 2020)	7.9%	n/a	n/a	n/a	n/a	n/a
<b>Company average</b>	-0.1%	-23.1%	-43.0%	2.8%	-1.9%	4.5%

# Directors' remuneration report

continued

## CEO pay ratio

Year	Method	CEO pay ratio		
		25th percentile pay ratio	Median – 50th percentile pay ratio	75th percentile pay ratio
2019	Option B	83	79	51
2020	Option B	87	78	48
2021	Option B	73	65	48

Option B was adopted so that it could be linked with existing processes generating gender pay gap or similar information. This information, comprising basic pay since the majority of employees do not receive benefits or annual bonuses, as at April 2021 was used as a starting point to identify those UK employees as the best equivalents of P25, P50 and P75. There was no reliance on estimates or judgements. The information for these employees was then updated to represent total pay and benefits for the 2021 financial year.

	CEO £'000	25th percentile employee £'000	50th percentile employee £'000	75th percentile employee £'000
Salary component	506	23	26	33
Total pay and benefits	1,686	23	26	35

The CEO's remuneration is weighted more heavily towards variable pay than that of the wider workforce so that it is aligned with the Group performance. This will inevitably cause the pay ratios to fluctuate over time. The increase in the P25 pay ratio is due to an increase in the number of our factory employees.

The Committee has considered the pay data for the three employees identified and believes that it fairly reflects pay at the relevant quartiles amongst the UK workforce. The Committee is satisfied that the median pay ratio for the year is consistent with the pay, reward and progression policies for the Group's UK employees who have the same pay and reward policies and opportunities.

## Gender pay gap

We report information about the difference in average pay for its male and female employees as required by gender pay gap legislation. Gender pay gap metrics are submitted by the Group's main three UK employing entities. The headline gender pay metric is the difference in the median hourly pay received by men and women. In their most recent reports. This metric for 2021 was 9.8% at Hilton Foods UK and 11.1% at Hilton Seafood UK both favouring men which is broadly similar to, or an improvement on, previous years. The metric at Fairfax Meadow is 0.0%.

Hilton's gender pay gap arises as more males than females are employed at a senior level and additionally there is a history of our sector being male dominated. We will continue to take action to address the gender pay gap and focus on ensuring equal opportunity for all. Pay is identical in all cases for men and women doing the same job. We are raising the profile of inclusion and diversity internally across the Group. We will continue to encourage active membership and participation of women's networking groups and mentoring programmes.

For more information and to view the full metrics see the gender pay gap portal or our website [www.hiltonfoodgroup.com](http://www.hiltonfoodgroup.com).

## Relative importance of spend on pay

The following table sets out for the comparison total spend on pay with dividends.

	2021 £'000	2020 £'000	% change
Staff costs (note 8 to the financial statements)	211,866	190,859	11%
Dividends payable	25,862	21,305	21%

### Note

Dividends payable comprises any interim dividends paid in respect of the year plus the final dividend proposed for the year but not yet paid.

On behalf of the Board

**Christine Cross**

Chair of the Remuneration Committee

5 April 2022

# Statement of Directors' responsibilities

## Directors' responsibilities in respect of the Annual report and financial statements

The Directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and parent company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and the profit or loss of the Group for that period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business.

They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and which disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Directors' confirmations

The Directors consider that the Annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

Each of the current Directors whose names and functions are set out on pages 80 and 81, confirm that to the best of their knowledge and belief:

- the Group and Company financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the Group and profit of the Company; and
- the management reports, which comprise the Strategic report and the Directors' report, include a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that it faces.

This responsibility statement was approved by the Board of Directors on 5 April 2022 and is signed on its behalf by:

**Robert Watson OBE**

Non-Executive Chairman

**Nigel Majewski**

Chief Financial Officer

# Independent auditors' report to the members of Hilton Food Group plc

## Report on the audit of the financial statements

### Opinion

In our opinion, Hilton Food Group plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 2 January 2022 and of the group's profit and the group's and company's cash flows for the 52 week period then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 2 January 2022; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company cash flow statement, the consolidated and company statements of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 6, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

### Our audit approach

#### Overview

#### Audit scope

- Nine trading subsidiaries, together with four intermediate holding companies require local statutory audits and were in-scope for group reporting. This accounted for 95% of the total Group revenue and 94% of profit before tax and exceptional items.
- Six trading subsidiaries, including the newly acquired Fairfax Meadow Europe Limited and Dalco Food BV, were not subject to full scope reporting audits. Two joint venture companies were subject to specified audit procedures.
- In scoping our audit, we held discussions with management in order to understand their assessment of the impact of climate change on the business and in the context of the Annual Report and Financial Statements. We confirmed that climate change did not represent a significant risk of material misstatement to the financial statements for the period ended 2 January 2022.
- In reaching this conclusion, we considered:
  - the key physical and transitional risks at both a company and subsidiary level;
  - the commitments made by the group referred to in the Sustainability Report within the Annual report e.g. science based targets to reduce their emissions, how those targets will be achieved and the costs of doing so;
  - the impact of climate change on any estimates or judgements made by management;
  - the nature of the group's customer contracts which in the majority of cases are under a cost plus arrangement;
  - and the consistency of the climate related disclosures made by the group with the financial statements and our knowledge of the group obtained from our audit.

### Key audit matters

- Complex customer arrangements (group)
- Accounting for the impact of the Belgium fire (group)
- Accounting for material acquisitions (group)

### Materiality

- Overall group materiality: £2,795,000 (2020: £2,700,000) based on 5% of profit before tax and exceptional items.
- Overall company materiality: £2,500,000 (2020: £1,700,000) based on 1% of total assets.
- Performance materiality: £2,096,250 (2020: £2,025,000) (group) and £1,875,000 (2020: £1,275,000) (company).

### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

### Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Accounting for the impact of the Belgium fire and accounting for material acquisitions are new key audit matters this year. Covid-19, which was a key audit matter last year, is no longer included because of the insignificant impact of Covid-19 on business performance and control environment, and the audit process due to well established ways of remote working. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<b>Complex customer arrangements (group)</b>	
<p>The group has entered into a number of rebate and incentive arrangements with its customers. Rebates and incentives are calculated based on agreed contracted rates and volumes of sales to customers over the term of the contracts. Furthermore, the Group occasionally agrees variations to these arrangements with its customers during the term of the contract. This can result in a change in agreed rates applied in the calculation of the rebate and incentive amounts, resulting in an increased risk of errors in the calculations.</p> <p>As the arrangements are mainly based on contracted rates and known sales volumes, there is limited judgement required around the accurate recognition of these amounts and in the appropriate accounting period. However, owing to the number of agreements in place and the range of contractual terms included within those agreements there is a heightened risk that the application of those terms might be calculated inaccurately, omitted from the calculation or included in the incorrect accounting period.</p> <p>Furthermore, the Group occasionally agrees variations to these arrangements with its customers during the term of the contract. This can result in a change in agreed rates applied in the calculation of the rebate and incentive amounts, resulting in an increased risk of errors in the calculations.</p>	<p>We updated our understanding of customer supply arrangements in order to understand the impact of these on the financial statements;</p> <p>We held discussions with the Directors and management;</p> <p>We inspected minutes of the Board to determine whether the list of contracts management had provided was complete;</p> <p>We selected a sample of rebate and incentive accruals and agreed the inputs to the calculations to the contracts and the sales amounts in the accounting ledgers (which we had audited) to test the accuracy and timing of the recognition of the rebates;</p> <p>We selected rebate and incentive payments made after the period end and checked that they were appropriately recognised in the correct period. Where settlement was made during the year or following the year end, we compared these to the amounts accrued; and</p> <p>We performed look back procedures in relation to the liability held at 3 January 2021 and tested those that were settled in the financial period. No issues were identified through the procedures we performed.</p> <p>No issues were identified through the procedures we performed.</p>
<b>Accounting for the impact of the Belgium fire (group)</b>	
<p>On 13 June 2021, Hilton Foods Belgium experienced a fire at its meat product packaging facility in Ghent, Belgium. Both Hilton and the landlord's own occupied part of the property (incorporating a large meat cold store) were severely damaged, as were adjoining Hilton offices.</p> <p>As a result of the fire, exceptional costs totalling £11,661,000 have been recognised. The costs include the impairment of tangible fixed assets and leased assets destroyed of £6,377,000 and £2,239,000 respectively, the cost of inventory that was destroyed as a result of the fire of £1,344,000 and other related additional costs of £3,844,000, offset by a gain of £2,183,000 arising from the early settlement of related lease liabilities.</p> <p>At the time of the fire the variance fund with Delhaize had risen to £7.1m due from Delhaize.</p> <p>We focused on this balance given the level of judgment in recognising an insurance receivable and variance fund receivable and given the material values involved.</p>	<p>We held discussions with the Directors, management and management's specialists along with obtaining management's insurance policy;</p> <p>We reviewed correspondence between management, the insurers and management's claims advocate;</p> <p>We obtained independent confirmation from the group's legal representatives to consider any claims made against the group;</p> <p>We reviewed correspondence between management and Delhaize to ascertain the recoverability of the variance fund balance; and</p> <p>We have reviewed management's accounting and disclosures within the financial statements and consider these to be reasonable. No issues were identified through the procedures we performed.</p>
<b>Accounting for material acquisitions (group)</b>	
<p>During the period the Group acquired the remaining 50% shareholding of Dalco Food BV "Dalco" for consideration of £13.4m in addition to acquiring Fairfax Meadow Europe Limited "Fairfax" for consideration of £15.3m.</p> <p>In respect of Dalco, the fair value acquisition work is underway and is expected to result in the recognition of identifiable intangibles such as customer relationships and brands. As this work has not yet been completed, provisional goodwill of £18.8m has been recognised which may change following the completion of work by the Group's third party valuation specialists.</p> <p>We focused on this area because there is a level of judgement involved in identifying the intangibles upon acquisition and given the material values involved.</p> <p>In respect of Fairfax, the fair values presented reflect management's initial assessment and has resulted in customer relationship and brand intangibles of £12.5m being recognised alongside £2.9m of goodwill.</p> <p>The accounting for these acquisitions remains provisional and subject to amendment for one year from the date of the acquisitions.</p>	<p>In performing our audit of the provisional acquisition accounting:</p> <p>We verified the consideration paid under the terms of the transaction to the Share Purchase Agreements, which included cash consideration for Fairfax and cash consideration and amounts settled in shares in respect of Dalco;</p> <p>We understood the methodology applied by the third party valuation specialists in determining the provisional accounting;</p> <p>We engaged valuation experts to support us in assessing the methodology and considering the reasonableness of certain assumptions utilised;</p> <p>We assessed underlying forecasts supporting the valuation of intangible assets in respect of Fairfax;</p> <p>The intangibles useful economic lives have been evaluated based on our understanding of the business and similar historical acquisitions;</p> <p>We verified the recognition and measurement of the provisional fair value adjustments; and</p> <p>We reviewed the disclosures for compliance with IFRS 3 'Business Combinations'.</p>

# Independent auditors' report

## continued

### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The Group is structured as a parent company with twenty-five subsidiary undertakings. There are fifteen trading subsidiaries located in the United Kingdom, the Republic of Ireland, the Netherlands, Poland, Denmark, Sweden, New Zealand and Australia; all of these entities are required to have statutory audits under local legislation. There are four intermediary holding companies, all located in the United Kingdom, which are all required to have statutory audits. All of these entities are audited by PwC network firms. The remaining six entities are dormant entities. In addition to these twenty-five entities the Group has a 50% interest in three joint venture companies which are located in Australia, Portugal and the United Kingdom.

The key protocols we adopted in respect of working with all component auditors were: issuing formal Group reporting instructions, which set out our requirements for the component auditors, together with our assessment of audit risks in the Group; holding planning discussions with all component auditors in order to agree those requirements; discussing the Group audit risks to identify any component specific risks; high level analysis of the financial information of the component by the Group engagement team to identify any unusual transactions or balances for discussion with component auditors; ongoing communication and interaction throughout the audit with the component audit teams; attending, with Group management, the component clearance meetings held between the component auditors and local management; and obtaining signed interoffice opinions that the component financial information was properly prepared in accordance with the group's accounting policies.

There are two significant components in the Group whose statutory audit opinions are not signed by the Group engagement partner which are located in the Netherlands and Australia. The Group engagement partner reviewed the component auditors' working papers that support their interoffice opinions for these significant components. This review included assessing their work over the three significant risk areas applicable to these components: i) management override of controls; ii) the risk of fraud in revenue recognition; and iii) complex customer arrangements. In addition, on a rotational basis the Group engagement team reviews the audit working papers for a non-significant component. For the current year, this related to the Poland and Denmark audit file. Following these reviews, meetings were held with each component to discuss findings from the engagement partner's review.

### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – group	Financial statements – company
<b>Overall materiality</b>	£2,795,000 (2020: £2,700,000).	£2,500,000 (2020: £1,700,000).
<b>How we determined it</b>	5% of profit before tax and exceptional items	1% of total assets
<b>Rationale for benchmark applied</b>	The basis of determining materiality has changed from profit before tax to profit before tax and exceptional items given the group has incurred material exceptional items with respect to the Belgium fire and acquisition costs. Given that the group's businesses are profit oriented and the directors use profit based measures to assess the performance of the group, we believe that change to the profit before tax and exceptional items benchmark provides us with a consistent year on year basis for determining materiality.	We believe that total assets is the primary measure used by the shareholders in assessing the performance of the entity and is a generally accepted auditing benchmark for a holding company with no trading operations.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £100,000 and £2,750,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2020: 75%) of overall materiality, amounting to £2,096,250 (2020: £2,025,000) for the group financial statements and £1,875,000 (2020: £1,275,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £100,000 (group audit) (2020: £100,000) and £100,000 (company audit) (2020: £100,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

## Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Performing a risk assessment to identify factors that could impact the going concern basis of accounting, including the ongoing impact of Covid 19 and impact of rising inflation;
- Understanding and evaluating the group's financial forecasts including severe, but plausible downside scenarios that could arise;
- Obtaining and reviewing the group's new financing arrangements entered into in January 2022;
- Critically assessing the assumptions used within the forecasts, including consideration of alternative views, and their impact on the group's liquidity and covenant compliance (with current and new facilities);
- Comparing the group's financial forecasts to historical performance to assess management's ability to forecast as well as assessing the financial year 2022 year to date performance against budget; and
- Reading and evaluating the adequacy of the disclosures made in the financial statements in relation to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

# Independent auditors' report

## continued

### Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the period ended 2 January 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

### Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

### Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;

- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

### Responsibilities for the financial statements and the audit

#### Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities in respect of the Annual report and financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

#### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK Listing Rules, UK and international tax legislation, health and safety requirements and other legislation specific to the industry in which the group operates (including food safety legislation), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results, including revenue recognition and manipulation of EBITDA, and management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with internal audit, management and those charged with governance including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Evaluation, and where relevant, testing of the operating effectiveness of management's controls designed to prevent and detect fraud in financial reporting;
- Identified and tested unusual journal entries, in particular, journal entries posted to manipulate financial results, including revenue recognition and manipulation of EBITDA;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to complex customer accruals, acquisition accounting balances and the Belgium fire impairments (see related key audit matters above);
- Confirmation that there have been no matters reported on the group's whistleblowing helpline;

- Review of minutes from board and other committee meetings e.g. audit committee or remuneration committee;
- Reading any key correspondence with regulatory authorities received in the year; and
- Obtaining an understanding of the legal and regulatory framework applicable to the group and how the group is complying with that framework.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### Appointment

Following the recommendation of the Audit Committee, we were appointed by the directors on 1 October 2007 to audit the financial statements for the year ended 31 December 2007 and subsequent financial periods. The period of total uninterrupted engagement is 15 years, covering the years ended 31 December 2007 to 2 January 2022.

### Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

#### Martin Cowie (Senior Statutory Auditor)

for and on behalf of  
PricewaterhouseCoopers LLP  
Chartered Accountants and  
Statutory Auditors  
Belfast

5 April 2022

# Financial statements

Consolidated income statement	120
Consolidated statement of comprehensive income	120
Consolidated and Company balance sheet	121
Consolidated and Company statement of changes in equity	122
Consolidated and Company cash flow statement	123
Notes to the financial statements	124





## VEGAN & VEGETARIAN



We are an ambitious, entrepreneurial business with strong values and principles. Our reputation for excellence is what attracts people to stay and want to work with us.

- Growing vegan and vegetarian business through innovation and partnerships with global brands and retailers.
- Completed 100% acquisition of Dalco, strengthening our vegan and vegetarian proposition in market with strong growth forecasts.



For more information visit  
[www.hiltonfoodgroupplc.com](http://www.hiltonfoodgroupplc.com)

## Consolidated income statement

	Notes	2021 52 weeks £'000	2020 53 weeks £'000
Continuing operations			
Revenue	5	3,301,970	2,774,036
Cost of sales	7	(2,935,892)	(2,452,093)
Gross profit		366,078	321,943
Distribution costs	7	(25,083)	(23,246)
Other administrative expenses	7	(272,438)	(236,859)
Exceptional items	7, 9, 34	(7,050)	–
Total administrative expenses		(279,488)	(236,859)
Share of profit in joint ventures		1,925	5,029
Operating profit		63,432	66,867
Finance income	10	10	22
Other finance costs		(14,913)	(12,861)
Exceptional finance costs	9, 34	(1,131)	–
Total finance costs	10	(16,044)	(12,861)
Finance costs – net		(16,034)	(12,839)
Profit before income tax		47,398	54,028
Income tax expense	11	(11,232)	(11,988)
Exceptional tax income	9, 34	3,116	–
Total income tax expense		(8,116)	(11,988)
Profit for the period		39,282	42,040
Attributable to:			
Owners of the parent		37,143	39,736
Non-controlling interests		2,139	2,304
		39,282	42,040
Earnings per share attributable to owners of the parent during the year			
Basic (pence)	12	45.0	48.6
Diluted (pence)	12	44.5	47.9

## Consolidated statement of comprehensive income

	2021 52 weeks £'000	2020 53 weeks £'000
Profit for the period	39,282	42,040
Other comprehensive (expense)/income		
Currency translation differences	(7,090)	4,682
Other comprehensive (expense)/income for the year net of tax	(7,090)	4,682
Total comprehensive income for the year	32,192	46,722
Total comprehensive income attributable to:		
Owners of the parent	30,417	44,101
Non-controlling interests	1,775	2,621
	32,192	46,722

The notes on pages 124 to 155 are an integral part of these consolidated financial statements.

# Consolidated and Company balance sheet

	Notes	2021 £'000	Group 2020 £'000	2021 £'000	Company 2020 £'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	14	291,488	290,846	–	–
Intangible assets	15	105,775	70,071	–	–
Lease: right of use assets	16	222,004	235,135	–	–
Investments	17	5,539	12,622	247,785	157,221
Trade and other receivables	20	2,239	–	–	–
Deferred income tax assets	25	6,952	6,219	–	–
		633,997	614,893	247,785	157,221
<b>Current assets</b>					
Inventories	19	156,517	116,941	–	–
Trade and other receivables	20	230,388	199,642	2,874	14,272
Current tax assets		5,212	–	–	–
Other financial asset	22	1,140	–	–	–
Cash and cash equivalents	21	140,170	123,816	151	190
		533,427	440,399	3,025	14,462
<b>Total assets</b>		<b>1,167,424</b>	<b>1,055,292</b>	<b>250,810</b>	<b>171,683</b>
<b>Equity</b>					
Equity attributable to owners of the parent					
Ordinary shares	26	8,893	8,194	8,893	8,194
Share premium		142,043	65,619	142,043	65,619
Own shares		(87)	–	–	–
Employee share schemes reserve		6,990	6,123	–	–
Foreign currency translation reserve		(2,106)	4,620	–	–
Retained earnings		176,449	161,607	28,850	26,851
Reverse acquisition reserve		(31,700)	(31,700)	–	–
Merger reserve		919	919	71,019	71,019
		301,401	215,382	250,805	171,683
Non-controlling interests		6,548	6,556	–	–
<b>Total equity</b>		<b>307,949</b>	<b>221,938</b>	<b>250,805</b>	<b>171,683</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Borrowings	23	–	206,228	–	–
Lease liabilities	16	228,977	238,995	–	–
Deferred consideration	18	–	3,318	–	–
Deferred income tax liabilities	25	4,132	2,384	–	–
		233,109	450,925	–	–
<b>Current liabilities</b>					
Borrowings	23	224,732	39,759	–	–
Lease liabilities	16	14,419	6,250	–	–
Trade and other payables	24	387,215	332,354	5	–
Current tax liabilities		–	4,066	–	–
		626,366	382,429	5	–
<b>Total liabilities</b>		<b>859,475</b>	<b>833,354</b>	<b>5</b>	<b>–</b>
<b>Total equity and liabilities</b>		<b>1,167,424</b>	<b>1,055,292</b>	<b>250,810</b>	<b>171,683</b>

The notes on pages 124 to 155 are an integral part of these consolidated financial statements.

The financial statements on pages 120 to 155 were approved by the Board on 5 April 2022 and were signed on its behalf by:

**R. Watson**  
Director

**N. Majewski**  
Director

Hilton Food Group plc – Registered number: 06165540

The Company has taken advantage of the exemption in Section 408 Companies Act 2006 not to publish its individual income statement, statement of comprehensive income and related notes. Profit for the year dealt with in the income statement of Hilton Food Group plc amounted to £24,301,000 (2020: £21,000,000).

# Consolidated and Company statement of changes in equity

Group	Notes	Attributable to owners of the parent										
		Share capital £'000	Share premium £'000	Own shares £'000	Employee share schemes reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Reverse acquisition reserve £'000	Merger reserve £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Balance at 30 December 2019		8,173	64,251	–	4,139	255	140,192	(31,700)	919	186,229	5,711	191,940
Profit for the year		–	–	–	–	–	39,736	–	–	39,736	2,304	42,040
Other comprehensive income												
Currency translation differences		–	–	–	–	4,365	–	–	–	4,365	317	4,682
Total comprehensive income for the year		–	–	–	–	4,365	39,736	–	–	44,101	2,621	46,722
Issue of new shares		21	1,368	–	–	–	–	–	–	1,389	–	1,389
Adjustment in respect of employee share schemes		–	–	–	2,120	–	–	–	–	2,120	–	2,120
Tax on employee share schemes		–	–	–	(136)	–	–	–	–	(136)	–	(136)
Dividends paid	13	–	–	–	–	–	(18,321)	–	–	(18,321)	(1,776)	(20,097)
Total transactions with owners		21	1,368	–	1,984	–	(18,321)	–	–	(14,948)	(1,776)	(16,724)
Balance at 3 January 2021		8,194	65,619	–	6,123	4,620	161,607	(31,700)	919	215,382	6,556	221,938
Profit for the year		–	–	–	–	–	37,143	–	–	37,143	2,139	39,282
Other comprehensive expense												
Currency translation differences		–	–	–	–	(6,726)	–	–	–	(6,726)	(364)	(7,090)
Total comprehensive income for the year		–	–	–	–	(6,726)	37,143	–	–	30,417	1,775	32,192
Issue of new shares		699	76,424	–	–	–	–	–	–	77,123	–	77,123
Purchase of own shares		–	–	(2,278)	–	–	–	–	–	(2,278)	–	(2,278)
Adjustment in respect of employee share schemes		–	–	–	2,725	–	–	–	–	2,725	–	2,725
Settlement of employee share scheme		–	–	2,191	(2,191)	–	–	–	–	–	–	–
Tax on employee share schemes		–	–	–	333	–	–	–	–	333	–	333
Dividends paid	13	–	–	–	–	–	(22,301)	–	–	(22,301)	(1,783)	(24,084)
Total transactions with owners		699	76,424	(87)	867	–	(22,301)	–	–	55,602	(1,783)	53,819
Balance at 2 January 2022		8,893	142,043	(87)	6,990	(2,106)	176,449	(31,700)	919	301,401	6,548	307,949
Company												
Balance at 30 December 2019		8,173	64,251	–	–	–	24,172	–	71,019	167,615		
Profit for the year		–	–	–	–	–	21,000	–	–	21,000		
Total comprehensive income for the year		–	–	–	–	–	21,000	–	–	21,000		
Issue of new shares		21	1,368	–	–	–	–	–	–	1,389		
Dividends paid	13	–	–	–	–	–	(18,321)	–	–	(18,321)		
Total transactions with owners		21	1,368	–	–	–	(18,321)	–	–	(16,932)		
Balance at 3 January 2021		8,194	65,619	–	–	–	26,851	–	71,019	171,683		
Profit for the year		–	–	–	–	–	24,300	–	–	24,300		
Total comprehensive income for the year		–	–	–	–	–	24,300	–	–	24,300		
Issue of new shares		699	76,424	–	–	–	–	–	–	77,123		
Dividends paid	13	–	–	–	–	–	(22,301)	–	–	(22,301)		
Total transactions with owners		699	76,424	–	–	–	(22,301)	–	–	54,822		
Balance at 2 January 2022		8,893	142,043	–	–	–	28,850	–	71,019	250,805		

The notes on pages 124 to 155 are an integral part of these consolidated financial statements.

# Consolidated and Company cash flow statement

	Notes	2021 52 weeks £'000	Group 2020 53 weeks £'000	2021 52 weeks £'000	Company 2020 53 weeks £'000
<b>Cash flows from operating activities</b>					
Cash generated from operations	28	121,259	120,771	–	–
Interest paid		(16,044)	(12,861)	–	–
Income tax paid		(19,210)	(16,254)	–	–
Net cash generated from operating activities		86,005	91,656	–	–
<b>Cash flows from investing activities</b>					
Acquisition of subsidiary, net of debt acquired		(39,062)	–	–	–
Other financial asset — restricted cash		(1,140)	–	–	–
Settlement of deferred consideration		(2,500)	–	–	–
Issue of inter-company loan		–	–	(77,377)	(4,000)
Purchases of property, plant and equipment		(56,251)	(92,803)	–	–
Proceeds from sale of property, plant and equipment		114	134	–	–
Purchases of intangible assets		(1,115)	(2,703)	–	–
Interest received		10	22	–	–
Dividends received		–	–	24,300	21,000
Dividends received from joint venture		2,273	4,271	–	–
Net cash (used in)/generated from investing activities		(97,671)	(91,079)	(53,077)	17,000
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		67,062	92,563	–	–
Repayments of borrowings		(79,819)	(48,908)	–	–
Payment of lease liability		(6,588)	(15,044)	–	–
Issue of ordinary shares		77,123	1,389	75,339	1,389
Purchase of own shares		(2,278)	–	–	–
Dividends paid to owners of the parent		(22,301)	(18,321)	(22,301)	(18,321)
Dividends paid to non-controlling interests		(1,783)	(1,776)	–	–
Net cash generated from/(used in) financing activities		31,416	9,903	53,038	(16,932)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>19,750</b>	<b>10,480</b>	<b>(39)</b>	<b>68</b>
Cash and cash equivalents at beginning of the year		123,816	110,514	190	122
Exchange (losses)/gains on cash and cash equivalents		(3,396)	2,822	–	–
<b>Cash and cash equivalents at end of the year</b>	21	<b>140,170</b>	<b>123,816</b>	<b>151</b>	<b>190</b>

The notes on pages 124 to 155 are an integral part of these consolidated financial statements.

# Notes to the financial statements

## 1 General information

Hilton Food Group plc ('the Company') and its subsidiaries (together 'the Group') is a leading international protein producer supplying major international food retailers in fourteen European countries, Australia and New Zealand. The Company's subsidiaries are listed in note 17.

The Company is a public company limited by shares incorporated and domiciled in the UK and registered in England. The address of the registered office is 2-8 The Interchange, Latham Road, Huntingdon, Cambridgeshire PE29 6YE. The registered number of the Company is 06165540.

The Company maintains a Premium Listing on the London Stock Exchange.

The financial year represents the 52 weeks to 2 January 2022 (prior financial year 53 weeks to 3 January 2021).

These consolidated financial statements were approved for issue on 5 April 2022.

The Company has taken advantage of the exemption in Section 408 Companies Act 2006 not to publish its individual income statement, statement of comprehensive income and related notes. Profit for the year dealt with in the income statement of Hilton Food Group plc amounted to £24,301,000 (2020: £21,000,000).

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all of the years presented, unless otherwise stated.

### Basis of preparation

The consolidated and company financial statements of Hilton Food Group plc have been prepared under the historical cost convention as modified by financial liabilities at fair value through profit or loss and in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The consolidated and company financial statements have been prepared on the going concern basis. The reasons why the Directors consider this basis to be appropriate are set out in the Performance and financial review on page 22.

The financial statements are presented in Sterling and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

### Basis of consolidation

These consolidated financial statements comprise the financial statements of Hilton Food Group plc ('the Company'), its subsidiaries and its share of profit in joint ventures, together, ('the Group') drawn up to 2 January 2022. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### (i) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (see note 18).

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

#### (ii) Joint ventures

Joint ventures are all entities over which the Group exercises joint control and has an interest in the net assets of that entity. Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

## International Financial Reporting Standards

### a) New standards, amendments and interpretations effective in 2021

The following standards and amendments are applicable for accounting periods beginning on or after 1 January 2021. These amendments have had no impact on the Group's financial position or performance in the current or prior years.

Covid-19-Related Rent Concessions – amendments to IFRS 16, and

Amendments to IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform Phase 2

### b) New standard, amendments and interpretations issued but not yet effective

The following standard and amendments have been issued but are not yet effective. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

IFRS 17, 'Insurance Contracts'\* (effective 1 January 2023)

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current (effective 1 January 2023)

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies (effective 1 January 2023)

Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before intended use (effective 1 January 2022)

Amendments to IFRS 3 – Reference to the Conceptual Framework (effective 1 January 2022)

Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract (effective 1 January 2022)

Annual Improvements to IFRS Standards 2018-2020 (effective 1 January 2022)

Amendments to IAS 8 – Definition of Accounting Estimates (effective 1 January 2023)

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Effective 1 January 2023)

\* Not yet endorsed by the UK.

## Group leasing activities and accounting treatment

The Group's leases relate to property leases for a number of food processing facilities, leases of plant and equipment and leases of motor vehicles. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the repayment of the lease liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. The depreciation is being charged to administration expenses in the Group's Income Statement, in line with where depreciation has previously been recorded.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and,
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office equipment.

## Extension and termination options

Extension and termination options are included in a number of property leases across the Group. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

# Notes to the financial statements

continued

## 2 Summary of significant accounting policies continued

### Revenue recognition

The Group sources raw material food proteins often in conjunction with its customers. The raw materials are then processed, packed and delivered to customers. Revenue is recognised at a point in time when control of the products has transferred, that is when the products have been delivered to the customer's specified location or have been collected by the customer from the Group's facilities. At that point the customers have obtained all the benefits of the products and have full discretion over the channel and price to sell the products, and the Group has no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specific location or have been collected by the customer, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied.

The products are sold with discounts and rebates which are based on contractual arrangements. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated discounts or rebate. Accumulated experience is used to estimate and provide for the discounts and rebates, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A payable is recognised for expected rebates and discounts are deducted from the amount receivable from the customer.

A receivable is recognised when the goods are delivered to the customer's specified location or collected by the customer, since this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

### Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of operating segments, has been identified as the Group's Executive Directors.

### Foreign currency translation

#### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Sterling, which is the Company's functional and the Group's presentation currency.

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

#### (c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income and disclosed as a separate component of equity in a foreign currency translation reserve.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### Business combinations

Business combinations are accounted for using the acquisition method.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred to the former owners of the acquired businesses, the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill.

If control of a subsidiary is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss. Transactions with non-controlling interests that result in changes to the ownership interest of a subsidiary do not result in a fair value re-measurement but are instead accounting for as adjustments to equity attributed to the owners of the parent.

## Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight line method to allocate the cost of property, plant and equipment to their residual values over their estimated useful economic lives, as follows:

	Annual rate
Buildings (including leasehold improvements)	4%–14%
Plant and machinery	14%–33%
Fixtures and fittings	14%–33%
Motor vehicles	25%

Land is not depreciated. Assets in the course of construction are not depreciated until commissioned.

The residual value and useful economic lives of property, plant and equipment are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying value is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. These impairment losses are recognised in the income statement. Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful economic life.

## Intangible assets

### (a) Goodwill

Goodwill on acquisitions of subsidiaries and purchase of non-controlling interests is included in 'intangible assets', tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill represents the excess of the cost of the acquisition or purchase over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or non-controlling interest at the date of acquisition (note 15).

### (b) Other intangibles

Other intangibles include acquired software licences, customer relationships and brands and are stated at cost or acquisition fair value less accumulated amortisation. Software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortisation is charged on a straight line basis over the assets' useful economic lives of three to ten years.

## Investments

Investments in subsidiary undertakings and joint ventures are carried at cost less provision for impairment.

## Impairment of non-financial assets

Assets that have an indefinite useful economic life, for example goodwill, are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

## Financial assets

### a) Classification

The Group classifies its financial assets at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

These items are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Such assets include, 'trade and other receivables', 'cash and cash equivalents' and 'other financial assets' in the balance sheet.

### b) Recognition and measurement

Purchases and sales of financial assets are recognised on trade date being the date on which the Group commits to purchase or sell the asset. Financial assets are recognised initially at the amount of consideration that is unconditional, unless they contain a significant financing component, in which case they are recognised at fair value. These assets are held with the objective of collecting the contractual cash flows, and so it measures them subsequently at amortised cost using the effective interest method.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

# Notes to the financial statements

continued

## 2 Summary of significant accounting policies continued

### c) Impairment of financial assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets.

Once the expected credit loss has been determined, this is deducted from the carrying value of the asset and recognised in the consolidated income statement.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is either determined on the first in first out basis or by the 'retail method' depending on the subsidiary. The 'retail method' computes cost on the basis of selling price less the appropriate trading margin. Cost comprises material costs, direct wages and other direct production costs together with a proportion of production overheads relevant to the stage of completion of work in progress and finished goods and excludes borrowing costs. Net realisable value represents the estimated selling price less costs to completion and appropriate selling and distribution costs. Provision is made, where necessary, for slow moving, obsolete and defective inventories.

### Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows, and so it measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 20.

The Group applies the IFRS 9 simplified approach to measuring expected credit loss which uses a lifetime expected loss allowance for all trade receivables and contract assets.

### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of three months or less. Bank overdrafts are shown on the balance sheet within borrowings in current liabilities.

### Other financial assets – Restricted cash

Where cash is held for a specific purpose and is therefore not available for immediate or general business use it is recognised as restricted cash and classified as an other financial asset.

### Share capital and reserves

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

The share premium and employee share schemes reserve represents the premium on new shares issued in connection with and the fair value of share options outstanding under the Group's share schemes respectively.

The foreign currency translation reserve represents the cumulative currency differences arising on the translation of the Group's overseas subsidiaries.

The merger and reverse acquisition reserves arose during 2007 following the restructuring of the Group.

### Trade and other payables

Trade payables represent obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### Borrowings

All borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs directly attributable to an acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

## Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge represents the expected tax payable or recoverable on the taxable profit for the year using tax laws enacted or substantively enacted at the balance sheet date.

Deferred income tax is recognised, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## Employment benefits

### Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

### Pensions and other post-employment benefits

The Group operates defined contribution schemes for certain employees in the UK, Ireland, the Netherlands, Belgium, Denmark, Australia and New Zealand and contributes to a state administered money purchase scheme in Poland. The Group pays contributions to publicly or privately administered pension insurance plans and has no further payment obligations once the contributions have been made. The contributions are recognised as an employee benefit expense when they are due.

In the Netherlands and Sweden the Group contributes to industry-wide pension schemes for its employees. Although having some defined benefit features, the Group's liability to these schemes is limited to the fixed contributions which are recognised as an expense when they are due. Accordingly the Group has accounted for these schemes as defined contribution schemes.

### Share-based payments

The Group operates a number of share-based compensation plans that have been accounted for as equity settled schemes. The fair value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding adjustment to equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. All adjustments to equity are recognised as a separate component of equity in an employee share scheme reserve. When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

### Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

### Exceptional Items

Exceptional items are not defined under IFRS. However, the Group classifies Exceptional Items as those that are separately identifiable by virtue of their size, nature or expected frequency and that therefore warrant separate presentation.

The Group has previously treated acquisition costs, including legal and professional fees and stamp duty costs, as exceptional. As detailed in note 9 during the period to 2 January 2022 the Group has recognised exceptional items in respect of the fire at its facility in Belgium, in respect of acquisition related costs incurred in the period and in respect of a gain made on accounting for the acquisition of a 50% share of its Dalco joint venture.

The income statement separately shows the impact of the exceptional items on reported operating profit with further reconciliations between statutory and adjusted measures used by the Group presented in note 34.

Presentation of these exceptional items and the reconciliations between adjusted and statutory measures is not intended to be a substitute for or intended to promote the adjusted measures above statutory measures.

# Notes to the financial statements

continued

## 3 Financial risk management

### Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk including price risk, foreign exchange risk and cash flow interest rate risk, credit risk and liquidity risk. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by monitoring the foregoing risks.

#### (a) Market risk

##### (i) Price risk

The Group is not exposed to equity securities price risk as it holds no listed or other equity investments. The Group is exposed to commodity price risk which is significantly mitigated through its customer agreements which are on a cost plus or agreed packing rate basis.

##### (ii) Foreign exchange risk

The Group is exposed to foreign exchange risk in the normal course of business in its overseas operations, principally on transactions in Euros, Swedish Krona, Danish Krone, Polish Zloty, Australian Dollar and New Zealand Dollar although such risk is mitigated as natural hedges exist in each operation through matching local currency cash flows. The Group regularly monitors foreign exchange exposure and to date has deemed it not appropriate to hedge its foreign exchange position.

##### (iii) Cash flow interest rate risk

The Group's interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

##### (iv) Sensitivity analysis

Group	Income statement £'000	2021 Equity £'000	Income statement £'000	2020 Equity £'000
Annual effect of a change in Group-wide interest rates by 0.5%	885	885	572	572
	(885)	(885)	(572)	(572)
Annual effect of a change in exchange rates to the GBP £ by 10%	3,913	14,715	2,625	9,494
	(3,202)	(12,040)	(2,147)	(7,768)

#### (b) Credit risk

The Group is exposed to credit risk in respect of credit exposures to its retail customer partners and banking arrangements. The Group, whose only customers comprise blue chip international supermarket retailers, has implemented policies that require appropriate credit checks on potential customers before sales are made and in relation to its banking partners. The Group's maximum exposure to credit risk is £227.1m (2020: £187.8m) as stated in note 33.

#### (c) Liquidity risk

The Group monitors regular cash forecasts to ensure that it has sufficient cash to meet operational needs whilst maintaining sufficient headroom on its undrawn committed borrowing facilities and without breaching its banking covenants. The Group held significant cash and cash equivalents of £140.2m (2020: £123.8m) and maintains a mix of long term and short term debt finance.

The Group's financial liabilities measured as the contractual undiscounted cash flows mature as follows:

	Borrowings £'000	Leases £'000	2021 Trade and other payables £'000	Borrowings £'000	Leases £'000	2020 Trade and other payables £'000
Less than one year	227,986	22,717	378,258	42,473	15,010	324,858
Between one and two years	–	20,873	–	208,058	19,595	–
Between two and five years	–	58,137	–	–	58,227	–
Over five years	–	233,672	–	–	255,619	–

The Group's bank borrowings have been classified as current liabilities as the bank facility agreements were due to mature in October 2022. Since the year end the Group has refinanced these facilities (see note 31).

### Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of a gearing ratio. This ratio is calculated as net bank debt as per note 29 divided by EBITDA as shown in note 34. Net bank debt is calculated as total borrowings (including 'current and non-current borrowings' as shown on the consolidated balance sheet) less cash and cash equivalents. EBITDA is calculated as operating profit before significant interest, tax, depreciation and amortisation, excluding the impact of IFRS 16. The gearing of the Company was 69.5% as at the year end (2020: 115.3%).

### Fair value estimation

The carrying value of trade receivables (less impairment provisions) and trade payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The Directors consider that there is a single level of fair value measurement hierarchy for disclosure purposes.

## 4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### Critical accounting judgements

#### Leases

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). For leases of buildings and equipment, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Extension options in vehicles leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

#### Long term supply contracts

On adoption of IFRS 16 the Group elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessments made applying IAS 17 and IFRIC 4 "Determining whether an Arrangement contains a Lease".

Some of Hilton's long term supply contracts are on a cost plus basis. These cost plus arrangements typically contain benchmarking clauses which allow our customers to obtain competitive pricing or to source supply from a competitor. Additional product inputs and packaging are traded in active markets which are monitored by our customers and furthermore product selling prices are updated on a frequent basis thereby resulting in pricing that is, in substance, market price. On this basis the criteria in IFRIC 4 for determining whether these agreements contained a lease were not met.

Under IFRS 16 the assessment of whether a contract is or contains a lease will be determined based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an asset judgement is required in the assessment of a customer's right to:

- obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use; and
- direct the use of the identified asset.

Although a number of the Group's supply contracts are fulfilled from dedicated manufacturing facilities, and therefore customers will obtain a significant proportion of the economic benefits from their use, the Group believes that future Long Term Supply contracts should not be assessed as containing leases as the Group considers it has the right to direct the use of the identified assets.

In making this assessment, the Group has considered that the Group controls the raw materials including the timing and amount of purchases and has discretion as to how and when such materials are processed to fulfil customer orders. Therefore, the Group obtains the economic benefits from processing the inventory, has the right to direct the use of the identified assets and the customer rights are limited to placing orders. This consideration is particularly judgmental given orders are typically produced on a real-time basis. However, it is the Group's view that this real-time production is inherent in the context of producing perishable goods with a short shelf life and not indicative of the customer having the right to control the use of the facilities.

### Woolworths Meat Co. Pty Limited Joint Venture

#### (i) Assessment of Control

In July 2018 the Group took day-to-day operational responsibility for the joint venture (JV) meat processing facilities operated in Australia and following the conclusion of a two year transition period took full control of these facilities in June 2020.

During the two-year transition period these processing facilities continued to be owned by the Group's JV partner, Woolworths, and continued to be operated under the oversight of the JV Board which had control over key business and strategic decisions.

The JV continued to earn a processing fee based on the volume of retail packed meat produced at the facilities over which it had oversight.

# Notes to the financial statements

continued

## 4 Critical accounting estimates and judgements continued

Both Hilton and its JV partner had equal representation on the JV Board with the JV partner able to appoint the Chairman of the Board. All decisions of the JV Board needed to be unanimous though in the event of unresolved deadlock Hilton's JV partner would have had the right to purchase Hilton's interest in the JV at net book value.

Although the Group had day-to-day operational responsibility for the processing facilities during the transition period, the oversight provided by the JV Board meant that in the Group's judgement it did not control the JV. Therefore, during the transition period the Group continued to account for its 50% interest in the JV using the equity method of accounting.

At the end of the transition period in June 2020 the JV Board's role overseeing the key business and strategic decision of the processing facilities ended.

From this point, the facilities were fully controlled by the Group and have been fully consolidated within the Group's financial statements.

### (ii) Revenue Recognition

Throughout the two-year transition period referred to above the costs of production of this meat, other raw materials and indirect and direct overheads, at the JV controlled facilities were administered by the Group and then recharged to its customer.

The assessment of whether the Group should recognise the costs and related recharges on a net basis or gross basis, with revenue and equal costs recognised separately, required the exercise of significant judgement.

These activities did not directly affect the Group's primary return from the JV facilities, which continued to be derived from its 50% interest in Woolworths Meat Co. Pty Limited.

The Group concluded that during the transition period it was acting as an agent on behalf of the JV rather than as principal fully responsible for the processing activities of the facilities and therefore recognised revenue from the facilities on a net basis.

This conclusion was reached following consideration of the following factors:

- During the transition period the JV rather than the Group was primarily responsible for ensuring processed products were provided to its customer.
- The cost recovery mechanism during the transition period resulted in the majority of the inventory risk associated with the operations remaining with the JV's customer rather than with the Group.
- The Group was not exposed to significant pricing risk.

Following the end of the transition period, on 30 June 2020, the JV arrangements ended and the Group took full control of and responsibility for the inputs and outputs of these facilities.

Accordingly, the Group became entitled to earn income directly from these facilities and was exposed to the full risk and rewards of ownership and control of their operations. From this point onwards when consolidating the result of its subsidiary the Group has recognised the income and expenses of these meat processing operations on a gross basis with revenue of £319.5m being recognised since 30 June 2020.

### Share Based Payments

The Group operates a Long Term Incentive Plan (LTIP) and an employee Sharesave scheme both of which have been accounted for as equity-settled share based payment schemes under IFRS 2.

Upon exercise, awards under the LTIP scheme may be settled either through issuing new shares to participants, or by issuing shares that have been purchased in the market.

Awards under the LTIP scheme first began to vest during the 2017 financial year and options exercised were settled either by providing plan participants with shares purchased in the market by the Group or the cash equivalent to the market value of the shares.

The Group ended its practice of settling LTIP exercises with cash alternatives during 2020 and communicated this to plan participants. Therefore there is no constructive obligation to settle share based payments in cash and the schemes concerned are considered to be equity settled.

## Critical accounting estimates

### Goodwill impairment

Goodwill is reviewed for impairment on at least an annual basis. Details of the tests and carrying value of the assets are shown in note 15. An impairment review requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated using either value-in-use or fair value less costs of disposal calculations. Value-in-use calculations require assumptions to be made regarding the expected future cash flows from the cash generating unit and choice of a suitable discount rate in order to calculate the present value of those cash flows. Fair value less costs of disposal calculations can be based on transaction prices observed in the market for comparable assets or if these are not available using a discounted cash flow model, requiring assumptions in respect of cash flows and suitable after-tax discount rates to be made. If the actual cash flows are lower than estimated, future impairments may be necessary. Sensitivities are applied to the key assumptions used in the impairment assessment and as explained in note 15 the impact of these sensitivities would not result in an impairment in the next twelve months.

### Share based payments

Note 27 describes the key assumptions and valuation model inputs used in the determination of the fair values of awards made under the Group's share based payment plans.

In addition, estimates are made as to the number of awards that will ultimately vest based on the Group's projected future financial performance, in relation to the probability of meeting non-market-based performance conditions and the continuing participation of employees in the plans.

Of these estimates, future outcomes are likely to be most significantly impacted by changes to expectations of the Group's adjusted earnings per share performance. If projected performance was to increase by 10% above expectations, expected share based payment charges would increase by approximately £0.7m in the next year, however were projected results to fall by 10% compared to expectations share based payment charges would be expected to reduce by approximately £1.8m.

### Business combinations

For business combinations the assets acquired, liabilities assumed and consideration payable are all valued at fair value. This requires a number of estimates and judgements to be applied notably when assessing the fair value of acquired property, plant and equipment, identifiable intangible assets and acquired leased assets and liabilities. Note 18 describes the business combinations that took place in the year and the Group's approach to assessing fair values of acquired assets and liabilities.

During 2021 and 2020 there were no other critical accounting estimates or judgements in relation to the application of the Group or Company's accounting policies.

## 5 Segment information

Management have determined the operating segments based on the reports reviewed by the Executive Directors that are used to make strategic decisions.

The Executive Directors have considered the business from both a geographic and product perspective.

From a geographic perspective, the Executive Directors consider that the Group has nine operating segments: i) United Kingdom; ii) Netherlands; iii) Belgium; iv) Republic of Ireland; v) Sweden; vi) Denmark; vii) Central Europe including Poland, Czech Republic, Hungary, Slovakia, Latvia, Lithuania and Estonia; viii) Portugal; ix) Australasia and x) Central costs. The United Kingdom, Netherlands, Belgium, Republic of Ireland, Sweden, Denmark, Central Europe and Portugal have been aggregated into one reportable segment 'Europe' as they have similar economic characteristics as identified in IFRS 8. Australasia and Central costs comprise the other reportable segments.

From a product perspective the Executive Directors consider that the Group has only one identifiable product, wholesaling of food protein products including meat, seafood and vegetarian. The Executive Directors consider that no further segmentation is appropriate, as all of the Group's operations are subject to similar risks and returns and exhibit similar long term financial performance.

The segment information provided to the Executive Directors for the reportable segments is as follows:

	2021				2020			
	Europe £'000	Australasia £'000	Central costs £'000	Total £'000	Europe £'000	Australasia £'000	Central costs £'000	Total £'000
Total revenue	2,040,618	1,314,602	–	3,355,220	2,044,190	784,455	–	2,828,645
Inter-co revenue	(53,250)	–	–	(53,250)	(54,609)	–	–	(54,609)
Third party revenue	1,987,368	1,314,602	–	3,301,970	1,989,581	784,455	–	2,774,036
Adjusted operating profit/(loss) segment result (see note 34)	61,788	22,370	(10,591)	73,567	62,581	17,209	(12,762)	67,028
Amortisation of acquired intangibles	(2,778)	–	–	(2,778)	(2,449)	–	–	(2,449)
Exceptional items	(6,994)	–	–	(6,994)	–	–	–	–
Impact of IFRS 16	291	(654)	–	(363)	406	1,882	–	2,288
Operating profit/(loss) segment result	52,307	21,716	(10,591)	63,432	60,538	19,091	(12,762)	66,867
Finance income	10	–	–	10	22	–	–	22
Finance costs	(2,881)	(10,017)	(3,146)	(16,044)	(3,243)	(8,140)	(1,478)	(12,861)
Income tax (expense)/credit	(7,965)	(1,761)	1,610	(8,116)	(11,165)	(2,568)	1,745	(11,988)
Profit/(loss) for the year	41,471	9,938	(12,127)	39,282	46,152	8,383	(12,495)	42,040
Depreciation and amortisation	33,039	33,604	140	66,783	32,433	25,877	91	58,401
Additions to non-current assets	29,587	27,528	662	57,777	24,459	70,733	314	95,506
Segment assets	643,157	462,556	49,547	1,155,260	568,638	453,143	27,292	1,049,073
Current income tax assets				5,212				–
Deferred income tax assets				6,952				6,219
Total assets				1,167,424				1,055,292
Segment liabilities	346,403	419,611	89,329	855,343	324,582	427,050	75,272	826,904
Current income tax liabilities				–				4,066
Deferred income tax liabilities				4,132				2,384
Total liabilities				859,475				833,354

# Notes to the financial statements

## continued

### 5 Segment information continued

Sales between segments are carried out at arm's length.

The Executive Directors assess the performance of each operating segment based on its operating profit before exceptional items and amortisation of acquired intangibles and also before the impact of IFRS 16 (see note 34). Operating profit is measured in a manner consistent with that in the income statement.

The amounts provided to the Executive Directors with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements. The assets are allocated based on the operations of the segment and their physical location. The liabilities are allocated based on the operations of the segment.

The Group has five principal customers (comprising groups of entities known to be under common control), Tesco, Ahold Delhaize, Coop Danmark, ICA Gruppen and Woolworths. These customers are located in the United Kingdom, Netherlands, Belgium, Republic of Ireland, Sweden, Denmark and Central Europe including Poland, Czech Republic, Hungary, Slovakia, Latvia, Lithuania and Estonia and Australasia.

Analysis of revenues from external customers and non-current assets are as follows:

	Revenues from external customers		Non-current assets excluding deferred tax assets	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>Analysis by geographical area</b>				
United Kingdom – country of domicile	1,122,047	1,125,955	196,857	165,564
Netherlands	298,535	301,537	34,857	7,545
Belgium	25,687	6,617	1,327	10,381
Sweden	220,065	221,886	12,814	18,060
Republic of Ireland	95,349	102,460	4,711	6,025
Denmark	116,156	122,643	16,046	18,444
Central Europe	109,529	108,483	22,297	25,164
Australasia	1,314,602	784,455	338,136	357,491
	3,301,970	2,774,036	627,045	608,674
<b>Analysis by principal customer</b>				
Customer 1	1,156,771	1,168,179		
Customer 2	327,293	330,644		
Customer 3	231,492	232,022		
Customer 4	113,555	117,197		
Customer 5	1,314,602	784,455		
Other	158,257	141,539		
	3,301,970	2,774,036		

### 6 Auditors' remuneration

#### Services provided by the Company's auditors and its associates

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditors and its associates:

Group	2021 £'000	2020 £'000
Fees payable to the Company's auditors for the audit of the parent company and consolidated financial statements	168	160
Fees payable to the Company's auditors and its associates for other services:		
– The audit of the Company's subsidiaries pursuant to legislation	544	450
– Other services pursuant to legislation	49	47
– All other services including regulatory acquisition work	25	25
Total fees payable to the Company's auditors and its associates	786	682

## 7 Expenses by nature

Group	2021 £'000	2020 £'000
Changes in inventories of finished goods and goods for resale	3,503	(690)
Raw materials and consumables used	2,718,685	2,264,608
Employee benefit expense (note 8)	211,866	190,859
Depreciation and amortisation – owned assets	48,356	40,051
Depreciation and amortisation – leased assets	18,427	18,350
Repairs and maintenance expenditure on property, plant and equipment	24,101	21,305
Transportation expenses	24,721	22,058
Gain on impact of acquisition of Dalco BV (note 9)	(6,837)	–
Foreign exchange losses	1,180	1,750
Other expenses	196,461	153,907
<b>Total cost of sales, distribution costs and administrative expenses</b>	<b>3,240,463</b>	<b>2,712,198</b>

## 8 Employee benefit expense

Group	2021 £'000	2020 £'000
<b>Staff costs during the year</b>		
Wages and salaries	182,736	161,986
Social security costs	16,855	16,462
Share options granted to Directors and employees	2,725	4,372
Other pension costs	9,550	8,039
	<b>211,866</b>	<b>190,859</b>

Group	2021 Number	2020 Number
<b>Average number of persons employed (including Executive Directors) during the year by activity</b>		
Production	4,755	4,305
Administration	1,270	1,136
	<b>6,025</b>	<b>5,441</b>

Group	2021 £'000	2020 £'000
<b>Key management compensation (including Directors)</b>		
Salaries and short term employee benefits, including termination benefits	8,423	8,062
Post-employment benefits	314	441
Share-based payments	3,074	3,081
	<b>11,811</b>	<b>11,584</b>

Group	2021 £'000	2020 £'000
<b>Directors' emoluments</b>		
Aggregate emoluments	3,658	4,572
Company contribution to money purchase pension scheme	138	194
	<b>3,796</b>	<b>4,766</b>

Further details of Directors' emoluments and share interests, including the highest paid Director, are given in the Directors' remuneration report.

The Company has no employees and Directors do not receive emoluments from the Company. Employee expenses of the Company amounted to £nil (2020: £nil).

# Notes to the financial statements

continued

## 9 Exceptional items

Group	Operating profit 2021 £'000	Finance costs 2021 £'000	Tax 2021 £'000	Profit after tax 2021 £'000
Fire in Belgium	11,661	–	(2,901)	8,760
Impact of acquisition of Dalco	(6,837)	–	–	(6,837)
Acquisition costs	2,226	1,131	(215)	3,142
Total exceptional costs	7,050	1,131	(3,116)	5,065

### Fire in Belgium

In June 2021 the Group's facility in Belgium suffered an extensive fire and as a result exceptional costs totalling £11,661,000 have been recognised. The costs include the impairment of tangible fixed assets and leased assets destroyed of £6,377,000 and £2,239,000 respectively, the cost of inventory that was destroyed as a result of the fire of £1,344,000 and other related additional costs of £3,884,000, offset by a gain of £2,183,000 arising from the early settlement of related lease liabilities.

An exceptional tax credit has been of £2,901,000 has been recognised in respect of these costs.

The Group continues to work closely with its insurers to progress the related claims. The results for the period to 2 January 2022 do not include potential income that may be received in respect of these claims with the insurance proceeds therefore considered to be contingent assets; at this stage in the claims process the value of the contingent asset has yet to be determined. Legal claims have been made against the Group in connection with the fire, however at this stage the Group considers the likelihood of incurring financial liabilities as a result of them is remote.

### Impact of acquisition of Dalco

On 1 October 2021 the Group acquired the remaining 50% interest in Dalco Food BV (see note 18) and the financial position and performance of the business was fully consolidated from this date. The Group's joint venture interest was effectively disposed of at this date with an exceptional gain of £6,837,000, being the difference between the carrying value and fair value of the joint venture interest, recognised.

### Acquisition Costs

During the year the Group has recognised exceptional acquisition costs in respect legal and professional fees and other related costs of £2,226,000. A further £1,131,000 of exceptional finance costs have been recognised related to the agreement of short term acquisition bridge financing.

An exceptional tax credit of £215,000 has been recognised in respect of exceptional finance costs that are allowable for deductible for tax purposes.

## 10 Finance income and costs

Group	2021 £'000	2020 £'000
<b>Finance income</b>		
Other interest income	10	22
Finance income	10	22
<b>Finance costs</b>		
Bank borrowings	(5,132)	(4,483)
Interest on lease liabilities	(8,536)	(6,919)
Exceptional finance costs (note 9)	(1,131)	–
Other interest expense	(1,245)	(1,459)
Finance costs	(16,044)	(12,861)
Finance costs – net	(16,034)	(12,839)

## 11 Income tax expense

Group	2021 £'000	2020 £'000
<b>Current income tax</b>		
Current tax on profits for the year	12,646	17,878
Adjustments to tax in respect of previous years	(2,322)	(273)
Total current tax	10,324	17,605
<b>Deferred income tax</b>		
Origination and reversal of temporary differences	(3,342)	(5,721)
Adjustments to tax in respect of previous years	1,134	104
Total deferred tax	(2,208)	(5,617)
<b>Income tax expense</b>	<b>8,116</b>	<b>11,988</b>

Deferred tax charged directly to equity during the year in respect of employee share schemes amounted to £333,000 (2020: charge £136,000).

### Factors affecting future tax charges

The Group operates in numerous tax jurisdictions around the world and is subject to factors that may affect future tax charges including transfer pricing, tax rate changes and tax legislation changes.

The UK government made a number of budget announcements on 3 March 2021. These include confirming that the rate of corporation tax will increase to 25% from 1 April 2023. This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

The tax on the Group's profit before income tax differs (2020: differs) from the theoretical amount that would arise using the standard rate of UK Corporation Tax of 19% (2020: 19%) applied to profits of the consolidated entities as follows:

	2021 £'000	2020 £'000
<b>Profit before income tax</b>	<b>47,398</b>	<b>54,028</b>
Tax calculated at the standard rate of UK Corporation Tax 19% (2020: 19%)	9,006	10,265
(Income)/expense not deductible for tax purposes	(15)	834
Joint venture received net of tax	(471)	(1,364)
Adjustments to tax in respect of previous periods	(1,188)	(169)
Profits taxed at rates other than 19% (2020: 19%)	2,746	2,501
Deferred tax on IFRS 16	(1,047)	(87)
Impact of changes in tax rates	414	–
Non-taxable gain on acquisition of JV	(1,299)	–
Other	(30)	8
<b>Income tax expense</b>	<b>8,116</b>	<b>11,988</b>

There is no tax impact relating to components of other comprehensive income.

Adjustments to tax in respect of prior periods have resulted from changes in assumptions in respect of deductible expenses and the application of capital allowances.

## 12 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options for which a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Group		Basic	2021 Diluted	Basic	2020 Diluted
Profit attributable to owners of the parent	(£'000)	37,143	37,143	39,736	39,736
Weighted average number of ordinary shares in issue	(thousands)	82,456	82,456	81,835	81,835
Adjustment for share options	(thousands)	–	1,098	–	1,084
Adjusted weighted average number of ordinary shares	(thousands)	82,456	83,554	81,835	82,919
Basic and diluted earnings per share	(pence)	45.0	44.5	48.6	47.9

# Notes to the financial statements

continued

## 13 Dividends

Group and Company	2021 £'000	2020 £'000
Final dividend in respect of 2020 paid 19.0p per ordinary share (2019: 15.4p)	15,561	12,586
Interim dividend in respect of 2021 paid 8.2p per ordinary share (2020: 7.0p)	6,740	5,735
Total dividends paid	22,301	18,321

The Directors propose a final dividend of 21.5p per share payable on 1 July 2022 to shareholders who are on the register at 6 June 2022. This dividend totalling £19.1m has not been recognised as a liability in these consolidated financial statements.

Dividends paid to non-controlling interests in the year totalled £1,783,000 (2020: £1,776,000).

## 14 Property, plant and equipment

Group	Land and buildings (including leasehold improvements) £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>					
At 30 December 2019	93,510	342,541	16,043	274	452,368
Exchange adjustments	1,250	15,655	820	(1)	17,724
Additions	2,793	49,040	3,637	110	55,580
Additions: Transfer from Right-of-Use Asset	–	37,223	–	–	37,223
Transfer to intangible assets	–	(566)	–	–	(566)
Disposals	(30)	(650)	(2)	(211)	(893)
At 3 January 2021	97,523	443,243	20,498	172	561,436
<b>Accumulated depreciation</b>					
At 30 December 2019	25,684	187,666	12,379	77	225,806
Exchange adjustments	528	7,245	473	(1)	8,245
Charge for the year	4,168	30,609	2,483	38	37,298
Disposals	(30)	(615)	(2)	(112)	(759)
At 3 January 2021	30,350	224,905	15,333	2	270,590
<b>Net book amount</b>					
At 30 December 2019	67,826	154,875	3,664	197	226,562
At 3 January 2021	67,173	218,338	5,165	170	290,846
<b>Cost</b>					
At 4 January 2021	97,523	443,243	20,498	172	561,436
Exchange adjustments	(3,248)	(19,497)	(1,136)	(8)	(23,889)
Acquisition (note 18)	2,315	7,843	548	123	10,829
Additions	15,125	37,487	3,606	33	56,251
Exceptional impairment (note 9)	–	(7,049)	–	–	(7,049)
Transfer to intangible assets	430	(769)	(4,165)	3	(4,501)
Disposals	(469)	(260)	(735)	(15)	(1,479)
At 2 January 2022	111,676	460,998	18,616	308	591,598
<b>Accumulated depreciation</b>					
At 4 January 2021	30,350	224,905	15,333	2	270,590
Exchange adjustments	(924)	(10,560)	(781)	(7)	(12,272)
Charge for the year	4,440	37,384	2,297	65	44,186
Exceptional impairment (note 9)	–	(672)	–	–	(672)
Transfer to intangible assets	–	–	(553)	–	(553)
Disposals	(87)	(192)	(878)	(12)	(1,169)
At 2 January 2022	33,779	250,865	15,418	48	300,110
<b>Net book amount</b>					
At 2 January 2022	77,897	210,133	3,198	260	291,488

Depreciation charges are included within administrative expenses in the income statement.

The cost and net book amount of property plant and equipment in the course of its construction included above comprise plant and machinery £13,025,000 (2020: £20,318,000).

Additions to property, plant and equipment include capitalised interest costs of £725,000 (2020: £409,000).

## 15 Intangible assets

Group	Computer software £'000	Brand and customer relationships £'000	Goodwill £'000	Total £'000
Cost				
At 30 December 2019	7,858	22,560	47,582	78,000
Exchange adjustments	41	–	–	41
Additions	2,703	–	–	2,703
Transfer from property, plant and equipment	566	–	–	566
Disposals	(188)	–	–	(188)
At 3 January 2021	10,980	22,560	47,582	81,122
Accumulated amortisation				
At 30 December 2019	3,279	5,182	–	8,461
Exchange adjustments	25	–	–	25
Charge for the year	304	2,449	–	2,753
Disposals	(188)	–	–	(188)
At 3 January 2021	3,420	7,631	–	11,051
Net book amount				
At 30 December 2019	4,579	17,378	47,582	69,539
At 3 January 2021	7,560	14,929	47,582	70,071
Cost				
At 4 January 2021	10,980	22,560	47,582	81,122
Exchange adjustments	(411)	–	–	(411)
Acquisition (note 18)	158	12,519	21,900	34,577
Additions	1,115	–	–	1,115
Transfer from property, plant & equipment	4,501	–	–	4,501
Disposals	(3)	–	–	(3)
At 2 January 2022	16,751	35,079	69,482	121,312
Accumulated amortisation				
At 4 January 2021	3,420	7,631	–	11,051
Exchange adjustments	(235)	–	–	(235)
Charge for the year	1,468	2,702	–	4,170
Transfer from property, plant & equipment	553	–	–	553
Disposals	(2)	–	–	(2)
At 2 January 2022	5,204	10,333	–	15,537
Net book amount				
At 2 January 2022	11,547	24,746	69,482	105,775

Amortisation charges are included within administrative expenses in the income statement.

### Goodwill Impairment Testing

Goodwill includes £44,793,000 relating to the acquisition of the Seachill business (now trading as Hilton Seafood UK) in 2017 and £2,789,000 recognised in 2019 following the acquisition of SV Cuisine Limited. Hilton Seafood UK and SV Cuisine are each considered to be separate cash generating units. The recoverable amount of the Seachill cash generating unit was based on its fair value less costs of disposal after allowing for the impact of planned investment and the recoverable amount of SV Cuisine was determined on a value-in-use basis based, in both cases using a discounted cash flow model. For each cash generating unit the recoverable amounts calculated exceeded their carrying value.

The key assumptions used in the calculations are projected EBITDA, projected profit after tax, the pre-tax and post-tax discount rates and the growth rates used to extrapolate cash flows beyond the projected period. EBITDA and profit after tax are based on one-year budgets approved by the Board and longer term, three year, projections based on past experience adjusted to take account of the impact of expected changes to sales prices, volumes, business mix and margin. Cash flows are discounted at a pre-tax discount rate of 10% (2020: 10%) or a post-tax discount rate of 8% (2020: 8%) with a growth rate of 2% (2020: 2%) used to extrapolate cash flows. Discount rates and growth rates are calculated with reference to external benchmarks and where relevant past experience.

# Notes to the financial statements

continued

## 15 Intangible assets continued

### Sensitivity to changes in assumptions

The calculation is most sensitive to changes in the assumptions used for projected cash flow, the pre-tax discount rate and the growth rate. Management considers that reasonably possible changes in assumptions would be an increase in discount rate of one percentage point, a reduction in growth rate of 1 percentage point or a 10% reduction in budgeted cash flow. As an indication of sensitivity, when applied to the value-in-use calculation neither a 1% reduction in growth rate, a 10% reduction in budgeted cash flow, nor a 1% increase in the pre-tax discount rate would have resulted in an impairment of goodwill in the year.

No indicators of impairment were identified in respect of other, amortised, intangible assets and therefore no impairment review has been undertaken.

### Goodwill acquired in the year

Goodwill and other intangible assets totalling £34,577,000 have been provisionally recognised following the acquisitions of Dalco Food BV and Fairfax Meadow Europe Limited in the year (see note 18). Dalco and Fairfax Meadow will each form separate cash generating units for impairment testing purposes and impairment testing will begin before the end of the current financial year.

## 16 Leases

### (i) Amounts recognised in the balance sheet

The balance sheet includes the following amounts relating to leases:

Lease: right of use assets Group	Land & Buildings £'000	Equipment £'000	Vehicles £'000	Total £'000
Opening net book amount as at 29 December 2019	132,940	42,679	2,674	178,293
Exchange Adjustments	10,469	295	83	10,847
Additions	98,427	195	1,303	99,925
Transfer to tangible fixed assets	–	(37,223)	–	(37,223)
Remeasurements, reclassification and scope changes	2,592	(586)	(363)	1,643
Depreciation	(13,008)	(4,254)	(1,088)	(18,350)
Closing net book amount at 3 January 2021	231,420	1,106	2,609	235,135

Exchange Adjustments	(9,945)	(147)	(108)	(10,200)
Additions	2,739	2,418	420	5,577
Acquisition (note 18)	6,066	5,139	1,289	12,494
Remeasurements, reclassification and scope changes	–	(336)	–	(336)
Depreciation	(16,339)	(927)	(1,161)	(18,427)
Disposal of leased assets destroyed by fire (note 9)	(2,168)	(19)	(52)	(2,239)
Closing net book amount at 2 January 2022	211,773	7,234	2,997	222,004

Lease liabilities Group	2021 £'000	2020 £'000
Current	14,419	6,250
Non-current	228,977	238,995
	243,396	245,245

Maturity analysis – contractual undiscounted cash flows Group	2021 £'000	2020 £'000
Less than one year	22,716	15,010
One to five years	79,010	77,822
More than five years	233,673	255,619
Total lease liabilities	335,399	348,451

## 16 Leases continued

### (ii) Amounts recognised in the consolidated income statement

The income statement shows the following amounts related to leases:

Depreciation charge on right-of-use assets Group	2021 £'000	2020 £'000
Buildings	16,339	13,008
Plant & equipment	927	4,254
Vehicles	1,161	1,088
	18,427	18,350
Interest expenses (included in finance costs)	8,536	6,919
Expenses relating to short-term leases (included in costs of goods sold and administrative expenses)	136	278
Expenses relating to leases of low-value assets that have not been shown above as short-term (included in costs of goods sold and administrative expenses)	3	24

The total cash outflow for leases in 2021 was £17,307,000 (2020: £59,488,000).

#### Variable Lease Payments

Leases with liabilities recognised of £9,824,000 (2020: £10,163,000), accounting for 4.0% (2020: 4.1%) of total lease liabilities, are subject to five yearly RPI linked rent reviews. These rent reviews are subject to a minimum collar, the impact of which is included in the calculation of lease liabilities and a maximum cap. If the impact of these variable lease payments had been recognised, applying index levels as at 2 January 2021, lease liabilities would have increased by 2021: £1,895,000 (2020: £633,000).

In addition, leases with liabilities recognised totalling £6,408,000 (2020: £11,063,000), accounting for 2.6% (2020: 4.5%) of total lease liabilities, are subject to annual CPI linked rent increases. If the impact of these variable lease payments had been recognised, applying index levels as at 2 January 2022, lease liabilities would have increased by £278,000 (2020: £44,000).

## 17 Investments

### Investments in joint ventures

The Group uses the equity method of accounting for its interest in joint ventures. The aggregate movement in the Group's investments in joint ventures is as follows:

Group	2021 £'000	2020 £'000
At the beginning of the year	12,622	11,758
Profit for the year	1,925	5,029
Disposal of investment	(6,551)	–
Dividends received	(2,273)	(4,271)
Effect of movements in foreign exchange	(184)	106
At the end of the year	5,539	12,622

Where relevant, management accounts for the joint venture have been used to include the results up to 2 January 2022. The Group's share of the net assets, income and expenses of the joint venture are detailed below:

Set out below are the joint ventures of the Group as at 2 January 2022.

Joint venture	Registered address	Country	Share class	(%): Proportion of ordinary shares held by	
				Parent	Group
SoHi Meat Solutions – Distribuicao de Carnes SA	Zona Industrial de Santarem – Quinta de Mocho District, Santarem, 2005 002 Varzea	Portugal	€5 Ordinary	–	50
Foods Connected Limited	Ground Floor, Old City Factory, Patrick Street, Londonderry, Northern Ireland, BT48 7EL	UK	£1 Ordinary	–	50
Foods Connected Australia Pty Limited	62 Burwood Road, Burwood, NSW 2134	Australia	AUD 1 Ordinary	–	50

At 3 January 2021 the Group held 50% interests in Woolworths Meat Co. Pty Limited and Dalco Food BV. As noted below during the period the Group acquired the remaining 50% interest in Dalco Food BV taking its interest to 100%. Following the end of Woolworths Meat Co. Pty Limited's oversight role in respect of the former joint venture meat processing facilities in Australia the company ceased trading in 2020 and it was subsequently dissolved in the period.

# Notes to the financial statements

continued

## 17 Investments continued

The tables below provide summarised financial information for those joint ventures that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures and not the Group's share of those amounts.

Summarised balance sheet	SoHi Meat Solutions		Woolworths Meat Co. Pty Limited		Dalco Food BV	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>Current assets</b>						
Cash and cash equivalents	301	417	–	–	–	3,934
Other current assets	35,675	41,987	–	–	–	17,145
<b>Total current assets</b>	<b>35,976</b>	<b>42,404</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>21,079</b>
<b>Non-current assets</b>	<b>19,023</b>	<b>22,708</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5,439</b>
<b>Total current liabilities</b>	<b>(42,377)</b>	<b>(52,290)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(9,640)</b>
<b>Total non-current liabilities</b>	<b>(6,920)</b>	<b>(7,144)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(1,906)</b>
<b>Net assets</b>	<b>5,702</b>	<b>5,678</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>14,972</b>
<b>Reconciliation to carrying amounts</b>						
Opening net assets	5,678	5,534	–	2,412	14,972	12,090
Acquisitions	1,086	1,128	–	5,034	1,982	2,782
Profit for the period	–	–	–	–	(13,102)	–
Dividends paid	(956)	(1,060)	–	(7,482)	(3,602)	–
Exchange adjustments	(106)	76	–	36	(250)	100
<b>Closing net assets</b>	<b>5,702</b>	<b>5,678</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>14,972</b>
Group's share – %	50%	50%	0%	50%	0%	50%
Group's share – £k	2,851	2,839	–	–	–	7,486

Summarised statement of comprehensive income						
Revenue	254,949	254,948	–	7,561	56,039	54,997
Depreciation and amortisation	(4,020)	(4,675)	–	–	(1,293)	(1,299)
Net finance costs	(634)	(296)	–	–	(167)	(145)
Income tax expense	(417)	(343)	–	(2,266)	(612)	(917)
Profit for the period	1,086	1,128	–	5,034	1,982	2,782
Dividends received from joint venture entity	478	530	–	3,741	1,801	–

On 1 October 2021 the Group acquired the remaining 50% interest in Dalco Food BV (see note 18) and the financial position and performance of the business was fully consolidated from this date. The Group's joint venture interest was effectively disposed of at this date with an exceptional gain of £6,837,000, being the difference between the carrying value and fair value of the joint venture interest, recognised. During the year the Woolworths Meat Co. Pty Limited was dissolved.

The Group also has an interest in one other individually immaterial joint venture.

Individually immaterial joint ventures:	2021 £'000	2020 £'000
Aggregate carrying amount of individually immaterial joint venture	2,688	2,297
Aggregate Group share of profit for the year	391	557

## 17 Investments continued

### Non-controlling interests

Set out below is summarised financial information for Hilton Foods Holland BV, the only Group subsidiary with a non-controlling interest that is considered to be material to the Group. The amounts disclosed are before inter-company eliminations.

Summarised balance sheet	Hilton Meats Holland BV	
	2021 £'000	2020 £'000
Current assets	70,246	75,994
Current liabilities	(49,314)	(54,525)
Current net assets	20,932	21,469
Non-current assets	5,310	5,319
Non-current liabilities	(274)	(436)
Non-current net assets	5,036	4,883
Net assets	25,968	26,352
Accumulated non-controlling interests	5,194	5,270
Summarised statement of comprehensive income		
Revenue	288,347	301,677
Profit for the period	7,301	7,685
Other comprehensive (expense)/income	(1,806)	1,587
Total comprehensive income	5,495	9,272
Profit allocated to non-controlling interests	1,460	1,537
Dividends paid to non-controlling interests	1,175	1,164
Summarised cash flows		
Cash flows from operating activities	9,065	13,371
Cash flows from investing activities	(5,646)	(9,213)
Cash flows from financing activities	(5,919)	(7,752)
Impact of foreign exchange	(1,443)	1,268
Net decrease in cash and cash equivalents	(3,943)	(2,326)

There were no transactions with non-controlling interest in the current or prior year.

# Notes to the financial statements

continued

## 17 Investments continued

### Investments in subsidiaries

Investments in subsidiary undertakings are recorded at cost, which is the fair value of consideration paid.

Company	2021 £'000	2020 £'000
At the beginning of the year	157,221	157,221
Additions	90,564	–
At 3 January 2021 and 2 January 2022	247,785	157,221

During the year the Company invested £90,564,000 in its subsidiary Hilton Foods Limited.

The subsidiary undertakings of the Group are:

Subsidiary undertakings	Registered address	Country	(%): Proportion of shares held by		
			Share class	Parent	Group
Hilton Foods Asia Pacific Limited	2-8 The Interchange Latham Road, Huntingdon PE29 6YE	UK	£1 Ordinary	–	100
Hilton Food Solutions Limited			£1 Ordinary	–	55
Agito Holdings Limited (formerly Hilton Alternative Protein UK Limited)			£1 Ordinary	–	100
Seachill UK Limited trading as Hilton Seafood UK			£1 Ordinary	–	100
Coldwater Seafood UK Limited			£1 Ordinary	–	100
Icelandic UK Limited					100
					(2020: 0)
Fairfax Meadow Europe Limited			£1 Ordinary	–	100
Fairfax London Limited					(2020: 0)
			£1 Preference	–	100
Hilton Foods Limited	Carson McDowell LLP, Murray House, Murray Street, Belfast, Northern Ireland, BT1 6DN	UK	£1 Ordinary	100	100
Hilton Foods UK Limited			£1 Ordinary	–	100
Hilton Meats Holland Limited			£1 Ordinary	–	80
Hilton Food Group (Europe) Limited			£1 Ordinary	–	100
Hilton Food.com Limited			£1 Ordinary	–	100
Hilton Foods Holland BV	Grote Tocht 31, 1507 CG Zaandam	Netherlands	€1,000 Ordinary	–	80
Hilton Food Solutions Holland BV			€1 Ordinary	–	55
					100
					(2020: 50)
Dalco Food BV	Sweelinckstraat 8, 5344 AE Oss		€45.38 Ordinary	–	50
Hilton Foods (Ireland) Limited	Termonfeckin Road, Drogheda, Co Louth	Ireland	€1 Ordinary	–	100
Hilton Foods Sverige AB (formerly HFG Sverige AB)	Saltangsvagen 53, 721 32 Vasteras	Sweden	SEK 2,500 Ordinary	–	100
Hilton Foods Danmark A/S	Brunagervej 4, Kolt, 8361 Hasselager	Denmark	DKK 100 Ordinary	–	100
Hilton Foods Ltd Sp z o.o.	Ul Strefowa 31, 43-100 Tychy	Poland	PLN 500 Ordinary	–	100
Hilton Foods Belgium BV	Guldensporenpark 120, Stratenplan, 9820 Merelbeke	Belgium	€1 Ordinary	–	100
Hilton Foods Australia Pty Limited	267 Dohertys Road, Truganina, VIC 3029	Australia	AUD 1 Ordinary	–	100
Hilton Foods New Zealand Limited	11 Puaki Drive, Wiri, Auckland 2104	New Zealand	NZD 1 Ordinary	–	100

All subsidiary undertakings are included in the consolidation. The Company's voting rights in its subsidiary undertakings are the same as its effective interest in its subsidiary undertakings.

## 18 Business combinations

On 1 October 2021 the Group completed the purchase of the remaining 50% of Dalco Food BV (Dalco) taking its interest from 50% to 100%. Dalco is a leading producer of vegetarian and vegan proteins supplying both retail and food service customers from its facilities in the Netherlands.

On 28 October 2021 the Group acquired 100% of the share capital of Fairfax Meadow Europe Limited (Fairfax Meadow) a leading meat supplier to the UK food service sector.

Group	Dalco Food BV £'000	Fairfax Meadow Europe Limited £'000
Property, plant and equipment	4,393	6,436
Intangibles – Software	113	45
Brand and customer relationship intangibles	–	12,519
Lease: Right-of-use asset	5,303	7,191
Inventories	8,143	7,982
Trade and other receivables	5,992	13,643
Trade and other payables	(8,767)	(16,781)
Borrowings	(1,824)	(8,504)
Lease liabilities	(5,303)	(7,094)
Deferred tax	(242)	(3,024)
Goodwill	18,967	2,933
<b>Fair value of assets acquired</b>	<b>26,775</b>	<b>15,346</b>

### Consideration:

Payable on completion	13,388	15,346
Deemed fair value of existing 50% interest	13,387	–
	<b>26,775</b>	<b>15,346</b>

### Dalco Food BV

The acquisition of the remaining 50% of Dalco allows the Group to take full control of the business enabling it to further diversify and strengthen its protein offering in the fast-growing vegan and vegetarian market.

Consideration for the acquisition of the 50% interest in Dalco totalled £13,388,000 and comprised cash of £11,603,000, and Hilton Food Group plc shares with a market value at the date of issue of £1,785,000.

As a result of the acquisition, and to allow full consolidation of Dalco as a subsidiary the Group has recognised an exceptional gain of £6,837,000 (see note 9) being the difference between the carrying value of its joint venture interest at the date of acquisition and its fair value.

Due to the timing of completion of the acquisition and the timing of other acquisition activity undertaken by the Group in 2021, the exercise to assess the fair values of assets and liabilities acquired is ongoing and therefore amounts presented above are provisional and expected to change.

The provisional fair value of property, plant and equipment acquired, disclosed above, is the book value recognised by Dalco at the date of acquisition. A review of acquired property, plant and equipment is currently being undertaken by qualified surveyors and once concluded is expected to give rise to adjustments to the fair value recognised.

An exercise is also underway to establish the fair value of Dalco's customer relationships and long term supply agreements, the fair value of brands used within the Dalco business and to identify and value any other intangible assets acquired as part of the business combination.

Goodwill of £18.8m has provisionally been recognised, however the conclusion of the ongoing work in respect of the valuation of tangible and intangible fixed assets acquired is expected to result in an overall reduction in the level recognised. Residual goodwill is expected to mainly relating to the strategic benefits for Hilton of diversifying its product portfolio into the vegan and vegetarian protein market.

The value of other assets and liabilities reflect the amounts expected to be realised or paid respectively.

# Notes to the financial statements

continued

## 18 Business combinations continued

### Fairfax Meadow Europe Limited

The acquisition of Fairfax Meadow improves the access for Hilton to the out-of-home channel, providing an opportunity for the Group to diversify into the food service sector and contribute to the group sustainable growth.

Consideration for the acquisition of Fairfax Meadow totalled £15,346,000 paid entirely in cash.

Goodwill has arisen and mainly relates to the strategic benefits for Hilton of diversifying its product portfolio into the food service sector.

The fair value of property, plant and equipment acquired was established following a review undertaken by qualified surveyors and reflect their existing use value.

Customer relationship intangibles have been recognised and relate to the supply agreements and long standing relationships that Fairfax Meadow has with its customers. Brand intangibles have been recognised in respect of the Fairfax Meadow trading name and other brands employed by the business. The fair value of these intangible assets of £12,519,000 have been aggregated as they are considered to be linked with their value each dependent on the other and will be amortised over their useful economic lives of 5 to 9 years.

The value of other assets and liabilities reflect the amounts expected to be realised or paid respectively.

As a result of the timing of completion of the acquisition and the timing of other acquisition activity undertaken by the Group in 2021, fair values presented for the Fairfax Meadow acquisition reflect the initial assessment of fair value and remains subjected to amendment for one year from the date of acquisition.

Since the date of acquisition Dalco has contributed revenue of £14.8m to the Group and has realised an adjusted loss before exceptional items and tax of £0.1m; Fairfax Meadow has contributed revenue of £23.4m and realised adjusted profit before tax and exceptional items of £0.5m.

If the acquisitions of the 50% interest in Dalco and Fairfax Meadow had taken place at the start of the year the Group would have recognised revenue £3,405.1m and adjusted profit before tax and exceptional items of £66.5m.

In the year the Group has recognised exceptional acquisition related costs of £2,226,000 in respect of legal and professional and other related activities associated with acquisition activity alongside exceptional finance costs of £1,131,000 relating to acquisition specific bank financing. See note 9.

### Deferred Consideration

At 3 January 2021 a deferred consideration liability of £3,318,000 in respect of the acquisition of SV Cuisine Limited had been recognised. During the period the Group settled this liability making a payment of £2,500,000.

## 19 Inventories

Group	2021 £'000	2020 £'000
Raw materials and consumables	136,926	99,495
Finished goods and goods for resale	19,591	17,446
	156,517	116,941

The cost of inventories recognised as an expense and included in cost of sales amounted to £2,722,188,000 (2020: £2,263,918,000). The Group charged £1,106,000 in respect of inventory write-downs (2020: £2,904,000). The amount charged has been included in cost of sales in the income statement.

## 20 Trade and other receivables

	2021 £'000	Group 2020 £'000	2021 £'000	Company 2020 £'000
Trade receivables	201,377	170,534	–	–
Less: provision for impairment of trade receivables	(699)	(369)	–	–
Trade receivables – net	200,678	170,165	–	–
Amounts owed by Group undertakings	–	–	2,874	14,272
Amounts owed by related parties (see note 32)	565	690	–	–
Other receivables	25,868	16,924	–	–
Prepayments	5,516	11,863	–	–
	232,627	199,642	2,874	14,272
Less: Non-current other receivables	(2,239)	–	–	–
	230,388	199,642	2,874	14,272

Amounts owed by Group undertaking to the Company are unsecured interest free and repayable on demand.

The carrying amounts of trade and other receivables are denominated in the following currencies:

Currency	2021 £'000	Group 2020 £'000	2021 £'000	Company 2020 £'000
UK Pound	66,066	38,426	2,874	14,272
Euro	51,597	57,422	–	–
Swedish Krona	16,943	21,640	–	–
Danish Krone	25,204	27,077	–	–
Polish Zloty	4,313	4,530	–	–
Australian Dollar	49,092	46,403	–	–
New Zealand Dollar	19,412	4,144	–	–
	232,627	199,642	2,874	14,272

The Group have performed an assessment of the expected credit losses across the portfolio of trade receivables and contract assets. In determining the expected credit loss, the Group has given due consideration to the historic credit losses arising in prior years and of current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

To measure the expected credit loss, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The Group has concluded that the expected credit loss results in a provision being recognised of £699,000 (2020: £369,000).

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Movements on the provision for impairment of trade receivables are as follows:

Group	2021 £'000	2020 £'000
At the beginning of the year	369	569
Provision for receivables impairment	401	53
Receivables impairment released	–	(8)
Receivables written off during the year as uncollectable	(67)	(245)
Exchange differences	(4)	–
At the end of year	699	369

# Notes to the financial statements

continued

## 21 Cash and cash equivalents

	2021 £'000	Group 2020 £'000	2021 £'000	Company 2020 £'000
Cash at bank and on hand	140,170	123,816	151	190

## 22 Other financial asset – restricted cash

On 6 January 2022 the Group acquired a 50% joint venture interest in Agito Group Pty Limited (see note 31). Consideration for this investment was held in escrow by the Group lawyer's at the year end and has therefore been recognised as restricted cash.

## 23 Borrowings

Group	2021 £'000	2020 £'000
<b>Current</b>		
Bank borrowings	224,732	39,759
<b>Non-current</b>		
Bank borrowings	–	206,228
<b>Total borrowings</b>	<b>224,732</b>	<b>245,987</b>

Due to the frequent re-pricing dates of the Group's loans, the fair value of current and non-current borrowings is approximate to their carrying amount.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

Currency	2021 £'000	2020 £'000
UK Pound	65,198	66,142
Euro	18,277	21,217
Danish Kroner	1,118	851
Polish Zloty	5,384	6,560
Australian Dollar	106,903	120,667
New Zealand Dollar	27,852	30,550
	<b>224,732</b>	<b>245,987</b>

Bank borrowings are repayable in quarterly instalments from 2019 – 2022 with interest charged at LIBOR (or equivalent benchmark rates) plus 1.3% – 1.6%. Bank borrowings are subject to joint and several guarantees from each active Group undertaking.

The Group's bank borrowings have been classified as current liabilities as the bank facility agreements were due to mature in October 2022. Since the year end the Group has refinanced these facilities (see note 31).

The Group has undrawn committed loan facilities of £96.8m (2020: £51.5m).

The undiscounted contractual maturity profile of the Group's borrowings is described in note 3.

Group net debt of £85,571,000 (2020: net debt of £123,366,000) comprises borrowings, noted above, of £224,732,000 (2020: £245,987,000) cash and cash equivalents of £140,014,000 (2020: £123,816,000), and finance leases previously recognised under IAS 17 of £853,000 (2020: £1,195,000). Including total lease liabilities Group net debt is £328,114,000 (2020: £367,416,000).

## 24 Trade and other payables

	2021 £'000	Group 2020 £'000	2021 £'000	Company 2020 £'000
Trade payables	324,673	263,938	–	–
Amounts owed to related parties (see note 32)	136	208	–	–
Social security and other taxes	8,956	7,496	–	–
Accruals	53,450	60,712	5	–
	<b>387,215</b>	<b>332,354</b>	<b>5</b>	<b>–</b>

The fair value of trade and other payables are the same as their carrying value.

## 25 Deferred income tax

Group	Accelerated capital allowances £'000	Acquired intangible assets £'000	IFRS 16 Leases £'000	Other timing differences £'000	Total £'000
At 30 December 2019	(1,085)	(3,302)	1,612	929	(1,846)
Exchange differences	200	–	–	–	200
Income statement credit	4,189	465	963	–	5,617
Adjustment in respect of employee share schemes	–	–	–	(136)	(136)
At 3 January 2021	3,304	(2,837)	2,575	793	3,835
Exchange differences	(290)	–	–	–	(290)
Acquisition (note 18)	(3,266)	–	–	–	(3,266)
Income statement credit	(988)	465	2,731	–	2,208
Adjustment in respect of employee share schemes	–	–	–	333	333
At 2 January 2022	(1,240)	(2,372)	5,306	1,126	2,820

The following is the reconciliation of the deferred tax balances in the balance sheet:

Group	2021 £'000	2020 £'000
Deferred tax liabilities	(4,132)	(2,384)
Deferred tax assets	6,952	6,219
	2,820	3,835

Other timing differences principally relate to share-based payments. The deferred income tax liability above includes £281,324 (2020: £253,000) which is estimated to reverse within 12 months. The deferred income tax asset above is not expected to reverse within 12 months.

## 26 Ordinary shares

	Number of shares (thousands)	2021 £'000	Group 2020 £'000	2021 £'000	Company 2020 £'000
Authorised, issued and fully paid ordinary shares of 10p each					
At 4 January 2021/30 December 2019	81,939	8,194	8,173	8,194	8,173
Issue of new shares relating to employee incentive schemes	263	26	21	26	21
Issue of new shares relating to Dalco acquisition	154	15	–	15	–
Issue of new shares relating to equity placing	6,579	658	–	658	–
At 2 January 2022/3 January 2021	88,935	8,893	8,194	8,893	8,194

All ordinary shares of 10p each have equal rights in respect of voting, receipt of dividends and repayment of capital.

On 1 October 2021 the Company issued 154,000 ordinary shares with a total market value at the date of issue of £1,785,000, equal to £11.59 per share, as part of the consideration for the acquisition of the remaining 50% interest in Dalco (see note 18).

On 10 December 2021 the Company successfully placed 6,578,000 ordinary shares at a price of £11.40 per share raising total gross proceeds of £75,000,000. After share issues costs of £1,833,000, which have been deducted from equity, net proceeds of the placing were £73,167,000.

# Notes to the financial statements

continued

## 27 Share-based payment

### All employee sharesave scheme

These schemes are open to all eligible employees of the Group (including the Executive Directors) who make regular savings over a three year period. The exercise price of the granted options is equal to the market price of the shares on the date of the grant. The options are exercisable starting three years from the grant date and must be exercised within six months thereafter. No performance conditions are attached to the options granted under the scheme.

### Long Term Incentive Plan (LTIP)

Under the Group's Long Term Incentive Plan nil cost share options are granted to Executive Directors and to selected senior employees. The options are exercisable starting three years from the grant date subject to the Group achieving a minimum earnings per share (EPS) compound growth target. An additional performance measure for total shareholder return (TSR) was introduced during the year, whereby 70% of the award is based on EPS performance and 30% is based on TSR.

Awards will vest on a sliding scale as follows:

- EPS – 10% of the maximum award applied at the minimum EPS growth target of 6% per year with the full award vesting where EPS growth is at least 12%-15% per year
- TSR – 10% median performance against the constituents of the FTSE 250 (excluding investment trusts) increasing to full vesting for this part of an award for upper quartile performance

The options have a contractual option term of 10 years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted exercise price are as follows:

	Options (‘000)	Sharesave Exercise price (pence)	Options (‘000)	Long Term Incentive Exercise price (pence)
At 30 December 2019	750	813.56	1,473	–
Granted	260	1,228.00	419	–
Exercised	(214)	648.25	(192)	–
Lapsed	(56)	918.00	(250)	–
At 3 January 2021	740	998.99	1,450	–
Granted	226	1,200.00	370	–
Exercised	(263)	829.04	(212)	–
Lapsed	(102)	1,121.39	(20)	–
At 2 January 2022	601	1,128.69	1,588	–

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date	Type of scheme	Status	Exercise price (pence)	Number options	
				2021 (‘000)	2020 (‘000)
December 2021	Sharesave	Exercisable	830.00	–	267
February 2023	Sharesave	Not exercisable	950.00	194	221
February 2024	Sharesave	Not exercisable	1228.00	201	249
February 2025	Sharesave	Not exercisable	1200.00	209	–
April 2024	Long Term Incentive Plan	Exercisable	nil cost	2	21
April 2025	Long Term Incentive Plan	Exercisable	nil cost	60	88
April 2026	Long Term Incentive Plan	Exercisable	nil cost	66	99
April 2027	Long Term Incentive Plan	Exercisable	nil cost	92	113
May/July 2028	Long Term Incentive Plan	Exercisable	nil cost	246	359
May 2029	Long Term Incentive Plan	Not exercisable	nil cost	399	404
Sep 2030	Long Term Incentive Plan	Not exercisable	nil cost	355	366
May 2031	Long Term Incentive Plan	Not exercisable	nil cost	367	–
<b>Total</b>				<b>2,191</b>	<b>2,190</b>

The fair value of options granted during 2021 determined using the Black-Scholes valuation model ranged from 218p to 1145p per option. The significant inputs into the model were the exercise price shown above, volatility of 33% based on a comparison of similar listed companies, dividend yield of 2.14%, an expected option life of 2.64 years, and an annual risk-free interest rate of 0.11%. See note 8 for the total expense recognised in the income statement for share options granted to Directors and employees.

## 28 Cash generated from operations

Group	2021 £'000	2020 £'000
Profit before income tax	47,398	54,028
Finance costs – Net	16,034	12,839
Operating profit	63,432	66,867
Adjustments for non-cash items:		
Share of post tax profits of joint venture	(1,925)	(5,029)
Depreciation of property, plant and equipment	44,186	37,298
Depreciation of leased assets	18,427	18,350
Impairment of property, plant and equipment	6,377	–
Disposal of leased assets destroyed by fire	2,239	–
Gain on early settlement of Belgium lease liabilities	(2,183)	–
Amortisation of intangible assets	4,170	2,753
Amortisation of contract assets – charged to revenue	–	1,197
Gain on 100% acquisition of Dalco BV	(6,837)	–
Loss/(gain) on disposal of non-current assets	195	(40)
Adjustment in respect of employee share schemes	2,725	2,120
Changes in working capital:		
Inventories	(26,656)	(23,212)
Trade and other receivables	(23,116)	22,995
Trade and other payables	40,225	(2,528)
Cash generated from operations	121,259	120,771

The parent company has no operating cash flows.

## 29 Analysis and movement in net debt

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2021 £'000	2020 £'000
Cash and cash equivalents	140,170	123,816
Borrowings (including overdrafts)	(224,732)	(245,987)
Net bank debt	(84,562)	(122,171)
Lease liabilities	(243,396)	(245,245)
Net debt	(327,958)	(367,416)

Net debt reconciliation	Cash/other financial assets £'000	Borrowings (including overdrafts) £'000	Net bank debt £'000	Lease liabilities £'000	Net debt £'000
At 30 December 2019	110,514	(197,339)	(86,825)	(184,633)	(271,458)
Cash flows	10,480	48,908	59,388	52,267	111,655
Lease additions	–	–	–	(99,925)	(99,925)
New borrowings	–	(92,563)	(92,563)	–	(92,563)
Exchange adjustments	2,822	(4,993)	(2,171)	(11,309)	(13,480)
Other changes	–	–	–	(1,645)	(1,645)
At 3 January 2021	123,816	(245,987)	(122,171)	(245,245)	(367,416)
Cash flows	19,750	79,819	99,569	6,588	106,157
Lease additions	–	–	–	(5,549)	(5,549)
Acquisition	–	–	–	(12,397)	(12,397)
New borrowings	–	(67,062)	(67,062)	–	(67,062)
Exchange adjustments	(3,396)	8,498	5,102	10,652	15,754
Other changes	–	–	–	2,555	2,555
At 2 January 2022	140,170	(224,732)	(84,562)	(243,396)	(327,958)

# Notes to the financial statements

continued

## 30 Commitments

### Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2021 £'000	Group 2020 £'000	2021 £'000	Company 2020 £'000
Property, plant and equipment	12,268	32,340	–	–

## 31 Events after the reporting period

The following non-adjusting events occurred after the reporting period:

### Acquisition of Dutch Seafood Company BV

On 16 March 2022 the Group acquired 100% of the share capital of Dutch Seafood Company BV, which trades as Foppen. Foppen is a leading international smoked salmon producer with customers in Europe and US. The acquisition provides Hilton with the opportunity to diversify into a complementary protein category and enhance its customer base whilst also entering a new strategic market in the US. Consideration for the acquisition totalled £25.0m paid entirely in cash with the Group also repaying £54.7m of Foppen's bank and other borrowings immediately following completion of the acquisition.

The timing of completion of this transaction and its proximity to the date of these financial statements has meant that initial accounting for the business combination has not been completed and therefore it is impractical to provide the disclosures required by IFRS 3, Appendix B, Paragraph 64 (e) or (h)-(q).

### Agito Group Pty Limited – Joint Venture Investment

On 6 January 2022 the Group acquired a 50% joint venture interest in Agito Group Pty Limited, a provider of automation and software controls used in food processing and other manufacturing facilities based in Australia, for consideration of £1.1m.

### Bank facility agreement

On 21 January the Group agreed a £424m revolving credit and term loan facility with a syndicate of lenders. The facility refinanced the Group's existing bank facilities including undrawn acquisition bridge financing put in place to fund the Foppen acquisition that matured in January 2022. The Group's new bank facility matures in January 2027 with the term loans, totalling £134m, repayable in quarterly instalments beginning in April 2022.

## 32 Related party transactions and ultimate controlling party

The Directors do not consider there to be one ultimate controlling party. The companies noted below are all deemed to be related parties by way of common Directors.

Sales and purchases made on an arm's length basis on normal credit terms to related parties during the year were as follows:

Group sales	2021 £'000	2020 £'000
SoHi Meat Solutions Distribuicao de Carnes SA – fee for services	3,175	3,351
SoHi Meat Solutions Distribuicao de Carnes SA – recharge of joint venture costs	331	368
Dalco BV	438	313
Foods Connected Limited	–	3

Group purchases	2021 £'000	2020 £'000
Foods Connected Limited	568	351

Amounts owing from related parties at the year end were as follows:

Group	Owed from related parties 2021 £'000	2020 £'000
Foods Connected Limited	4	15
SoHi Meat Solutions Distribuicao de Carnes SA	561	393
Dalco BV	–	282
	565	690

Amounts owing to related parties at the year end were as follows:

	Owed to related parties	
	2021 £'000	2020 £'000
Foods Connected Limited	127	85
SoHi Meat Solutions Distribuicao de Carnes SA	9	–
Dalco BV	–	123
	136	208

During the period the group settled the deferred consideration liability recognised in respect of the acquisition of SV Cuisine Limited, making a payment of £2.5m. The acquisition of SV Cuisine Limited was considered to be a related party transaction as prior to acquisition Philip Heffer, the Hilton Food Group CEO, Graham Heffer and Robert Heffer, both directors of the Group's subsidiary Hilton Food Solutions Limited, had each held a 30% shareholding in SV Cuisine Limited.

### 33 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

Group	Financial assets at amortised cost	
	2021 £'000	2020 £'000
Assets as per balance sheet		
Trade and other receivables	227,111	187,779

Group	Financial liabilities at amortised cost	
	2021 £'000	2020 £'000
Liabilities as per balance sheet		
Trade and other payables	378,259	324,858
Borrowings	224,732	245,987
Lease liabilities	243,396	245,245
	846,387	816,090

In addition to the above, amounts owed to the Company by Group undertakings of £2,874,000 (2020: £14,272,000) are classified as 'financial assets at amortised cost'.

# Notes to the financial statements

continued

## 34 Alternative performance measures

The Group's performance is assessed using a number of alternative performance measures (APMs).

The Group's alternative profitability measures are presented before exceptional items, amortisation of certain intangible assets and depreciation of fair value adjustments made to property plant and equipment acquired through business combinations and the impact of IFRS 16 – Leases.

The measures are presented on this basis, as management believe they provide useful additional information about the Group's performance and aids a more effective comparison of the Group's trading performance from one period to the next.

Adjusted profitability measures are reconciled to unadjusted IFRS results on the face of the income statement below.

52 weeks ended 3 January 2022	Reported £'000	Add back: IFRS 16 Depreciation and interest £'000	Less: IAS 17 Lease accounting costs £'000	Reported – excl IFRS 16 £'000	Exceptional items £'000	Add back: Amortisation of acquisition intangibles £'000	Adjusted £'000
Operating profit – excluding exceptional items	70,482	18,214	(17,907)	70,789	–	2,778	73,567
Exceptional items	(7,050)	56	–	(6,994)	6,994	–	–
Operating profit	63,432	18,270	(17,907)	63,795	6,994	2,778	73,567
Net finance costs	(16,034)	8,498	–	(7,536)	1,131	–	(6,405)
Profit before income tax	47,398	26,768	(17,907)	56,259	8,125	2,778	67,162
Profit for the period	39,282	24,037	(17,907)	45,412	5,009	2,250	52,671
Less non-controlling interest	(2,139)	(7)	–	(2,146)	–	–	(2,146)
Profit attributable to members of the parent	37,143	24,030	(17,907)	43,266	5,009	2,250	50,525
Depreciation and amortisation	75,596	(20,489)	–	55,107	(6,377)	(2,778)	45,952
EBITDA	139,028	(2,219)	(17,907)	118,902	617	–	119,519
Earnings per share	pence			pence			pence
Basic	45.0			52.5			61.3
Diluted	44.5			51.8			60.5

53 weeks ended 3 January 2021	Reported £'000	Add back: IFRS 16 Depreciation and interest £'000	Less: IAS 17 Lease accounting costs £'000	Reported – excl IFRS 16 £'000	Add back: Amortisation of acquisition intangibles £'000	Adjusted £'000
Operating profit	66,867	18,163	(20,451)	64,579	2,449	67,028
Net finance costs	(12,839)	6,874	–	(5,965)	–	(5,965)
Profit before income tax	54,028	25,037	(20,451)	58,614	2,449	61,063
Profit for the period	42,040	24,074	(20,451)	45,663	1,984	47,647
Less non-controlling interest	(2,304)	(382)	387	(2,299)	–	(2,299)
Profit attributable to members of the parent	39,736	23,692	(20,064)	43,364	1,984	45,348
Depreciation and amortisation	59,558	(18,163)	–	41,395	(2,449)	38,946
EBITDA	126,425	–	(20,451)	105,974	–	105,974
Earnings per share	pence			pence		pence
Basic	48.6			53.0		55.4
Diluted	47.9			52.3		54.7

The depreciation and amortisation figure includes £nil (2020: £1,197,000) amortisation of contract assets charged to revenue and adds back a loss on disposal of £195,000 (2020: gain £40,000).

Segmental operating profit reconciles to adjusted segmental operating profit as follows:

52 weeks ended 3 January 2022	Reported £'000	Add back: IFRS 16 Depreciation and interest £'000	Less: IAS 17 Lease accounting costs £'000	Reported – excl IFRS 16 £'000	Exceptional items £'000	Add back: Amortisation of acquisition intangibles £'000	Adjusted £'000
Europe	52,307	6,393	(6,684)	52,016	6,994	2,778	61,788
Australasia	21,716	11,877	(11,223)	22,370	–	–	22,370
Central costs	(10,591)	–	–	(10,591)	–	–	(10,591)
Total	63,432	18,270	(17,907)	63,795	6,994	2,778	73,567

53 weeks ended 3 January 2021	Reported £'000	Add back: IFRS 16 Depreciation and interest £'000	Less: IAS 17 Lease accounting costs £'000	Reported – excl IFRS 16 £'000		Add back: Amortisation of acquisition intangibles £'000	Adjusted £'000
Europe	60,538	5,757	(6,163)	60,132		2,449	62,581
Australasia	19,091	12,406	(14,288)	17,209		–	17,209
Central costs	(12,762)	–	–	(12,762)		–	(12,762)
Total	66,867	18,163	(20,451)	64,579		2,449	67,028

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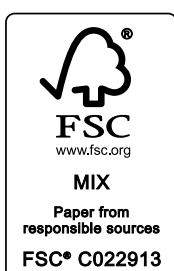
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