HILTON FOODS

EXPERTISE

PARTNERSHIP

INNOVATION

Driving sustainable long-term value through partnership

ANNUAL REPORT AND FINANCIAL STATEMENTS 2022

CONTENTS

LONG-TERM SUSTAINABLE GROWTH

Expertise, Partnership, Innovation. These are just some of the ingredients that make us who we are.

They help to drive our long-term sustainable growth, making us the international food and supply chain services partner of choice.

For more information on our key ingredients for success, see the case studies throughout the report

OUR INGREDIENTS FOR SUCCESS

ACTION
ETHICS

COLLABORATION
TRANSPARENCY

INNOVATION
PARTNERSHIP

PASSION
LEADERSHIP

EXPERTISE
QUALITY

AGILITY
DEVELOPMENT

Our diversified food and supply chain services business...

We were founded by entrepreneurs, way back when that word was rare. The families at the root of our history operated primary processing slaughter and deboning facilities dating back to the 1960s. And today we have 24 facilities – and increasing – with a turnover of over £3bn. Today, our unique partnerships, processes and focus on innovation position us as the international protein partner of choice.

OUR PEOPLE	OPERATING ACROSS	CAPITAL INVESTMENT	WE OPERATE FROM
7,000	19	£56.8	24
(2021: 6,000+)	MARKETS INTERNATIONALLY	(2021: £57.4m)	HIGH PERFORMANCE FACILITIES

The Five Pillars of Hilton Foods: A multi-category proposition focused on quality and innovation.

MEAT

HIGH QUALITY, EFFICIENTLY PROCESSED, EXPERTLY PACKED

MEAT SALES OF OVER

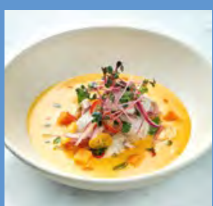
400k

tonnes in 2022

Page 14

SEAFOOD

RESPONSIBLY AND SUSTAINABLY SOURCED



OUR SEAFOOD

100%

responsibly sourced by 2025

Page 55

VEGAN & VEGETARIAN

MEAT SUBSTITUTE PRODUCTS RANGING FROM CUTLETS TO KIEVS

SALES GROWTH AT DALCO

17%

in 2022

Page 11

EASIER MEALS

SLOW COOK, READY TO COOK OR READY TO EAT CONVENIENCE

FRESH FOODS VOLUME GROWTH

47%

in 2022

Page 15

SUPPLY CHAIN SERVICES

CONSULTANCY IN SUPPLY CHAIN LOGISTICS, AUTOMATION AND DIGITALISATION

NUMBER OF AIR BRIDGE LINKS

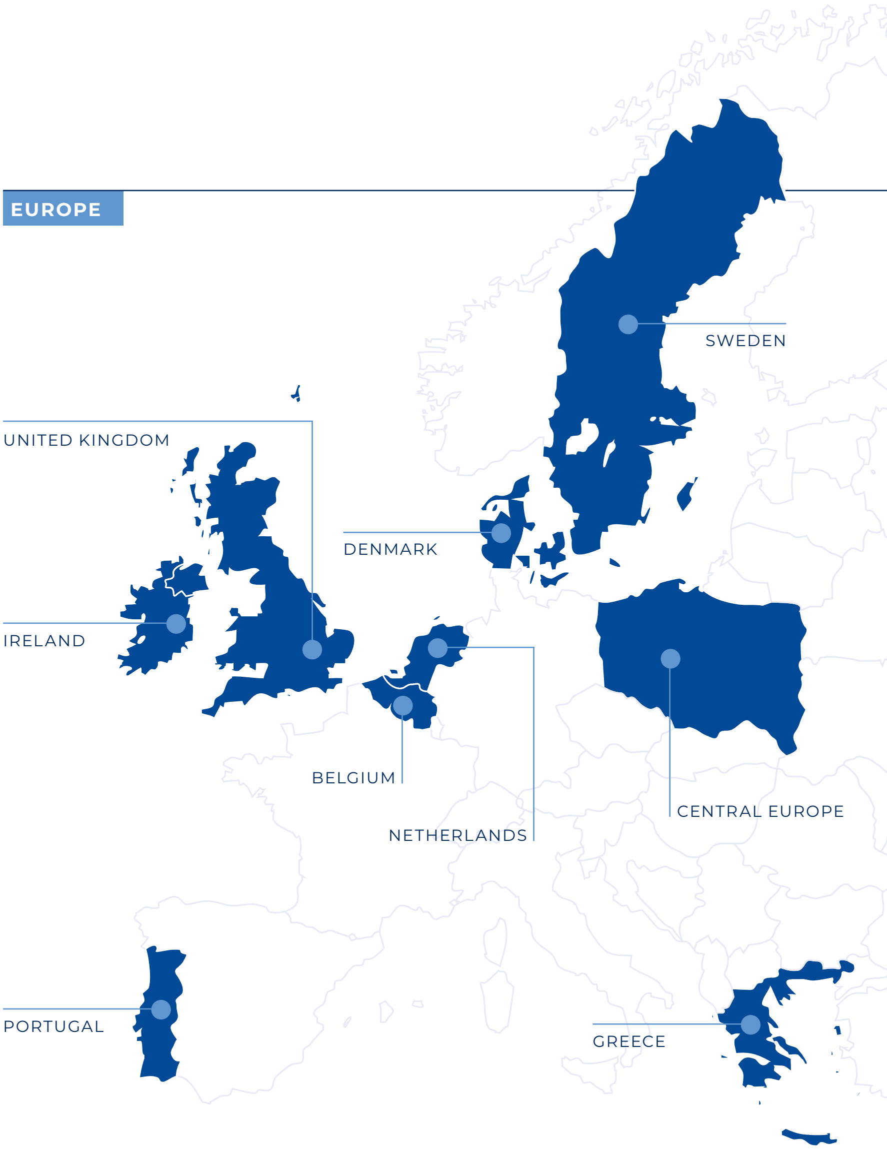
3

with customers

Page 8

...well-placed to meet our international consumer needs.

Local specialists supported by an international perspective to deliver growth.



AGILITY

PASSION

The Foppen acquisition brings two well-invested, dedicated smoked salmon facilities in Harderwijk, the Netherlands and Preveza, Greece, and an experienced management team and workforce.

For more information see
page 17

EXPERTISE

PARTNERSHIP

Working in partnership with Countdown stores we launched our first food park concept in New Zealand in July 2021.

For more information see
page 20

Financial overview

£3.8bn

Group revenue up 16.5% to £3.8bn, underpinned by contribution from newly acquired businesses, first full year of trading in New Zealand and inflationary impact

(2021: £3.3bn)

£71.1m

Adjusted operating profit down 3.3% to £71.1m

(2021: £73.6m)

45.1p

Adjusted basic earnings per share down 26.4% at 45.1p

(2021: 61.3p)

£98.3m

Strong cash flows from operating activities of £98.3m

(2021: £121.3m)

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 33.

513,816t

Volume growth of 4.3% to 513,816 tonnes

(2021: 492,588 tonnes)

£54.0m

IFRS operating profit down 14.8% to 54.0m (2021: £63.4m) after exceptional items of £11.9m relating predominantly to 2021 fire at Belgium site

(2021: £63.4m)

19.8p

IFRS basic earnings per share down 56% at 19.8p

(2021: 45.0p)

22.6p

Proposed final dividend of 22.6p, taking total dividend for 2022 to 29.7p

(2021: 29.7p)

£211.6m

Net bank debt £211.6m with £83.6m investments in acquisitions/JVs and £56.8m capex investment with a strong balance sheet following refinancing

(2021: £84.6m)

"This has been a year of unprecedented global and economic challenges, but Hilton Foods has continued to make good strategic progress."

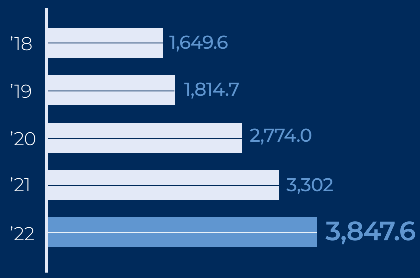
Robert Watson, OBE
Chairman

Read more in the Chairman's introduction **page 8**

Financial performance overview

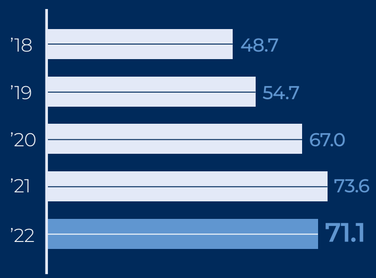
Revenue (£m)

£3,847.6m



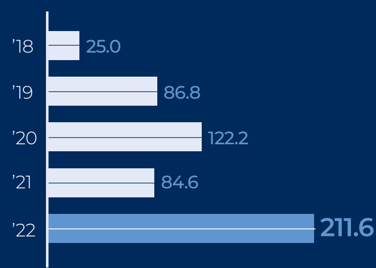
Adjusted operating profit (£m)

£71.1m



Net bank debt (£m)

£211.6m*



*Excluding lease liabilities

Strategic highlights

OUR FOUR KEY STRATEGIC OBJECTIVES

Outstanding protein products

- Strength and resilience in core meat category, underpinned by strong commercial partnerships
- Challenging seafood performance, with robust recovery plans in place to restore profitability
- Further vegan and vegetarian growth through branded partnerships and private label expansion
- Double digit growth in easier meals, with launch of award-winning new products

Growing across international markets

- Strong performance in APAC including first full year of trading in New Zealand
- New partnership formed in Singapore with Country Foods, a wholly owned subsidiary of SATS, Asia's leading provider of food solutions and gateway services
- Growth through geographical diversification with Foppen acquisition

Industry-leading technology

- Increased ownership of Foods Connected supply chain management platform to 65%
- Agito joint venture reinforcing automation and engineering capabilities

Delivered through the Sustainable Protein Plan

- Introduction of stretching ESG performance metrics into our LTIP Scheme including targets for Scope 1 and 2 energy efficiency, packaging recycled content and food waste
- Progress across people, planet and product pillars, including exceeding 2025 target for women in leadership positions and A- rating from CDP on Climate Change

Sustainability highlights

SUPPORTING OUR PARTNERS TO BECOME FIRST CHOICE FOR SUSTAINABLE PROTEIN

PEOPLE

Launched global Supplier Social Responsibility Code of Conduct and Compliance requirements

33%

Achieved 33% of women in leadership, on track to meet our 2025 target

PRODUCT

70%

recycled content across all plastic packaging

62%

of electricity Hilton Foods purchased in 2022 came from renewable sources

PLANET

A-

Achieved A- rating from CDP for Climate Change

14%

reduction in absolute Scope 3 Emissions

Published our UK Commitment to Sourcing Deforestation and Conversion Free Soy

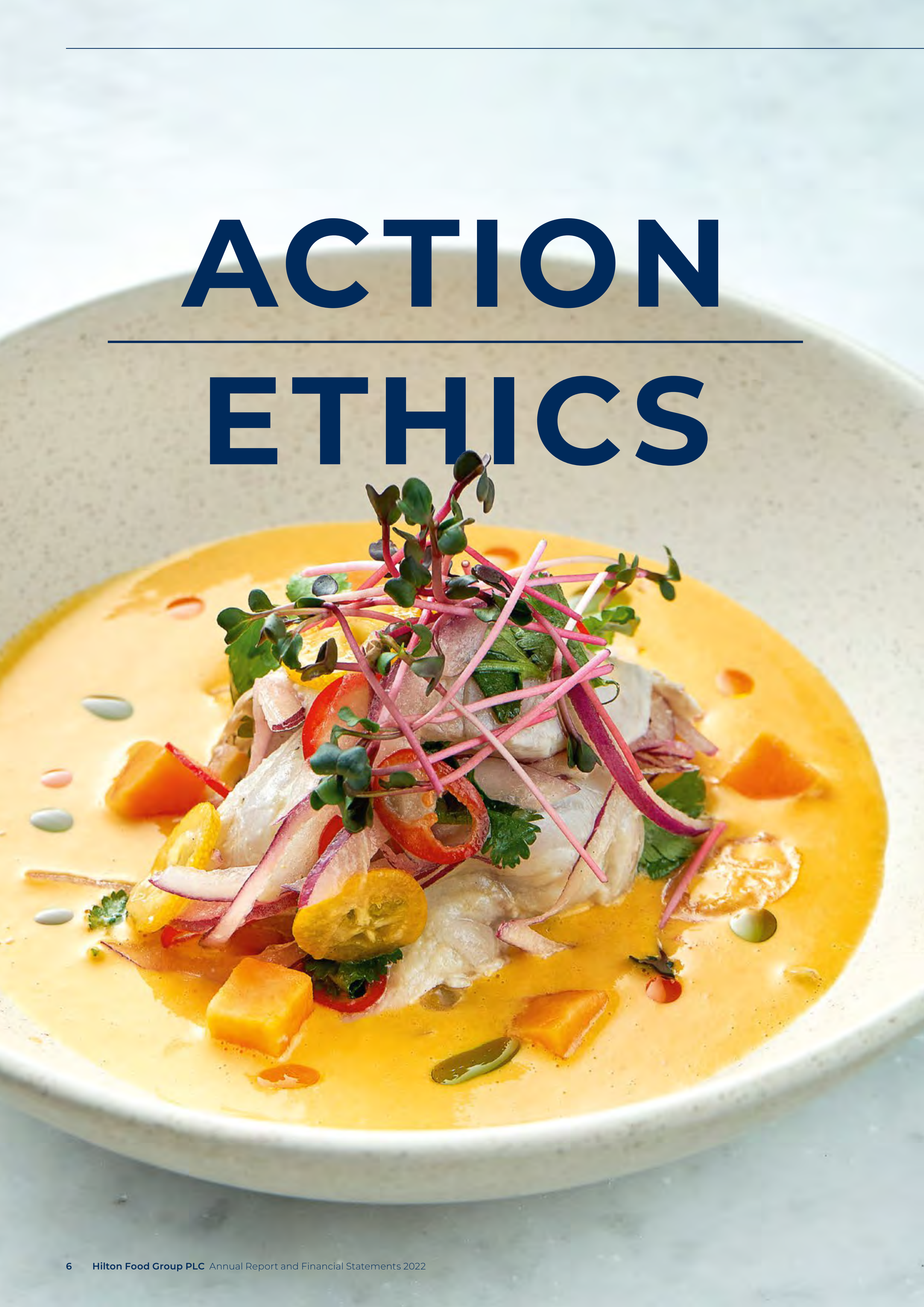
48.5%

increase in sales of vegetarian and vegan products

For more information see our sustainability report on **pages 36 to 91**

ACTION

ETHICS



SEAFOOD

SEAFOOD PROCUREMENT IS COMPLEX. WE MAKE IT RESPONSIBLE.

We're well known for our commitment to ESG, but also for delivering what consumers want: a healthy, natural product that tastes great and is easy to prepare and cook.

STRATEGIC REPORT

Driving long term value during challenging times.

Hilton continues to make good strategic progress. We manufacture high quality multi-protein products utilising industry leading technology in our highly automated facilities, including advanced robotics. Together with leveraging our expertise we can offer improved supply chain efficiencies to our customers whilst committed to our sustainable protein plan.

Robert Watson, OBE
Chairman

STRATEGIC PROGRESS

This has been a year of unprecedented global and economic challenges, but Hilton Foods has continued to make strategic progress. We manufacture high quality multi-protein products utilising industry leading technology in our highly automated facilities, including advanced robotics. Together with leveraging our expertise we can offer improved supply chain efficiencies to our customers whilst committed to our sustainable protein plan. The depth of our partnerships is illustrated through physical air bridges installed in facilities in Australia and New Zealand that link our processing facilities directly to our customers' distribution centres. Use of these fully automated conveyor air bridges further optimises the supply chain process bringing significant logistics efficiency savings with lower carbon emissions.

During the year 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 into the North American retail market. We also agreed a joint venture with Agito, an Australian automation and technology solutions business with ambitions for European expansion, which brings together excellence in automation and food supply chain expertise. This JV, together with an increased stake in Foods Connected, fits neatly into a newly created Hilton Food Services division to leverage supply chain solutions to meet our customers' needs. Additionally we invested in Cellular Agriculture, a leading cultivated protein tech business and formed a new partnership with Country Foods in Singapore.

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 customer.

GROUP PERFORMANCE

In 2022 we increased our overall volumes maintaining a trend of continuous growth achieved in every year since Hilton's flotation in 2007. However this was overshadowed by significant challenges in our UK Seafood business including the impact of unprecedented inflation levels with price recovery taking longer than anticipated. There was also further disruption through automation investments which will deliver longer term efficiency benefits.

We have taken steps to rebuild sustainable profitability in this business and we remain confident in the opportunities which the seafood category will present for Hilton Foods over the coming years, serving a range of domestic and international customers with market-leading salmon, white fish, shellfish, coated fish, prawn cocktails and other added value fish products.

Hilton Foods generated strong operating cash flows during 2022 enabling further significant investment in our facilities to increase capacity, improve operational efficiency and offer innovative solutions to our retailer partners. Hilton Foods remains financially strong with significant cash balances, undrawn committed bank facilities and operating well within our banking covenants.

DIVIDEND POLICY

The Group has maintained a progressive dividend policy since flotation and despite the impact of the challenges faced in 2022 remain confident that this approach continues to be appropriate. With the proposed final dividend of 22.6p per ordinary share, total dividends in respect of 2022 will be 29.7p per ordinary share, maintaining the dividend compared to last year.

9%

In 2022, we saw a nine point increase in the number of employees who felt that training opportunities provided had helped them to do their work well

For more information see **page 46**

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. During the year Patricia Dimond joined the Board as an independent Non-Executive Director and subsequently became Audit Committee chair when John Worby stepped down. Angus Porter then became the Senior Independent Director. Nigel Majewski also stepped down as CFO and was replaced by Matt Osborne, formerly the Group Financial Controller, who has made a strong start in the role.

Philip Heffer advised the Board that he wished to step down from his role as CEO in 2023. I am delighted that Steve Murrells, CBE has accepted our invitation to join Hilton as its next CEO and that Philip will remain in the business in a new role of Co-Founder and Board Advisor. Steve has an outstanding record as a leader within the food industry working in senior positions with Tesco plc and more recently at Tulip Ltd 2009 - 2012 as CEO and Co-operative Group Ltd 2012 - 2022 as CEO Retail and from 2017 as Group CEO. Steve was appointed Commander of the Order of the British Empire (CBE) in the 2022 New Year Honours for services to the food supply chain. Steve will join the Board in July 2023. Philip has spent almost 30 years with Hilton Foods, including the last five years as Group CEO and will support Steve ensuring a smooth transition. I would like to thank Philip for everything he has contributed to Hilton Foods. He has been instrumental to the growth of the business we founded together in 1994 and I am extremely pleased that we will continue to benefit from his experience and expertise in his new advisory role.

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

2022 marks the first full year of our new Sustainable Protein Plan strategy. This gives added focus and energy to the work we are doing to make our business more sustainable and become a core part of the wider growth strategy for the business. This Plan includes a range of stretching targets aligned closely with the UN Sustainable Development Goals including setting Science Based Targets on the way to achieving net zero emissions before 2050 and net negative thereafter.

Our position in the food supply chain means that we have opportunities working with partners from farm to fork to make a positive difference and innovate across the value chain. We recognise the commercial benefits of highly traceable, sustainably sourced proteins. For us, growing our business and supporting the planet go hand in hand. During the year we introduced ESG performance metrics into our Long Term Incentive Plan including emissions, packaging recycling and food waste targets to align our senior leaders with supporting the delivery of the Sustainable Protein Plan.

OUTLOOK AND CURRENT TRADING

Against the backdrop of a challenging environment, with global uncertainties impacting supply chains and inflation, Hilton's trading performance since the beginning of 2023 has been in line with the Board's expectations and the business is well positioned for the year ahead. 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 acquisitions of Foppen, Dalco and Fairfax Meadow, the new partnership in Singapore and recovery in our UK Seafood business 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 Tuesday 23 May 2023 at noon. Please refer to our website at www.hiltonfoods.com/investors/agm/ for further guidance.

Robert Watson OBE
Chairman

4 April 2023

2022 has been a year of strength and resilience.

Hilton Foods today is a completely different business from the company we started in 1994. Over 75% of our sales volumes are now outside the UK; we offer a wide range of protein products and categories; and we have built a technology services offer which is best-in-class in the industry. The global economy today is more uncertain than at any time in the past thirty years, but Hilton Foods is well set for long-term success.

Philip Heffer
Chief Executive Officer

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 APAC supplemented by targeted acquisitions. We have demonstrated that this business model is capable of being successfully applied to both new proteins and transferred to new countries, adapted with our local customers to meet their specific requirements.

2022 PERFORMANCE OVERVIEW

After the challenges we faced last year in our seafood business, we took a series of steps to rebuild profitability and we are now well placed for the year ahead. Meanwhile we have continued to deliver on our strategic priorities and to set the business up for long-term, sustainable growth.

Despite the significant macro-economic challenges, we have continued our record of growing our volumes every year since Hilton Foods became a publicly listed company in 2007.

2022 saw continued year-on-year sales growth driven by higher raw material prices and volume growth including through the acquisition of Foppen, full year volumes from Fairfax Meadow and Dalco acquired in 2021 and the New Zealand facility which opened in 2021 where there was strong trading. We have demonstrated strength and resilience in our core meat category with award winning products across the categories in which we operate. We continue to remain focused on responding to consumer needs in our development of new products and leveraging our industry leading technology to support our core protein business.

Overall volume increased by 4.3% to 513,816 tonnes (2021: 492,588 tonnes). In 2022 over 75% of the Group's volumes were produced in countries outside the UK. Adjusted operating profit fell by 3.3% and the overall operating margin decreased to 1.8% (2021: 2.2%) due to challenges in our UK Seafood business including the impact of unprecedented inflation levels with price recovery taking longer than anticipated. There was also further disruption through automation investments which will deliver longer term efficiency benefits.

A new leadership team is in place in our UK Seafood business which is performing well to implement a series of steps to rebuild profitability in this category. We are working in partnership with our customers to recover inflation, reduce costs and optimise the ranges we produce as well as leveraging the benefits which will come through our investment in industry-leading automation and other initiatives. The margin per kg decreased to 13.8p (2021: 14.9p). Our customer service level remains best in class at 95.9% (2021: 96.4%).

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 2022 the impact of average exchange rates on our results compared with 2021 was marginal.

SUSTAINABILITY

Despite the current global instability we have maintained our focus on sustainability. Our strategy is to build a platform to create sustainable value over the long term, part of which is our Sustainable Protein Plan which is a blueprint for social and environmental progress across three pillars being product, planet and people. Through partnerships, we can help to create a more circular and sustainable food system that provides healthy and affordable proteins for consumers who have seen the cost of cooking double, and who worry about the health of their families and the future of our planet.

COMMITMENT

RESPONSIBILITY

It's our mission to make nutritious protein more sustainable. And to create value for customers in a way that supports people, ethics, equity and science-led environmental impacts.

For more information see our Sustainable Protein Plan on **pages 38 to 45**

£49.7m

Europe 2022 adjusted operating profit

£26.7m

APAC 2022 adjusted operating profit

Through product innovation, we are working to decarbonise cattle, deliver zero emission factories and eliminate deforestation. We are committed to achieving fully recyclable retail plastic packaging and have achieved 70% recycled content plastic packaging across the Group. The investment in the meat technology business Cellular Agriculture can help Hilton become a leader in the emerging market for cultured meat. I am pleased with our progress on our planet targets. Hilton Foods was awarded a score of A- in this year's climate assessment by the Carbon Disclosure Project, achieving recognition as a Supplier Engagement Leader. However we need to go further. We will, during 2023, submit even more ambitious targets to the Science Based Targets initiative. These will be consistent with achieving 1.5°C and see us commit to reach net zero well before our current 2050 target. The third part of our plan is about our people. Our commitment is to protect human rights, employee wellbeing and support career development and we are participants in the UN Global Compact.

SEGMENT PERFORMANCE

Europe

Adjusted operating profit of £49.7m (2021: £61.8m) on turnover of £2,254.7m (2021: £1,987.4m)

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. Our food service business Fairfax Meadow and our vegan/vegetarian business Dalco were acquired in 2021. During 2022 we acquired Foppen which completed in March as well as increasing our stake in Foods Connected from 50% to 65% and in Hilton Food Solutions from 55% to 65%.

Volumes increased by 4.1% attributable to the newly acquired businesses and there was good growth in convenience volumes in Central Europe and at Dalco. Sales grew by 13.4% due to raw material price inflation and the higher volumes. However adjusted operating profit fell by 19.6% due to the impact of the performance in our UK Seafood business. Operating margins decreased to 2.2% (2021: 3.1%) and operating profit margin per kg decreased to 13.4p (2021: 18.5p).

APAC

Adjusted operating profit of £26.7m (2021: £22.4m) on turnover of £1,592.9m (2021: £1,314.6m)

In Australia the Group operates facilities in Bunbury, Western Australia, Melbourne, Victoria and Brisbane, Queensland. A new food park facility in New Zealand opened in July 2021 to supply beef, lamb, pork, chicken, seafood and added-value products.

Volumes for the year increased by 4.7% through the full year of trading at the New Zealand facility. Sales increased by 21.2% driven by inflation in Australia and the new facility in New Zealand. Adjusted operating profit increased by 19.4% given the higher volumes as well as benefiting from recovery of increased interest costs. Operating margins were steady at 1.7% (2021: 1.7%) and the operating profit margin per kg increased to 16.1p (2021: 14.1p).

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. In addition 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

4 April 2023

OUR BUSINESS MODEL

The Hilton Foods business model is well proven and sustainable.

We build and operate large scale, highly automated food processing, manufacturing and logistics services for leading international retail and food service customers through long-term partnership agreements in transparent open-book models. These contractual arrangements combined with our long-term partnership, and total category management approach serve to maximise achievable volume throughout whilst maintaining market competitive unit packing costs and thereby delivering value to our customers and their consumers. Under the long-term supply and service agreements we have in place with our customers, the parameters of our revenue are clearly defined within our transparent open-book costing models.

The Hilton Foods business model has been proven in many geographies and partnerships across Europe and APAC. We also have a joint venture partnership in Portugal in which we share the profits. This has been supplemented by strategic acquisitions in diversified food categories and further integration in the supply chain service sector.

Within our supply chain services pillar we own 65% of Foods Connected, an award-winning end to end supply chain management software platform, a joint venture with Agito Group offering automation solutions and investment in Cellular Agriculture Ltd, developing next generation, scalable solutions to alternative protein production.

We have demonstrated our business model is capable of being successfully transferred into new countries as an approach which is then tailored to best meet the local customers' specific requirements. Our operating facilities are run by a local management team which is enhanced by a regional and central strategic leadership, expertise, and governance.

Our business is based on a partnership approach with customers and suppliers which are forged over many years. The international spread of our business operations are a significant strength, creating scale, a network of expertise and opportunity to accelerate innovation principles from market to market with a local best fit placement applied for our customers.

Why we do it

Our purpose

Growth and success through partnership

Our values

Collaborative
Innovative
Agile
Ambitious
Responsible

Our ambition

To be the international food and supply chain services partner of choice

Our resources and relationships

7,000+
passionate and skilled people

24
well-invested, state-of-the-art facilities

19
markets internationally, operating across diverse cultures

£56.8m
capital invested in 2022

Long-standing partnerships

with market-leading customers operating in an open book, transparent model, with our people and with the communities in which we operate

For more information see our strategy on **pages 16-21**

Consumer and the customer at the heart

of decision making underpinned by an insight-driven approach which is consumer-led and customer focused

What we do

1. We leverage innovation and expertise to bring new food products and supply chain solutions to market to meet our customers and their consumers' needs.
2. In partnership we responsibly source high quality raw materials at scale with industry leading standards and traceability.
3. We manufacture high quality food products every day, treating our customer's brand as our own through transparent, open-book models.
4. Our supply chain services and products support effective business decision making and improved efficiency through technology and automation solutions.

How we create long-term sustainable value

Outstanding protein products

Award winning food products across our four categories of meat, seafood, vegan and vegetarian, and easier meals. Our expert multi-category food business is agile and responsive to consumer trends with a focus on quality, value and innovation at scale.

Growing across international markets

A diverse, well-resourced, international business with expertise, operating as local specialists in the markets we serve. We have an ambition for growth and success in all our current and future markets.

Industry leading technology

An end-to-end approach enabling effective business decision making through technology platforms. Highly automated facilities unlocking efficiency and optimised supply chain services better meeting our customers' needs.

For more information see our strategy on **pages 16 to 21**

Delivered through the Sustainable Protein Plan

We are committed to make progress through our pillars of people, planet and product.

For more information see **pages 38-45**

The value we create for our stakeholders

Consumers

Launched 334 new products and improved 966 products to better meet consumer needs in 2022.

Our customers

Serving our customers with high quality products every day.

Our suppliers

Working collaboratively to deliver consumer and customer expectations, we have removed 240tns of plastic and 9m absorbent pads from our packaging through innovation.

Our people

Being safe and inclusive employers by empowering our people, we saw a 6% increase in employees 'feeling I can be myself at work'.

Communities

Many of our employees have been impacted by events in Ukraine. Employees across our European sites have fundraised, collected goods, and provided practical support to refugees.

Environment

Recognised as a supplier engagement leader for Climate Change for the second year running by the Climate Disclosure Project (CDP).

Our investors

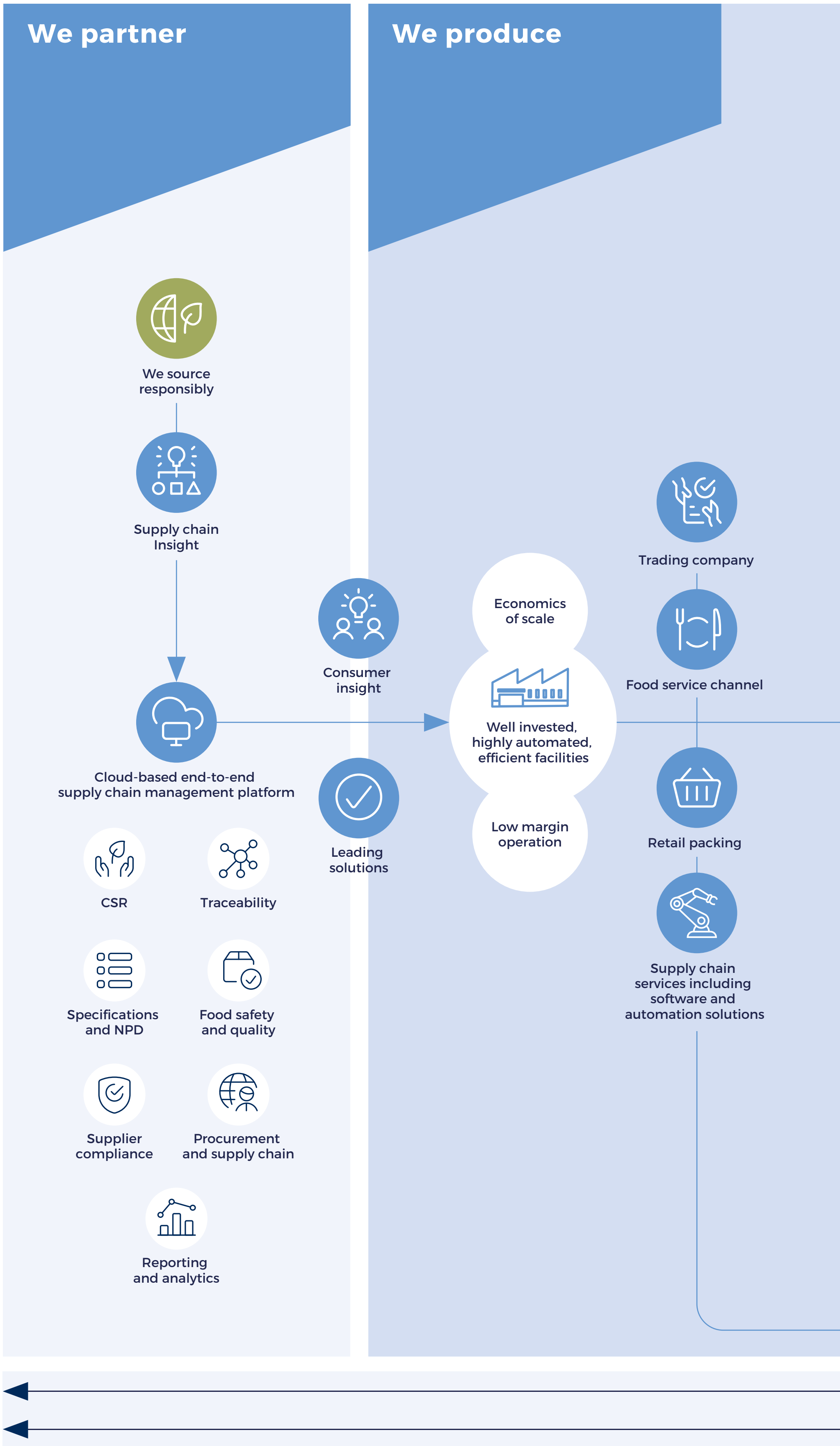
We want our shareholders to believe in our purpose, values and strategy. We believe in engaging with our shareholders to help create value and ensure the long-term success of our business strategy.

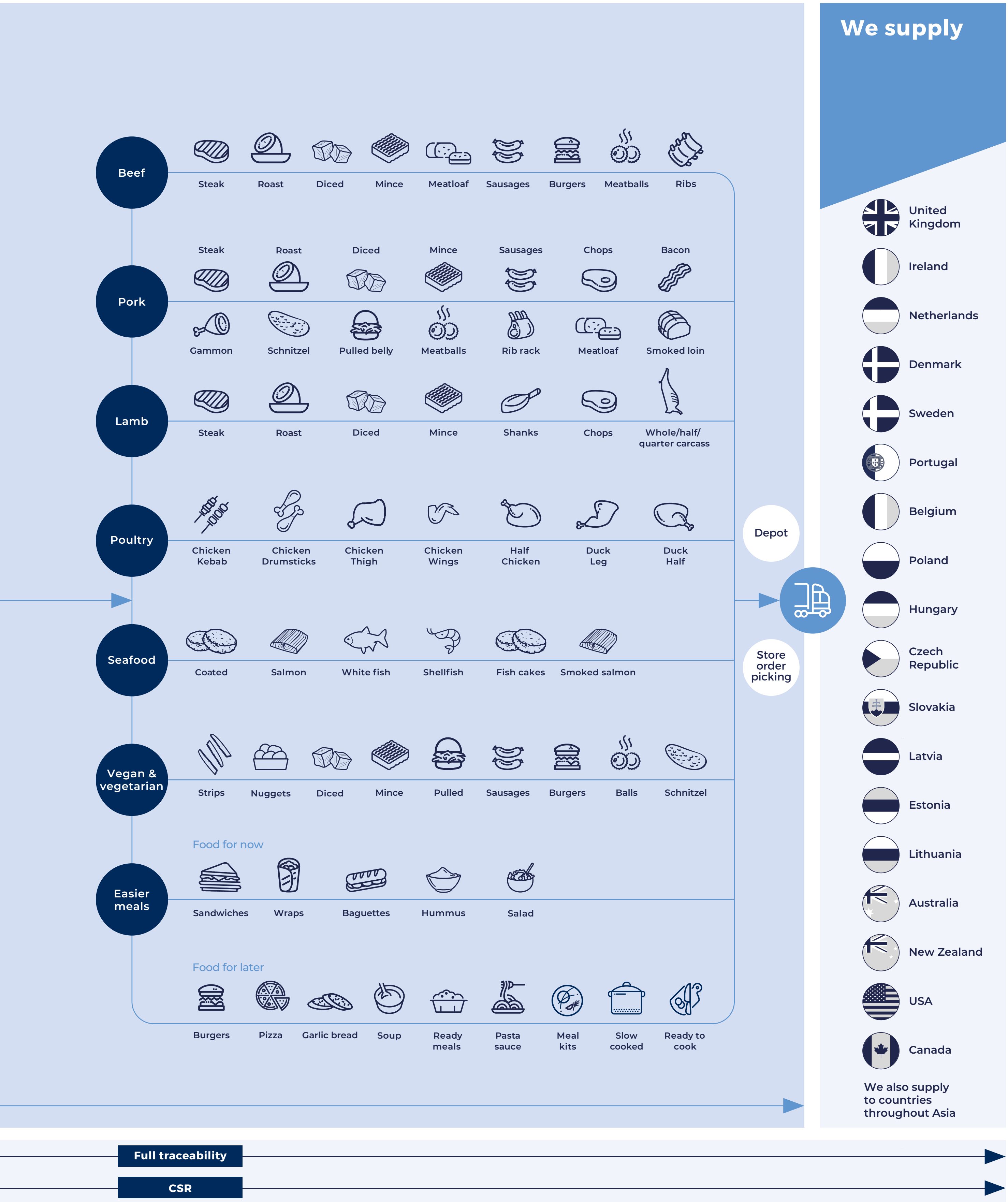
For more information on stakeholder engagement see **pages 32-35**

OUR VALUE CHAIN

Hilton Foods operate through partnership in an industry leading value chain which is underpinned by traceability and standards from farm to fork through an approach of control, audit, guide and influence.

Raw materials are sourced both locally and internationally from trusted suppliers. They are then processed and packed in large scale, highly automated facilities using advanced robotics, before being delivered either to retailers' distribution centres or direct to stores.




Beef
Steak
Roast
Diced
Mince
Meatloaf
Sausages
Burgers
Meatballs
Ribs
Pork
Steak
Roast
Diced
Mince
Sausages
Chops
Bacon
Gammon
Schnitzel
Pulled belly
Meatballs
Rib rack
Meatloaf
Smoked loin
Lamb
Steak
Roast
Diced
Mince
Shanks
Chops
Whole/half/ quarter carcass
Poultry
Chicken Kebab
Chicken Drumsticks
Chicken Thigh
Chicken Wings
Half Chicken
Duck Leg
Duck Half
Seafood
Coated
Salmon
White fish
Shellfish
Fish cakes
Smoked salmon
Vegan & vegetarian
Strips
Nuggets
Diced
Mince
Pulled
Sausages
Burgers
Balls
Schnitzel
Easier meals
Food for now
Sandwiches
Wraps
Baguettes
Hummus
Salad
Food for later
Burgers
Pizza
Garlic bread
Soup
Ready meals
Pasta sauce
Meal kits
Slow cooked
Ready to cook
Depot
Store order picking
We supply
United Kingdom
Ireland
Netherlands
Denmark
Sweden
Portugal
Belgium
Poland
Hungary
Czech Republic
Slovakia
Latvia
Estonia
Lithuania
Australia
New Zealand
USA
Canada
We also supply to countries throughout Asia
Full traceability
CSR

We are defined by our purpose.

Our purpose: 'growth and success through partnership' clearly states what drives us. It impacts the way we interact and operate with all our partners: our customers, our suppliers, our people and the communities in which we operate.

Through our partnership approach we have built our business to the success and scale that it is today. As a business we offer the opportunity for growth and success for all our partners.

WE ARE AMBITIOUS

We are on the journey to our ambition 'to be the international food and supply chain services partner of choice'. We have grown into a multi-category and multi-channel business, constantly and rapidly building our expertise, breadth and scale in all four food categories and in our supply chain services offer.

For more information see our Five Pillars on **page 2**

We have operating businesses across Europe and Australasia who serve our partners across 19 markets internationally. We remain focused on achieving our ambition through all our partnerships.

OUR STRATEGIC OBJECTIVES

Our strategy continues to be to support our customers' brands and their development through our unique category offer in their local markets. This approach combined with a strong reputation, well-invested modern facilities and a robust balance sheet has generated growth over many years.

We are achieving long-term sustainable customer and shareholder value through:

Growing volumes and extending product ranges supplied – and services provided to our 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

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

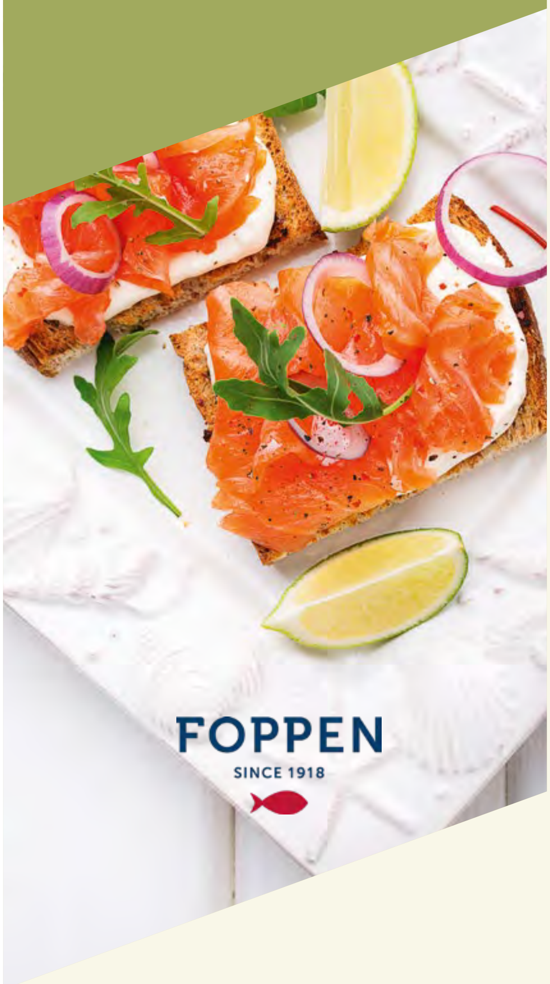
AGILITY

PASSION

FOPPEN – OUTSTANDING PROTEIN PRODUCTS

In the first half of 2022 Hilton Foods acquired smoked salmon producer Foppen, bringing an exciting range of new products to our portfolio.

Foppen started out in 1918 selling smoked eel in the Dutch town of Harderwijk. Today it is a market leader in premium smoked salmon and specialty value added smoked salmon products. It maintains a leading position in markets in both the USA and Europe. This position is based on longstanding relationships with key customers, built on quality and service.



Progress against our strategic objectives

EXPERTS IN SMOKED SALMON

Foppen only use the very best wood for smoking their fish: a special Foppen blend of oak and beech wood. The result is a delicious characteristic smoky taste and texture.

Unique Foppen products include both hot smoked and cold smoked salmon processes. The traditional hot-smoked salmon is smoked at higher temperatures (66°C to 85°C) using oak and beech wood smoke giving the salmon a rich, yet subtle and refined smoky flavour.

Exciting flavour twists to enhance the traditional flavours of smoked salmon are popular products with customers in both hot and cold dishes.

QUALITY

Foppen's number one focus is always on quality. Foppen's craftsmanship and expertise, combined with the latest state-of-the-art technology, ensure that every product is made to the highest quality standards.

Only the very best salmon is used in Foppen products. They search the best locations worldwide, from the cold waters of Norway to Alaska.

SUSTAINABILITY

Foppen are committed to preventing the depletion of resources and protecting marine life. All their fish is sourced from either ASC certified farms or MSC certified fisheries in Norway and Alaska.

GLOBAL EXPANSION

The inclusion of Foppen into the Hilton Foods business opens up new customers and markets to the Group. With customer partners in North and Central America, Asia and Europe this brings exciting new opportunities to Hilton Foods. Foppen's ambition is to continue expanding its strong position in Europe and the United States and to gain market share in Asia, the Middle East and South America.

Foppen is planning further global expansion for 2023, establishing a sales and marketing office in Japan and partnerships with retailers in South Korea and Taiwan. In 2023 we will start an e-commerce project in China with team Foppen Shanghai and plan for market entry into Australia.

THE FUTURE

The Foppen acquisition creates a complete seafood product portfolio for Hilton Foods, ranging across six categories. We are excited about the opportunities from cross sales and geographical expansion through the Foppen product portfolio.

AUTOMATION
TRANSPARENCY

UNLOCKING TECHNOLOGY POTENTIAL AT OUR HILTON SEAFOOD SITE IN GRIMSBY

Our partnership with Agito brings industry leading expertise in supply chain automation to our Hilton Seafood site in Grimsby, UK.

This project introduces the latest in warehouse logistics and automation to the warehousing and dispatch areas of our Grimsby site. The new technology is transforming our operations in Grimsby, boosting their value, sustainability and capability whilst demonstrating how Autonomous Mobile Robots (AMR) technology can revolutionise food manufacture.

Progress against our strategic objectives

STREAMLINING OPERATIONS

The new system separates inbound and outbound logistic processes, improving workflows and boosting site capacity. It uses a customised warehouse control system to integrate automated multi-depth warehouse racking systems with end of line stacking and start of line unstacking systems. Automated palletising and depalletising robots streamline the process from delivery of raw materials to the start of production all the way through to the end of the production line systems which pack pallets of finished products. Operations are further streamlined by the automation of the pallet wrapping, label printing and application processes.

The robots facilitate the pallet transfer process to our on-site 4,000 pallet storage facility. The project integrates technology platforms and systems across the intake, dispatch, warehouse storage and production areas.

Integrating AMRs with the warehouse system means that product picking, auto replenishment and storage sortation can occur simultaneously, significantly improving the overall efficiency of our operations. It also reduces the risk of accident by limiting the movement of personnel operated pallet trucks within the confined space of the warehouse.

BENEFITS

The project is a showcase of how the technology and automation solutions provided by Hilton Services can increase site capability, boost efficiency and deliver savings to our customers through:

- Increased capacity
- Improved operating efficiencies
- Labour retention and optimisation
- Better availability and application of higher quality data to drive continuous improvements
- Improved workplace safety
- High return on investment
- Increased energy efficiency
- Part of our transition to net zero emissions by 2050

A GREEN FUTURE

58,792 kg

of CO_2e* saved every year by using AMRs as opposed to a traditional conveyor system

* Based on 0.233KG of CO_2e for each kWh.

A single robot can move the same maximum pallet weight as our existing pallet trucks, but with route optimisation, reduced downtime and software integration we will be able to economise processes throughout the cold-store and production facilities.

DRIVING OPERATIONAL EFFICIENCY

Moving from a manual pallet handling system to the robot system drives efficiency and enhances processing capacity as it allows for 24/7 operation of the warehousing. It reduces factory downtime as the use of multiple robots allows operations to continue throughout the factory and warehousing facilities during maintenance periods.

We have researched how AMRs can optimise the movement of goods within our warehouse, to make the system as efficient as possible. Machine learning will use the latest in software and technology so that the product finds the most efficient route from A to B. As the system gets older it can develop neural pathways from monitoring trends and patterns in the data, learning what is the most optimised route for certain tasks. This means that the system will continue to evolve after implementation, driving further efficiencies within our operations into the future.

PLANNING FOR THE FUTURE

The transition to automation and robot technology in our warehousing and production processes enables us to future-proof the system for subsequent growth in capacity and changes to production methods. This new infrastructure means that our Hilton Seafood site will continue to deliver the highest service level to our customers, long into the future.

This is a success story for all stakeholders – putting Hilton Foods at the forefront of the automation curve, and delivering significant savings for us and our customers.

Looking forward to 2023, the summer will see the project go live.

EXPERTISE
PARTNERSHIP

GROWING ACROSS INTERNATIONAL MARKETS – OUR FIRST FULL YEAR IN NEW ZEALAND

Working in partnership with Countdown stores we launched our first food park concept in New Zealand in July 2021. The purpose-built site in Auckland is the first and largest of its kind in New Zealand. This partnership leverages the latest automation technology to deliver a multi-category solution.

2022 was the first full year of production at this state-of-the-art facility, which is now running at full speed supplying Countdown customers and their families with the highest quality protein products.

The New Zealand site is a showcase for the Hilton Foods food park concept. Hilton Foods New Zealand harnesses our cross-category expertise, supplying a complete set of product ranges that demonstrate our high quality poultry, seafood and red meat products.

The Hilton Foods New Zealand site combines supply chain management platforms with Hilton's manufacturing and operational expertise and Agito Group's highly automated logistics solutions to deliver the best possible and most efficient solution for our retail partners.

Our Auckland facility demonstrates our expertise in the latest technology and automation, and the solutions our Hilton Services team deliver. It has a fully automated warehouse system and is connected via a state of the art conveyor air bridge to an adjacent Countdown distribution centre.

The site delivers efficiencies for our retail partner through manufacturing, logistics and services solutions. Hilton Foods New Zealand optimises the entire supply chain process from the sourcing of raw material, to the manufacture of great consumer products and efficient distribution through to our customers and consumers.

Our automated store order picking is increasing the efficiency of our customer supply chain logistics through delivery of protein products on the same vehicle, reducing labour requirements and the number of deliveries to store.

The New Zealand food park is a great example of the automation and technology solutions that Hilton Services can offer to our retailers and the wider supply chain. It demonstrates our expertise in designing and bringing online food packaging solutions to meet retail partners' needs in new territories.

4 million

crates dispatched in Year 1

Progress against our strategic objectives

ACTION
RESPONSIBILITY

FOODS CONNECTED – LEADING TECHNOLOGY

In 2022 Hilton Foods increased its ownership of Foods Connected, taking a 65% share in the cloud based data analytics and supply chain management platform. It is part of our Hilton Services division.

fdf AWARDS food and drink federation 2022

Winners of the Food and Drink Federation Award for Digital Transformation 2022

CSR Management

- Animal welfare
- Supplier sustainability ranking
- Packaging management
- Scope 3 emissions
- Sustainable farming groups
- Responsible and sustainable sourcing

END-TO-END SUPPLY CHAIN DIGITALISATION

The Foods Connected platform is a cloud-based solution that gives a 360° view over supply chains, including compliance, procurement, food safety, quality, NPD and CSR. Real-time data enables agile decision making to minimise risks and maximise profitability. Over 300 manufacturing facilities and several leading retailers globally already rely on it.

TRANSPARENCY

The software platform offers customers effective real-time traceability. The Foods Connected Traceability solution combines blockchain style traceability, recall management, real-time farm to fork data and traceability testing to connect all parties in the supply chain. It enables companies to map back to farm or trawler within minutes, helping them to quickly identify risk and make evidence-based decisions.

COMPLETE CSR MANAGEMENT

Foods Connected offers a CSR Management solution for companies to control CSR initiatives both internally within their own business and externally within their supply chain. It centralises CSR activities in a single platform making it easier for users to streamline management and monitor results.

The platform enables users to manage CSR-based questionnaires and audits by gathering data from the supply chain via an offline audit app or the remote audit tool. This improves the speed and quality of data capture.

It enables the ability to connect data from multiple points across the supply chain through their Supply Chain Mapping capability.

Users are able to link supplier data with third party information in areas such as packaging, Scope 3 emissions, waste management and certification bodies. The reports and analysis generated help users to accurately track figures, benchmark performance and minimise the need for manual data capture.

SUPPLIER COMPLIANCE

The Foods Connected Supplier Compliance solution simplifies supplier data capture and compliance checks through a clear and user-friendly format. The solution centralises supplier approval lists, questionnaires, approval and compliancy tracking and supplier documentation. In one central location, users can manage supplier compliance through supply chain mapping and risk assessments, supplier ranking and KPIs. The platform provides dashboard reporting, audit schedules and automated notifications to help users manage the supplier compliance process.

GROWTH

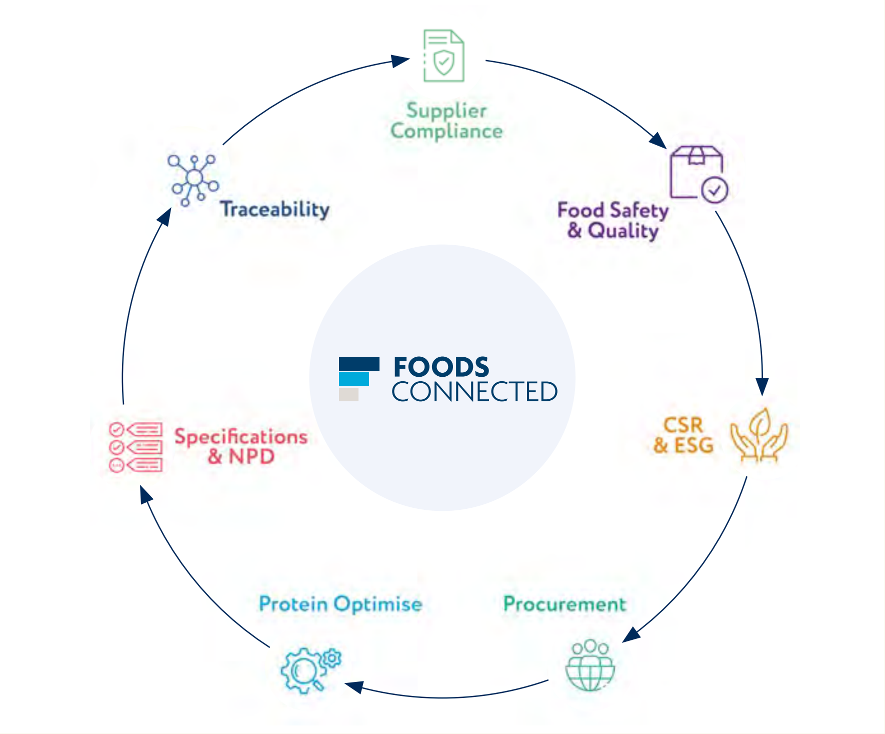
Foods Connected are continuing to expand into new territories and sectors. In 2022 they added 20 new customers across Europe, APAC and the USA with customers now ranging across protein, fresh produce, ready meals, tea, dairy, bakery, cereals, pet food and much more, with this across mainstream retailers, manufacturers, restaurant chains and online meal delivery providers.

They recently expanded their supply chain offering to include a Recipe Manager that complements the Specification & New Product Development Workflow modules which help customers with their product development activity.

In 2022 they launched Racing Connected with their first customer in the UK and commenced their first customer project on the Clothing Connected platform highlighting the cross-industry capability of the platform.

In 2023 Foods Connected will complete the first phase of their system modernisation, launching several new tools with updated infrastructure and UI/UX interfacing to ensure future business scalability.

A new Scheduling Manager will also be launched in 2023 which will help customers better plan product inspections and internal and supplier audits with increased efficiency and risk focus.



Higher revenues reflect volume growth and inflation.

Volumes grew by 4.3% in the year reflecting the acquisition of Foppen, full year volumes from Fairfax Meadow and Dalco which were acquired in 2021 and the New Zealand facility which opened in 2021.

Matt Osborne
Chief Financial Officer

VOLUME

+4.3%

REVENUE

+16.5%

OPERATING PROFIT

-3.3%

SUMMARY OF GROUP PERFORMANCE

This performance and financial review covers the Group's financial performance and position in 2022. Hilton's overall financial performance saw continued strong growth in volumes and sales although profitability and basic earnings per share on an adjusted basis were adversely impacted by the challenges faced in our UK Seafood business. 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 1 January 2023, with comparative information for the 52 week period ended 2 January 2022. 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 use these APMs to monitor and manage the business's performance day-to-day and therefore believe they provide useful additional information to shareholders and wider users of the financial statements.

2022 FINANCIAL PERFORMANCE

Volume and revenue

Volumes grew by 4.3% in the year reflecting the acquisition of Foppen, full year volumes from Fairfax Meadow and Dalco which were acquired in 2021 and the New Zealand facility which opened in 2021. Additional details of volume growth by business segment are set out in the Chief Executive's summary. Revenue increased 16.5% and by 16.0% on a constant currency basis reflecting higher raw material prices and volume growth.

Operating profit and margin

Adjusted operating profit of £71.1m (2021: £73.6m) was 3.3% lower than last year and 3.2% lower on a constant currency basis due to challenges in our Seafood business. IFRS operating profit was £54.0m (2021: £63.4m) after charging £11.9m in exceptional costs (2021: £7.1m) reflecting costs relating to the Belgium fire, acquisition and reorganisation costs offset by a gain on the acquisition of 100% of Foods Connected.

The operating profit margin in 2022 declined to 1.8% (2021: 2.2%) and the operating profit per kilogram of packed food sold fell to 13.8p (2021: 14.9p) attributable to the Seafood business challenges.

Net finance costs

Adjusted net finance costs excluding exceptional items and lease interest increased to £15.7m (2021: £6.4m) reflecting higher borrowings that financed our acquisition and expansion programme and the impact of higher market interest rates. Interest cover as a proportion of adjusted operating profit in 2022 reduced to 4.5 times (2021: 11 times). IFRS net finance costs were £24.4m (2021: £16.0m).

Taxation

The adjusted taxation charge for the period was £13.5m (2021: £14.5m). The effective tax rate was 24.3.% (2021: 21.6%). The IFRS taxation charge was £10.1m (2021: £8.1m) with an effective tax rate of 34.2% (2021: 17.1%).

Net income

Adjusted net income, representing profit for the year attributable to owners of the parent, of £40.2m (2021: £50.5m) was 20.4% lower than last year and 20.0% lower on a constant currency basis. IFRS net income was £17.7m (2021: £37.1m).

Earnings per share

Adjusted basic earnings per share 45.1p (2021: 61.3p) was 26.4% lower than last year and 26.3% on a constant currency basis. IFRS basic earnings per share were 19.8p (2021: 45.0p). Diluted earnings per share were 19.7p (2021: 44.5p).

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

Adjusted EBITDA, which is used by the Group as an indicator of cash generation, increased marginally to £119.9m (2021: £119.5m). IFRS EBITDA was £131.8m (2021: £139.0m).

Free cash flow and net debt position

Operating cash flow was strong in 2022 with cash flows from operating activities of £98.3m (2021: £121.3m) reflecting planned inventory increases. IFRS free cash outflow, after capital expenditure of £56.8m and investments in acquisitions and joint ventures £83.6m but before dividends and financing, was £79.4m (2021: outflow £8.1m restated).

The Group closing net bank debt comprising borrowings less cash and cash equivalents excluding lease liabilities, was £211.6m (2021: £84.6m) reflecting bank borrowings of £298.8m net of cash balances of £87.2m. Net bank debt increased following investments in acquisitions/JVs £83.6m and capex investment £56.8m. Net debt including lease liabilities was £457.7m (2021: £328.0m).

At the end of 2022 the Group had undrawn committed bank facilities under its syndicated banking facilities of £106.4m (2021: £96.8m). These banking facilities are subject to covenants comprising net bank debt to EBITDA and EBITDA interest cover. Headroom under these covenants at the end of the year was at least 66% for these metrics. During 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 which is due to expire in January 2027.

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 and has recommended a final dividend of 22.6p per ordinary share in respect of 2022. This, together with the interim dividend of 7.1p per ordinary share paid in December 2022, maintains the full year dividend, as compared with last year at 29.7p per ordinary share. The final dividend, if approved by shareholders, will be paid on 30 June 2023 to shareholders on the register on 2 June 2023 and the shares will be ex dividend on 1 June 2023.

KEY PERFORMANCE INDICATORS

See our KPIs on the following spread.

TREASURY MANAGEMENT

Hilton Foods does not engage in any speculative trading in financial instruments and transacts only in relation to its underlying business requirements. The Group's treasury 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's policy is only to use forward currency exchange rate contracts for the purpose of mitigating commodity risk occurring in the normal course of business. At no time will the Group take positions in derivative instruments for the purpose of earning a stand-alone profit from such instruments. The majority of Hilton Foods' 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, Hilton Foods main foreign exchange exposure is in the main limited to its equity/major capital expenditure 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 will continue reviewing hedging costs and options as it is expected global interest rates may increase materially beyond current levels.

CUSTOMER CREDIT AND PRICING RISKS

As Hilton Foods' 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 Foods 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.

TAX STRATEGY

Hilton Foods is committed to paying the right amount of tax at the right time and complying with all relevant laws and regulations.

We have a low-risk appetite toward tax planning, 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.

We recognise the importance of the tax contributions that we make in the countries in which our profits originate, and we consider the needs of all our stakeholders.

The Group's approach to transfer pricing is to ensure that transactions reflect the underlying commercial arrangements, and therefore the use of transfer pricing to artificially avoid tax is prohibited.

We also fully endorse the aims of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) and its related package of Actions www.oecd.org/tax/beps/about/

Our tax strategy can be found on our website www.hiltonfoods.com/media/dyrlgni3/hilton-tax-strategy-2022.pdf

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 on the right:

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

Financial KPIs

Revenue growth (%)

16.5%

2021: 19.0%

Year on year revenue growth expressed as a percentage. The 2022 increase reflected higher raw material prices and volume growth.

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

£119.9m

2021: £119.5m

Adjusted operating profit before depreciation and amortisation which increased marginally year on year.

Adjusted operating profit margin (%)

1.8%

2021: 2.2%

Adjusted operating profit expressed as a percentage of turnover. The operating profit margin % in 2022 was lower due to challenges in our Seafood business.

Free cash flow (£m)

£(79.4)m

2021: £(8.1)m *restated*

IFRS cash (outflow) before minorities, dividends and financing. Operating cash flow generation in 2022 was higher due to increased investments in acquisitions and joint ventures, adverse working capital movements and higher interest payments.

Adjusted operating profit margin (pence per kg)

13.8p

2021: 14.9p

Adjusted operating profit per kilogram processed and sold in pence. The decrease in 2022 compared with 2021 reflects the challenges in our Seafood business.

Net debt/EBITDA ratio (times)

1.8

2021: 0.7

Year end net bank debt as a percentage of adjusted EBITDA. The increase is due to the Foppen acquisition which completed during the year and the distorting impact of the related equity raise £75m in 2021.

Non-Financial KPIs

Growth in sales volumes (%)

4.3%

2021: 5.0%

Year on year volume growth. Volume growth in 2022 comprised Foppen acquired in the year and full year volumes from Fairfax Meadow and Dalco acquired in 2021 and the New Zealand facility opened in 2021.

Employee and labour agency costs (pence per kg)

65.7p

2021: 60.9p

Labour cost of producing food products as a proportion of volume. The increase reflects relatively greater labour complexity in the recently acquired businesses including Foppen, Fairfax Meadow and Dalco.

Customer service level (%)

95.9%

2021: 96.4%

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

GOING CONCERN STATEMENT

The Directors have performed a detailed assessment, including a review of the Group's budget for the 2023 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. During 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 2025. 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.

Matt Osborne
Chief Financial Officer

4 April 2023

WHO IS RESPONSIBLE FOR RISK AT HILTON

Board

Responsibility for risk management including the appropriate identification of risks and the effective application of actions designed to mitigate those risks, resides with the Board. The Board also sets the risk appetite and considers how best to minimise and control the probability and potential impact of identified risks if they were to crystallise.

Chairman, Non-Executive Directors

Chief Executive Officer | **Chief Financial Officer**

Audit Committee

The Audit Committee reports to the Board on the substance of the risk assessment and any changes to the nature, likelihood or materiality of those risks. The Group Internal Audit & Risk Director presents at every Audit Committee meeting on the internal controls and risk management systems.

Risk Management Committee

The Risk Management Committee reports regularly to the Audit Committee on the risk assessment and any changes to the nature, likelihood or materiality of those risks. The Risk Management Committee also considers the risk appetite and reviews in progress in the development of internal controls and their implementation aligned to principal risks. The Chair of the Risk Management Committee also oversees the scenario-based business continuity management exercises.

Group Internal Audit& Risk Director | **Representatives from Executive Leadership Team** | **Key international leaders across the business**

Business unit risk registers

Business units and functions manage and monitor their own key risks through regular review, ensuring the risk registers and risk mitigations are accurate. The Group's risk register is compiled through combining the set of of business unit risk registers supplemented by formal interviews with senior executives and Directors of the Group.

Group Internal Audit & Risk Director and **Site Managing Directors**

1st Line of Defence

Business operations "Management Controls"

Local business units carry out effective risk management activities in order to identify, monitor, mitigate and report on risks that impact on operations.

2nd Line of Defence

Oversight functions

Provided by functions including Finance, Quality, People and Culture, IT, Health and Safety, Risk and Compliance. These functions provide the tools, systems and internal controls necessary to support the identification, management and monitoring of risk. This includes policies, procedures and training.

3rd Line of Defence

Internal Audit, consultants

Provide independent review over the completeness and effectiveness of our internal controls and risk management systems.

4th Line of Defence

External Audit, regulators

Provide third party and independent review of all business units. Review of the viability and going concern of the business.

We believe 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.

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

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. 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. For more detail please see Who is responsible for risk at Hilton?

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.

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 2022

Cost of living crisis and the Russia-Ukraine War

The macroeconomic and geopolitical landscape, exacerbated by the Ukrainian war, is having an unprecedented impact on our supply chains, operations, consumers and customers. Energy price volatility and an acute cost of living crisis is impacting consumer spending and eating habits. This has resulted in high- profile food price inflation and extreme cost volatility.

Our continued focus on cost control, innovation and factory efficiency is enabling us to manage the inflationary pressures the industry is currently facing. Through our strong customer relationships we are able to support consumers to navigate through these challenging times.

Brexit

Hilton's exposure is generally mitigated through our predominantly local sourcing and operating model. Impacts are likely to continue through 2023 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. We continue to monitor policy changes and amend processes and operations as required. Our labour 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.

RISK MANAGEMENT AND PRINCIPAL RISKS continued

Description of risk	Its potential impact	Risk mitigation measures and strategies adopted
Risk 1 The progress of the Group's business is affected by the macroeconomic and geopolitical environment and levels of consumer spending. Movement	No business is immune to difficult economic climates. The current macroeconomic environment is placing extraordinary financial pressures on businesses and consumers. The inflationary pressures resulting from the Covid-19 pandemic, the Ukrainian war and wider economic and political instability are exacerbating the challenging market conditions. Consumers are changing their shopping and eating habits and our retail customers are under immense pressure to deliver value and are therefore sharing that pressure with supplier partners.	Our strong and diversifying growth model, based on successful diversification across different proteins, expanding as a technology-led supply chain partner and built on our strong ESG credentials underpins our business resilience. We continue to broaden product ranges with our strong retail partners, maintaining a single-minded focus on minimising unit packing costs, whilst continuing to deliver high levels of product quality and integrity. The Group is able to harness its innovative and agile approach with its class-leading technology and systems to respond quickly and effectively to macroeconomic challenges and opportunities.
Risk 2 The Group's growth potential may be affected by the success of its customers and the growth of their packed food sales. No movement	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. Consumer perception is increasingly influenced by environmental, social and governance (ESG) considerations.	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. Our ESG strategy underpins the growth of our product sectors for our customers, and supports them to reach their goals. Our ambitious 2025 Sustainable Protein Plan is in partnership with our customers and suppliers as we engage in the key collaborative initiatives that drive sustainability for our sectors and raise the bar together. We have set stretching goals that drive impactful actions that become integrated into our core business practices. Our data collection platform, Foods Connected, demonstrates the assurance of standards across our supply chains, and allows us to measure progress towards our 2025 targets. The detail of our strategy and its impact are described within the Sustainability section of this report.

Description of risk	Its potential impact	Risk mitigation measures and strategies adopted
Risk 3 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. Movement	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 continue to focus on strengthening their market share of protein products in the countries in which we operate, creating an increasingly competitive retail environment. 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. During periods of unprecedented inflationary pressure, misalignment between production costs and agreed operational packing rates may occur, potentially impacting profitability.	The Group is progressively widening its customer base and maintaining 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. The Group maintains an ongoing focus on cost control, innovation and factory efficiency to manage inflationary pressures. Hilton continues to evolve and respond to changing market conditions. The provision of added value services deepens the relationships Hilton has with its retailer partners and investment in these services means that we are able to develop and maintain a technology advantage within our industry.
Risk 4 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. No movement	The Group may struggle to meet key strategic objectives and projects and fail to adhere to regulatory and legislative requirements, which in turn detracts from our performance delivery for our customers.	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. 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. In the current climate, strong partnership and proximity to our customers are fundamental. Hilton's leadership continues to develop its organisational structures to ensure as close a relationship with our retail partners as possible.

Description of risk	Its potential impact	Risk mitigation measures and strategies adopted
Risk 5 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. No movement	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 has both local and global sourcing models. Current or future tariffs, quotas or trade barriers imposed by supplier countries 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.	The Group maintains a flexible global and local 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. Further assurance is provided through the supply chain control and transparency the Group has enabled by its supplier management platform, Foods Connected, which facilitates robust supplier relationships.
Risk 6 Contamination within the supply chain including outbreaks of disease and feed contaminants affecting livestock and fish. No movement	This will potentially affect the Group's ability to procure sufficient quantities of safe raw material.	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, supported by a comprehensive ongoing audit programme. 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.
Risk 7 Significant incidents such as fire, flood, pandemic or interruption of supply of key utilities could impact the Group's business continuity. The legacy of the Covid-19 pandemic continues to present challenges across the globe. No movement	Such incidents could result in systems or manufacturing process stoppages with consequent disruption and loss of efficiency which could impact the Group's sales.	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. We continue to mitigate against the legacy impact of the Covid-19 pandemic.

Description of risk	Its potential impact	Risk mitigation measures and strategies adopted
Risk 8 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. No movement	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.	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.
Risk 9 A significant breach of health and safety legislation as complexity increases in managing sites across different product groups and geographies. No movement	Such breach in health and safety legislation could lead to reputational damage and regulatory penalties, including restrictions on operations, fines or personal litigation claims.	The Group has established robust health and 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.
Risk 10 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. No movement	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. 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.	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. 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. We continue to review and develop our assessment of the key physical and transition risks impacting our business in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our full assessment of climate risks and opportunities in line with the TCFD framework is described within the Sustainability section of this report.

STAKEHOLDER ENGAGEMENT

The following disclosure describes how the directors of the company have had regard to the matters under Section 172 of the Companies Act 2006 which requires company directors to act in the way they consider, 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.

Our People

Why we engage	How we engage
Our people are at the heart of our success and the delivery of our strategy.	– In 2022 we launched a new 'Speak Up' Policy at Hilton Foods UK. In line with the UN Guiding Principles on Business and Human Rights, we redesigned how our employees discuss their concerns and raise grievances through a series of workshops, where the design process is led by the employees who will use the new policy and procedure. – We have grown our Women's Network with sessions such as: Being Yourself at Work, How to Network, Building Your Confidence at Work and Dealing with Change. – Our employees experience of work is important to us, that's why we use annual surveys where all sites respond to employee feedback through tailored action plans. In 2022, 91% of our employees contributed to the annual survey. – Employees took part in mental health and wellbeing awareness campaigns in 2022 and the majority of our sites have at least two mental health first aiders. – Our Global Health and Safety Framework was successfully extended to all sites in 2022, with our new acquisition Foppen transitioning in January 2023. – This year we have developed a new set of 'core behaviours' alongside our refreshed Strategic Compass which brings a new focus on development and inclusion. The core behaviours inform the actions, attitude, and care all our employees bring to work, to ensure that everyone feels a sense of belonging and inclusion and are based on the output from 18 focus groups across our worldwide geographies. – We are accelerating the progress of our diversity, equity and inclusion agenda. In 2022, 80% of our employees agreed with the statement 'I feel I can be myself at work', a 6% increase on the previous year. – Through employee representative groups such as "Your Voice Committees," our colleagues can engage and contribute meaningfully to the operation of our business. – A whistleblowing 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. – Our Accelerated Development Programmes nurture internal talent through personalised training programmes that include development modules, individual coaching sessions, and two live Executive sponsored business projects. – We reviewed and transformed our Target Operating Model through collaboration and engagement with our senior leaders, ELT and Board to ensure that we are fully set to deliver our ambition. – We launched our 'work conversations' programme in 2022 as we believe that everyone in every role deserves the chance to have a good quality 'Work Conversation' about themselves and their work with their manager or someone else who can support them. – Our Industry Recognised Qualifications programme in APAC gives colleagues the opportunity to develop their careers by gaining industry recognised qualifications. This gives our employees who may not previously have had access to formal qualifications the opportunity to complete training during work time. – We continue to invest in learning and development as we roll out Learning Management Systems across our operations. Since the introduction of the system to our APAC sites, our engagement scores have risen significantly.

Our Communities

Why we engage	How we engage
We believe in supporting our local communities as their long-term success is linked to our long-term success. We believe in building a fairer society and food system for all and seek to be a good neighbour in all of our locations.	– We are actively involved in all of our local communities. We recruit local people and support local charities and community groups. In 2022 we donated £153,327 to charities. – Employees across our European sites have fundraised, collected goods, and provided practical support to refugees impacted by the war in Ukraine through 2022. – We are part-funding a PhD at Heriot-Watt University, which aims to map the social responsibility tools available to the fishing industry and improve its human rights performance. – We are sponsoring a DPhil with Oxford University looking at sustainability metrics and policy in agriculture. – Hilton has a commitment to responsibly package all of its products which is why we have a target to reduce the weight of plastic packaging whilst ensuring it is fully reusable, recyclable or compostable. In 2022 we launched fish packaging made from coastal recovered plastic, removing 240 tonnes of plastic from the environment. – We are full participants in the UN Global Compact, a global initiative that aligns companies with universal principles on environment, society and governance. – We have committed to being a net zero business by 2050, and are now implementing detailed decarbonisation plans for our own operations. – We believe in our responsibility to protect the internationally recognised human rights of workers both within our business and our global supply chains. In 2022 we established a multi-function Modern Slavery Working Group for our businesses in the UK and the Republic of Ireland. The focus of this group is to facilitate candid conversations about the challenges of detecting and disrupting modern slavery and offer opportunities to drive best practice through the creation and provision of shared resources.

Areas of focus for our stakeholders	How the Board has oversight	Find out more
– Engagement – the opportunity to share ideas and opinions – Recognition and reward – Opportunity for skills and career development – Wellbeing – Health and safety – Equity and respect	– 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. – Angus Porter is the designated Non-Executive Director appointed by the Board to head the Group's workforce engagement procedures. Angus works closely with key Group personnel to ensure our employee engagement practices are appropriately monitored. Angus reports back to the Board on his findings and interactions. This year, Angus attended the Hilton Foods management conference where he presented. He also has regular meetings with our Chief People and Culture Officer. Angus also contributed to and attended one of our Accelerated Development Programmes in 2022. – All reports to our whistleblower service are reviewed by the Board. – The Board oversees the continued investment and prioritisation of employee training and development. – The Board travelled to Hilton Foods sites in Australia and New Zealand in 2022 where they had the opportunity to meet with employees and see our operations first hand. – Townhall meetings and presentations were held at all Hilton sites in 2022 and attended by members of the Executive team to update colleagues on Group strategy and performance and provide engagement opportunities through Q&A sessions.	Further detail on how we engage with our people can be found on **pages 46-53**

Areas of focus for our stakeholders	How the Board has oversight	Find out more
– Sustainability – Social value – Opportunities and careers for local people	– The Board works to build relationships with our communities and legitimate public interest groups. – The Board is kept informed of our engagement with our local communities through regular updates from the Sustainability Committee and local site updates.	More detail available in our Sustainability Report on **pages 36-91**

Our Customers and Consumers

Why we engage	How we engage
Our customers and consumers expect us to deliver safe, high quality, competitively priced products. We want to help consumers make ethical and sustainable choices for both their health and the health of the planet.	– We create long-term partnerships with our retailers which enable us to deliver 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. – 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. – Hilton believes in helping our consumers to make healthy dietary choices. We are using innovation to provide consumers with healthy food choices in line with dietary recommendations, including 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. – Our Sustainable Protein Plan underpins our strategy to become the first choice for sustainable protein for our customers and consumers. The plan has targets under our three pillars of protein, product and planet. – By maintaining a high level of transparency through our supply chains we are able to inform our consumers about the origin, production methods and human rights credentials of our products. – We continue to diversify the range of healthy, delicious proteins we offer to our customers and consumers. Our recent partnership with Cellular Agriculture and acquisition of Foppen demonstrates our continued commitment to diversify our range of sustainable products. – Our Nature Positive plan promotes biodiversity through setting stretching targets to eliminate deforestation and protect water and soils across our value chain.

Our Suppliers

Why we engage	How we engage
Our integrated food supply chain enables us to deliver consumer and customer expectations supported by the supply of high quality, safe, sustainable and innovative raw materials.	– We partner with suppliers that share our commitment to quality, food safety, animal welfare and sustainability. – We engage with our suppliers through the Foods Connected platform where we track supply chain compliance, internal quality procedures and manage the buying, planning and selling of our raw materials. – We are working closely with our supply chains to deliver on the ambitious targets within our 2025 Sustainable Protein Plan. 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 with our key suppliers. – In 2022 we rolled out our Hilton Foods Animal Welfare Supplier Standard and an ambitious auditing programme. – We are in the process of rolling out increased ethical due diligence in the supply chain – with the aim of auditing 100% of labour and service providers against our own Agency Labour Standard. – We also launched a Supplier Social Responsibility Code of Conduct in 2022 setting out the behaviours and standards expected from suppliers. Further targets include screening 100% of new primary suppliers using social criteria and auditing 100% of high-risk primary suppliers by 2025. – We hold regular dialogue with our suppliers on governance and compliance matters including food safety standards, human rights and modern slavery. – Our seafood sourcing standards are aligned to the Sustainable Seafood Coalition code and PAS 1550. – We have partnered with the University of Stirling, CIEL and IDH to collect primary data from our partner farms on direct methane emissions from Pangasius farming. – 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. – Our supplier approval process gives us full transparency on the safety, quality, and provenance of the raw materials we use against the Hilton Foods Supplier standards. We audit suppliers at a frequency determined by risk assessment.

Our Shareholders

Why we engage	How we engage
We want our shareholders to believe in our purpose, values and strategy. We believe in engaging with our shareholders to help create value and ensure the long- term success of our business strategy.	– We provide clear, transparent and balanced communications on our business strategy and how we deliver long-term shareholder value through earnings and capital growth. – We deliver twice yearly investor presentations on our annual and half year results. Additionally other reports and forecasts, together with relevant articles in the financial press, are circulated to the Board. – We arrange visits to our facilities for key shareholders and analysts. – All shareholders have the opportunity to ask questions at the Company's AGM, which all Directors and the Chair of every Board Committee usually attend. – Our Committee Chairs are available to engage with major shareholders regarding their areas of responsibility. – The Company Secretary provides a key point of contact throughout the year for communications on corporate governance matters and particularly around shareholder meetings. – We also engage with the Company's brokers and market analysts to ensure their feedback is harnessed by the business. – Our website has a dedicated investors section and can be found at www.hiltonfoods.com

Areas of focus for our stakeholders	How the Board has oversight	Find out more
– Product quality – Product sustainability – Social responsibility – Health and balanced diets	– The Board and senior management engage with our customers 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. – Understanding what is important to our customers and consumers is essential to our business strategy, so the Board receives regular updates on market developments, trends and opportunities. These are reported to the Board by the Executive team through reports and presentations. – The Board also receives updates on Hilton's customer and consumer engagement on sustainability issues via the Sustainability and Risk committees.	For more detail on our Sustainable Protein Plan see **pages 36-45**

Areas of focus for our stakeholders	How the Board has oversight	Find out more
– Quality – Continuous improvement – Partnership – Transparency and efficiency	– The Board and senior management engage with our suppliers through our established total partnership strategy. – We have regular dialogue with suppliers on product quality and payment terms. – The Board and senior management collaborate with suppliers to address any concerns, to identify supply chain risks and work together to find solutions, mitigate risks and demonstrate best practice. – The Board is updated on supply chain risks, initiatives and opportunities through regional updates and reports from the Risk and Sustainability committees.	Further details on how we engage with suppliers can be found in the Sustainability report on **pages 36 to 91**

Areas of focus for our stakeholders	How the Board has oversight	Find out more
– ESG matters – Business performance – Business strategy and development	– The CEO and CFO 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 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.	The Board's current assessment of the Group's position and prospects are set out in the Strategic report on **pages 22 to 25**

CHIEF EXECUTIVE'S INTRODUCTION

This year is my 30th with Hilton Foods. Like many businesses, we have experienced more global instability in the past three years than in the previous 30 combined. War in Europe, rising inflation, plus the ongoing impact of Covid-19 have come together to make this a year of uncertainty for food businesses across the world.

"This is a blueprint for social and environmental progress, which harnesses the expertise of our business."

Philip Heffer
Chief Executive Officer

It would have been tempting in these circumstances to reduce our focus on sustainability. This would have been a mistake. The whole focus of our strategy over the past five years has been to diversify our business and build a platform for Hilton Foods to create sustainable value over the long-term. The 2025 Sustainable Protein Plan is a key part of that work. This is a blueprint for social and environmental progress, which harnesses the expertise of our business.

Even with inflation rising, the importance of social and environmental challenges is increasing. When we consider our commercial priorities, the demand for more sustainable, but affordable, protein is continuing to grow. Meanwhile, investing now to address major risks and challenges will reduce costs and exposure over the longer term.

Above all, the Sustainable Protein Plan reflects the values which have been at the core of Hilton Foods since 1994. We believe that all businesses should be a force for good.

This report sets out our progress. It is rooted in the partnerships which have made Hilton Foods the business it is today. Through partnerships, we can help to create a more circular and sustainable food system that provides healthy and affordable proteins for consumers who have seen the cost of cooking double, and who worry about the health of their families and the future of our planet.

We have delivered across all parts of the plan this year. Through product innovation, we are working to decarbonise cattle, deliver zero emission factories and eliminate deforestation. We are committed to achieving fully recyclable retail plastic packaging and now have 70% recycled content across our plastic packaging, Group-wide.

I am particularly encouraged by the investment we have made in the meat technology company, Cellular Agriculture Limited (CellAg). With the right backing, CellAg can help Hilton Foods become a leader in the emerging market for cultured meat.

Even with these innovations, in future the majority of meat and fish will need to be produced by sustainable farming and fishing.

I am pleased with our progress on our planet targets. Hilton Foods was awarded a score of A- in this year's climate assessment by the Carbon Disclosure Project (CDP), achieving recognition as a Supplier Engagement Leader. However, we need to go further. This year we will submit even more ambitious targets to the Science Based Targets initiative. These will be consistent with achieving 1.5°C and see us commit to reach net zero well before our current 2050 target.

The first pillar of our plan is about our people. Our commitment to protect human rights, employee wellbeing and support career development is one of the reasons why we are participants in the UN Global Compact. I am pleased to renew here our continued support and commitment to the initiative and its principles.

We hope this report is helpful in updating those we work with on our progress, and also on the areas where we need to do far more. We will continue to develop our approach, and listen to the feedback from all our partners, as we act on the areas where we can have the biggest impact.

As we embark on Hilton Foods' fourth decade, our commitment to the Sustainable Protein Plan is steadfast. Not only is it the right thing to do, but it is also a critical part of how Hilton Foods will become the International Protein Partner of Choice.

Philip Heffer
Chief Executive Officer

SUSTAINABILITY COMMITTEE CHAIR'S INTRODUCTION

Delivering on our environmental and social objectives

2022 marks the first full year of our new strategy: the 2025 Sustainable Protein Plan. It's a plan we developed to give added focus, and even more energy, to the work we are doing to make our products more sustainable. I am delighted that the Plan has become a core part of the wider growth strategy for the business.

"Growing our business and supporting the planet go hand in hand. That is why we have long-term incentives for senior leaders to support the delivery of the Sustainable Protein Plan."

Rebecca Shelley
Non-Executive Director and
Chair of Sustainability Committee

Hilton Foods has a long record of partnership and innovation to address sustainability challenges. Our position within the food system, working with partners from farm to fork, gives us significant opportunities to make a positive difference. The Sustainable Protein Plan is a step forward in the contribution we can make.

We do not see the Sustainable Protein Plan as something which simply adds cost to our business. We have long seen the commercial benefits of our reputation for highly traceable, sustainably sourced proteins. For us, growing our business and supporting the planet go hand in hand. That is why we are proud to have published long-term incentives for all senior leaders to support the delivery of the Sustainable Protein Plan.

The Plan includes a range of stretching, and in some cases market leading, targets. All are aligned closely with the UN Sustainable Development Goals. On the following pages, we have set out these targets in detail. We were one of the first in our sector to set Science Based Targets across Scopes 1, 2 and 3 and are on the way to achieving net zero emissions before 2050 and net negative thereafter.

The three pillars of our plan revolve around topics which are material to our business and reflect core Hilton Foods values. With a plan of this scale, the pace of progress will always vary across each pillar, each year. However, the Committee is pleased with the overall delivery we have seen this year.

We were particularly impressed by the innovation we are continuing to see on packaging. This year the business has launched padless meat trays, film packaging with 30% recycled content and seafood packaging made from recovered coastal plastics, significantly reducing the footprint of that packaging. Meanwhile, within our APAC business, 95% of packaging materials are now recyclable and the business is using 70% recycled content in plastic packaging across group.

There remains a long way to go. We are aware that the targets we have set are ambitious. However, the business continues to benefit from the strength of our relationships with retail partners, and the ability this gives us to innovate across the value chain.

The project we have established with Future By Insects, Greencore and FERA to develop potentially carbon negative insect meal, supported by Tesco and the WWF, is a case in point. It will help to drive the adoption of sustainable feed more generally.

The Sustainability Committee will continue to monitor the delivery of the Sustainable Protein Plan closely. Reaching our goals will depend not on the actions of a few, but the involvement of colleagues across the business. I hope this report is a credit to all those who have contributed, and an inspiration to even more colleagues to get involved in 2023.

Rebecca Shelley
Non-Executive Director and
Chair of Sustainability Committee

OUR 2025 SUSTAINABLE PROTEIN PLAN – AT A GLANCE

Last year we set ambitious targets across the three core pillars of our 2025 Sustainable Protein Plan. An update on our progress so far can be seen below:

PEOPLE

PILLAR	2025 TARGETS	2022 DELIVERY
VALUING PEOPLE Being a fair, safe and inclusive employer by engaging and empowering our people and supporting our local communities	– **Reduce Lost Time Incidents (LTIs) by 10%** (against 2020 baseline across Hilton Foods) – **Establish Global Wellbeing Framework to support employee wellbeing** – **30% of all leadership roles filled by women** – **Employee consultative forums or works councils at all Hilton Foods sites**	– Achieved 33% of women in leadership across Hilton Foods, supported by growth of Women's Network – Established Group Wellbeing Framework, and extended Mental Health First Aider training to more colleagues – Integrated sustainability objectives into our Long Term Incentive Plans (LTIPs) for senior leaders
RESPECTING HUMAN RIGHTS Safeguarding the welfare and just treatment of all workers and communities engaged with our business and supply chains	– **Functioning governance structure in place** – **Train all Hilton Foods employees on human rights** – **Modern slavery awareness training extended to all managerial colleagues** – **100% of labour and service providers audited to Hilton Foods Agency Labour Standard** – **100% of primary suppliers signed up to Hilton Foods Supplier Social Code of Conduct** – **100% of new primary suppliers screened using Hilton Foods social criteria** – **100% of high risk primary suppliers audited**	– Launched new global Supplier Social Responsibility Code of Conduct and accompanying Compliance Requirements. Implementation and onboarding has begun for suppliers – Creation of cross-functional Modern Slavery Working Group and development of site-level action plans – Implemented best-practice grievance procedure at Hilton Foods UK, and guidance for all sites
DEVELOPING POTENTIAL Growing and developing our people to be the best they can be, ensuring our business is ready for the future	– **All production colleagues offered the opportunity to participate in career discussions with their manager to discuss performance, development career aspirations, wellbeing, ideas and feedback** – **Development opportunities for all management talent identified as ready for succession through annual review of leadership capability and succession** – **150 colleagues to go through leadership development programmes** (by 2025)	– 9% increase in employees who felt Hilton Foods training opportunities had helped them to do their work well – Increased the diversity of our apprenticeship programmes to include Engineering, Accounting, Quality and People and Culture within the UK – 700 new enrolments in 2022 in Industry Recognised Qualifications across quality, meat boning and distribution

OUR SUSTAINABLE PROTEIN PLAN – AT A GLANCE continued

PLANET

PILLAR	2025 TARGETS	2022 DELIVERY
REDUCING EMISSIONS Going further than addressing our footprint by achieving NetNegative emissions across our sites and value chains	– **100% renewable electricity across all 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** – **Intensity reduction of 15% in emissions of cattle in Europe by 2025** (aligned to the ERBS Sustainability objectives)	– Achieved A- rating from CDP for Climate Change – 14% reduction in Scope 3 emissions, meaning we are on track to meet our SBT target and will be submitting targets aligned to a 1.5°C pathway – Partnered with the Universities of Lincoln, Stirling and Oxford on three projects exploring: emissions reductions from manure, direct emissions from Pangasius farming and how sustainability metrics can influence policy
ENHANCING ANIMAL WELLBEING Driving standards and innovation in the care of animals that enhances their lives and reduces antibiotic use	– **More than 90% of livestock from farms in assurance schemes** – **100% humane slaughter of animals across all our products including aquaculture** – **Responsible antibiotic use throughout our supply chain**	– Achieved tier 3 in the last Business Benchmark in Farm Animal Welfare – Member of Stakeholder Advisory Board for the Animal Welfare Research Network allowing us to input into the wider research agenda – Completed first annual cycle of our dedicated animal welfare audit and collated welfare-based outcome data from across our value chain
NATURE POSITIVE Collaborating to improve our stewardship or land and sea, promoting biodiversity, addressing deforestation and protecting water and soils	– **Eliminate deforestation from the conversion of natural forests to agriculture or livestock production in our supply chains** – **Maintain 100% of paper and board from certified sources** – **Planning and reporting tools provided to all farmers to support regenerative farming** – **100% of seafood responsibly sourced to Hilton Foods standards** (aligned to the Sustainable Seafood Coalition code and PAS 1550), and openly reporting supply chains through Ocean Disclosure Project – **Hilton Seafood UK directly sourced wild caught seafood 100% certified to the MSC standard or equivalent** (by 2025)	– Published our UK Commitment to Sourcing Deforestation and Conversion Free Soy – 100% of paper and board from certified sources – Over 98% of Hilton Seafood UK directly sourced wild caught seafood certified to the MSC standard

PRODUCT

PILLAR	2025 TARGETS	2022 DELIVERY
BALANCED HEALTHY DIETS Efficient regenerative food systems producing more accessible and nutritious proteins	– **Double sales of plant based, vegetarian and flexitarian products** (compared to a 2020 baseline) – **Assess health and sustainability attributes of all Hilton Foods proteins to provide consumers with information on their role in healthy, sustainable diets**	– Launched 60 new vegetarian and vegan products, including vegan bacon with Tesco – 48.5% increase in sales of vegetarian and vegan products since 2021 – Milestone investment in CellAg, cultured meat producer in the UK
CIRCULAR PACKAGING Developing a circular economy for packaging and actively bringing waste materials back into use across our full value chain	– **Reduce direct packaging waste by 30%** (compared to 2020 baseline) – **Drive demand for circular tray-to-tray recycling and actively prioritise the use of circular material** – **All Hilton Foods retail packaging fully reusable, recyclable or compostable** – **Achieve minimum of 50% average recycled content across all plastic packaging** – **Reduce the weight of plastic packaging while ensuring it remains fit for purpose**	– Across Hilton Foods APAC business, 95% of packaging materials are now recyclable – Launch of preformed trays supplied at Hilton Foods Sweden and Hilton Foods Denmark which are made of 100% recycled plastic including 10% tray to tray content – Launch of products at Hilton Seafood UK with 30% recycled coastal plastics, removing 240 tonnes of plastic from the environment
RESOURCE EFFICIENCY Optimising food waste and use of packaging, energy and water across sites, supply chains and in consumers' homes	– **Improve energy efficiency in Hilton Foods facilities by at least 10%** (compared to 2020 baseline) – **Improve water efficiency in Hilton Foods facilities by at least 10%** (compared to a 2020 baseline) – **Halve Hilton Foods factory generated food waste by 2030 compared to 2019** (in line with the Champions 12.3 commitment to deliver UN SDG 12.3)	– 100% of purchased electricity at Hilton Foods UK, Hilton Seafood UK, Hilton Foods Ireland, Hilton Foods Central Europe, Dalco and Fairfax Meadow is from renewable sources – Installed 1.5MWp of additional solar generation at SoHi, expected to generate 2 GWh of clean energy every year – 600 tonnes of waste diverted from landfill by doubling the recycling rate of non-food waste across Hilton Foods APAC, versus 2021

PARTNERING ACROSS THE VALUE CHAIN

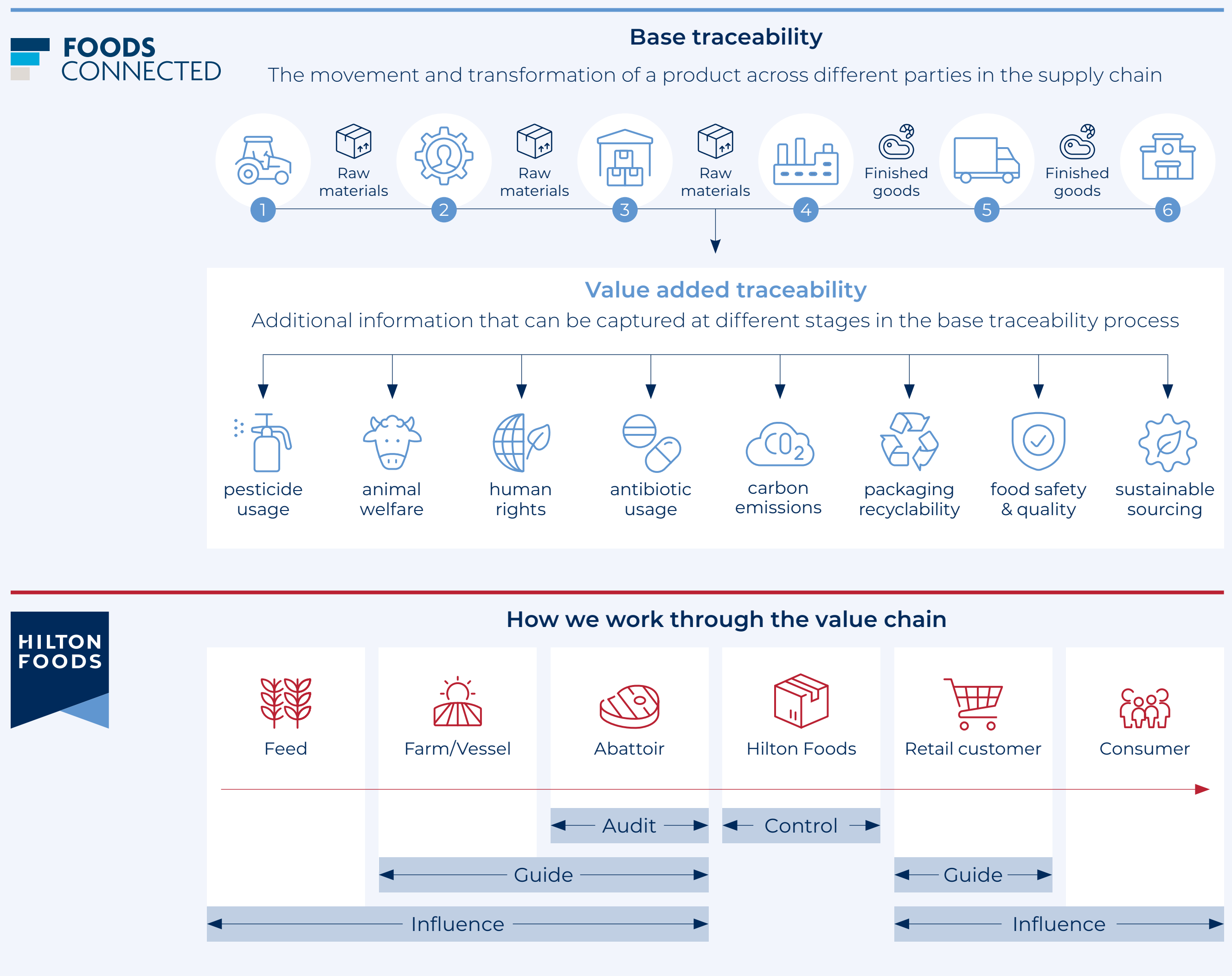
How we deliver across the food system: To deliver the 2025 Sustainable Protein Plan, we have to be clear about how, and where, Hilton Foods can make the biggest difference. Our partnerships hold the key to our impact.

We do not own farms, fishing vessels or abattoirs, but we do have a crucial position at the centre of the food value chain. As this diagram shows, we have the freedom to influence and innovate across each stage of the supply chain. The depth of our commercial partnerships helps to maximise our impact.

We also partner with Foods Connected, a supply chain software company, to share our commitments on quality, safety, animal welfare, human rights and sustainability with our suppliers. This system helps us manage our suppliers' performance to make sure we deliver both our own and our customers' priorities.

Transparency is the starting point for greater sustainability within our food system. By using this technology to its full potential we can inform consumers about product origin, methods of production and how human rights are protected in the supply chain.

HILTON FOODS AND FOODS CONNECTED – SUPPLY CHAIN TRANSPARENCY



AREAS OF BIGGEST IMPACT AND RISKS

The world around us continues to change quickly, so when it comes to contributing to more sustainable and healthier communities, we know that we can never stand still.

That is why our Sustainable Protein Plan is the product of ongoing engagement with our stakeholders, internally and externally, to understand where our business can have the biggest impact.

An important part of that engagement is our materiality assessment – an exercise to identify the issues and risks which are most relevant to Hilton Foods, through consultation with a broad group of stakeholders who have recognised sustainability expertise.

The output of this is our materiality matrix, which is reviewed in full every three years. An in-depth review of our materiality matrix was completed in 2021. Minor updates in 2022 have been completed by a smaller group of specialists. All material risks are under active management and the subject of engagement across our value chain.

Our most material issues remain:

Product safety, quality and integrity

Ensuring the safety of our products is our first priority. All the food we produce meets our quality specifications and must be labelled correctly, with the allergens they contain, the country of origin and the nutritional content of the products.

The materiality of this issue has increased slightly due to our greater exposure in the food service sector and the increased focus on these issues in Poland and Australia.

Sustainability and biodiversity of agriculture, fisheries and aquaculture

The stewardship of resources to facilitate the production of animal proteins is critical to our business, in both aquatic and terrestrial ecosystems.

The materiality of this issue has increased this year, as biodiversity reporting requirements have become more stringent as a result of the renewed focus on nature, including through the COP15 UN Biodiversity Conference.

Greenhouse gases

Measuring, managing and reducing emissions is a strategic priority for Hilton Foods throughout our value chain.

Across the world, there is now a growing focus on methane emissions. New Zealand's move towards carbon pricing in the agricultural sector has also increased the urgency to act.

Human rights

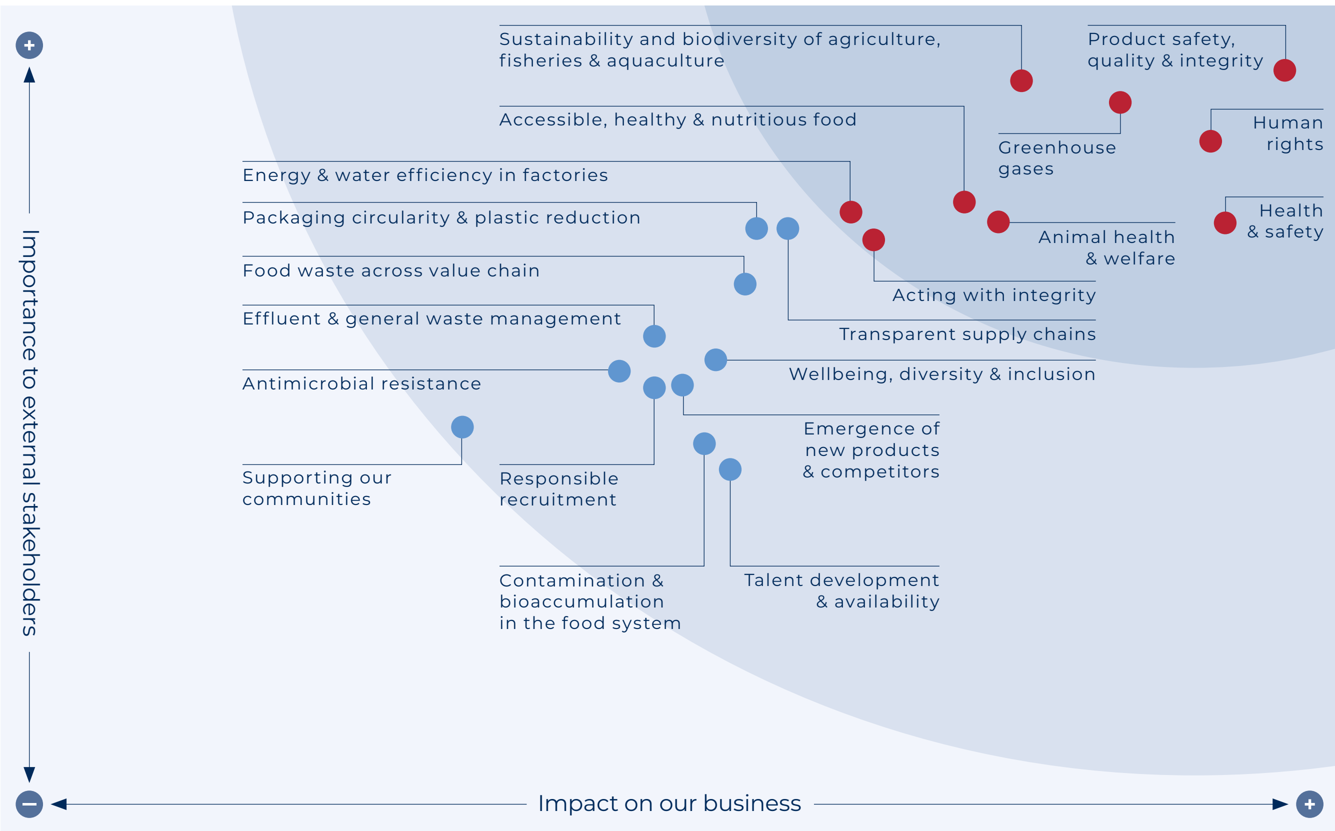
Ensuring communities and workers across our value chain receive fair treatment and are safeguarded is a moral, regulatory and strategic imperative.

Around the world, governments are introducing additional legislation to protect these rights; complying with, and where possible, exceeding these legal requirements is a core part of the Sustainable Protein Plan.

Health & safety

We are duty bound to instil a safety-first culture across our operations and supply chain.

Adherence to strong health and safety standards is essential across all sites and for our value chain partners. We are committed to reducing health and safety accidents and their severity through ensuring employees' awareness of health & safety issues.



GOVERNANCE AND LEADERSHIP TARGETS

At Hilton Foods, we are delivering our Sustainable Protein Plan by embedding sustainability within the overarching business strategy and governance of the business. Our governance structure drives the delivery of the goals and targets in our plan and includes oversight at all levels of the business, right up to the Board.

Main Board

The Board is formally updated on the progress of the 2025 Sustainable Protein Plan every six months and together with the Sustainability Committee have oversight over the implementation of Hilton Food's sustainability strategy throughout the business.

Sustainability Committee

The Committee is accountable for the delivery of our long-term social and environmental strategy and progress. It approves formal corporate sustainability reporting and supports the Senior Management Team in its delivery. It is formally updated on progress every three months and to ensure the ongoing resilience of Hilton Foods, it assesses climate-related risks and opportunities in collaboration with the Audit and Risk Management Committees. The Committee is chaired by Non-Executive Director Rebecca Shelley.

Executive Leadership Team

The Executive Leadership Team is updated monthly, alongside the CEO, on the progress of our 2025 Sustainable Protein Plan, and relevant collaborative projects and customer requirements.

Senior Management Team

The CSR team is led by the Chief Quality and Sustainability Officer. It supports our site-level senior management teams to achieve our targets, supply chain engagement and progress global reporting. Progress against our sustainability targets is shared across different functional areas, from People and Culture, to Quality, Operations, Finance and Procurement. The CSR team lead the implementation of our strategy alongside the Site CSR Leads.

Leadership targets and LTIPs

The 2025 Sustainable Protein Plan is a fundamental part of our plan to generate sustainable value for all our stakeholders.

This year, we have therefore further embedded sustainability as a driver of how we do business by announcing specific ESG targets in the Hilton Foods Long-Term Incentive Plan (LTIP).

This is the first time the LTIP contains a significant ESG element. The changes are designed to demonstrate in practice the importance of the 2025 Sustainable Protein Plan to the business, and ensure leadership are held accountable to the progress we strive to make.

The performance conditions covering the three financial years 2022-2024 are as follows:

Metric	Weighting	Threshold 10% vesting	Maximum 100% vesting
EPS	60%	5% growth per annum	12% growth per annum
Relative TSR compared with the constituents of the FTSE 250 (excluding investment trusts)	25%	Median	Upper quartile
ESG			
i) Scope 1 & 2 energy efficiency	5%	6.5% reduction over 3 years	43.9% reduction over 3 years
ii) Packaging recycled content	5%	11.7% increase over 3 years	28.3% increase over 3 years
iii) Food waste	5%	15.0% reduction over 3 years	30.0% reduction over 3 years

WHO IS RESPONSIBLE FOR THE SUSTAINABLE PROTEIN PLAN AT HILTON FOODS

Main Board

Set the ambition for long-term CSR programme, embedding this in the business culture

- Chairman
- CEO
- Chief Financial Officer
- Non-Executive Directors

Sustainability Committee

- Non-Executive Director
- Representatives from Executive Leadership Team

Audit and Risk Management Committees

- Non-Executive Directors
- Key international leaders across the business
- Group Sustainability Director
- Group Internal Audit & Risk Director

Executive Leadership Team

Agree and oversee delivery of targets

Find out more about the Executive Team:
www.hiltonfoods.com/who-we-are/executive-leadership-team

Senior Management Team

Set global strategy and oversee Group and local implementation plans

- Managing Directors
- Head of Departments
- Group Sustainability Director
- Commercial functions

Responsible for CSR projects and reporting

- Group CSR Team
- Site CSR Leads

Integrate CSR strategy into their areas of responsibility

- People & Culture
- Procurement
- Quality
- Operations

- Direct responsibility for CSR, including climate
- Shared responsibility

SUSTAINABILITY REPORT
PEOPLE

At Hilton Foods we employ over 7,000 people, dedicated to serving our customers and their 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 equity and respect, ensuring opportunities for skills and career development are open to all. We work together to keep our business resilient for the future, bringing the diversity, creativity and 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. The following chapter highlights the work of our teams in these areas.

ALIGNMENT WITH THE UN SDGs

5 GENDER EQUALITY	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 DECENT WORK AND ECONOMIC GROWTH	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

Read more about how we are prioritising mental health
page 49

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
- 100% of labour and service providers audited to Hilton Foods Agency Labour Standard
- 100% of primary suppliers agreed to Hilton Foods Supplier Social Code of Conduct
- 100% of new primary suppliers screened using social criteria
- 100% of high risk primary suppliers audited

Read more about how we assess human rights impacts
page 50

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 colleagues will be offered the opportunity to participate in ‘work conversations’ or performance development reviews with their manager to discuss performance, development career aspirations, wellbeing and share 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, 150 colleagues will have experienced the programmes

Read more about how we are helping our people to develop their skills
page 52

VALUING OUR PEOPLE

Our people are at the core of how we do business. They bring our culture to life within our factories, offices and communities. Through our 2025 Sustainable Protein Plan, we want to create an ambitious future, built together, with all our employees.

Providing the space and culture in which all employees can speak freely is an important part of the work we do. This is why we do an annual survey to give employees the opportunity to feedback, which helps us understand what's important to them. We were pleased with engagement levels in 2022, when 91% of our employees contributed to the survey – a 14-point increase on 2021. Enhancing employee wellbeing is important to us; we will always strive to do better through best-practice sharing amongst our global sites.

As a growing international organisation, it's important that the different values, cultures and nationalities across our business are included in the way we do business. Our new core behaviours inform the actions, attitudes, and care all our employees bring to work.

We developed these core behaviours following 18 focus groups across our worldwide geographies. Employees across a variety of job levels and nationalities were provided with the opportunity to outline what behaviours within Hilton Foods ensure that they feel included.

Health, safety and wellbeing are absolutely essential for our people agenda. These are facilitated through good leadership, safe behaviour, the continuous improvement of our Global Safety Framework and our core behaviours.

We continue to make strides in this area. Our Global Health and Safety Framework was extended to all sites in 2022, with 94% of employees reporting that they understand how to apply our health and safety rules in their day-to-day work. We are committed to the continuous improvement of health and safety performance and ensure employees' awareness of health and safety issues.

In the aftermath of the pandemic, supporting and improving mental wellbeing is more important than ever. We made progress here too, as set out in the case study on the following page.

Finally, part of who we are as a business is how we care for our communities. Many of our employees have been impacted by events in Ukraine, motivated by family connections or humanitarian concerns. Employees across our European sites have fundraised, collected goods, and provided practical support to refugees. Hilton Foods UK collected a remarkable 33 pallets of donations over a period of five days, partnering with other local businesses in Cambridgeshire to deliver this safely to Ukraine.

OUR CORE BEHAVIOURS

We're open and honest

- We share knowledge and information
- We are clear on expectations
- We value honesty

We value each other

- We recognise efforts of others and say thank you
- We listen to and value the voices and ideas of others
- We value others for who they are

We're respectful

- We never discriminate against others
- We treat others how we wish to be treated
- We respect others' time, workload and commitments

We're friendly and inclusive

- We are welcoming and patient
- We celebrate and embrace our differences
- We say 'hello' and know the value of a smile

We're understanding and supportive

- We care and support the wellbeing of others
- We support training and career development
- We listen and give supportive feedback

We're responsible

- We proactively ask for and give help to others
- We take personal responsibility for our actions
- We trust, support and hold each other to account

SPOTLIGHT ON MENTAL WELLBEING FOR HILTON FOODS EMPLOYEES

At Hilton Foods, health and safety extends beyond physical safety to encompass mental and emotional wellbeing. We believe that wellbeing is the responsibility of everyone, and ensure that all employees are given time to talk about how they are feeling through either 'work conversations' or their performance development reviews.

In 2022, we increased our focus on wellbeing across our production sites and established a Group Wellbeing Framework, supported by our European Wellbeing Working Group. Our framework is designed to deliver a holistic vision for wellbeing across our sites, covering five core areas: physical wellness, education and health promotion, the provision of wellbeing support, financial literacy, and community engagement.

Our European sites also took part in awareness campaigns around mental health and wellbeing. The majority of our sites have also met or exceeded having two mental health first aiders on site, meaning employees are able to access the support they need at work quickly and from a variety of trusted colleagues.

"One of my goals was to delve more into the topic of mental health, where there is still a stigma and there shouldn't be. The training has equipped me with skills and knowledge to enable me to act as a helping hand to anyone who may have concerns about wellbeing."

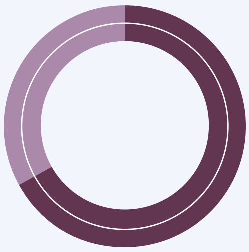
Safety and Wellbeing Coordinator
Hilton Foods UK

80%

of employees say 'I feel I can be myself at work'

(results of 2022 staff survey: vs 74% in 2021)

Senior Management



Male 67%

Female 33%

SPOTLIGHT ON DIVERSITY, EQUITY AND INCLUSION

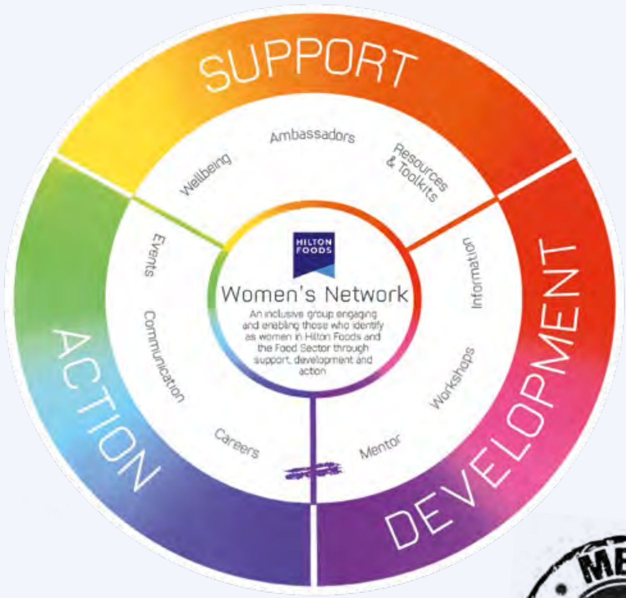
We want everyone to feel themselves at work. Our 2022 staff survey revealed 80% of employees say 'I feel I can be myself at work' – a six-point increase on 2021.

We made important strides towards our commitment of supporting women in the workplace with the launch of our Women's Network. We ran a number of successful workshops, open to all employees within Hilton Foods and covering a range of topics including Being Yourself at Work, How to Network, Building Your Confidence at Work and Dealing with Change.

In 2022, we continued to be a Strategic Partner to the 'Meat Business Women' network – offering networking opportunities, mentoring and workshops to women across our business.

We are proud to announce that we have already exceeded our target for 30% of women in leadership across our business. In 2022, 33% of our senior leadership roles* were held by women; this is a testament to the hard work of our teams to achieve equity across our business. We are committed to anti-discrimination and will continue to support women to achieve their potential within Hilton Foods.

*In this context, a 'leadership role' will mean any job roles at functional lead or senior specialist level.



RESPECTING HUMAN RIGHTS

Building strong ethical standards to embed respect for human rights across our value chain is an essential step toward a fairer food system.

Our approach is informed by Principle 15 of the UN Guiding Principles on Business and Human Rights (UNGPs), which makes clear that companies must "know and show" that they respect human rights.

We do this by working to protect the human rights of workers, both within our business and our network of global supply chains. This includes establishing fair remuneration, respect for all employees' right to freedom of association and collective bargaining, high health and safety standards, workplaces free from discrimination, and consistent access to effective grievance procedures and remedy.

We have continued to integrate our Human Rights Policy into our core business functions, through the implementation of our global Supplier Social Responsibility Code of Conduct and accompanying Compliance Requirements. We are delivering a globally agreed appraisal of human rights and labour risk, linking this to our supplier approval process. We use the internationally recognised supply chain transparency platform, Sedex, to monitor labour standards and gain in-depth insight into working conditions in supplier sites.

We always seek to work collaboratively with our suppliers, providing resources, training, and developing shared workstreams to align within the supply chain, through our Food Network for Ethical Trade and Seafood Ethics Action Alliance memberships.

Where suppliers are found to be high-risk, they are required to provide additional due diligence, up to and including an independent ethical audit. Our preferred methodology for ethical audits is the Sedex Members Ethical Trade Audit (SMETA). If a supplier is unwilling to engage on corrective actions or provide remediation to workers, Hilton Foods will re-audit, re-train and if we have to, end the contract in question. Hilton Foods has committed to engage in remedy where workers have been adversely affected.

SPOTLIGHT ON OUR APPROACH TO HUMAN RIGHTS

Our Human Rights Policy helps to ensure that Hilton Foods incorporates the careful evaluation of human rights principles into our decision making and actions.

We actively assess human rights impacts that may be indirectly linked to Hilton Foods, take appropriate action, monitor implementation and report annually.

During 2022, we:

- Operationalised our Modern Slavery Strategy in APAC and established a multi-function Modern Slavery Working Group for our businesses in the UK and the Republic of Ireland. This enables candid conversations about the challenges of detecting and disrupting modern slavery.
- Developed and implemented a Hilton Foods Accommodation Standard, so that whenever housing is provided by one of our businesses we can be assured of the quality.
- Launched a new Children's Rights and Child Labour Remediation Policy in consultation with our local People and Culture Managers. We are working to ensure that all staff understand their statutory obligations with respect to children and young people at all times, from apprentices to work experience.
- In response to well-evidenced academic reports regarding labour abuses and restrictive visas in UK fisheries, we worked collaboratively via the Seafood Ethics Action Alliance to develop an action plan with Producing Organisations, representatives of UK vessel owners, and key welfare organisations to address and remedy the issues faced by UK fishers.

COLLABORATION

TRANSPARENCY

PARTNERING FOR CHANGE

We know that more can be achieved together, which is why we collaborate with a number of different organisations to safeguard human rights and improve working conditions.

This includes working with the Red Tractor Technical Working Group on the development of their Worker Welfare Module, and strengthening our commitment to the Food Network for Ethical Trade through engaging in its governance by becoming an elected Board Member. We are a founding member and Chair of the Seafood Ethics Action Alliance, a collaborative forum for ensuring human rights are respected in seafood supply chains.

Some of our strongest work came in the form of Speak Up!, a new grievance policy and procedure. Speak Up! was developed in partnership with our customer Tesco, Reckitt, and the Oxfam Business Advisory Service. It was also driven by the work and input of our employees.

The project focused on implementing an operational-level grievance mechanism aligned with the United National Guiding Principles (UNGPs) key effectiveness criteria. At Hilton Foods UK, an employee taskforce was formed to analyse the user experience of raising concerns, complaints and new ideas. This taskforce rebuilt the site's grievance policy, producing a new procedure making clearer the routes to engaging meaningfully with site management.

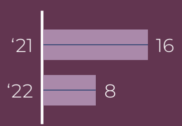
Disaggregated data is now shared both with the site's senior management team and their Your Voice Committee, to deliver transparency and drive accountability on response times from the business.

Since implementing this project, HFUK have seen a positive increase in employees speaking candidly about their experience of work. This coincides with an overall decrease in employees raising formal grievances. Our business functions at its best when everyone has a voice.

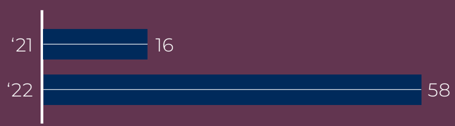
Impact of 'SpeakUp!' Policy

Number of informal grievances raised

Number of formal grievances raised



Total grievances raised



DEVELOPING POTENTIAL

Ensuring our business is ready for the future means giving all our people the opportunity to thrive and develop professionally.

At Hilton Foods, that is about creating an inclusive culture, where everyone is able to fulfil their potential, no matter who they are, or where they are from.

We believe that everyone in every role deserves the chance to have a good quality conversation about themselves and their work with their manager, or someone else who can support them.

Good quality conversations are those in which employees:

- are recognised as an individual with unique talents;
- know what is expected of them within their role;
- feel their views and ideas are valued; and
- have a chance to discuss their ambitions and job progression.

To make conversations like these an everyday part of how we do business, in 2022 we launched our 'work conversations' initiative and then saw a seven-point increase in those reporting they were given opportunities to talk about their performance at work.

We have also created a development framework for our employees to access, so they can identify and realise the career and training opportunities that are right for them. We work hard to increase our internal hire ratio and invest in learning and development, both structured and on-the-job learning.

HILTON FOODS AUSTRALIA

SPOTLIGHT ON LEARNING & DEVELOPMENT AT HILTON FOODS

In 2022, we saw a nine-point increase in the number of employees who felt that training opportunities provided had helped them to do their work well.

Areas covered in training received by our production employees in 2022 included: Internal Auditing; Quality Assessments; Pest Awareness; Manual Handling; Accident Investigations; First Aid at Work; Confined Spaces; Fire Marshalling; and Control of Substances Hazardous to Health.

We aim to motivate our people by recognising and rewarding their talent and by nurturing our leaders so that they can lead by example, and truly care about and invest in our people. This year, one of our sites delivered a full day programme on 'Leading a Team' to a new cohort of team managers and leaders. This will continue into 2023.

In Hilton Foods APAC, the Seed Framework enables our people to develop and grow. Learning is interactive, practical and aligns with our values. It is broken into induction, compliance training and technical sections, to develop world-class leaders. Every team member has the opportunity to complete training, either for their role or to opt in for personal growth learning

Since introduction, our engagement scores have risen significantly, demonstrating our people feel confident in how to do their role and are satisfied with learning opportunities on offer.

HILTON FOODS UK

HILTON FOODS AUSTRALIA

HILTON FOODS NEW ZEALAND

SPOTLIGHT ON STRUCTURED LEARNING AND DEVELOPMENT AT HILTON FOODS

We believe in the importance for professional development opportunities across all levels of the business and experience.

In the UK, our apprenticeship programmes have grown in 2022 across our UK sites to include engineering, accounting, technical and People & Culture functions. In 2023, our apprenticeships will also extend to placements within our Learning and Development teams.

We continue to roll-out our Manufacturing Excellence Programme, based at our Hilton Foods UK site. Colleagues across all functions attend the intensive 2 week lean-training programme, where we train our teams to use the best improvement tools and techniques in the world, and combine this with their passion, work ethic and experience to create true excellence.

In Hilton Foods APAC, our people are given the opportunity to develop their careers by gaining industry recognised qualifications. In Australia this covers the Certificate 3 in Meat Manufacturing, Certificate 4 in Quality, and Certificate 4 in Leadership. Within New Zealand the qualifications include Distribution, Meat Boning and Seafood. There are 703 active enrolments in these qualifications.

Our Strategic Accelerated Development Programme takes a personalised approach to the development of those with potential for the most senior roles within Hilton Foods. This year, a new cohort completed the 'Exploring' leadership course, which focuses on potential successors to senior management roles. It is a seven-month programme run every two years, including development modules, individual coaching sessions, and two live Executive sponsored business projects.

703

active enrolments in distribution, meat boning and seafood qualifications

"My biggest takeaway was the access to the knowledge of our international colleagues; it deepens the Hilton Foods spirit and family-feel."

Operations Manager
Hilton Foods Holland

"One of the key highlights of the course for me was getting to build relationships across the other Hilton Foods sites. The opportunity to have time to focus on my career and be given tailored guidance on how to improve how I operate and help my team was great."

Supply Chain Manager
Hilton Foods UK

"I have been fortunate to have completed the Hilton Foods Exploring Leadership Programme this year which gave me a platform to really focus on refining my leadership skills, build a really strong network with my international colleagues, with one to one mentoring and coaching support."

Strategy and Planning Director
Hilton Foods UK & Ireland

Our Sustainable Protein Plan sets out our ambition to contribute positively to the future of life on our planet by managing and reducing our emissions, enhancing animal welfare and progressing a Nature Positive agenda.

As part of a sector responsible for 30% of global emissions, we have a responsibility to transition to a circular food system, in line with best practice in sustainable food production. At Hilton Foods we recognise the integral role we play, which is why we have committed to being a net zero business by 2050.

To back this ambition, we have created and are now implementing detailed decarbonisation plans for our own operations and our key supply chains, in line with our continued progress towards our verified Science Based Targets.

In addition, embedding high standards of animal welfare throughout our supply chain is integral to Hilton Foods, values and as nature rises up the agenda for regulators and businesses alike, we are working hard to improve our stewardship of land and sea.

ALIGNMENT WITH THE UN SDGs

2 ZERO HUNGER	2.4	By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems
14 LIFE BELOW WATER	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 LIFE ON LAND	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 the end of 2025 and globally by 2027

Achieve our Science Based Targets to reduce absolute scope 1 and 2 GHG emissions 25% by 2030 from a 2020 base year and reduce absolute Scope 3 GHG emissions from purchased agricultural products by 12.3% within the same timeframe. We are committed to publish updated ambitions in 2023

An intensity reduction of 15% in emissions of cattle in Europe by 2025, aligned to the ERBS Sustainability objectives

Read more about how insects are helping to reduce carbon emissions
page 57

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

Read more about our animal welfare initiatives
page 58

Read more about how we are helping to protect ecosystems
page 61

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 Hilton Foods standards (aligned to the Sustainable Seafood Coalition code and PAS 1550), actively engaging in fishery improvement projects (FIPs) and aquaculture standards development, and openly reporting our supply chains and their status in the Ocean Disclosure Project
- Hilton Seafood UK directly sourced wild caught seafood will be 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

REDUCING EMISSIONS

Every business in every sector has a responsibility to reduce emissions and play their part in helping the world address the climate emergency. This is particularly important in the food sector. Without significant changes to operating models, the agriculture industry is set to be disproportionately impacted by increased extreme weather events caused by climatic change.

Our Sustainable Protein Plan commits us to achieve net zero emissions before 2050 and net negative emissions beyond that to demonstrate our commitment to emissions reductions and the way we do business.

This year we're proud to announce that we have made 14% reduction in like for like Scope 3 emissions and achieved an A- rating from CDP for Climate Change, who recognised us as a Supplier Engagement Leader.

Our agricultural value chain has a unique role to play in global emissions reduction, with the land we use having the capacity to store carbon, above and below ground, offsetting surplus emissions in other parts of the economy.

The starting point for sustained progress is clear and accurate data for informed decision-making. This data will help us to develop tools to ensure everyone understands the role they have to play, working with a wide set of partners and experts to accelerate emissions reductions across the value chain.

Scope 1 and 2 emissions by region

OXFORD DOCTOR OF PHILOSOPHY PROGRAMME

To accelerate the transition to net negative emissions throughout our supply chain, we're partnering with scientists at the University of Oxford and World Resource Institute (WRI).

This partnership involves supporting a Doctor of Philosophy (DPhil) project, focused initially on UK beef production, but with wider applications. The research will explore how measuring gases based on their contribution to warming (rather than total emissions) and using different methods of measuring the impact of land use, might influence decision making at a farm, corporate and national level.

The DPhil is also helping us to develop our own decarbonisation strategy, considering how agricultural policy may incentivise emissions mitigation without impacting food production.

Unlike most industrial sectors, emissions from agriculture are not dominated by CO_2; methane and nitrous oxide are more significant. Methane in particular is shorter lived in the atmosphere, but has a stronger warming effect during its lifetime compared to CO_2. This research will consider how that allows policymakers to make decisions that best reduce warming while considering use of land for producing food and for storing carbon.

SPOTLIGHT ON OUR EMISSIONS REDUCTION INITIATIVES

Using our in-house expertise, we partner with academics, our supply chain, NGOs and government partners to explore a variety of initiatives and innovations for emissions reduction.

For livestock and farming we:

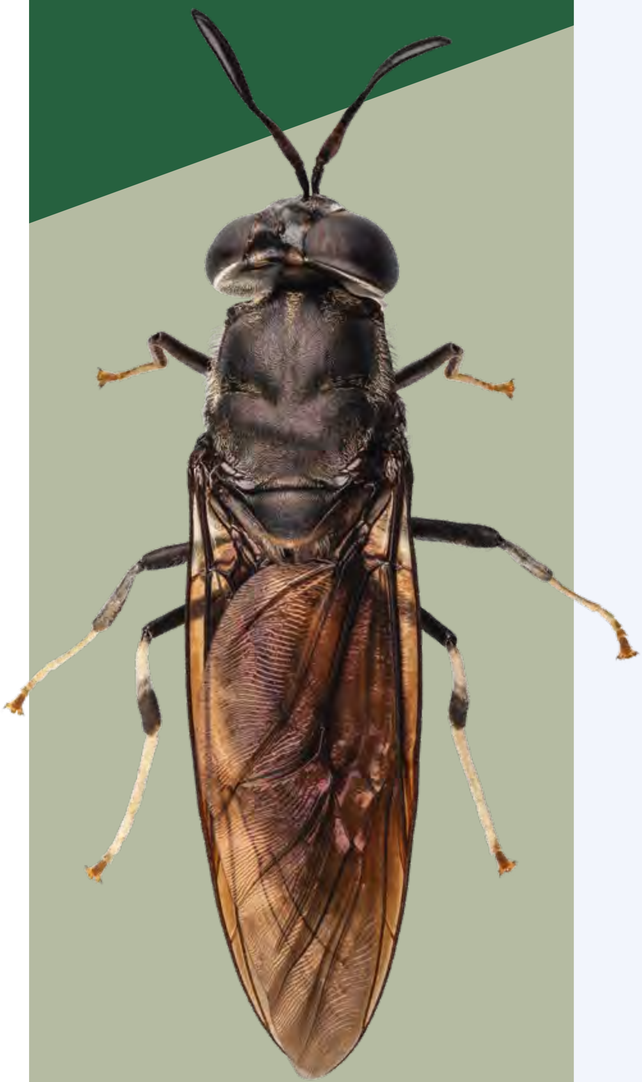
- Partnered with the University of Stirling, Centre for Innovation Excellence in Livestock (CIEL) and The Sustainable Trade Initiative (IDH) to collect primary data on direct emissions from Pangasius farming, on partner farms. This cutting-edge primary research will allow us to better target our decarbonisation activities by providing the whole sector with a clearer understanding of the factors that lead to greenhouse gas emissions in tropical aquaculture.
- Began a project with the University of Lincoln to understand how farm emissions from manure can be reduced.

In terms of infrastructure and production, this year we:

- Continued to phase out the use of diesel and petrol-powered fork-lift trucks, and began to phase out F-gas emissions at our sites.
- Continued work to move away from direct vented CO_2 coolant systems in our mince production, reducing direct emissions.
- Piloted the use of a rapid recipe lifecycle assessment in our new product development process, allowing us to consider the environmental impact of new products.
- Worked with Foods Connected to build the infrastructure to allow us to target our resources on the most material areas of our footprint and effectively monitor improvements.
- Our engagement this year included with WRAP in the development of measurement standards for the food industry which will enable data reporting through the supply chain. We also supported Defra's work on Comparative Life Cycle Assessment of Food Commodity Production project, which aims to improve the underlying data used to calculate emissions.

INNOVATION PARTNERSHIP

HILTON FOODS UK



Above Larvae of the black solider fly (shown) are being investigated as a potential source of sustainable protein.

Right Algae growing at Future by Insects' facility, ready to be fed to the insect larvae.

FUTURE BY INSECTS

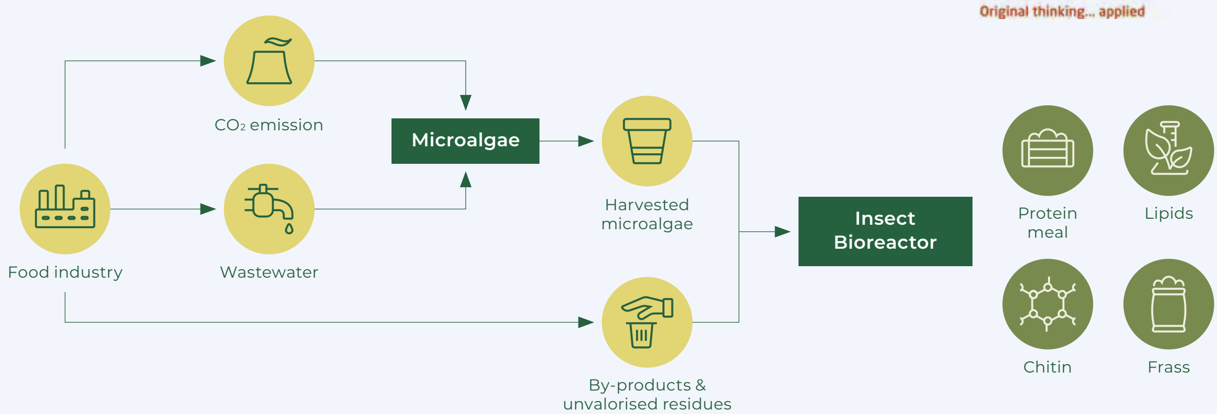
Hilton Foods has partnered with Future by Insects, Fera and Greencore to accelerate the development of carbon negative aquaculture feed.

Funded by Tesco-WWF Innovation Connections accelerator fund, the project combines food industry by-products and microalgae to create nutritious food for insect larvae. The project is designed to use captured CO_2 emissions and factory wastewater to feed the microalgae in future as part of a carbon negative system.

The larvae are being raised in Fera's newly commissioned insect rearing facility and can be used to produce feed for fish in aquaculture systems. The microalgae are grown at Future By Insects' lab simulating CO_2 capture and food processing wastewater treatment. The projects' aim is to confirm that insect larvae can be used as a sustainable alternative to soy and wild-caught fish meal.

It is also hoped that the project's use of captured CO_2 may deliver long-term carbon storage. This will be validated in the lifecycle assessment which the Hilton Foods team will carry out later in 2023.

Future By Insects
Greencore
fera Original thinking... applied



ENHANCING ANIMAL WELFARE

Ensuring that there is no compromise when it comes to animal welfare is a central part of our sustainability ambitions.

The science and understanding of animal welfare is continually developing and we consistently work to adopt new innovations to improve the lives of animals. This year we published our updated animal welfare standard, including nine animal health and welfare objectives and our progress against them.

Stakeholders' interest in animal welfare continues to rise. In response, we have been actively promoting and engaging the development of standards to deliver transparency and address welfare improvements in our supply chains. This includes increasing our contribution to industry working groups focused on improving the lives of animals in our supply chain and the markets we operate in, as well as driving standards and innovation in the care of animals.

Through our partnerships we continue to explore innovations and accelerate our impact, and that of the wider industry. This year we joined the Stakeholder Advisory Board for the Animal Welfare Research Network to support identification and prioritising of research areas. We also hold the Vice-Chair of the European Roundtable for Sustainable Beef, are founding members of the Food Industry Initiative on Antimicrobials, and our Aquaculture & Fisheries Senior Manager is Co-Chair of Global GAP Aquaculture Committee, which we have been part of since its inception.

HILTON FOODS UK

HILTON FOODS HOLLAND

SPOTLIGHT ON OUR ANIMAL WELFARE INITIATIVES

We're undertaking a wide variety of initiatives and partnerships which continue to drive standards and innovation in the care of animals to enhances their lives.

Progress this year included:

- 80% of our prawns destined for the UK market were stunned using the electric stunner that we received the Compassion in World Farming Innovation Award for implementing in 2021.
- 'We supported the Hilton Foods auditors by providing internal and external training in animal welfare assessments, both to upskill their general knowledge and to give audit specific training on this topic. Species specific experts also carried out shadow audits with the auditors to enhance their learning.
- Foods Connected found new ways to use existing tools to meet the growing needs of their clients, including using biosecurity surveillance mapping to understand the impact of avian Influenza protection zones, and using multiple tools to digitise access of company policy and procedure at farm level. This allows producers to live-capture traditional flock card data.

FOODS CONNECTED

ENHANCED ANIMAL WELFARE PROGRAMME AND OUTCOME SYSTEM

In 2021, we developed the Hilton Foods Animal Welfare Supplier Standard for cattle, sheep and pigs so that we could help our retail and food service customers enhance their animal welfare due diligence. We completed seven trial audits to ensure the standard was fit for purpose, and that our auditors and suppliers understood what was expected for all elements.

We began to roll this out and have completed 58 audits altogether; 48 cattle audits, four pig audits and six lamb audits. Of this, 40 achieved a green rating, we worked with all of our suppliers to close their non-conformances and have successfully closed out all of our audits ensuring continuous improvement.

Building on auditor training completed in 2021 to enhance the expertise of our auditors, we had species-specific experts shadowing audits, in addition to online and specialised training in areas that the auditors found challenging, such as animal handling.

We continue to utilise Foods Connected to build our Animal Welfare Outcome system across cattle, sheep and pigs that enter our supply chains. Foods Connected allows us to develop efficiencies in the reporting processes we use with our suppliers.

The adjacent table gives some examples of the data we collect.

What	Why	Species
Average Transport Time	There is considerable evidence that animal welfare may be compromised by excessive transport times, and for this reason we have oversight of all transport times.	Cattle, Sheep, Pigs
Animal Handling (Slips and Falls)	Slips and falls can directly impact the health of the animal, causing physical injury and stress.	Cattle, Sheep, Pigs
Casualty/ Detained Animals	It is essential to animal wellbeing that any animal displaying physical injury does not undergo travel, a significant stressor.	Cattle, Sheep, Pigs
Goad Use	The limited use of handling aids is a key welfare objective; excessive use can be indicative of poor handling design or poor employee understanding.	Cattle

40/58

40 of a total of 58 audits achieved a green rating

NATURE POSITIVE

2022 saw the protection and restoration of nature become a leading sustainability topic. The COP15 UN Biodiversity Conference in Montreal delivered a landmark global framework for nature recovery and included a requirement that all large companies assess and disclose their risks, impacts, and dependencies on nature by 2030.

Meanwhile, the Taskforce on Nature-related Financial Disclosures (TNFD) is working to provide a framework for organisations to report risks from biodiversity loss and ecosystem degradation, and the Science Based Target Initiative has added nature to its target-setting framework.

All of this, as well as the links we have to nature as a business, means we are acting now to reduce and remove the drivers that lead to the degradation of nature.

That means taking a holistic approach to protecting and restoring nature, working with partners to improve our stewardship of land and sea; promoting biodiversity; and addressing deforestation, where we've scored a B- with CDP Forests; and working together with industry to set better standards.

SPOTLIGHT ON SOY

Our Sustainable Protein Plan commits us to eliminating deforestation from the conversion of natural forest to agriculture or livestock production.

We recognise this is a significant challenge and that we need to work collaboratively with all stakeholders to ensure this transition.

It is for this reason that we are founding members and board members of the UK Soy Manifesto and the Soy Transparency Coalition, who bring together stakeholders in the food system around common commitments to agree industry-wide implementation plans.

Great progress has been made in the agreement of the joint transition plan to enable our farmers to purchase 100% deforestation and conversion free (DCF) soy in the UK. We have aligned our UK commitment to the manifesto requirements and publish progress annually. This year we published our UK Commitment to Sourcing Deforestation and Conversion Free Soy which details our commitment and implementation roadmap.

We've already made progress. All of our salmon comes from segregated DCF sources. In 2022 a significant proportion of our warm water prawn supply chains sourced from segregated sources and we are working towards 100%.

In 2023 the group has committed to produce a quarterly soy deforestation risk register for UK soy imports, tracking the UK's progress in the importation of deforestation and conversion free soy. We also agreed to a joint transition plan, coordinated by a high-level cross-supply chain governance group, with support of expert stakeholders to monitor and review the transition, ensuring the risk and responsibilities are shared.

For beef, we have aligned a UK cattle industry soy commitment in the UK Cattle Sustainability Platform. We have also developed a working group to focus on how to enable our farmers to responsibly source soy.

30

sites across Devon and County Down have had Chirrup boxes installed

HILTON FOODS UK

PROTECTING ECOSYSTEMS WITH CHIRRUP.AI

Hilton Foods has partnered with technology start-up Chirrup.ai, through the Tesco-WWF Sustainability Innovation Fund.

Chirrup.ai uses cost-effective technology to monitor birdsong as a biodiversity indicator for grassland-based farming. Acting like a robot ecologist, a Chirrup box is placed in an appropriate place on the farm, where ambient sound is recorded and used by artificial intelligence to identify the population of each of the species it detects. This allows us to assess the ecosystems, health, measure natural productivity and build improvement plans for the farms where Chirrup boxes are deployed.

Chirrup boxes have been deployed to 30 sites across dairy, beef and sheep systems in Devon and County Down. Over the winter the team have been focused on refining the physical monitoring process. Throughout spring 2023, we will support Chirrup with revalidation and the building of a standard for the use of this new technology.

HILTON FOODS SEAFOOD

LEMON SOLE AND PLAICE FISHERY IMPROVEMENT PROJECT

Hilton Seafood UK is an active collaborator in fishery improvement projects (FIPs). Sourcing from environmentally sustainable sources is an important part of our seafood strategy.

Over 98% of our wild-caught fish is being certified to the MSC Standard, with the remainder actively being brought up to certification standards through further FIP activity. The MSC Standard is considered to be one of the most comprehensive environmental standards for responsible sourcing in wild capture fisheries. FIPs enable fisheries to develop actionable plans to work toward MSC certification, through collaborative engagement.

In 2022 we were involved in the FIPs for lemon sole and plaice, both led by Project UK.

Project UK has provided a platform to collaborate with the fishing industry, scientists and NGOs, to achieve an environmentally sustainable future for UK fisheries.

A Marine Stewardship Council (MSC) pre-assessment was commissioned to develop an action plan for each fishery, which identifies actionable improvements. Since 2017, Project UK for lemon sole and plaice has achieved 21 of the 28 MSC Principles, which any fishery needs to achieve certification.

Over the next year Project UK members will focus on improving the management strategy for the fishery, influenced by re-negotiations post-Brexit.

SUSTAINABILITY REPORT
PRODUCT

Our aim is to provide the high quality, nutritious and affordable proteins that society needs, in a way which limits impacts on the environment.

This year alone, our protein products reached an estimated 160 million people and we continued to seek out new ways to provide consumers with a broader range of healthy, delicious proteins and sustainable alternatives.

We are working with our suppliers in the UK and Europe to limit our environmental impact, including reducing the amount of packaging in our products and increasing the amount of recyclable material we use, as we work towards a circular economy.

Our efficiency programmes at all sites have continued to minimise food waste and reduce our consumption of energy and water, sharing best practice across our company and making the most of our global network.

ALIGNMENT WITH THE UN SDGs

7 AFFORDABLE AND CLEAN ENERGY	7.2	By 2030, increase substantially the share of renewable energy in the global energy mix
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	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

Read more about how we are innovating to provide consumers with healthy food choices
page 65

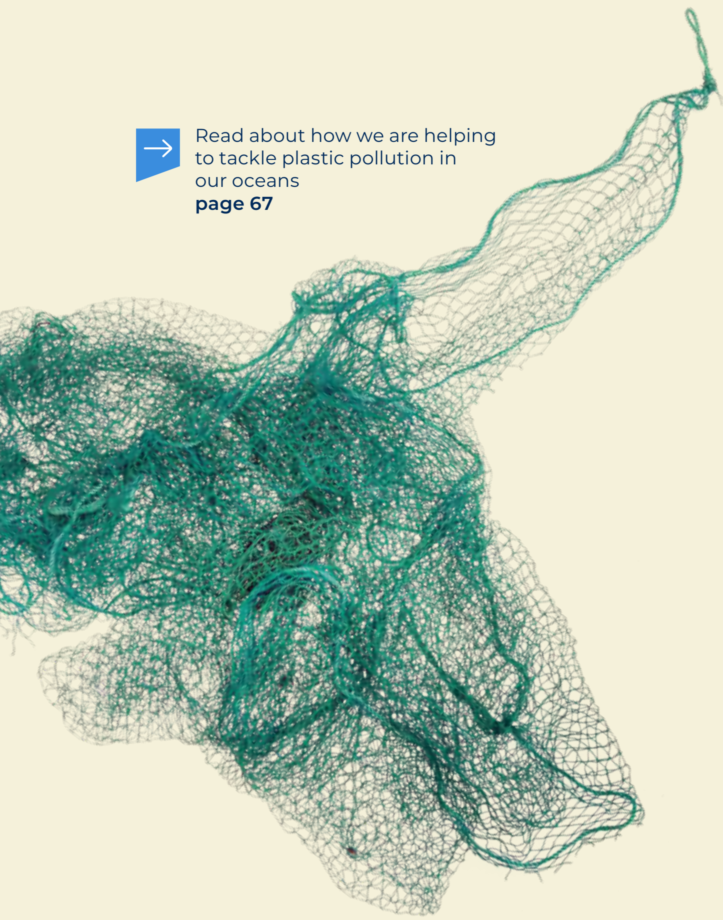
CIRCULAR PACKAGING

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

Read about how we are helping to tackle plastic pollution in our oceans
page 67

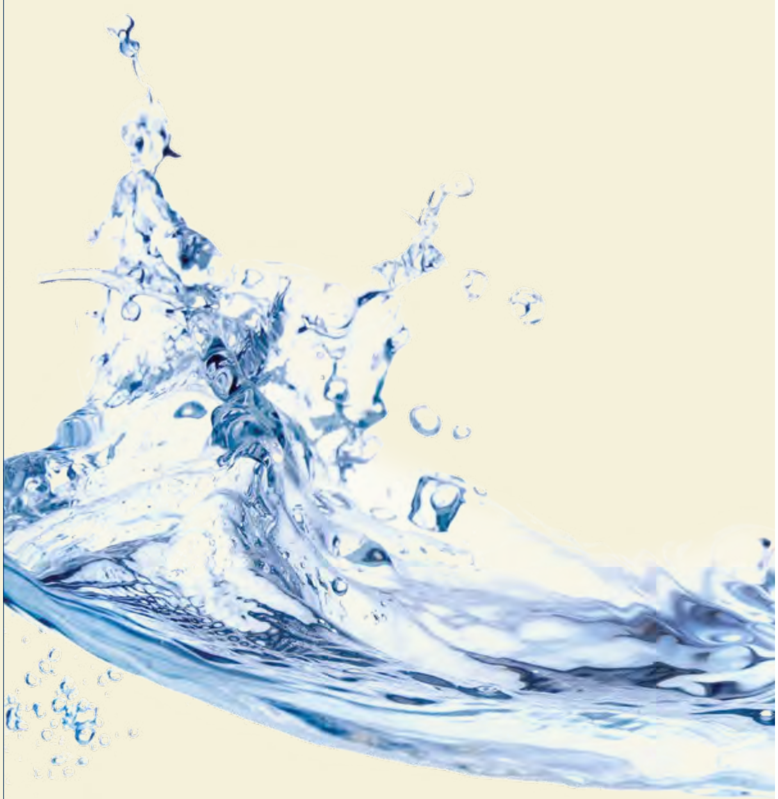


RESOURCE EFFICIENCY

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 2020 baseline
- Improve water efficiency in our facilities by at least 10% compared to a 2020 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



Read more about what we are doing to conserve water
page 68

BALANCED HEALTHY DIETS

Our Sustainable Protein Plan was developed around the idea that we have a responsibility to make it easier for consumers to identify healthy and sustainable protein options.

To do this, we have continued to build our science-based knowledge on the positive role of each protein we produce, within a balanced diet, to inform our product development.

This year, the rise in cost of living has put pressure on consumer and household spend. According to consumer research completed by GlobalData, 58% of global consumers now follow a stricter budget when grocery shopping, up 5% on last year. Beef and lamb have been amongst the top eight items impacted by 'till shock', which means consumers have continued to be surprised by prices for these products.

In this context, it is all the more essential that we offer a range of healthy and affordable protein options to consumers. With this in mind, this year we continued to produce innovative new products like 'Facon', a plant-based 'bacon' and the high-fibre products in Poland, providing consumers with a broader range of healthy, delicious proteins.

With our investment in Cellular Agriculture Limited, we have continued this commitment to diversify into sustainable alternatives. We are working to better understand the positive environmental impacts and therefore the opportunity cultured meat presents.

HILTON FOODS CENTRAL EUROPE HILTON FOODS SVERIGE HILTON FOODS DANMARK

23 of 31

of our products in Poland supplied to our customer Zabka have Nutriscore labelling with either an A or B score

AGILITY

DEVELOPMENT

SPOTLIGHT ON HEALTHIER CHOICES IN DIFFERENT GEOGRAPHIES

We are innovating to provide consumers with healthy food choices in line with the dietary recommendations in each of the markets in which we operate. This includes ranges of affordable products with lower fat and salt.

All our products in Hilton Foods UK and Hilton Seafood have been benchmarked against High Fat, Salt and Sugar (HFSS) guidelines and we have been reformulating products to make them healthier. In addition, all new products are being developed with HFSS compliance in mind within the UK.

In Poland, we have partnered with Żabka, to benchmark all our products against Nutriscore, a nutritional label that aims to help consumers make healthy choices by assigning products a rating of A to E, with A representing the most nutritious product, and E the least. Products with high content of fruit and vegetables, fibre, protein and healthy oils such as, rapeseed, walnut and olive oils, contribute to positive scores. In contrast, ingredients with a high sugar, saturated fat and sodium, promote a poor score. Of our 31 products in Poland with Nutriscore labelling, we have nine products with A score; 14 products with B score; five products with C score; and three products with D score.

Hilton Foods Sweden partnered with ICA to use more local Swedish ingredients in our vegetarian and vegan products, and alongside Hilton Foods Dalco, developed new recipes using a Swedish pea protein. This product has now launched in-store in Sweden, and is our first step towards providing consumers with more locally grown vegan and vegetarian products.

At Hilton Foods Denmark, 39.1% of our products carry the Keyhole mark, the Scandic markets' label for healthier foods. This product label demonstrates to the consumer that the product contains less sugar and salt, has more fibre and wholegrains, and has either healthier or less fat than other products of a similar type. At Hilton Foods Sweden, 30.4% of products hold the Keyhole mark.

NUTRI-SCORE
A B C D E

HILTON FOODS UK

HILTON FOODS DALCO

SPOTLIGHT ON CONSUMER INSIGHTS FOR NPD

Despite the rising cost of living, our research this year continued to show that health and sustainability continue to be increasingly important to consumers.

In 2022 energy prices rose across many of our markets and consumers became more acutely aware of the cost of cooking food and a desire to reduce energy consumption. Consumer behaviours to mitigate increased energy costs are translating into more sustainable behaviours, such as reducing energy consumption. We have responded to this in the slow cooked category by innovating to reduce cooking times.

We have also seen an increase in home-cooking. Our chefs and product developers have been focused on creating quick and convenient solutions to aid home-cooking, for example, in the UK, introducing curry and beef stir fry strips and chicken shawarma pieces.

Our Sustainable Protein Plan commits us to increasing the sales of our vegetarian and vegan product range. In 2022, we launched 60 new vegetarian and vegan products. In the UK, our research identified an opportunity with Tesco for a new vegan bacon product.

Our aim was to have the best tasting product and with a nutritional profile beyond that of the best-selling competitor on the market. After 15 months of innovation from teams at Hilton Foods UK and Hilton Foods Dalco, we invested in an extrusion line for producing the vegan bacon. Launched in January 2022 as part of Tesco's Veganuary campaign, the product is now one of our top-five selling plant-based products in the UK.

We were delighted that Tesco consumer research has demonstrated that it was the best plant-based alternative to bacon in the market when compared to own label and branded alternatives.

CIRCULAR PACKAGING

At Hilton Foods we are committed to reducing the amount of packaging material we use while continuing to deliver safe, high-quality products. Packaging is essential in reducing food waste but we recognise how important it is to balance this against the negative impact it can have on the environment.

To enable the best use of resources we are actively implementing circular principles across our value chains. Through a systems-approach, aligned to sustainable design principles, we consider the product's primary use alongside its secondary life. To maintain leadership in natural fibre packaging, we also ensure that 100% of the paper and board we use comes from certified sources.

On plastics, we work with partners to explore: reduction, reuse and recycling options for all packaging material we use, reducing plastics leakage into the environment and addressing the impacts of micro and nano plastics on the marine environment.

Our plastic packaging contains more than 70% recycled content. This includes 30% recycled content film in Hilton Foods UK and Fairfax Meadow products, reducing our virgin plastic use by 74 tonnes each year. We also launched padless meat trays in the UK, the first product of its kind to market for red meat, which will improve the recyclability of 10 million trays annually and reduce emissions from disposal of used pads.

This year, Hilton Foods UK and SoHi introduced new trays containing 24% less plastic, which will reduce the amount of plastic we use by 274 tonnes per annum. We have also progressed on the journey to circularity with the launch of preformed trays supplied at Hilton Foods Sweden and Hilton Foods Denmark which are made of 100% recycled plastic including a 10% tray to tray content.

A partnership approach is essential and we continue to engage with others to find new solutions to old problems. We contributed this year to the work being undertaken at Heriot-Watt University, which seeks to understand the prevalence of microplastics across the marine environment, the implications for humans, and actions we can deliver in our value chain to reduce this. We are also a signatory to the UK Plastic Pact and the European Plastics Pact and a member of the Australian Packaging Covenant Organisation.

HILTON FOODS AUSTRALIA

HILTON FOODS NEW ZEALAND

BUILDING A CIRCULAR PACKAGING SYSTEM IN AUSTRALIA AND NEW ZEALAND

In 2022, the transition to single material packaging at our APAC operations was classified as 100% recyclable by local recycling services. This classification will stop up to 3,515 tonnes of plastic trays going to waste every year.

By collaborating with our Australian and New Zealand packaging suppliers, we have been able to develop new opportunities to better recycle plastic packaging and incorporate recycled materials into packaging.

During the project, we validated that plastic trays can be recycled with the plastic films still attached, an industry-first, which encourages consumers to use kerbside recycling services. This supports the diversion of 3,245 tonnes of plastic film from landfill each year.

Across our APAC business, 96% of the packaging materials used are now recyclable and we use up to 90% recycled content in our packaging trays. Our efforts have been recognised by the Australian Packaging Covenant Organisation (APCO), who awarded the APAC operations with the APCO Annual Award 2022 for Highest Performing New Member. This award recognises outstanding actions and contributions made by organisations against the packaging circularity targets set by the Australian government.

3,245

tonnes of plastic film can be diverted from landfill

96%

of the packaging materials used across our APAC business are now recyclable

HILTON FOODS SEAFOOD

UPCYCLING OCEAN PLASTIC POLLUTION INTO OUR PACKAGING

During 2022, we worked with one of our strategic packaging suppliers, Klochner Pentaplast, and charity, Keep Sea Blue, to upcycle discarded plastic collected from beaches, coastlines and coastal communities around the Greek Mediterranean islands. Discarded plastic waste such as drinks bottles that pollute the oceans are collected and recycled for use in Tesco's fresh fish packaging.

The discarded material is collected by a network of 56 collectors and eco-service providers as well as volunteer organisations involved in beach clean-ups. Quantities, dates and locations of the collected plastic waste are recorded in detail through a blockchain platform by each of the collectors and ensures full traceability.

The PET share of the waste is carefully sorted, grinded, washed and recycled and goes back into food-grade packaging materials. By supporting this initiative and the collecting companies to collect this waste, we can avoid leakage into the sea and reduce the potential harmful impact on local ecosystems. The packaging was launched in November 2022 and contains at least 30% recycled coastal plastic. This is expected to remove around 240 metric tonnes of plastic from the environment each year.

30%

Selected fresh fish packaging at Tesco will contain at least 30% recycled coastal plastic

Above Keep Sea Blue people/volunteers collect discarded plastic from coastal areas for use in recycled packaging.

RESOURCE EFFICIENCY

We are committed to reducing the resources used to create our products, by minimising food loss and waste and using energy as efficiently as possible.

To deliver against our 2025 Sustainable Protein Plan, we work with partners across our value chain to reduce waste and ensure water resources are managed in a responsible and equitable way.

To target food waste hotspots in our factories, we are running projects on sites at Hilton Foods Ireland, Fairfax Meadow and Hilton Seafood UK, to distribute surplus stock to local charities. Working with Foods Connected and other partners, we are also effectively monitoring waste, energy and water consumption across our sites, to allow us to target action accurately.

A central focus for optimising resource use is embedding an efficiency-first culture across all our facilities. We are rolling out energy efficiency programmes aligned to ISO50001:2018, providing our factory teams with a structured framework to achieve reductions and share knowledge. In the long term, we have developed capital investment and energy procurement plans to provide a clear roadmap to net zero for all Hilton Foods sites.

In 2022, we made strong progress. 62% of our electricity came from renewable sources. This includes the installation of a new 1.5 MW solar array at our SoHi site, in addition to existing arrays at Hilton Foods UK, Hilton Seafood UK and Hilton Foods APAC - Heathwood, which together generated 2,714,295 kWh of clean electricity, enough to power almost 250 homes for a year.

Processes within our factories are also generating significant energy efficiencies. We are optimising washing facilities and procedures, optimising our compressed air systems, improving our vacuum packing facilities, reutilising waste heat, improving refrigeration and implementing efficient door controls. This has allowed us to save 2,756,000 kWh of gas and 1,072,000 kWh of electricity across sites. We continue to learn and implement these solutions across more and more sites, generating additional energy savings.

FOODS CONNECTED

HILTON FOODS AUSTRALIA

10%

We are committed to delivering our 2025 targets of improving water efficiency in our facilities by at least 10% from a 2020 baseline

WATER CONSERVATION IN AUSTRALIA

We are committed to delivering our 2025 targets of improving water efficiency in our facilities by at least 10% from a 2020 baseline, in line with our resource stewardship principles.

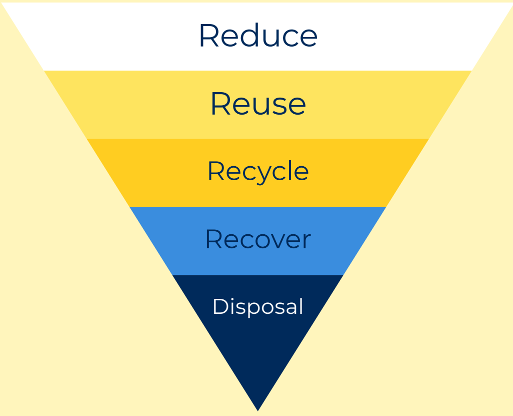
We aim to set an industry benchmark in water efficiency and continue to challenge ourselves to reduce the water intensity of our operations.

Australia is a country prone to drought, so water is a precious resource. We are working to reduce the water intensity of our operations and strive to achieve best practice in wastewater management.

Weekly monitoring and reporting of the water used per kg of product in daily operational reviews has embedded the consideration of water consumption in our operational culture. This has helped us identify inefficiencies with equipment so these can be rectified. The rollout and ongoing improvement of our submetering programme continues, which will provide us with more detailed information on the efficiency of our manufacturing processes.

We have identified our most water-intense processes and we have plans in place to reduce the intensity of those processes, which will also reduce the quantity of wastewater generated. We are also investigating rainwater harvesting opportunities for non-potable water use in our operations during 2023.

Our waste hierarchy



<1%

Our APAC operations target <1% of total volume handled and distributed to be wasted

600t

We have doubled the recycling rate of non-food waste compared to 2021 levels, diverting 600 tonnes of waste from landfill

HILTON FOODS AUSTRALIA

REDUCING OUR WASTE

As one of the largest protein processors in Australia, we know animal protein is a precious commodity and we have built a culture of respect for the product we handle, process and distribute.

We have set ourselves a target to halve our food waste across global operations this decade. Our Hilton Foods APAC operations target <1% of total volume handled and distributed to be wasted, as part of a region-wide approach to lead in resource efficiency. We have been able to achieve this target by engaging employees at all levels, identifying the root causes for food waste generation and working flexibly to adapt our processes. We have implemented processes to recover product packed as part of new product development trials rather than disposing of the product as waste.

We have also focused on applying the waste hierarchy to reduce the total waste in our sites and increasing site-based recycling rates. A project at our Hilton Foods APAC facilities increased waste recycling rates through improved waste segregation practices, improved signage and training. We worked closely with our service providers to identify and engage local recyclers with the capability to process packaging waste. As a consequence, we have doubled the recycling rate of non-food waste compared to 2021 levels, diverting 600 tonnes of waste from landfill. We are now working to share the learnings from APAC across all operations to ensure a global approach to best practice in resource efficiency.

Above Clearly labelled segregated recycling bins across our Australian sites to increase recycling rates and reduce total site waste.

SUSTAINABILITY REPORT
FOOD SAFETY AND QUALITY

OUR QUALITY POLICY

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 ensure:

- 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, a member of the Executive Leadership Team (ELT).

FACTORY STANDARDS AND QUALITY SYSTEMS

Our specialised processing and packing facilities are designed with a focus on hygiene and temperature control, including a high degree of automation and robotics which drives efficiency and minimises handling. This means we have industry leading food safety and ensure the quality throughout shelf life for our customers.

Our people are our most important asset to ensure high quality and safety, and our focus is on training everyone to be responsible for the quality of our products, assisted by highly qualified and experienced quality assurance teams. By automating our quality assessment and labelling systems; we ensure consistent adherence to customer specifications and reduce the risk of label errors.

All of our sites have achieved certification to a Global Food Safety Initiative (GFSI) recognised scheme and are also benchmarked by our central audit team to our own standards to ensure excellence across the Group. Our customers frequently visit and audit the sites that supply them and we value the opportunity to demonstrate that Hilton Foods consistently meets their expectations.

Our sites have facilities for organoleptic and physical assessment, and many have laboratory facilities for microbiological and chemical testing, all with trained personnel and appropriate local accreditation.

We set clear specifications and monitor the raw materials used in our products. Samples are assessed based on risk assessment for microbiological standards, and a range of authenticity tests including speciation testing and screening for adulteration using chemical and DNA methodologies. These tests are used to evaluate new supply chains and to monitor existing ones. These tests at accredited laboratories are used to assess the performance of suppliers and achieve continuous improvement. We are members of the Food Industry Intelligence Network where we compile industry-wide compliance statistics and share intelligence on suspected food fraud.

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.

To ensure we have access to the latest food science, we are members of Campden BRI, the Danish Meat Research Institute and Teagasc Ireland. We are also engaged with developing regulations and trade rules through our trade association membership, the British Meat Processors Association and Food and Drink Federation, with further sector support from the UK Seafish Industry Authority.

PRODUCT STANDARDS

Our innovation teams include qualified chefs covering each of the food categories we produce, and we share expertise in product and process development across the Group. They utilise our market insight teams and consumer focus groups to ensure our new product launches have a high degree of success.

We 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. Where possible we eliminate known allergens and clearly label them when present.

We are reformulating products to reduce the total salt and fat in food, and increase fibre in line with customer health targets.

SUSTAINABILITY REPORT
SUPPLY CHAIN INTEGRITY, ENVIRONMENTAL IMPACT ASSESSMENT AND TRACEABILITY

We partner with suppliers that share our commitment to quality, food safety, animal welfare and sustainability and we clearly state the standards we expect. We have full traceability back to the farms and fishing vessels that supply the slaughter operations and primary processing factories. This ensures that consumers can trust the products we produce.

Our supplier approval process gives us full transparency on the safety, quality, and the provenance of the raw materials we use against the Hilton Foods Supplier Standards. We audit suppliers at a frequency determined by risk assessment which looks at a combination of raw material and supply chain threat and vulnerability, horizon scanning and supplier history. The majority of our suppliers are certified against GFSI benchmarked standards by independent audit bodies.

For new suppliers, our policy is to take GFSI-certified suppliers and audit them against our standard. Where we use smaller, local suppliers, we sometimes take from non-GFSI certified sites, but we monitor these using a combination of a Hilton Foods Supplier Standards audit and self-assessment questionnaires. The current GFSI certification status of our meat and seafood supply chains is 89% and for ingredient suppliers is 90%. These audit processes have been in place for more than four fiscal years.

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.

All farms, livestock facilities and slaughter facilities for farm animals, supplying Hilton Foods UK, Ireland and Sweden, and the majority supplying to the other European and Australian markets are certified to independent farm assurance schemes. In some instances, a higher standard of farm assurance is required such as 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. This can be to the Hilton Foods Supplier Standard using our own team of welfare-trained auditors; an independent audit using a dedicated second party; or by auditors employed by our retail partners.

We disclose all of the fisheries and fish farming areas that we buy from on the Ocean Disclosure Project website. We have built our own fisheries risk assessment tool in accordance with the Sustainable Seafood Coalition Codes and BSI PAS 1550 standard, both of which we helped to develop. It combines data sources for fishery stock assessments, fishing effort, impact of fishing gear, and risk of illegal fishing (for eliminating illegal unreported or unregulated fisheries). Hilton Seafood UK has signed to support the Environmental Justice Foundation Charter for Transparency.

Over 98% of Hilton Seafood UK wild capture volume is from certified fisheries and we help fund and actively participate in fishery improvement projects to bring the remainder of our supply to certification. We hold Group Marine Stewardship Council certification for all of our manufacturing facilities that use fish.

Over 99% of our farmed fish and shellfish are from certified farms (ASC, GlobalGAP, or BAP). Hilton Seafood UK carry out additional audits by its qualified fish welfare officers.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

INTRODUCTION

Hilton Foods recognises that anthropogenic emissions are driving climate change and that governments, industry and wider society need to act together to mitigate the effects. We have already set Science Based Targets verified by the Science Based Targets initiative (SBTi) which are aligned to a 'well below 2°C' pathway for our Scope 1 and 2 emissions and those related to Scope 3 purchased goods and services category. These include near-term targets for 2030 and a target for net zero for our own operations and our supply chains by 2050.

In 2023, we are revising our near term Science Based Targets to align with the SBTi's new minimum ambition for corporate targets of '1.5°C' above pre-industrial levels and will reaffirm our long-term target of net zero across our value chain by 2050 or earlier. Once finalised and approved by the Board and verified by the SBTi, we will disclose our new targets and details of our transition plan, which will outline the initiatives, timing, and strategy to achieve this ambition.

The development of our planned mitigation activities in this area is already advanced. Following a lifecycle analysis and decarbonisation modelling of our operations and key supply chains, site-level pathways have been developed and roadmaps for emissions reduction related to the animal protein we handle are being developed at a species level. We expect to submit new targets to the SBTi for verification during 2023. Further details of our planned key emissions reduction drivers can be found in Strategy: Transition Risks.

In line with the 'Task Force on Climate-related Financial Disclosures' (TCFD) recommendations and Listing Rule LR 9.8.6R(8), Hilton Foods has provided information to stakeholders on the potential climate-related risks and opportunities for our global food business and value chains, and our relevant governance structures related to our net zero ambition, in turn helping them to make informed decisions. We set out below our climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures as detailed in 'Recommendations of the Task Force on Climate-Related Financial Disclosures', 2017, with use of additional guidance from 'Implementing the Recommendations of the Task Force on Climate-Related Financial Disclosures', 2021. This year, we have enhanced our analysis of our physical risks, as detailed below. Detail on the 11 recommended disclosures can be found on the following pages:

Recommendation	Reference
Governance Disclose the organisation's governance around climate-related risks and opportunities	Page 45 and 72 - 73
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	Page 74 - 82
Risk Management Disclose how the organisation identifies, assesses, and manages climate-related risks	Page 73
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	Page 83

GOVERNANCE

Our CSR governance structure, which covers climate change is outlined in detail on page 45.

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

The Board, led by our Chair, Robert Watson, is responsible for the long-term success of the Group and has ultimate responsibility for climate-related risks and opportunities. The Board meets no less than eight times a year and 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 has an ongoing review process for principal risks, including climate change (p.45). This is supported by a further in-depth annual assessment. Climate-related issues form part of the Board agenda when appropriate. Oversight of certain sustainability matters are delegated to principal committees: the Sustainability Committee has oversight of climate related strategy and the Audit Committee supports the Board in relation to climate- related risks. Individual Board members have experience relevant to climate risk management, including financial, supply chain, sustainability, and general governance roles across a range of industry sectors including global retailers and their suppliers (see Board of Directors, biographies on page 94-95). In addition, the Board received training on the Group's climate challenge, key and upcoming legislation, trends and how we are responding as a business. For more details of how climate change is considered in executive pay please see page 44 in the Sustainability report.

Sustainability Committee

From a strategic perspective, climate-related issues are discussed within the Sustainability Committee, which is chaired by Non-Executive Director, Rebecca Shelley, who has substantial ESG experience to inform Board discussions having led Tesco's CSR strategy and delivery programme internationally for four years and established sustainability programmes for financial services companies including Prudential.

The Committee meets at least three times per year and monitors the progress and performance of the Group's sustainability strategy and key initiatives for reducing Hilton Foods, climate footprint and that of our supply chains. The Committee also reviews our reported KPIs as outlined in Metrics and Targets below. The Committee Chair informs the Board of our strategy and progress every three months.

Management's role in assessing and managing climate-related risks and opportunities

Our Chief Executive, Philip Heffer, has responsibility at the management level for climate change and environmental issues. As part of our commitment to sustainability, he leads our positive response to addressing climate risk and opportunities. Day-to-day governance of climate-related issues are delegated to the Executive Leadership Team, which oversees the strategy to meet climate targets, and aligns our product portfolio to shifts in demand.

Divisional CEOs are responsible for climate-risk identification and mitigation at site level, while the CSR team led by the Chief Quality and Sustainability Officer is responsible for climate risk mitigation across our supply chains. 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 by the Group Sustainability Director to the Sustainability Committee.

Processes by which management is informed about climate-related issues

In addition to the above information flow, management is also advised by our internal experts in areas such as energy procurement, sustainable agriculture, and supply chain insight. Additionally, management takes external advice from specialist consultants, who advise on climate risk and appropriate mitigations. Management is involved in national, regional and global associations and forums, providing scientific information on relevant risks and mitigations; more detail on our collaboration may be found on (pp. 56-69).

RISK MANAGEMENT

Audit and Risk Committees

Climate-related risks are identified, monitored and their mitigation strategies are reviewed within the internal audit and risk management function, which ensures the full integration of climate-related risks into the Group's risk management framework. The Group Internal Audit and Risk Director executes a key role, supported by the Group Sustainability Director, in ensuring that management are identifying, mitigating, monitoring and reporting on all key risks including 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 then assess the effectiveness of these activities independently to report to the Audit Committee and Board. The Audit Committee determines risk categorisation and mitigation measures before final Board approval. The Risk Management Committee and the Audit Committee both meet four times per year, and climate change is discussed and monitored at all Audit Committee meetings as one of our principal risks.

Our processes to identify, assess and monitor climate-related risks

The assessment of climate-related risks is a collaborative effort across business functions and allows for consideration of a risk's likelihood of occurrence, timescale, and magnitude of potential impacts. This process determines the categorisation of principal and emerging risks for final approval by the Board. For magnitude, climate-related risks and opportunities are assessed using the criteria below.

Hilton Foods considers climate-related risks and opportunities in all physical and transition risk categories, both current and emerging, and whether they occur upstream, within, or downstream of the Group's operations. Existing and proposed legislation and regulatory requirements are continually monitored in order to determine changing compliance requirements, such as controls on emissions and deforestation, or product environmental labelling. In combination, this information helps in the determination of the management treatment of risks and helps prioritise resources in managing the most material climate-related risks. Risks are subject to continual refinement and quantification over time, which assists in any required incorporation of climate-related risks into the Group's overall budgeting, strategy and financial statements.

Climate risk assessment

We assess the relative magnitude of climate-related risks and opportunities using the below scale. This is distinct from the quantifiable indicators used to define our principal risks. This scale accommodates the larger potential impact of climate-related risks on the Group, allows for a greater delineation between climate-related risks that would otherwise all be classified as being at 'High' risk under our principal risk matrix and allows for their relative significance in relation to other Group risks to be better reflected.

Magnitude	1 Low	2 Medium	3 High
Impact	– No regulatory impact – Immaterial financial loss with limited impact on business operations or key customers – Minor adverse comment in local media	– Moderate regulatory or legal obligation – Moderate impact on relationships with customers with minimal effect on the strategic and financial health of the business – Unfavourable coverage in national media – Minor disruption to services	– High potential for disclosure to market, resulting in significant penalties and high likelihood for a fall in share price – Loss of key customers as well as very significant contracts – Widespread critical coverage in national/ international media – Closure or suspension of business operations – High staff turnover or departure of key personnel

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES continued

STRATEGY: APPROACH

Hilton Foods recognises that climate change presents both risks and opportunities to our business, and in 2020 we introduced climate change as a principal risk. The Group is impacted by both physical and transition risks which are outlined in detail below.

For the purposes of this disclosure, we have defined the time horizons for our climate risk analysis in the following tables. These are updated to reflect the Group's climate horizons as opposed to our normal financial horizons. The short-term horizon covers our immediate in-year actions, the medium-term horizon includes our near-term business strategy, and the long-term time horizon encompasses our actions that contribute to achieving our net zero strategy, our asset life and sufficient time period for climate-related risks to manifest. Certain climate-related risks, especially some physical risks, are unlikely to materialise before the medium or long-term horizon, or may have a high degree of unpredictability both in occurrence and severity (e.g., cyclones). Our long-term modelling includes forecasting risk impacts in 2030, 2050, and for physical risks only, 2100.

Time-horizon	From (years)	To (years)
Short	0	3
Medium	3	10
Long	10+	

Our approach to climate scenario analysis

In accordance with the TCFD recommendations, a review was undertaken of the behaviour of certain risks under different climate outcomes. We used three public scenarios to better understand our resilience to climate change. (See the table below.)

The scenario analysis conducted this year builds on that completed in 2021, in which we looked at the likely impact on relative product cost as a result of carbon pricing and the likely changes in demand that would induce. More detail on that assessment may be found on pages 68-69 of the 2021 Annual report. We incorporate use of the more ambitious NZE scenario (from the SDS scenario used last year) as it forms an input into the 1.5°C pathway used by the SBTi against which we plan to align. Within the physical risk assessment tool used, RCP 2.6 and RCP 4.5 are used in alignment with NZE and STEPS respectively, but the approximate temperature pathways are consistent. Whilst the IEA and IPCC scenarios are not exactly aligned, there is sufficient degree of comparability that they can be considered analogous for modelling purposes. Scenarios have been supplemented with additional internal and external sources specific to each risk to inform our assumptions.

Our overall assessment is that the business remains resilient to climate-related risks in all three scenarios, especially in consideration of our awareness of the risks and our existing and planned mitigation strategies, as such there are no effects of climate-related matters reflected in judgements and estimates applied to our financial statements. The process of accommodating climate change risks and opportunities is evolutionary, not revolutionary for the business. Therefore it is incorporated into strategy and reviewed as it evolves.

Scenario	Source	Change in global mean surface temperature (°C) by 2100	Notes
Net Zero Emissions by 2050 Scenario (NZE) / RCP2.6	IEA IPCC	1.5	Greenhouse gas (GHG) emissions are strongly reduced, resulting in a trajectory consistent with limiting the temperature increase to less than 1.5°C in 2100 compared to the pre-industrial period. This provides a below 2°C scenario.
Stated Policies (STEPS) / RCP4.5	IEA IPCC	2.5	A combination of physical and transition risk impacts as temperatures rise by around 2.5°C by 2100 with 50% probability. This scenario is used as it represents a base case scenario with the trajectory implied by today's policy settings.
RCP 8.5	IPCC	4.1-4.8	GHG emissions continue to grow unmitigated, leading to a best estimate global average temperature rise of 4.3°C by 2100. This scenario is included for its extreme physical climate risk impacts.

1. IEA (2022), World Energy Outlook 2022, IEA, Paris
2. IPCC (2014), Climate Change 2014: AR5 Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change

STRATEGY: PHYSICAL RISKS

This year we have we enhanced our physical risk assessment alongside further development of our risk disclosure. With 24 facilities across the world, Hilton Foods maintains a large and diverse geographical footprint. We have used geospatial risk modelling software to analyse the Group's exposure to natural hazards such as heat stress, sea level rise, storms and drought, and how these risks may change in the future under various scenarios for global temperature rise by 2030, 2050, and 2100.

Note this software exclusively uses IPCC scenarios. The temperature outcomes for RCP 2.6 and RCP 4.5 and NZE and STEPS respectively, are broadly comparable.

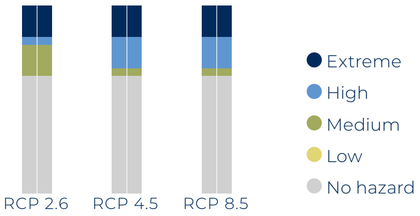
All of our sites are located in zones of low or no wildfire risk currently. Weather conditions related to increased wildfire stress may slightly increase at some sites under our base case and worst case scenarios relative to the current period, but the location of our sites in industrial zones away from vegetation mitigates direct impact from fires. Two of our sites, in Greece and Grimsby, are determined to be at a current high risk of river flooding, net of flood defences. Our exposure is not projected to increase materially across our estate under any scenarios or by any of the studied time horizons, so is not considered to be climate-related.

Our most pertinent physical risk exposure is global sea level rise, which under a baseline scenario presents a high or extreme risk to approximately a third of our total estate by 2100, concentrated in Grimsby and the Netherlands. The parameters of our modelling software mean that we are only able to model this risk to 2100, but modelling to 2100 gives some indication of what the most severe outcomes may be, which helps contextualise our response in our defined time horizons.

The Grimsby area is historically susceptible to tidal flooding from the sea, in addition to fluvial flooding from the river Freshney and New Cut Drain. Indeed, the northeast Lincolnshire area was affected by a large tidal surge in 2013. The potential for property damage to these facilities from coastal flooding is projected to increase under a baseline and severe climate scenario. Most of our sites in the Netherlands are assessed to be in 'Extreme' risk zones from storm surge, but this is a widespread regional risk and most of these sites benefit from extremely robust standards of national flood protection, reflecting the Dutch governments' significant expenditure on maintenance and reinforcement programmes. The Delta Programme to protect the Netherlands from flooding and climate-induced sea level rises has an annual budget of EUR1.25bn per annum up to 2032, with more than 55% earmarked for investment in new measures. While our two Foppen sites in Harderwijk are assessed to have less flood protection than our other Netherlands sites, we anticipate continued works by the government to mitigate risks to the Flevoland region and its surroundings.

We have explored other physical risks to our direct operations and their behaviour under various modelled scenarios and time horizons, in particular the risk of storms and drought. Recognising the significant economic and societal impact of Cyclone Gabrielle on New Zealand's North Island in February 2023, we modelled how tropical storms may affect our Auckland facility. Gabrielle had no direct impact on our site but highlighted the potential for disruption to supply. The complexity, infrequency and variability of cyclones makes them especially challenging phenomena to model, but we are able to assess that our Auckland site is at medium exposure to flash floods at present, and while exposure to cyclones with stronger wind speeds is not expected we project the maximum five-day precipitation to increase under a baseline scenario. We have additionally modelled how two of our Australian sites are projected to be increasingly exposed to drought risk, and considered how these plants may mitigate these risks especially given the relatively high water consumption at the Truganina plant which is already in a high water stress area.

Base case scenario – % of sites at risk of sea level rise by 2100



Time-horizon	Number of sites per risk zone RCP 2.6	RCP 4.5	RCP 8.5	Risk Index[3]
Extreme	4	4	4	35-450
High	1	4	4	16-34
Medium	4	1	1	6-15
Low	0	0	0	0-5
No hazard	15	15	15	

3. These risk scores are derived from normalising the average annual loss rates for property damage for a standard industrial business within each hazard zone, allowing for comparison of average loss potential across different locations. Locations in zones with a Risk Index value of 40 are on average expected to experience twice as high annual losses as in zones with a value of 20. However, it is important to note that as risk zones increase in severity so too do the risk bands become increasingly broad, such that an 'extreme' risk captures a much greater diversity of potential property damage than a low risk zone. Therefore, several sites in extreme zones may be at significantly variable levels of risk. Additionally, a property that moves for instance from 'medium' to 'high' risk may have experienced a slight or a large change in its risk profile.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES continued

Climate-related Physical risks

1. Extreme weather impacts on upstream supply chains	
Type	Physical (rising mean temperatures)
Area	Upstream
Primary potential financial impact	Disruptions in local supply affecting regional availability and/or pricing
Description	Hilton Foods sources its products from around the world and recognises that extreme weather and the effects of changing temperature and precipitation may impact the growth of produce used in our vegetarian/flexitarian ranges, in addition to detrimental impacts on livestock through degradation of pasture, volatility in supply of animal feed, and potential impacts on welfare of livestock. For example, our detailed study on Australia indicates increased irregularity of precipitation and increased daily maximum temperatures may negatively impact supply of livestock, with projected declines in feed intake by 3-5% per additional 1°C above cattle's comfort zone.[4] Studies also indicate declining productivity of Australian rangelands of 17% under 2°C of warming, with negative impacts on livestock stocking rates.[5] Declines in productivity of cattle stations, and in particular sudden regional shocks to supply may increase volatility in food prices on international markets. Equally, climate change may affect the reliable supply of plant products; we note the shortages in early 2023 of certain vegetables in Europe as a consequence of poor weather in Spain and North Africa and anticipate that such disruption may be more frequent and prolonged with climate change.
Time horizon	Medium-long
Likelihood	Likely locally in at least one supply chain
Impact	1 2 Low-Medium
Areas impacted	Global
Response	It is hard to quantify our direct impact or the extent by which global prices may be impacted by long-term regional impacts resulting from climate change, which would be industry wide. We assign a low-medium risk based on the potential for higher priced inputs and we continue to monitor our supply chains for potential disruption. We maintain flexibility in regional and global supply chains, and by not being integrated at the farm level like some of our peers, have reduced exposure to local disruptions. A large proportion of the Group's purchased meat products are sourced from northern Europe, where temperature rises are likely to be ameliorated by an increase in rainfall.

2. Risk of rising sea levels to Grimsby and Netherlands sites	
Type	Physical (rising sea levels)
Area	Own operations
Primary potential financial impact	Disruption to production, increased insurance premiums, destruction of products
Description	Eight coastal or low-lying sites are determined to be at high or extreme risk from rising sea levels and coastal storm surges under our base case scenario by 2100, representing a third of our total estate. Sites in the Netherlands are at extreme risk under all time horizons, but the level of national protection is high. The risk score at our Grimsby sites is projected to increase from medium to high under baseline and severe climate scenarios, which highlights risk of flood-related property damage, destruction of products, and increased insurance premiums.
Time horizon	Long term
Likelihood	As likely as not
Impact	3 High
Areas impacted	UK, Netherlands
Response	With the exception of the Harderwijk sites, our Netherlands sites are assessed to be protected by very strong standards of flood protection, reflecting proactive government management of coastal flood risks in the Netherlands. Specifically, our Oosterhout, Oss and Zaandam sites are protected against a 1-in-2,000, 1-in-1,250 and 1-in-10,000 year flood respectively. While the standard of protection is lower at our Grimsby and Harderwijk sites, we note that climate-related coastal flooding events are a long-term risk. We note continuous planned investment by the Dutch government on maintenance and reinforcement of flood protections, and therefore assume standards of protection will continually improve at these sites. Likewise, bodies such as the UK Environment Agency oversee flood defences on the port of Grimsby, such as concrete wave walls installed between 2013 and 2016.

3. Storm risk to Auckland site	
Type	Physical (severe weather)
Area	Own operations
Primary potential financial impact	Disruption to production, increased insurance premiums, destruction of protections
Description	Flooding in February 2023 in New Zealand has heightened awareness of the potential risk to our Auckland facility from storms and flooding. At present our Auckland facility is categorised as being at medium exposure to flash floods, and our modelling suggests increases in maximum five-day precipitation at the site by 11% and 14% under 1.5°C and 2.6°C scenarios respectively (by 2030). When measuring severity by wind speed, the site is at a low exposure (142-184km/h) to tropical cyclones, and medium exposure (121-160km/h) to extratropical cyclones. Tropical wind speeds are not projected to increase at the facility under any modelled scenario or time horizon. Increased frequency or severity of severe weather events may increase insurance premiums, supply chain disruption, or damage to the facility or stock losses. At the extreme, potential downtime may present supply disruption to our New Zealand based customers.
Time horizon	Short term
Likelihood	Likely locally in at least one supply chain
Impact	2 3 Medium-High
Areas impacted	Auckland
Response	While we project increased precipitation at our Auckland facility, and no increased wind speeds from tropical cyclones, we note that such storms are challenging to model given their infrequency, high degree of random variability and complex interrelation of underlying small-scale physical processes.[6] We will continue to proactively monitor projected changes to this risk and our business continuity plans at the site, which will include planning and carrying out validation scenario exercises.

4. Drought impacting Australian facilities	
Type	Changes in precipitation patterns; rising mean temperatures (water scarcity)
Area	Own operations
Primary potential financial impact	Disruption to production
Description	Our sites in Australia operate in locations where the risk of water scarcity is expected to rise, with more infrequent precipitation events and increased annual maximum temperatures under all scenarios. Analysis indicates our Melbourne (10% of our global abstracted freshwater) and Bunbury (3%) facilities are respectively at high and very high exposure to increased drought stress under warming scenarios.
Time horizon	Short term
Likelihood	Very likely
Impact	2 Medium
Areas impacted	Melbourne, Bunbury
Response	Water scarcity is already a feature of operating in Australia, and the Group has developed policies to minimise water consumption and promote efficient water usage. We have a number of conservation/efficiency measures in place at our affected site. Local water restrictions may be mitigated in the short term through import of water by tanker. We continue to investigate opportunities to reduce reliance on municipal water. The execution of our business continuity response will enable rationalisation of production to redirect all available water to critical equipment.
Targets/KPIs	We are targeting improved water efficiency by 10% compared to a 2018 baseline KPIs: 1. Total water withdrawn 2. Total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress

4. Mbow, C., et al, 2019: Food Security. In: Climate Change and Land: an IPCC special report on climate change, desertification, land degradation, sustainable land management, food security, and greenhouse gas fluxes in terrestrial ecosystems P.R. Shukla, J. Skea, E. Calvo Buendia, V. Masson-Delmotte, H.-O. Pörtner, D.C. Roberts, P. Zhai, R. Slade, S. Connors, R. van Diemen, M. Ferrat, E. Haughey, S. Luz, S. Neogi, M. Pathak, J. Petzold, J. Portugal Pereira, P. Vyas, E. Huntley, K. Kissick, M. Belkacemi, J. Malley, (eds.). p. 455-458
5. Mbow, C. Food Security, p. 457
6. Seneviratne, S.I., X. Zhang, M. Adnan, W. Badi, C. Dereczynski, A. Di Luca, S. Ghosh, I. Iskandar, J. Kossin, S. Lewis, F. Otto, I. Pinto, M. Satoh, S.M. Vicente-Serrano, M. Wehner, and B. Zhou, 2021: Weather and Climate Extreme Events in a Changing Climate. In Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change Masson-Delmotte, V., P. Zhai, A. Pirani, S.L. Connors, C. Péan, S. Berger, N. Caud, Y. Chen, L. Goldfarb, M.I. Gomis, M. Huang, K. Leitzell, E. Lonnoy, J.B.R. Matthews, T.K. Maycock, T. Waterfield, O. Yelekçi, R. Yu, and B. Zhou (eds.). Cambridge University Press, Cambridge, United Kingdom and New York, NY, USA, pp. 1583-1594

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES continued

STRATEGY: TRANSITION RISKS

Our net zero plan and emissions reductions initiatives are being developed to mitigate our exposure to transition risks. During the year, our expert internal team developed models of the transition pathways for our production sites and key supply chains. A literature review was conducted to assess the technologies and interventions that could be deployed, and we evaluated the emissions reductions that could be delivered over time and the likely financial costs and savings.

Our key emissions reduction drivers

Scope 1	– Energy efficiency programme – Replacing natural gas-powered heating with biogas and heat pumps – Electrification of cooking applications – Conversion of our entire fleet to zero emissions vehicles – Phasing out fluorinated gas refrigerants and use of lower warming potential gases in short term – Expanding the phase out CO_2 as a cooling gas in production
Scope 2	– Energy efficiency programme – Onsite renewables in addition to the existing installations at Brisbane, SoHi, Huntingdon and Grimsby – Power purchase agreements for renewable electricity – Decarbonisation of global electricity grids – Conversion of district heat to a zero-carbon sources (e.g., biomass, geothermal)

Scope 3[7]	– Engagement with retailers and internationally with governments, suppliers and industry bodies to shape policy and drive decarbonisation of our supply chains
	– Follow our species-specific decarbonisation plans for beef, lamb, pork and salmon, via:
	  – Improved feed conversion rates via nutrition, genetics and health
	  – Reduced on-farm energy use
	  – Lowering the footprint of animal feed via uptake of green fertilisers and improved application methods; increased inclusion of waste crops
	  – Reduced enteric emissions via changes in feed types and additives
	  – Improved manure management
	– Developing infrastructure with Foods Connected to help us focus our resources on the most material areas of our footprint
	– Continue programmes to reduce use of packaging and improve its circularity without compromising food waste
	– Diversify further towards lower-carbon proteins, as per our recent investment in Cellular Agriculture and Foppen

7. The Group does not directly farm or slaughter animals. A partnership approach to reducing our upstream Scope 3 (Purchased goods & services) is required.

We have developed site-level pathways based on the above drivers as appropriate, to address our Scope 1 and Scope 2 emissions and reduce our exposure to potential carbon price impacts on our own operations over time. The Group does not directly farm or slaughter animals, but we are exposed to upstream climate change risks associated with our agricultural supply chain, so we need to take a partnership approach to reducing our upstream Scope 3 (Purchased goods and services).

As beef makes up a significant proportion of our total emissions footprint, we have developed an initial transition plan for beef, which has some applicability to lamb and other ruminants although bespoke pathways will be developed for these. We then plan to expand our work to encompass pork, salmon and other aquatic species. This will encompass the decarbonisation of feed crops which accounts for a significant proportion of the footprint of those species. Actions to deliver against this are further detailed in Reducing emissions (pg 56-57).

Climate-related Transition risks

1. Changing consumer purchasing preferences to lower emission alternatives	
Type	Transition (Market)
Area	Downstream
Primary potential financial impact	Reduced revenues of higher emission foods
Description	There is a risk that we fail to take advantage of changing purchasing preferences for lower-emission proteins. Our exposure to this risk is Medium based on our internal assessment, assuming no mitigation from the transition to lower-carbon intensity proteins produced by the Group outlined below. We conducted detailed modelling of a potential reduction in demand for beef and lamb in the UK market, which is considered to be among the most impacted by changes in consumer behaviour as our research shows how health and sustainability are rapidly growing in importance as drivers of diet choices. In summary, we determined that beef and lamb products would receive the largest increase in pricing, albeit with some regional variation, and that the price of fish or plant-based products are unlikely to increase significantly. More information on this work may be found on pages 68-69 of the 2021 Annual report.
Time horizon	Short-medium
Likelihood	Likely
Impact	2 Medium
Areas impacted	Developed markets
Response	Our mitigation strategy includes achieving significant reductions in the emission intensity of beef and lamb supplied to Hilton Foods and creating a diversified portfolio of proteins that aligns with consumer demand. We are committed to doubling production of plant-based proteins by 2025 and are actively expanding our plant-based facilities at several sites including a dedicated facility in the UK. We are investing in acquisitions to gain market share in lower emission proteins, such as the outright purchase of Dalco, a producer of meat-alternative protein products, Foppen, a large producer of salmon products, or our investment in Cellular Agriculture.
Targets	Hilton Foods has aligned its objectives for mitigating the greenhouse gas emissions of cattle in the UK and Ireland to the European Round Table for Beef Sustainability (ERBS) objectives of an intensity reduction of 15% in emissions of cattle by 2025. Our net zero plans for Scope 3 include decarbonisation roadmaps for emissions reduction related to the animal protein we handle. Doubling in sales of plant based, vegetarian and flexitarian products compared to a 2020 baseline.

Climate-related Transition risks continued

2. Carbon pricing introduced to incentivise purchase of lower-carbon foods	
Type	Transition (Emerging Regulation)
Area	Downstream
Primary potential financial impact	Price increases of higher emission products affecting balance of consumer demand
Description	If product pricing is adjusted to reflect its carbon footprint there may be a reduction in consumer demand, leading to reduced profits from foods where the footprints have not been mitigated. The timing and methodology by which carbon pricing is imposed is uncertain, but the UK Alliance on Climate Change recommends the food industry sets a climate tax on food products with a high footprint to align with UK decarbonisation targets. In New Zealand, plans to integrate the agricultural sector within the country's greenhouse gas emissions cap and trade system from 2025 have been proposed.
Time horizon	Medium-long
Likelihood	Likely
Impact	2 Medium
Areas impacted	Global
Response	Hilton Foods continues to be actively involved in supply chain carbon reduction programmes in collaboration with other industry stakeholders and are targeting net zero emissions by 2050. To progress our objective for reducing the emissions intensity of cattle by 15% by 2025, we have engaged in leadership of collaborative action to address the footprint of cattle farming with the European Round Table in Beef Sustainability (ERBS) and UK Cattle Sustainability Platform (UKCSP). We are in the process of developing a detailed decarbonisation plans for key species to responsibly reduce our footprint and reduce our exposure to this risk.
Targets	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.

3. Reliance on third parties for achievement of emissions targets	
Type	Transition (Market and Reputation)
Area	Upstream/own operations
Primary potential financial impact	Higher costs, higher cost of capital
Description	Delivery against the Group's existing and draft updated net zero plan is in part reliant on third parties, and/or technologies that are not yet available. Failure to meet the Group's defined targets may cause reputational damage, dissuade potential investors, or result in greater costs due to the introduction of carbon pricing. The level of assumption increases in the long term, especially around the control of our Scope 3 emissions, where we may be limited by our ability to influence our supply chain. A significant proportion of our footprint derives from the production of beef, and given we are not integrated at the farm level we rely on farmers and other stakeholders to ensure the continued minimisation of beef-related emissions. The largest source of operational emissions are within Scope 2, where the ability to decarbonise electricity supply may be hindered by the rate of grid decarbonisation in the countries we operate in and the ability of local grids to support renewable energy tariffs. Additionally, technical developments are required beyond our immediate scope of control, such as the development of zero emission commercial vehicles to fully decarbonise our fleet.
Time horizon	Long term
Likelihood	Unlikely
Impact	3 High
Areas impacted	Global
Response	We seek as far as possible to influence third parties and promote their decarbonisation progress, whether through working collaboratively with retailers or engaging with governmental, farm assurance and industry bodies to shape supply chain decarbonisation policy. We continue to work with Foods Connected to develop the tools to effectively monitor and accelerate this transition, and are involved in academic research to better understand our upstream emissions.
Targets	We have approved Science Based Targets for Scope 1, 2, and 3. We are revising our near-term Science Based Targets to align with the SBTi's new minimum ambition for corporate targets of 1.5°C above pre-industrial levels.

OPPORTUNITIES

1. Decarbonisation	
Type	Energy Source, Resource Efficiency
Area	Own operations
Primary potential financial impact	Reduced cost and lower price volatility from self-generation, reduced energy use, packaging and water efficiency.
Description	In our operations, electrification, energy efficiencies, investment in self-generation (solar/wind) and long-term contracts for renewable electricity sources may reduce outgoing costs, improve resilience and mitigate against the cost of future carbon pricing. Improved packaging recyclability, reducing plastic content and reductions in weight may result in lower packaging costs and less waste.
Time horizon	Short-medium
Likelihood	Very likely
Impact	2 3 Medium-High
Response	See key emissions reduction drivers above. Further details will be outlined in our transition plan. We continue to seek grants and subsidies to facilitate facility upgrades as they become increasingly available.
Areas impacted	Global
Targets/KPIs	Improve energy and water efficiency in our facilities by at least 10%, before the end of 2025, compared to a 2018 baseline. 100% renewable electricity across all our own operations in Europe by end of 2025 and globally by 2027.

2. Carbon pricing introduced to incentivise purchase of lower-carbon foods	
Type	Products & Services
Area	Upstream
Primary potential financial impact	Increased revenue
Description	By leveraging our IT and automation solutions for supply chain management, we have an opportunity to add a strategic growth driver in the sale of technology and services to other companies to enable them to become more efficient and reduce operating emissions. Through Hilton Services, the Group is at the forefront of technology and physical architecture design, which improves internal logistics.
Time horizon	Medium
Likelihood	Very likely
Impact	3 High
Response	We continue to work with customers and suppliers to incentivise uptake of our technology and supply chain solutions, incorporating robotics and warehouse automation systems. Since our investment in Foods Connected, this subsidiary has continued to grow, providing end-to-end supply chain management services and further opportunities for category diversification. We use Foods Connected to both give us the data we need around our business and supply chains, but also share that data up and downstream, helping farmers and suppliers to consider what the particular carbon footprint of their part in the supply chain is. Our joint venture with the Agito Group facilitates our development of highly automated logistics solutions for our supply chain and retail partners. We can also lead in environmental data collection and traceability across multi-tier supply chains and capitalise on growing requirements for transparency across value chains to prevent negative environmental impacts.
Areas impacted	Global
Targets/KPIs	Enable farmers to reduce their emissions and improve biodiversity, to promote more regenerative farming, by providing planning and reporting tools.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES continued

OPPORTUNITIES continued

3. Meeting consumer demand for foods with demonstrably lower footprints	
Type	Markets
Area	Downstream
Primary potential financial impact	Increased revenues from sales of profitable low climate-impact products
Description	Demand is growing not only for vegan and vegetarian food products, but also for a balanced portfolio of meat and fish products that have significantly reduced environmental impacts. Overall protein demand is expected to double by 2050, presenting a significant opportunity for increased revenue if we successfully anticipate changing consumer preferences.
Time horizon	Medium-term
Likelihood	More likely than not
Impact	2 Medium
Response	Hilton Foods has pursued key acquisitions to diversify and strengthen its offering within the vegan/vegetarian and seafood markets. In 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, and in 2022 completed the purchase of Foppen to enter the high growth smoked salmon market. As we do not farm or slaughter animals our infrastructure can react quickly to emerging consumer behaviour. Hilton Foods is well-placed to respond to changing consumer preferences through the adaptability of our factories and operations, which would for instance allow us to quickly upscale production of lower-carbon products such as fish or plant-based as required. We stay abreast of market demands through our consumer and market insight teams, and membership of trade bodies and industry associations.
Areas impacted	Global
Targets/KPIs	Doubling in sales of vegan, vegetarian and flexitarian products compared to a 2020 baseline, by 2025.

4. Demonstrated ESG credentials	
Type	Markets
Area	Downstream
Primary potential financial impact	Increased access to capital, commercial opportunities
Description	Enhancing Hilton Food's ESG reputation through improved practices and transparency of reporting may lead to new revenue opportunities from environmentally conscious partners. Investors and banks increasingly incorporate sustainability criteria into their assessments, with climate change being a primary concern. Many banks actively take non-financial data into account from providers such as MSCI and Sustainalytics. Additionally, investors are aligning their portfolios to net zero and companies may face disinvestment if their plans are deemed insufficient.
Time horizon	Medium
Likelihood	More likely than not
Impact	2 Medium
Response	With an ambition to be a leader in sustainable business, we consider Hilton Foods to be in a very strong position to satisfy changing stakeholder expectations. As outlined in this report we have a strong governance structure to manage sustainability issues and maintain appropriate internal controls to ensure timely and accurate reporting of non-financial information, and progression against ESG-related targets. Our commitment to sustainable business is reflected by our A- score from CDP, and strong scores from other rating agencies.
Areas impacted	Global
Targets/KPIs	External ESG ratings

METRICS AND TARGETS

Climate-related metrics and targets

Hilton Foods reports carbon dioxide equivalent (CO_2e) emissions across a 100-year timescale (GWP100) aligned to the IPCC's sixth Assessment Report and the recommendations of the Greenhouse Gas Protocol and the Science Based Targets initiative. These emissions are reported, in alignment with the Greenhouse Gas Protocol, across scope 1, 2 (both location- and market-based) and all relevant scope 3 categories. This data is independently verified by GEP Environmental across all three scopes to a 'limited level of assurance', which is in line with ISO 14064:3 2019. In addition, emissions intensity, total consumption of electricity and energy intensity, renewable electricity, gas and water, as well as emissions from fluorinated gases are monitored.

When calculating our scope 1, 2 and 3 emissions 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 where available. We have taken a financial control approach, with any holding less than 50% of shares excluded, however these are assessed as minor. Following our acquisition of Foppen in 2022, this has been added to scope, just as Fairfax Meadow and Dalco were added in 2021. Agito has not been included in any non-financial disclosure in 2022, as non-financial data integration is still ongoing; nonetheless, a screening assessment has indicated it would not increase our footprint significantly. GEP Environmental have verified our scope 1, 2 and 3 emissions to a limited level of assurance for 2022, as they did in 2021 and 2020.

Category 1 Purchased Goods and Services account for 99% of Hilton Foods' scope 3 footprint, with 98% from purchased agricultural products. Categories 8, 13, 14 and 15 are not applicable to Hilton Foods and Categories 2, 3, 4, 5, 6, 7, 9, 10, 11 and 12 are calculated but not material. Following the acquisition of Fairfax Meadow we have reappraised our scope for 2022 to include Category 10 Processing of Sold Products, as this was not material it was not backward calculated. To reflect the increased number of colleagues working from home, we have included emissions from homeworking in Category 7 Employee Commuting for 2022.

At Hilton Foods we are constantly working to improve how we measure and report our scope 3 emissions. In 2021, we moved from a financial accounting approach to an inventory approach. In 2022, we have refined this to use more regional and supply chain specific data. This has led to a change in our estimated emissions compared to what was reported in prior years. For clarity and to enable comparability, we have applied the updated methodology to calculate our estimated scope 3 emissions for 2021 and 2020 as well as 2022. Updated scope 3 estimates for prior years are not included in GEP Environmental's verification of our scope 3.

Building on our partnership with the University of Oxford, we will also be reporting an estimate of our scope 3 emissions by greenhouse gas for the last three years. Understanding this will allow us to better understand our warming impacts in the future. These are not included in GEP Environmental's verification of our scope 3.

Through our Foods Connected joint venture, support of the Chirrup.ai project and sponsorship of a DPhil at Oxford University, Hilton Foods is actively engaged in work to improve understanding and deployment of climate metrics.

Climate-related targets

All our climate-related goals and objectives, detailed below, are monitored as KPIs through the year, and reported to and reviewed by the Board.

In order to begin our work to address the carbon footprint of both our business and supply chain, Hilton Foods has set Science Based Targets covering our scope 1, 2 and 3 emissions and committed to the Business Ambition for 1.5°C, demonstrating our long-term goal to achieve net zero emissions across our value chain before 2050. Our existing 'well-below 2°C' targets are to reduce absolute scope 1 and 2 GHG emissions 25% by 2030 from a 2020 base year and to reduce absolute scope 3 GHG emissions from purchased agricultural products by 12.3% within the same timeframe. As well as our ongoing work to achieve these targets we are actively engaged in work to update targets to increase our level of ambition to the '1.5°C' pathway and to align to the new Forestry, Land and Agriculture (FLAG) guidance.

To ensure we meet these targets, we have developed detailed site level decarbonisation plans for each of our operations, to ensure efficiency (in line with ISO 50001), purchasing and capital expenditure decisions are aligned to our decarbonisation targets. We are actively seeking opportunities for investment and grant support to expedite the implementation of low-carbon technologies across heating, cooling and electricity. We are working with key suppliers and other partners to develop and implement decarbonisation plans for our supply chain.

Further details of our climate-related targets can be found in the Product and Planet sections of this report. Details of executive remuneration linked to climate change are outlined on page 44.

	2022			2021			2020 (SBT base year)		
Carbon footprint	**UK**	**Global (excl. UK)**	**Total**	**UK**	**Global (excl. UK)**	**Total**	**UK**	**Global (excl. UK)**	**Total**
Scope 1 (tCO_2e)	6,437	11,030	17,467	5,999	9,562	15,562	4,503	6,136	10,639
Scope 2 location based (tCO_2e)	6,599	47,866	54,465	8,900	48,349	57,249	8,607	49,069	57,675
Scope 2 market based (tCO_2e)	3	41,586	41,589	1,182	40,822	42,004	0	47,103	47,103
Scope 3 01. Purchased goods and services*	3,138,700	9,423,085	12,561,785	3,011,947 3,250,823	10,199,534 11,867,233	13,299,866 15,136,440	3,653,411 3,890,451	10,720,381 11,395,565	14,392, 177 15,286,016
Scope 3 02. Capital goods	2,253	7,583	9,835	2,004	5,950	7,954	3,578	102,644	106,221
Scope 3 03. Fuel and energy-related activities	3,134	13,824	16,958	1,649	8,019	9,668	1,535	9,799	11,334
Scope 3 04. Upstream transportation and distribution	3,526	33,426	36,952	2,478	75,189	77,666	3,040	75,673	78,713
Scope 3 05. Waste	2,764	7,581	10,345	18,004	11,195	29,199	6,062	6,970	13,032
Scope 3 06. Business travel	322	609	931	39	141	180	2	3	5
Scope 3 07. Employee commuting	1,354	1,985	3,339	898	1,425	2,323	917	1,081	1,998
Scope 3 08. Upstream leased assets		Out of Scope			Out of Scope			Out of Scope	
Scope 3 09. Downstream transportation and distribution	3,523	15,302	18,825	4,961	114,599	119,560	4,240	118,841	123,082
Scope 3 10. Processing of sold products	438	0	438		Out of Scope			Out of Scope	
Scope 3 11. Use of sold products	2,561	27,714	30,274	7,911	84,093	92,004	8,199	104,641	112,840
Scope 3 12. End-of-life treatment of sold products	7,384	54,651	62,035	6,357	17,032	23,389	6,432	23,471	29,904
Scope 3 13. Downstream leased assets		Out of Scope			Out of Scope			Out of Scope	
Scope 3 14. Franchises		Out of Scope			Out of Scope			Out of Scope	
Scope 3 15. Investments		Out of Scope			Out of Scope			Out of Scope	
Scope 3 Forestry, Land Use and Agriculture (FLAG) (tCO_2e)	3,088,629	9,376,063	12,464,692	3,241,797	11,802,691	15,044,488	3,860,330	11,340,601	15,200,931
Scope 3 Upstream (tCO_2e)	3,152,054	9,488,091	12,640,145	3,275, 894	11,969,151	15,263,431	3,905,585	11,591,734	15,497,320
Scope 3 Downstream (tCO_2e)	13,905	97,666	111,571	19,229	215,724	234,953	18,872	246,954	265,825
Scope 3 non-FLAG (tCO_2e)	48,259	209,694	287,025	53,327	382,184	453,895	64,127	498,087	562,214
Scope 3 CO_2 (tCO_2)^	684,707	1,736,586	2,421,293	641,837	1,091,373	2,543,210	724,673	1,882,355	2,607,028
Scope 3 CH4 (tCH4)^	51,696	173,232	224,928	47,559	189,819	237,378	62,185	205,014	267,198
Scope 3 N2O (tN2O)^	3,524	10,246	13,770	3,614	11,392	15,005	4,272	11,781	16,053
Scope 3 Unallocated (tCO_2e)^	109,271	464,736	602,859	148,519	475,614	642,518	134,931	635,414	788,730
Total Scope 3 (tCO_2e)*	3,165,959	9,585,757	12,751,716	3,056,248 3,295,123	10,517,176 12,184,875	13,591,808 15,498,383	3,689,416 3,924,457	11,163,504 11,838,688	14,869,306 15,763,145
Total Scope 1, 2 & 3 location based (tCO_2e)	3,178,995	9,644,653	12,823,648	3,310,022	12,242,786	15,571,193	3,937,567	11,893,893	15,831,459
Intensity ratio scope 1 & 2 – market based (tonnes CO_2e per tonne produced)	0.05	0.15	0.12	0.03	0.19	0.12	0.03	0.12	0.10

2020 Scope 1 and Scope 2 (location and market based) reported emissions and Scope 1, 2 and 3 emissions for 2021 and 2022 have been externally verified with limited assurance by an independent third party (GEP Environmental Ltd) in accordance with ISO14064:3 2019

* Data for 2020 and 2021 is provided as reported in 2021, above is recalculated to align to the 2022 dataset and methodology

^ Data based on recalculated scope 3 emissions using same dataset as 2022 where relevant, it has not been possible in all calculations to split emissions by gas, where this is not available data has been reported as CO_2e

Energy, kWh	2022 UK	2022 Global (excl. UK)	2022 Total	2021 UK	2021 Global (excl. UK)	2021 Total	2020 UK	2020 Global (excl. UK)	2020 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	8,417,671	4,456,096	12,873,767	5,584,948	1,044,790	6,627,737			
LPG	172,210	6,461,190	6,633,400	0	3,717,606	3,717,606	0	1,981,079	1,981,079
Natural gas	15,513,205	32,454,081	47,967,286	15,537,123	24,876,987	40,414,110	21,332,658	30,218,747	51,551,406
Total non-renewable fuel consumption	16,513,934	38,191,001	54,704,935	21,122,071	29,639,383	50,761,453	21,332,658	32,199,827	53,532,485
Total electricity consumption	34,131,367	112,454,749	146,586,116	42,295,591	99,553,665	141,849,256	37,769,233	97,429,104	135,198,337
Solar electricity generation	303,297	2,410,998	2,714,295	223,291	2,926,408	3,149,699	243,000	2,260,000	2,503,000
Total renewable electricity consumption	34,120,813	56,412,858	90,533,671	38,510,862	35,573,856	74,084,718	243,000	25,984,033	26,227,033
Total non-renewable electricity consumption	10,554	56,041,891	56,052,445	3,784,729	63,979,808	67,764,537	37,526,233	71,445,071	108,971,304
Proportion of renewable electricity	100%	50%	62%	91%	36%	52%			
Total renewable other energy consumption	0	5,345,664	5,345,664	0	0	0	0	0	0
Non-renewable other energy consumption (district heating)	0	2,000,553	2,000,553	0	7,106,611	7,106,611	0	1,392,196	1,392,196
Total renewable energy consumption	34,120,813	61,758,522	95,879,335	38,510,862	35,573,856	74,084,718	243,000	25,984,033	26,227,033
Total non-renewable energy consumption	24,113,640	101,413,813	125,527,452	24,906,799	100,725,802	125,632,601	58,858,892	105,037,093	163,895,985
Total energy consumption	58,234,453	163,172,334	221,406,787	63,417,662	136,299,658	199,717,320	59,101,892	131,021,126	190,123,018
Energy consumption (kWh used per tonne of volume produced)	486	450	459	293	513	405	447	397	411

NON-FINANCIAL DISCLOSURES continued

Fresh-water (m^3)	2022	2021	2020	2019
UK*	391,453	290,064	329,600	297,500
Ireland	26,506	39,231	45,000	49,000
The Netherlands**	284,899	173,478	164,700	169,000
Sweden	57,069	61,830	58,300	59,000
Denmark	48,048	44,945	46,000	45,000
Poland	98,147	89,366	96,000	74,000
Greece***	96,500			
Portugal^	31,959	28,953	31,950	35,000
Australia	254,381	264,544	249,300	47,000
New Zealand	105,996	21,218		
Total Fresh-water Use	1,394,957	1,013,629	1,020,850	775,500
Total Fresh-water Withdrawals	1,379,145	998,288		
Intensity (m^3 per tonne of product produced)	2.90	2.03		

* Fairfax Meadow sites included in UK number from 2022, due to water meter failure, 2022 usage at Laforey Road is based on estimated billing.

** Inclusion of 100% of Dalco from 2021 and Foppen from 2022.

*** Inclusion of Foppen from 2022.

^ Adjusted to JV holding.

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

Very high = 0 High = 2 - Hilton Foods Australia site in Truganina and Foppen site in Greece

	2022			2021			2020			2019			2018		
Workforce	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Board	4	3	7	5	2	7	5	2	7	5	1	6	5	1	6
Executive Leadership Team	9	3	12	7	3	10	8	2	10	8	2	10	8	2	10
Senior Leadership*	28	13	41	28	11	39	47	11	58	39	11	50	39	11	50
Senior Management**	201	97	298												
Employees	4,256	2,825	7,081	3,395	2,386	5,781	3,185	2,206	5,391	2,981	1,963	4,944	2,878	1,840	4,718
Executive Leadership Team	75%	25%		70%	30%		80%	20%		80%	20%		80%	20%	
Senior Management (SSP)	67%	33%													
Average training time (hours)			12,007			8,444			6,554			4,523			
Number of employees who completed soft skills training			2,669												
Average training expense per employee			£550												
Number of employees who have been trained on ethical standards (i.e. anti bribery and corruption)			3,047												
% of employees covered by collective bargaining agreements			27%			41%			33%						
Total staff turnover			31%			24.91%			17.10%			21.90%			22.50%
Total fatality rate			0			0			0			0			0

We have received no human rights/quality violations for the past three years.

* Senior Leadership is defined in line with the FTSE Women Leaders Index, direct reports to Executive Leadership Team.

** Senior Management is defined in line with Hilton Foods Sustainable Protein Plan (SSP) '30% of women in leadership' target. This is defined as all those who identify as women as Functional Lead, Head of Department or Job Level 5.

The decline of employees covered by collective bargaining agreements is representative of Hilton Foods new acquisitions in 2022.

Board of Directors

Senior Leadership

Employees

NON-FINANCIAL DISCLOSURES continued

Health and safety	2022	2021	2020	2019	% Change (2022 vs 2021)
Hours Worked	10,238,356	9,559,280	9,143,579	9,717,405	7%
First Aid Incidents	645	586	677	573	10%
Lost Time** Incidents	138	138	87	147	0%
Lost Time Incident Frequency Rate	13	14.44	9.51	15.13	7%
Number of Days Lost	4,867	3,514	2,198	2,012	39%
Lost time incident severity rate	475	367.63	240.33	207.05	29%
Non-injury incidents/hazards	6,046	5,191	4,993	85*	16%

* 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 two fiscal years covers 100% of directly employed Hilton Foods employees (this number excludes contractors).

Nutritional context, for growing areas in healthier products % of total sales	2022	2021
Products with a high source of Omega 3	1%	1%
Low fat products (<3%)	3%	3%
Lower fat products (<5%)	9%	16%
Products containing E Numbers	18%	21%
Low salt products (less than 0.12g/100g)	15%	15%

Other information	2022	2021
Total site waste (tonnes)	27,456	47,405
Customer service level (%)	95.86%	96.44%
Product produced (tonnes)	481,831	492,588
Charitable donations	£153,327	£72,629

No Hilton Foods staff have been disciplined or dismissed due to non-compliance with anti-corruption policy/policies in the current and last two fiscal years.

Hilton Foods has no redundancies or job cuts affecting more than 5% of the total workforce for the current and last two fiscal years.

SUSTAINABILITY REPORT
SASB PROCESSED FOODS REPORT

SASB Code	Sub-Category	2nd Sub-category	Disclosure	Unit of Measure	2022 Response
FB-FR-130a.1	Energy Management	Measurement	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	Gigajoules (GJ), Percentage (%)	See page 85 of this report.
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 metres (m^3), Percentage (%)	1) 1,379,145 2) 1,394,957 3) 11% of sites are in High water stressed areas; these are our Hilton Foods Australia site in Truganina and the newly acquired Foppen site in Greece.
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	Two incidents of non-compliance in 2022. The first at Hilton Foods Holland due to the lack of system in place with a lay-out of all the backlash valves; this non-conformance has been resolved. The second in the Hilton Foods APAC Truganina site due to the exceedance of the trade waste pH limit. An investigative report was submitted to Greater Western Water (GWW) outlining the root cause and the actions to rectify the issues identified. GWW were satisfied with the corrective actions and closed out the non-conformance.
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 68 of this report.
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	20 sites are GFSI certified. 14 sites are certified against BRC standard, 11 sites are AA (>5 minors), three sites are A grade (6-10 minors). Four sites are FSCC22000, all of which have been graded as Pass. Two sites are certified IFS standard, both rated 96% to high level grade.
FB-PF-250a.2	Food Safety	Measurement	Percentage of ingredients sourced from Tier 1 supplier facilities certified to a Global Food Safety Initiative (GFSI) recognized food safety certification program	Percentage (%) by cost	In FY22, 90% of our ingredients sourced from Tier 1 supplier facilities certified to a Global Food Safety Initiative (GFSI) recognized 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 FY22, we received no notices of food safety violations.
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 PROCESSED FOODS REPORT continued

SASB Code	Sub-Category	2nd Sub-category	Disclosure	Unit of Measure	2022 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	Hilton Foods is actively engaged in reformulating products to reduce the fat, salt, sugar and calories, where appropriate, across our global product range. We actively promote the adoption of Omega 3 products amongst our customers, engaging with the salmon industry to increase the Omega 3 content. As a predominantly private label supplier, we work in partnership with our customers to deliver health benefits to their consumers; please refer to 'Balanced healthy diets' disclosure on pages 64-65 of this report.
FB-PF-270a.1	Product Labelling & 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 Labelling & 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 Labelling & Marketing	Measurement	Number of incidents of non-compliance with industry or regulatory labelling and/or marketing codes	Number	Hilton Foods has not received any incidents of non-compliance with industry or regulatory labelling and/or marketing codes in FY22.
FB-PF-270a.4	Product Labelling & Marketing	Measurement	Total amount of monetary losses as a result of legal proceedings associated with labelling and/or marketing practices	Reporting currency	Hilton Foods has not been a party to any legal proceedings in FY22 in relation to branding/product labelling.
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 pages 66-67 of this report.
FB-PF-430a.1	Environmental & Social Impacts of Ingredient Supply Chain	Measurement	Percentage of food ingredients sourced that are certified to third-party environmental and/or social standards, and percentages by standard	Percentage (%) by cost	In FY22, 90% of our ingredients sourced from Tier 1 supplier facilities certified to a Global Food Safety Initiative (GFSI) recognised food safety certification programme.

Activity Metrics	Sub-Category	2nd Sub-Category	Disclosure	Unit of Measure	2022 Response
FB-PF-000.A	N/A	Measurement	Weight of products sold	Metric tons (t)	481,831
FB-PF-000.B	N/A	Measurement	Number of production facilities	Number	Hilton Foods has 24 production facilities

SUSTAINABILITY REPORT
GRI INDEX 2022

Statement of use	Hilton Food Group plc has reported in accordance with the GRI Standards for the period 31 December 2021 until 31 December 2022.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	N/A

GRI Standard		
GRI 2: General Disclosures 2021	2-1 Organisational details	Annual report page 144
	2-2 Entities included in the organisation's sustainability reporting	Annual report page 83
	2-3 Reporting period, frequency and contact point	The Annual report is published annually in April, the reporting period is 31 December 2021 to 31 December 2022. This is in alignment with financial reporting. Publication date and point of contact are detailed on page 91.
	2-4 Restatements of information	Annual report page 83
	2-5 External assurance	Annual report page 83
Material Topics		
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Annual report page 43, details our double materiality process.
	3-2 List of material topics	Annual report page 43

APPROVAL OF THE STRATEGIC REPORT

Pages 6 to 91 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

4 April 2023

PASSION

LEADERSHIP

VEGAN & VEGETARIAN

PIONEERS OF PLANT-BASED PRODUCTS.

Today, vegan and vegetarian food is an essential part of everyday eating, and we operate dedicated meat-free facilities to develop insight-driven products that consumers desire.

GOVERNANCE

BOARD OF DIRECTORS

Non-Executive Chairman

Robert Watson, OBE N
Non-Executive Chairman

Tenure: 20 years

Independent: No

Biography: 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: 30 years

Independent: No

Biography: 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.

Matt Osborne
Chief Financial Officer

Tenure: 1 year as a Director

Independent: No

Biography: Matt joined Hilton Foods in 2018 and from 2018 to 2022 served as the Hilton Foods Group Financial Controller. He was promoted to Chief Financial Officer in May 2022.

Key skills and competencies: Matt has a degree in chemistry and is a qualified Chartered Accountant.

Current external appointments: None.

Previous experience: Matt trained with Grant Thornton and joined Greene King in 2007 reaching the position of Group Financial Controller.

Company Secretary

Neil George
Company Secretary

Neil joined Hilton Foods in 2007 as Group Financial Controller and Company Secretary. He began his career in finance qualifying as a Chartered Accountant having trained within a regional practice. Since moving into industry he has worked in finance and company secretarial roles across a variety of international publicly listed manufacturing businesses including in the packaging machinery and medical device sectors.

Committees key

- A Audit Committee
- R Remuneration Committee
- N Nomination Committee
- S Executive Sustainability Committee

Underline denotes Committee Chair.

Non-Executive Directors

Angus Porter A R N
Non-Executive Director &
Senior Independent Director

Tenure: 4 years

Independent: Yes

Biography: Angus joined Hilton as an independent Non-Executive Director in 2018. He is the Senior Independent Director and 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 Co-Chairman of Direct Wines Ltd. and Non-Executive Director at McColl's Retail Group.

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, Non-Executive Director of TDC A/S (Denmark).

Christine Cross A R N
Non-Executive Director

Tenure: 7 years

Independent: Yes

Biography: 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 and several private companies as well as numerous advisory roles.

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

Rebecca Shelley A R N S
Non-Executive Director

Tenure: 3 years

Independent: Yes

Biography: Rebecca joined Hilton in 2020 as an independent Non-Executive Director. She is Chair of 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 and Liontrust Asset Management plc.

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, a Trustee of the Institute of Grocery Distribution and formerly Non-Executive Director at Arraco Global Markets Ltd.

Patricia Dimond A R N
Non-Executive Director

Tenure: 1 year

Independent: Yes

Biography: Patricia joined Hilton in 2022 as an independent Non-Executive Director. She is Chair of the Audit Committee.

Key skills and competencies: Patty 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, Aberforth Smaller Companies Trust plc, English National Opera and the National Academy for Social Prescribing.

Previous experience: Executive roles with Storehouse, Mothercare and Value Retail plc, a management consultant with McKinsey & Co and formerly Non-Executive Director at LXi REIT plc.

OUR PURPOSE

Growth and success through partnership.

Through the creation of efficient, innovative and responsible food manufacturing and supply chain solutions with the ambition to be the international food and supply chain partner of choice.

2022/23 HIGHLIGHTS

91%

of employees contributed to the annual engagement survey in 2022

(2021: 77%)

For more information see **page 48**

43%

Board female representation

(2021: 29%)

For more information see **page 102**

57%

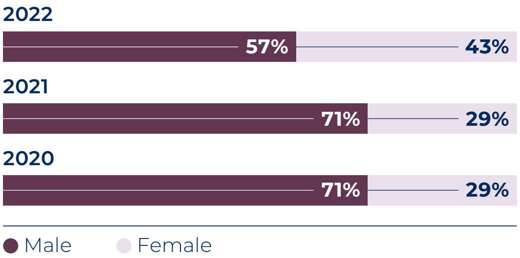
Independent Non-Executive Directors on the Board

(2021: 57%)

For more information see **pages 94-95**

BOARD COMPOSITION AS AT 1 JANUARY 2023

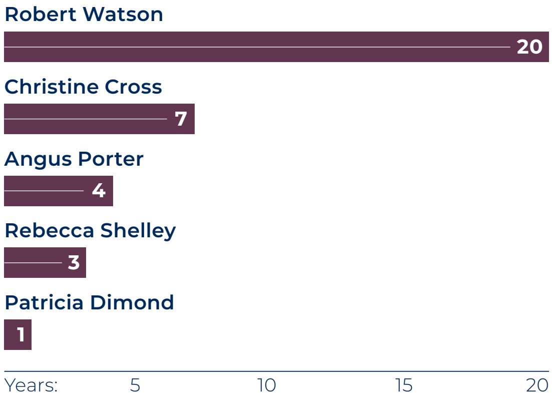
Board gender balance



Board independence

- Executive Directors 2
- Independent Non-Executive Directors 4
- Non-Executive Chair 1

Chair and Non-Executive Director tenure



HIGHLIGHTS

- Successful transition of new CFO & SID
- Board female representation increased above the 40% FCA target
- Positive external Board evaluation
- Continuing low level of whistleblowing reports

OUR GOVERNANCE FRAMEWORK

Shareholders

The Board

Leads the Group's governance structure and is collectively responsible for promoting the long-term sustainable success of the Group. Sets and approves the strategy and key policies and monitors progress towards achieving these objectives

Chairman

Leads the Board.

Responsible for ensuring the Board's overall effectiveness in directing the Company.

Ensures Board meeting agendas are aligned with the business strategy, in collaboration with the CEO and Company Secretary.

Promotes a culture of openness and debate.

Chief Executive Officer

Responsible for the day-to-day management of the business.

Develops the strategic direction and promotes our culture and values.

Chief Financial Officer

Responsible for all financial related activities including risk, treasury, and finance strategy.

In collaboration with the CEO oversees strategic planning, deal analysis and negotiations, and investor relations.

Senior Independent Director

Works closely with the Chair, acting as a sounding board and as an intermediary for the other Directors and shareholders.

They are available for shareholders to raise concerns that normal channels have failed to resolve.

Independent Non-Executive Directors

Responsible for holding management and Executive Directors to account against the agreed performance objectives.

They apply independent judgement, expertise and oversight to critically challenge management and to support strategy development.

They scrutinise the robustness and effectiveness of financial controls and risk management processes.

Company Secretary

Responsible for advising the Board on all governance matters and ensuring compliance with Board procedures.

Supports the Chairman in ensuring that the Directors receive timely, accurate and clear information.

All Directors have access to the advice of the Company Secretary.

Committees

The Board has delegated certain responsibilities to formal Board subcommittees

Audit Committee

Read more see **page 106**

Remuneration Committee

Read more see **page 111**

Nomination Committee

Read more see **page 109**

Executive Team

Implementation of the agreed strategy and budget and the day-to-day management of the Group's operations is delegated to the Executive Leadership Team, led by the CEO

Find out more about the Executive Team
www.hiltonfoods.com/who-we-are/executive-leadership-team

Executive Committees

The Executive Team has delegated certain responsibilities to executive subcommittees

Risk Management Committee

Reports to the Audit Committee

Sustainability Committee

Chaired by an Independent Non-Executive Director

CORPORATE GOVERNANCE STATEMENT

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.

Our core values, shown opposite, guide us in delivering a sustainable future for all our stakeholders. These values are integral to our strategic compass, which navigates us. Our strong values-based culture supports us in achieving good governance.

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.

Further information including our business model can be found on pages 12-21.

GOVERNANCE CODE AND COMPLIANCE

We evaluate our governance against principles and provisions contained in the 2018 UK Corporate Governance Code ("Code") issued by the Financial Reporting Council which can be obtained from www.frc.org.uk/corporate/ukcgcode.cfm. This Corporate governance statement together with the Board Committee reports and the Directors' remuneration report on pages 111 to 128 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 2022 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 below.

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.

Membership

At the date of this report the Board consists of the Chairman, two Executive Directors and four Non-Executive Directors whose names, responsibilities, brief biographies and membership of Board Committees are set out on pages 94 and 95. The Directors bring strong judgement and expertise to the Board's deliberations and with diversity achieves a balance of skills and experience appropriate for the requirements of the business.

During the year Patricia Dimond joined the Board 1 April 2022 as an independent Non-Executive Director. At Hilton's 2022 AGM John Worby did not seek re-election and therefore stepped down as an independent Non-Executive Director. Nigel Majewski also stepped down at the AGM as CFO and was replaced by Matt Osborne, previously Hilton's Group Financial Controller.

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 127 which charts Hilton's total shareholder return over the past ten years showing average compound annual growth of 10.1% despite the challenges experienced during 2022 which compares with 6.6% 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, over the 16 years since flotation, is 10.0%.

Robert joined Hilton initially as Chief Executive, transitioning during 2018 to Executive Chairman and in 2021 he moved into a non-executive capacity. This transition path had 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 continue to have 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 judgement that is in the best interests of the Group. The 2022 external Board evaluation supported the Board's view that under the leadership of Robert Watson Hilton has grown to be a successful FTSE 250 company.

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 Group, its history, the industry in which it operates and its stakeholders. He has shown that he is able to chair and monitor the Group 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 Group 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 2024.

Non-Executive Directors

The Non-Executive Directors, excluding the Chairman but including the Senior Independent Director, are considered to be independent as none of the circumstances detailed in the UK Corporate Governance Code apply and that no other relevant circumstances apply all having served on the Board for seven 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 Hilton 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

Angus Porter replaced John Worby as Hilton's Senior Independent Director during the year. He 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.

OUR VALUES

Collaborative
Working together across functions and geographies is core to our DNA, driving us forward as a business. We believe passionately in the power of the team and diverse viewpoints on a given challenge. We collaborate internally, as well as with our network of external partners, advisors and suppliers to deliver rigorous solutions that work.

Innovative
Our innovative approach keeps us ahead of our competitors. The desire for better ways of doing things lies behind all that we do, across all functions of the business. Our production, logistics and technology systems are in a state of constant development and improvement. Our appetite for innovation fuels our partners' growth.

Agile
We take it as a given that the world, the market, and the needs of customers, consumers and our people are constantly changing. We therefore build facilities, systems and processes with agility top of mind. We react quickly to change to keep us, and our partners, ahead of the pack.

Ambitious
We are never content with the status quo or with how we are doing today. If something is going well, we ask: how can we make it better? We set challenging goals for ourselves as individuals and for the services that we offer our customers. And we achieve these goals together.

Responsible
We do what's right because it's right, not because we are obliged to. We go way beyond what regulations and the law demand, because we believe that all businesses should be a force for good in their communities and beyond. We care about each other, about the planet and about the generations yet to come.

This timeline sets out an overview of key Board activities throughout 2022.

JANUARY

Trading update
The January trading update was reviewed by the Board

Agito joint venture
Announcement of a joint venture with Agito, automation and technology solutions business

MARCH

Foppen acquisition
Completion of the acquisition of the smoked salmon producer, Foppen

APRIL

Board changes
Patricia Dimond appointed as an Independent Non-Executive Director

2021 Full year results
The Board approved the 2021 full year results

MAY

Board changes
Matt Osborne appointed as Chief Financial Officer

John Worby and Nigel Majewski retired from the Board

Angus Porter replaced John Worby as the Senior Independent Director

AGM
Hybrid AGM held from the Hilton Foods offices in Huntingdon, UK

Trading update
The AGM trading update was reviewed by the Board

JULY

Final dividend

A full year dividend of 21.5p per ordinary share was paid to shareholders

21.5p

Foods Connected

Hilton's investment in Foods Connected increased from 50% to 65%

FOODS CONNECTED

SEPTEMBER

Cellular Agriculture

Hilton announced an agreement to invest in a leading UK cultured meat technology venture, Cellular Agriculture Limited

Cellular Agriculture

Interim Results

The Board approved the 2022 Half Year results

APAC Visit

The Board visited our facilities in Brisbane, Australia and Auckland, New Zealand

OCTOBER

External Board evaluation

Questionnaires and interviews

NOVEMBER

Strategy Day

The Board met to review strategy

Trading update

The November trading update was reviewed by the Board

DECEMBER

2022 interim dividend

An interim dividend of 7.1p per ordinary share was paid to shareholders

7.1p

Strategic partnership

The Company announced the formation of a long-term strategic collaboration in Singapore with Country Foods Pte Ltd

Board balance and diversity

Tables for reporting on gender identity or sex and ethnic background as at 1 January 2023 are set out below.

Hilton is committed to diversity on its Board, Executive Committee and its direct reports including implementing targets for female representation and persons of colour. Further diversity information on Executive Committee direct reports and all employees can be found in the Sustainability report on page 87. We will look to increase diversity within the Group at every opportunity in the future.

During the year the balance of independent Non-Executive Directors on the Board was 57.1% and female representation on the Board was initially 28.6%. Following the appointment of Patricia Dimond and departure of John Worby, female representation on the Board increased to 42.9%, thereby meeting the Board female FCA target. Other FCA targets relating to senior positions on the Board held by women and Board positions held by those from a minority ethnic background have not yet been met.

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 conflict of interest during 2022 involving Hilton's CEO, Philip Heffer, in relation to its trading company Hilton Food Solutions Limited. Philip owned 10% of the shares in this company and during the year exercised an option to sell these shares to Hilton. Under a formula contained in the shareholders' agreement the consideration was calculated at £1,151,000. The transaction was included as a resolution for approval at Hilton's 2022 AGM and was passed by shareholders following which the transaction completed 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.

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Table for reporting on gender identity or sex					
Men	4	57.1%	4	9	75.0%
Women	3	42.9%	0	3	25.0%
Table for reporting on ethnic background					
White British or other White (including minority-white groups)	7	100.0%	4	11	91.7%
Other ethnic groups	0	0.0%	0	1	8.3%

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	9	100%
Philip Heffer	9	100%
Matt Osborne (appointed 24 May 2022)	5	83%
Nigel Majewski (resigned 24 May 2022)	4	100%
Christine Cross	9	100%
Angus Porter	9	100%
Rebecca Shelley	9	100%
Patricia Dimond (appointed 1 April 2022)	8	100%
John Worby (resigned 24 May 2022)	4	100%

OTHER GOVERNANCE

Training

Training is available to the Board to develop their knowledge and understanding of the business and to enable them to perform their duties as Directors. Regular updates on regulatory, governance and legal matters is provided as part of the Board pack prior to each meeting and where relevant throughout the year. The Directors have access to the Board portal which is used as a source of reference materials including a range of articles and reports on relevant topics. Expert internal and external speakers deliver tailored training as required.

During the year the Board received specialist sessions to update on Company strategy and organisational transformation and training to prepare for the possible event of a takeover bid. The Board also received training from external experts on sustainability matters including Climate related Financial Disclosures, climate change and human rights. They also received an update on energy market dynamics.

The Board visited our facilities in Brisbane, Australia and Auckland, New Zealand which included factory tours, meetings with colleagues and an opportunity to see the new Hilton food park concept.

Performance evaluation

An external performance evaluation of the Board was performed during the year. Following a formal selection process Constal Limited was chosen to carry out the review who were verified as being independent. The process comprised an initial short questionnaire followed by an interview with each Director and the Company Secretary.

Constal's report concludes that the Board and the Board Committees continue to operate effectively and in particular:

- Under the leadership of Robert Watson and Philip Heffer, together with experienced NEDs and a strong executive team, Hilton has grown to be a successful FTSE 250 company but is now bigger and more complex having to navigate new and major challenge
- Following work on corporate governance procedures, the next stage of development is to create the environment where this Board can bring its experience and external perspectives to bear on longer-term, more strategic issues too
- There is a strong culture and mutual respect but there is scope for more interaction in the boardroom
- The strategy is clear and well understood by the Board and management
- There is general satisfaction with how risks are identified, prioritised and managed but with room for improvement

The main areas for Board development comprise adding value around strategy and long-term value creation including: i) succession planning, ii) improving agendas, Board papers and timelines, iii) increasing opportunities to align as a team and iv) considering lessons learned.

Annual General Meeting

Our 2023 AGM will continue in a hybrid format at which shareholders will be asked to vote on 17 resolutions dealing with key governance matters, including the reappointment of all Directors, approval of the Directors' remuneration report and the reappointment of the auditors.

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 26 to 31.

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 has identified the key business risks within its 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 via a 24/7/365 telephone and web-based reporting service available in all local languages. The policy allows anonymised reporting and that reports are treated confidentially. More information on this policy can be found on our website. The Board receives reports on any communications reported via this mechanism. During the year one whistleblowing report was received related to a human resource matter.

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. The recently updated 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.

By order of the Board

Neil George
Company Secretary

4 April 2023

DIRECTORS' REPORT

The Directors present their report together with the audited consolidated financial statements for the 52 weeks ended 1 January 2023. Reference to other relevant information incorporated into this report is below.

STRATEGIC REPORT

The Strategic report on pages 8 to 91 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 23.

This Strategic report also includes the Sustainability report on pages 36 to 91. 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 98 to 128 includes information required by DTR 7.2.

Details of Hilton's Long Term Incentive Plan is included in the Directors' Remuneration Report on pages 111 to 128. The Hilton Food Group plc Employee Benefit Trust, which operates in connection with that Plan, elected to waive its right to receive dividends on shares held by it. During the year the value of dividends waived was £21,877 (2021: £39,085). There is no further information required to be disclosed under LR 9.8.4R.

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 and future developments	Our business model	12-21
Principal risks	Risk management and principal risks	26-31
Financial risk management	Performance and financial review	22-23
Non-financial KPIs	Key performance indicators	24-25
Environment	Sustainability report	36-91
Employees including disabilities		
Human rights		
Social matters		
Anti-bribery and corruption	Corporate governance statement	98-103

PRINCIPAL ACTIVITIES

The Group is the international food and supply chain services partner of choice.

RESULTS AND DIVIDENDS

The profit before income tax is £29.6m (2021: £47.4m).

An interim dividend of 7.1p per ordinary share was paid in December 2022. The Directors recommend the payment of a final dividend for the period which is not reflected in these financial statements, of 22.6p per ordinary share totalling £20.2m, 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 30 June 2023 to members on the register at the close of business on 2 June 2023. Shares will be ex dividend on 1 June 2023.

DIRECTORS AND THEIR INTERESTS

The Directors of the Company in office throughout 2022, together with their biographical details, are set out on pages 94 to 95. All the Directors served for the whole of the year under review except Patricia Dimond who joined the Board on 1 April 2022, Matt Osborne who joined the Board on 24 May 2022 and John Worby and Nigel Majewski who left the Board on 24 May 2022. Details of Directors' interests in shares are provided in the Directors' remuneration report on page 124.

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:

	Number of ordinary shares	Percentage of issued share capital	Nature of holding
abrdn	9,196,341	10.27%	Indirect
Quantum Partners LP	5,980,000	6.68%	Indirect
Montanaro Investment Managers	3,255,000	3.64%	Indirect
Vanguard Asset Managements	3,207,136	3.58%	Indirect
R. Heffer	3,113,310	3.48%	Direct
Liontrust Asset Management	2,943,832	3.29%	Indirect
Invesco	2,818,730	3.15%	Indirect

Additionally Directors' interests in shares total 7.11% and details are given on page 124. All the Non-Executive Directors' interests (including the Chairman) are each less than 5%.

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 (2021: £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 2022:
  - 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 2023 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 reappoint 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 94 and 95. 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.hiltonfoods.com/investors/shareholder-information/.

By order of the Board

Neil George
Company Secretary

4 April 2023

REPORT OF THE AUDIT COMMITTEE

"Key areas of focus included reviewing acquisition accounting, an impairment review and the external audit tender."

Patricia Dimond
Chair

Highlights

- Review of acquisition accounting for Foppen and increased stake in Foods Connected
- Review of the fair values of intangible assets for 2021 acquisitions of Fairfax Meadow and Dalco
- Intangible assets impairment review with no impairments identified
- Successful external audit tender outcome, Deloitte LLP will become the external independent auditors for the FY 2024 audit

Attendance at meetings of the Audit Committee

	Number attended	Percentage attended
Patricia Dimond (appointed 1 April 2022)	3	100%
John Worby (resigned 24 May 2022)	2	100%
Christine Cross	4	100%
Angus Porter	4	100%
Rebecca Shelley	4	100%

CHAIR'S INTRODUCTION

I am pleased to report on the activities of the Audit Committee for the 52 weeks ended 1 January 2023.

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.hiltonfoods.com.

The Committee meets no less than 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 2022 the Committee initially comprised the former Chairman of the Committee, John Worby, and the other Independent Non-Executive Directors, Christine Cross, Angus Porter and Rebecca Shelley. I joined the Committee on 1 April 2022 and became its Chair when John stepped down on 24 May 2022. The Committee is comprised 100% of independent Non-Executive Directors.

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.

I have recent and relevant financial experience and, together with other Committee members, have a wide experience of the food industry and commerce in general.

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, any formal announcements relating to the Company's financial performance, and significant financial reporting judgements contained in them;
- whether the Annual report and financial statements, 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 completed and the effectiveness of the Company's internal audit function;
- the scope and effectiveness of the external auditors including recommendations to the Board about the appointment, reappointment and removal of the external auditors, and approving their remuneration and terms of engagement;
- the external auditor's independence and objectivity including the policy on engagement of the external auditors to supply non-audit services, giving consideration to the impact this may have on their 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 2022 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 auditors and reviewed supporting papers in respect of these matters.

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

- revenue recognised on the Group's major contracts.
- the accounting for the acquisition of Foppen and a further investment in Foods Connected, including the allocation of the purchase price, intangible assets and goodwill together with a review of updated fair values of intangible assets for the 2021 acquisitions Fairfax Meadow and Dalco. The Committee considered papers prepared by management and concurred with the accounting treatment and disclosures made in the Annual report;
- acquired intangible assets reviewed for impairment with no impairments identified;
- accounting developments. The Committee reviewed the impact of new IFRS standards effective in the year and their adoption by the UK;
- the impacts and insurance claim status from the fire at Hilton's facility in Belgium during 2021 and the related disclosures;
- the matters arising from the review of the Group's 2021 Annual report by the Financial Reporting Council (as discussed more fully below);
- 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 (see pages 72 to 83); and
- 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 position and performance, business model and strategy.

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 auditors be signed.

FRC REVIEW

During the year the Financial Reporting Council (FRC) undertook a thematic review of companies' disclosures relating to business combinations which included a limited scope review of Hilton's 2021 Annual report. There were inherent limitations in their review which did not benefit from a detailed knowledge of the Hilton business or an understanding of the underlying transactions entered into. Additionally their review provides no assurance that Annual report and financial statements are correct in all material respects

Following observations made by the FRC a number of areas of disclosures have been reviewed and amended within this 2022 Annual report to provide additional information for the users of the financial statements. In particular this involved the restatement of the comparative consolidated cash flow statement to remove non-cash transactions totalling £3.6m from investing and financing activities. The Audit Committee was involved in reviewing and agreeing the Company's response to the matters raised by the FRC and, where relevant, how they are dealt with in the 2022 financial statements.

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 focus on fire safety and key financial controls within new and acquired businesses. 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. Other key focus areas included geopolitical risks including labour and supply chain shortages, cost of living, inflation and energy markets. 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 whistleblowing, bribery and fraud in the business at every meeting together with individual updates as required to be able to be satisfied that the arrangements are adequate.

EXTERNAL AUDIT

The Committee oversees the relationship with, and the performance of, the external indepdendent auditors. 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 audit partner, Martin Cowie, 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.

The current external independent auditors, PricewaterhouseCoopers LLP (PwC), were appointed in 2007 and reappointed in 2016 following a public audit tender process. During 2022 a further audit tender process was conducted which saw invitation letters sent to two big 4 audit firms, excluding the incumbent, and also one challenger audit firm which set out the process, defined selection criteria and the timetable. Selection criteria included a global presence, technical expertise, sector and public company experience, culture and fit. All candidates were given access to relevant information and additionally management were made available for meetings and discussions as necessary. Each invitee was given the opportunity to present to an Audit panel chaired by the Chair of the Audit Committee and the entire committee following which the Committee made a recommendation to the Board. Thereafter the Board accepted the Committee's recommendation and accordingly Deloitte LLP was selected as external auditors and will shadow the work of the existing auditors during the FY 2023 audit and will formally be appointed as the external auditors for the FY 2024 audit.

During the year meetings were held with the external auditors 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.

After the conclusion of the audit, the Committee reviewed the effectiveness of the audit including PwC's performance and concluded that the audit had been effective.

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

NON-AUDIT SERVICES AND FEES

Hilton's policy on the use of the external auditors for non-audit services designed to preserve the independence of the external auditors was reviewed and updated during the year. This policy categorises non-audit services into (i) continuing services which the Committee permits the external auditors 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. In 2022 the fees were £78,000 (including £53,000 for work in connection with the half year review) which represent 7% of audit fees in the year compared with a 70% cap and an average of 10% over three years. Excluding items required by EU or national legislation, the three year average of non-audit fees was 3% of audit fees. Further details of audit and non-audit costs can be found in note 6 on page 155. The Committee considers that the level of non-audit fees does not affect the independence of the external auditors.

OTHER

The anti-bribery and anti-corruption policy was updated during the annual cycle. 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

Patricia Dimond
Chair

4 April 2023

REPORT OF THE NOMINATION COMMITTEE

"The Committee continues to consider the evolution of a strong, well-balanced and diverse Board."

Robert Watson OBE
Chairman

Highlights

- CFO appointment of Matt Osborne and transition management
- New Independent Non-Executive Director Patricia Dimond appointed. New Audit Committee Chair & SID
- Development of Chair succession plans

Attendance at meetings of the Nomination Committee

	Number attended	Percentage attended
Robert Watson	2	100%
Christine Cross	2	100%
Angus Porter	2	100%
Rebecca Shelley	2	100%
Patricia Dimond (appointed 1 April 2022)	1	100%
John Worby (resigned 24 May 2022)	1	100%

CHAIRMAN'S INTRODUCTION

I am pleased to report on the activities of the Nomination Committee for the 52 weeks ended 1 January 2023.

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.hiltonfoods.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 a majority of 80%. Patricia Dimond joined the Committee following her appointment as a Non-Executive Director on 1 April 2022 and John Worby left the Committee on 24 May 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 2022 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, CEO, Non-Executive Director and CFO positions.

Patricia Dimond was appointed as an Independent Non-Executive Director, completing a process that commenced during 2021, in anticipation of John Worby, who did not seek re-election at Hilton's AGM, stepping down from the Board. Following his departure Patricia was appointed Chair of the Audit Committee and Angus Porter became the Senior Independent Director. An induction programme was arranged for Patricia. Following these changes the balance of the Board's independence was maintained at 57% and Board gender diversity increased from 29% to 43%.

Nigel Majewski stepped down from the Board in a reduced capacity with Hilton as Director of Investor Relations and Strategic Development. Matt Osborne was appointed as Chief Financial Officer at the AGM in May 2022. The transition to Matt was managed, including ensuring that he had access to sufficient training to help him fulfil his new role.

The Committee noted that Philip Heffer had advised the Board that he wished to step down from the Board in 2023 and step back after almost 30 years with Hilton Foods, including the last five years as Group CEO. A potential new CEO was identified in Steve Murrells, CBE who had recently stepped down from his previous CEO role. Steve is an exceptional business leader with a wealth of experience in the retail and food supply chain sectors in large national and multinational businesses. He was appointed Commander of the Order of the British Empire (CBE) in the 2022 New Year Honours for services to the food supply chain.

The Committee agreed that Steve was an excellent candidate such that no other candidates needed to be considered and recommended to the Board that he be offered the CEO position. Steve will join the Board in July 2023. Philip will step back into a part time Co-Founder and Board Advisor role and will support Steve ensuring a smooth transition.

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

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 28% in 2021 to over 30% in 2022. 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

4 April 2023

DIRECTORS' REMUNERATION REPORT

"Remuneration reflects the wide spread of operations across Europe, Asia Pacific and North America."

Christine Cross
Chair of the Remuneration Committee

Highlights

- New remuneration policy approved at the 2022 AGM and applied from 24 May 2022
- ESG emissions, packaging recycling and food waste targets introduced into LTIP performance conditions
- Appointment of new CFO and further market alignment of CEO remuneration as previously communicated
- Challenges in our seafood business including macroeconomic headwinds and an unprecedented increase in the cost of living significantly reduced performance-related remuneration
- Executive Directors elected to waive the personal element of their annual bonuses

Attendance at meetings of the Remuneration Committee

	Number attended	Percentage attended
Christine Cross	4	100%
Angus Porter	4	100%
Rebecca Shelley	4	100%
Patricia Dimond (appointed 1 April 2022)	2	100%
John Worby (resigned 24 May 2022)	3	100%

Annual Statement

Dear Shareholder,

On behalf of the Board I am pleased to present the Directors' remuneration report for the 52 weeks ended 1 January 2023. 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').

2022 saw continued volume growth across the Group including the first full year of trading at our New Zealand food park and strong trading in Central Europe as well as the integration of the Fairfax Meadow and Dalco businesses acquired in 2021. We completed the acquisition of the Foppen fish business thereby entering the North American market, increased the stake in Foods Connected, formed a joint venture with Agito, commenced a new strategic relationship with Country Foods in Singapore and invested in a cultured meat technical venture with Cellular Agriculture. There were, though, significant challenges in our seafood business including macroeconomic headwinds and unprecedented inflationary cost increases which, although there are robust recovery plans in place, impacted adjusted profit and EPS metrics for the year.

Annual Statement continued

DIRECTORS' REMUNERATION – MAJOR DECISIONS AND SUBSTANTIAL CHANGES

2022 pay outcomes

The Company continues to implement its strategy with a wide spread of operations across Europe and the Asia Pacific region, which represents a material strength and, through the Foppen acquisition, entry into North America. Although trading volumes increased the financial results for 2022, the share price was impacted by the challenges in our UK Seafood business. Accordingly, there is no annual bonus pay out and no LTIP awards will vest.

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. 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.

CFO pay

As per the announcements on 6 April 2022 and 23 May 2022, Matt Osborne was promoted to CFO during the year with the former CFO remaining within the business, as Director of Investor Relations and Strategic Development, to facilitate the handover. Reflecting this, the Committee set Matt's remuneration package below that of his predecessor with an intention to increase it over time as his experience in the role grows. Accordingly, the main elements of his remuneration package on appointment were a base salary of £270,000k, an annual bonus of up to 65% of salary for 2022 (increasing to 100% of salary for 2023) and a 2023 LTIP award of 125% of salary.

Annual bonus

The financial element of the annual bonus was based on the Group's underlying adjusted profit before tax. The actual performance was below the target resulting in no financial element bonus 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 shareholder value and platform for growth, being fit for the future, key retail partnerships, a green and digital automated future, brand and culture.

The Committee assessed the performance of the Executive Directors, which is detailed on pages 122-123. Although significant progress was made on each of these objectives the Executive Directors decided to waive this part of the annual bonus given the failure to meet financial objectives and the consequent impact on share price.

Long Term Incentive Plan

The LTIP award granted in 2020 is due to vest in 2023 based on EPS with a weighting of 70% and relative TSR with a weighting of 30%.

Following the end of the three year performance period to 1 January 2023, compound annual EPS growth was below threshold and relative TSR was below median. Accordingly, the 2020 LTIP awards will lapse in September 2023.

New LTIP awards were granted in 2022 which are subject to EPS, TSR and ESG-based performance conditions. The threshold EPS growth target (5% p.a.) and maximum target (12% p.a.) were set to reflect Hilton's business cycle and are considered to be appropriately challenging given the geographic expansion and current market dynamics.

2023 implementation

Details of how the Committee intends to operate the policy during 2023 are set out below.

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 three 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 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 more international and accordingly the Committee consulted major shareholders at the start of 2021 and following strong levels of support, awarded an increase of 12.6% to Philip's base salary by to £570k from 1 January 2022. Reflecting continued growth and increasing international breadth and complexity, a further increase of 8.8% to £620k was awarded from 1 January 2023.

Reflecting his progress in the role to date, Matt Osborne's salary was increased from £270k to £320k from 1 January 2023, which remains significantly below that of his predecessor. The Committee intends to move the salary (and bonus and LTIP potential) to market levels over time as his experience in the role grows.

Pension and benefits

Pension contributions for Executive Directors, which reduced from 15% to 7% of salary to align with workforce provision following the 2022 AGM, will remain unchanged.

Variable pay

The maximum annual bonus potential for Philip Heffer will be set at 150% of salary (increased from 125% following shareholder approval of the new policy at the 2022 AGM) and 100% of salary for Matt Osborne. Performance targets will be based on financial metrics (130% of the bonus for the CEO and 80% for the CFO) and personal and strategic targets (20% of the bonus). Financial metrics include adjusted profit before tax targets (80% weighting) and a new free cash flow target (20% weighting). As the financial targets, based on sliding scales and set with reference to the 2023 budget, and the personal and strategic targets are considered commercially sensitive, the Committee will disclose targets on a retrospective basis in next year's report.

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. Under the new policy one third of any bonus awarded over 50% of salary will be deferred into Hilton shares for two years.

The 2023 LTIP awards will be capped at 175% of salary (although Matt Osborne's 2023 award will be capped at 125% of salary reflecting his recent appointment to the Board) with vesting, once again, determined by stretching EPS, relative TSR and ESG targets.

Activities of the Committee

The Committee's main activities during 2022 are summarised below and full details are set out in the relevant sections of this report.

- Agreeing the new CFO remuneration package for 2022 and Executive Director base salary increases for 2023;
- Agreeing annual bonus award levels for 2021 and setting the targets for 2022;
- Reviewing the EPS performance targets and vesting levels for the 2019 LTIP awards which vested in 2022;
- Approving the LTIP awards granted in 2022;
- Approving the issue of the Sharesave scheme for 2022;
- 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 approved by shareholders in 2022 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/claw-back 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 1 January 2023.

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 2023 AGM an advisory resolution in respect of the Directors' remuneration report (excluding the 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

This part of the remuneration report sets out a summary of our remuneration policy which was approved by shareholders at, and took effect from, the AGM held on 24 May 2022. The full policy approved by shareholders at the 2022 AGM is presented in the annual report and financial statements 2021. No changes to the policy are proposed for 2023.

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.

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.

Base salary

Purpose and link to strategy	Operation	Maximum opportunity
To recruit and reward executives of a suitable calibre for the role and duties required.	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. 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. The Committee considers the impact of any base salary increase on the total remuneration package. Pay levels throughout the organisation are also taken into account in order to ensure adequate provision for timely succession.	Normally capped by the increases made to the general workforce. 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.

Benefits

Purpose and link to strategy	Operation	Maximum opportunity
To provide market competitive benefits to ensure the retention of employees.	The Company typically provides: – Company car and fuel; – Private healthcare; and – Other ancillary benefits, including relocation expenses (as required). Any reasonable business-related expenses (including tax thereon) may be reimbursed. Executive Directors are eligible for other benefits which are introduced for the wider workforce on broadly similar terms.	The value of traditional benefits is based on the cost to the Company and is not predetermined. Relocation expenses or benefits will take into account the nature of the relocation and will be provided on a fair and reasonable basis.

Pension

Purpose and link to strategy	Operation	Maximum opportunity
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 base salary to align with the broader workforce.

Annual bonus

Purpose and link to strategy	Operation	Maximum opportunity
To encourage and reward delivery of the Company's short-term financial and/or strategic objectives.	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. 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. 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. One third of any bonus over 50% of salary will be deferred into shares for two years. Dividend equivalents may be paid on the value of dividends paid during the vesting period on any deferred bonus shares. The payment will be in the form of additional shares and may assume reinvestment. Bonuses are subject to malus and claw-back provisions in circumstances of misstatement, error or gross misconduct, reputational damage and insolvency/corporate failure.	Up to 150% of base salary (125% of base salary for 2022).

Long-term incentives

Purpose and link to strategy	Operation	Maximum opportunity
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.	Under its Long Term Incentive Plan (LTIP) Hilton makes annual awards of conditional shares or nil cost options to selected senior executives. 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. The performance measures will be based on financial (e.g. EPS), share-price related (e.g. relative TSR) and, when appropriate, ESG performance targets. 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 will also be added capped at 15% of the total award. 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. A two-year post-vesting holding period will operate for LTIP awards granted to Executive Directors. 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.	Up to 175% of salary for all Executive Directors.

Directors' remuneration policy continued

All-employee share schemes		
Purpose and link to strategy	**Operation**	**Maximum opportunity**
To encourage employee share ownership and thereby increase their alignment with shareholders.	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. Under Hilton's Sharesave Scheme (HMRC-approved for the UK), regular savings over three years is followed by a six month period to exercise the options granted. No performance conditions attach to options granted under the scheme.	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).

Shareholding guidelines		
Purpose and link to strategy	**Operation**	**Maximum opportunity**
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 guidelines		
Purpose and link to strategy	**Operation**	**Maximum opportunity**
	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

Non-Executive Director fees

Purpose and link to strategy	Operation	Maximum opportunity
To attract and retain a high-calibre Non-Executive Chairman and Non-Executive Directors by offering a market competitive fee level.	The Non-Executive Directors receive fees for carrying out their duties. 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. 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. 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. Any reasonable business-related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit.	As for the Executive Directors, there is no prescribed maximum annual increase, although it will normally align to the workforce pay increase. 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.

Notes

1. 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.
2. 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;
   - 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 policy continued

OTHER POLICY INFORMATION

Element	Description
Non-UK based Directors and foreign currency translation	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.
Approach to recruitment	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. 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. 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. 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. 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. 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). 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.
Payment for loss of office	Payments for loss of office are made in accordance with the terms of the Directors' service contracts as below. 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. 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. 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.
Consideration of shareholder views	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.
Consideration of employment conditions elsewhere in the Group	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. Non-Executive Directors engage with employees on a number of areas including Group wide remuneration. These discussions ensure that all employees' views are taken on board.

DIRECTOR SERVICE CONTRACT AND OTHER RELEVANT INFORMATION

Provision	Executive Directors	Non-Executive Directors
Term	Philip Heffer appointed on 24 April 2007 with no fixed term. Matt Osborne appointed on 24 May 2022 with no fixed term.	Robert Watson – from 1 January 2021 Christine Cross – from 23 March 2019 Angus Porter – from 1 July 2018 Rebecca Shelley – from 1 April 2020 Patricia Dimond – from 1 April 2022
Re-election at AGM	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.
Notice period	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.
Termination payment/ payments in lieu of notice	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.
Change of control	There are no enhanced terms in relation to a change of control.	There are no enhanced terms in relation to a change of control.
External appointments	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.

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.hiltonfoods.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 2022 the Committee initially 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 and John Worby left the Committee on 24 May 2002 following his resignation from the Hilton Board. The Committee members comprise 100% of independent Non-Executive Directors. 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.

ATTENDANCE AT MEETINGS OF THE REMUNERATION COMMITTEE

	Number attended	Percentage attended
Christine Cross	4	100%
Angus Porter	4	100%
Rebecca Shelley	4	100%
Patricia Dimond (appointed 1 April 2022)	2	100%
John Worby (resigned 24 May 2022	3	100%

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 £23,637 which included advising on remuneration policy, new international Sharesave Scheme rules and extending Hilton's Sharesave Scheme to the APAC region. 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.

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 1 January 2023 the headroom available under these limits was 2.6% and 0% respectively.

STATEMENT OF VOTING AT ANNUAL GENERAL MEETING

The following table shows the voting results in respect of the 2021 Directors' remuneration report (other than the Directors' remuneration policy) and the Directors' remuneration policy which were both approved by shareholders at the 2022 AGM:

	Approve Directors' remuneration report	Approve Directors' remuneration policy
AGM year	2022	2022
Resolution type	Advisory	Binding
Votes for	75,694,907	76,038,800
%	98.60%	99.05%
Votes against	1,076,932	733,039
%	1.40%	0.95%
Votes withheld	3,750	3,750

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 1 January 2023	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
Executive Directors								
Philip Heffer	570	3	58	631	–	–	–	631
Matt Osborne (appointed 24 May 2022)	163	7	11	181	–	–	–	181
Non-Executive Directors								
Robert Watson	270	–	–	270	–	–	–	270
Christine Cross	62	–	–	62	–	–	–	62
Angus Porter	56	–	–	56	–	–	–	56
Rebecca Shelley	56	–	–	56	–	–	–	56
Patricia Dimond (appointed 1 April 2022)	45	–	–	45	–	–	–	45
Former Directors								
Nigel Majewski (resigned 24 May 2022)	165	5	25	195	–	–	–	195
John Worby (resigned 24 May 2022)	26	–	–	26	–	–	–	26
Total	1,413	15	94	1,522	–	–	–	1,522

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
Executive Directors								
Philip Heffer	506	20	76	602	430	646	1,076	1,678
Nigel Majewski	410	12	62	484	349	524	873	1,357
Non-Executive Directors								
Robert Watson	265	–	–	265	–	279	279	544
Christine Cross	60	–	–	60	–	–	–	60
Angus Porter	55	–	–	55	–	–	–	55
Rebecca Shelley	55	–	–	55	–	–	–	55
John Worby	60	–	–	60	–	–	–	60
Total	1,411	32	138	1,581	779	1,449	2,228	3,809

Notes

1. **Salary and fees**
   Reflects salaries/fees paid to Directors in respect of 2022 (with 2021 comparatives).
2. **Benefits**
   Benefits provided comprised company car and fuel and private healthcare.
3. **Pension**
   Payments were made during 2022 to money purchase pension schemes or in lieu as a salary supplement at the rate of 15% of base salary until May 2022 and thereafter at 7% of salary for all Executive Directors.
4. **Annual bonus**
   The 2022 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 2022 for all Executive Directors is summarised below.

Bonus element	Metric	Threshold performance	Target performance	Maximum stretch target	2022 achieved
Financial	Adjusted profit before tax	£65.0m	£68.6m	£74.3m	£55.5m
	% of base salary			105%	0.0%
Strategic	% of base salary			20%	0.0%
Total	% of base salary			125%	0.0%

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.

Annual report on remuneration continued

Philip Heffer

Objectives	Detailed targets	Remuneration Committee assessment	
1. Delivering shareholder value/ platform for growth	– Review and develop the five-year strategic plan for the core business; plus new countries (min. one addition); proteins/added value extensions and enablers – Develop the thematic storyline through capital markets day, broker leverage and new shareholder relationships to convert brand perception from a meat processing group to a tech credentialed protein company – Finalise the integration of Foppen and an optimisation programme for both our seafood and vegetarian businesses – Close the Cellular Agriculture deal	Met in part	Strategic plan developed and progress made on two key country entries although agreements not signed. The capital markets day was deferred as a result of the above delays, plus the need to clearly demonstrate that seafood was back on track. Optimisation programmes for Seafood and Dalco continue into 2023. The Foppen integration was finalised and the CellAg deal confirmed.
2. Fit for the future	– Organisational design implementation complete – Efficiency and competitiveness KPIs built into each BU plan to encourage continuous improvement – Mix of central process control v BU autonomy clearly defined	Met in part	Implementation complete. Roles were redefined and built into business unit KPIs and individual objectives.
3. Key retail partnerships	– Revisit and stabilise major customer contracts to extend contract length and leverage business growth across proteins – Develop minimum one new retailer contractual partnership	Met in full	Major supplier contracts were renewed with diversified business areas added. A contractual partnership with Costco was established.
4. Green & Digital automated Future	– Accelerate progress on the People : Product : Planet plan to ensure 2025 goals achieved. Focus especially on waste, energy and water utilisation. Roll out forward commitments on Scope 1-3 emissions – Approve plan to replace legacy systems – Drive automation in HFG to become a sector leader and offset labour pressures in the core business	Met in part	People : Product : Planet plan embedded across the business and Scope 1-3 emission commitments detailed in the Sustainability report. Decision on legacy systems plan signed off in part. Automation plans on track in line with designated capex.
5. Brand & Culture	– An engaged and safe workforce as measured through pulse surveys and health and safety metrics – Demonstrate personal inclusion leadership action aligned to the diversity and inclusion plan, targeting 30% women in senior management roles by end of 2022 – Assess the impact of Covid on future ways of working to embed resilience	Met in full	Engagement surveys and H&S reports both showed positive improvement. 31.7% women in senior management. Resilience viz labour impacts built into risk assessment.
Outcome of strategic personal objectives, Remuneration Committee assessment: 15% bonus achieved from a total of 20%.		In consideration of the financial performance of the business in 2022, Philip decided to waive any entitlement to a personal bonus.	

Matt Osborne – from 24 May 2022

Objectives	Detailed targets	Remuneration Committee assessment	
1. Financing strategy	– Plan next phase of Group financing strategy to support continued growth and investment by December 2022 – Prepare plans for introducing measurable ESG links into the Group's wider financing strategy aligned to annual bonus plans and LTIPs – Support for ongoing customer contract development to align with strategic goals – Screen and prioritise capital investments to maximise returns whilst implementing HFG strategy	Met in full	Group financing plan complete. ESG measures included in LTIP. Significant work on customer contract development with successful conclusions. Capital investments reprioritised as a result of changes at both Seafood and Dalco.
2. Investor relations	– Build positive relationships with investors and analysts – Work closely with Director of Investor Relations and Strategic Development to transition primary relationships with key analysts and investors – Take lead in preparation and delivery of H1 2022 results and investor presentations – Lead H1 2022 roadshows with support from the previous CFO	Met in part	Good relationships built although capital markets day deferred.
3. Risk management	– Build positive relationships with investors and analysts – Work closely with Director of Investor Relations and Strategic Development to transition primary relationships with key analysts and investors – Take lead in preparation and delivery of H1 2022 results and investor presentations – Lead H1 2022 roadshows with support from the previous CFO	Met in part	Good relationships built although capital markets day deferred.
4. Team leadership	– Support the continued growth of HFG plc through financial support and direction, centrally and regionally – Focus reporting enhancements and on standardisation of reporting structures – Build strong relationships with ELT/plc Board – Successful CFO handover with support from the previous CFO and wider coaching as required – Play a key role in the successful implementation of the new organisational design and cost reduction programme	Met in full	Central and regional support structures modified as a result of organisational design changes. Strong ELT, Audit Committee, Board links established with a successful handover both from the previous CEO and induction for the new Audit Chair.
Outcome of strategic personal objectives, Remuneration Committee assessment: 15% bonus achieved from a total of 20%.		In consideration of the financial performance of the business in 2022, Matt decided to waive any entitlement to a personal bonus.	

Nigel Majewski – to 24 May 2022

Objectives	Detailed targets	Remuneration Committee assessment	
1. Financing strategy	– Complete bank refinancing exercise – Provide headroom for new projects – Support for ongoing customer contract development to align with strategic goal – Plan next phase to support continued significant growth	Met in full	All refinancing completed, giving headroom for 2022 planned investments. Supported CFO in new contract development.
2. Investor relations	– Continue to build on positive relationships – Extend/onboard new investors with particular focus on US markets – Direct and manage all IR and capital market activities	Met in full	Full support for IR activities in preparation for the handover to Matt Osborne in May.
3. Risk management	– Chair the Risk Management Committee, with a renewed post-Brexit focus on risk assurance – Plan for more post-Brexit field-based activities	Met in full	In addition to post-Brexit activities, addressed post-Covid and price inflationary pressures.
4. Team leadership	– Support the continued growth of HFG plc through financial support and direction – Initiate CFO handover through work-withs, coaching and participation in key meetings	Met in full	Full handover completed.
Outcome of strategic personal objectives, Remuneration Committee assessment: 15% bonus achieved from a total of 20%.		In consideration of the financial performance of the business in 2022, Nigel decided to waive any entitlement to a personal bonus.	

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 2020 under the Long Term Incentive Plan which are due to vest in 2023 subject to performance conditions covering the three financial years 2020-2022 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 £11.90. The long-term incentive vesting outcome is summarised below.

EPS metric	Threshold performance	Maximum performance	2022 achieved
2020-22 adjusted basic EPS % annual growth	6%	12%	-0.66%
Vesting %	10%	100%	0.0%

TSR metric	Threshold performance	Maximum performance	2022 achieved
2020-22 adjusted TSR growth	Median	Upper quartile	118th out of 160 constituents
Vesting %	10%	100%	0.0%

The overall vesting is 0% which is not affected by any assumptions over acquisitions.

Director	Awards granted No.	Awards expected to vest 0.0% No.	Average share price £5.425 £'000	Amount attributable to share price appreciation £'000
Robert Watson*	5,017	–	–	–
Philip Heffer	72,981	–	–	–
Nigel Majewski	59,115	–	–	–
Matt Osborne	4,485	–	–	–

* 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 2021 have been restated based on the actual share price at vesting (£11.494 instead of the 2021 year end share price of £11.63).

6. Payments to past Directors

There were no other payments made to former Directors in 2022. Nigel Majewski stepped down from the Board on 24 May 2022 but continued to be employed as Director of Investor Relations and Strategic Development.

7. Payments for loss of office

There were no payments for loss of office made in 2022.

Annual report on remuneration continued

DIRECTOR SHAREHOLDING AND SHARE INTERESTS

Details of Director shareholdings and changes in outstanding share awards were as follows:

Director	Type	At 2 January 2022	Granted (note 4)	Exercised	Lapsed	At 1 January 2023	Exercise price (pence)	Earliest exercise date	Latest exercise date	Notes
Robert Watson	Shares	2,317,292				2,067,292				1
	Nil cost options	34,434	–	–	(10,193)	24,241	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	39,451	–	–	(10,193)	29,258				
Philip Heffer	Shares	3,824,566				3,824,566				1
	Nil cost options	48,873	–	(48,873)	–	–	nil	03.07.21	03.07.28	3
	Nil cost options	79,873	–	–	(23,643)	56,230	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
	Nil cost options	–	82,849	–	–	82,849	nil	16.05.25	16.05.32	3
	Total nil cost options	274,816	82,849	(48,873)	(23,643)	285,149				
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	–	–	(19,151)	45,546	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
	Nil cost options	–	19,030	–	–	19,030	nil	16.05.25	16.05.32	3
	Total nil cost options	356,490	19,030	–	(19,151)	356,369				
Matt Osborne	Shares					216				
	Share options	947	–	–	–	947	950.00	01.08.22	01.02.23	2
	Share options	–	1,495	–	–	1,495	1204.00	01.08.25	01.02.26	2
	Total share options	947	1,495	–	–	2,442				
	Nil cost options	4,909	–	–	(1,454)	3,455	nil	21.05.22	21.05.29	3
	Nil cost options	4,485	–	–	–	4,485	nil	28.09.23	28.09.30	3
	Nil cost options	4,492	–	–	–	4,492	nil	11.05.24	11.05.31	3
	Nil cost options	–	24,033	–	–	24,033	nil	16.05.25	16.05.32	3
	Total nil cost options	13,886	24,033	–	(1,454)	36,465				
John Worby	Shares	9,719								1
Christine Cross	Shares	25,000				25,000				1
Angus Porter	Shares	2,877				2,877				1
Rebecca Shelley	Shares	3,281				3,281				1
Patricia Dimond	Shares					5,650				1

Notes

1. All shares are beneficially owned with the exception of 1,216,917 shares held by various family trusts of which Robert Watson is a trustee. Since the end of the year Philip Heffer's holding increased by 430,450 shares. There have been no other changes in the interests of Directors between 1 January 2023 and the date of this report.

   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 1 January 2023 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%	3,737%	Yes
Matt Osborne	200%	0.4%	No

In accordance with the remuneration policy Matt Osborne, as a new Director, will retain at least 50% of any vested share awards (after the sale to meet tax obligations) to build up his shareholding over a period of no more than five years to meet the guideline.

2. Share options granted under Hilton's all-employee Sharesave Scheme.
3. 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
2019	EPS 70%	2019 – 2021	10%	6%	100%	15%
	TSR 30%	2019 – 2021		Median		Upper quartile
2020	EPS 70%	2020 – 2022	10%	6%	100%	12%
	TSR 30%	2020 – 2022		Median		Upper quartile
2021	EPS 70%	2021 – 2023	10%	6%	100%	13%
	TSR 30%	2021 – 2023		Median		Upper quartile
2022	EPS 60%	2022 – 2024	10%	5%	100%	12%
	TSR 25%	2022 – 2024		Median		Upper quartile
	ESG – Scope 1&2 energy 5%	2022 – 2024		6.5% reduction over period		43.9% reduction over period
	ESG – Recycled packaging 5%	2022 – 2024		11.7% increase over period		28.3% increase over period
	ESG – Food waste 5%	2022 – 2024		15.0% reduction over period		30.0% reduction over period

4. Grant of LTIP awards in the year, pro rated from/to the date of Director appointment/resignation, were as follows:

Director	Face value	Number of shares under 2022 LTIP award	Proportion of salary	Share price date	Closing share price
Philip Heffer	£997,500	82,849	175%	13 May 2022	1204 p
Matt Osborne	£289,358	24,033	125% pro rata	13 May 2022	1204 p
Nigel Majewski	£229,125	19,030	175% pro rata	13 May 2022	1204 p

Further information – not subject to audit

STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN THE 2023 FINANCIAL YEAR

Base salaries, benefits and pension

Executive Director salary levels from 1 January 2023, with prior year comparatives, are set out below. The rationale for the above workforce increases is set out in the annual statement.

Director	2022 £'000	2023 £'000
Philip Heffer	570	620
Matt Osborne	270	320

There are no changes in benefits. Pension contribution rates decreased to 7% of salary following Hilton's 2022 AGM.

ANNUAL BONUS

Following the adoption of the new remuneration policy at the 2022 AGM the maximum annual CEO bonus opportunity for 2023 will increase from 125% to 150% of salary. The maximum bonus opportunity for the new CFO will be set at of 100% of salary for 2023. Performance targets will be based on financial metrics (130% of the bonus for CEO and 80% for CFO) and personal and strategic targets (20% of the bonus). A bonus deferral mechanism will apply whereby one third of any bonus over 50% of salary will be deferred into Hilton shares for two years.

Financial metrics include adjusted profit before tax targets (80% weighting) and a new free cash flow target (20% weighting). As the financial targets, based on sliding scales and set with reference to the 2023 budget, and the personal and strategic targets are considered commercially sensitive, the Committee will disclose targets on a retrospective basis in next year's report.

2023 LTIP AWARDS

The 2023 LTIP awards will be capped at 175% of salary (although Matt Osborne's 2023 award will be capped at 125% of salary) with vesting, once again, determined by stretching EPS (60% weighting), relative TSR (25% weighting) and ESG targets (15% weighting). The EPS and ESG targets will be set following the Annual report approval date.

Stretching yet motivational EPS and ESG targets will be set following the Annual report approval date. In respect of the TSR targets 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. In addition, no part of this award may vest unless the Committee is satisfied with the underlying performance of the Company.

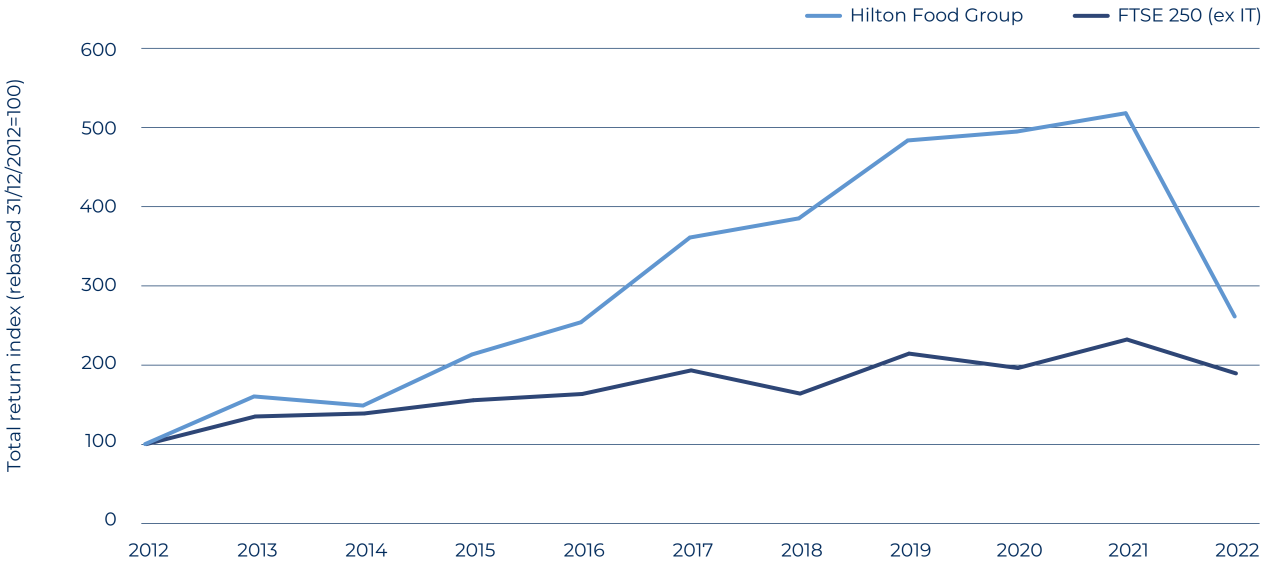
Details of the 2023 grant and performance targets will be published immediately following the grant via a Regulatory Information Service.

NON-EXECUTIVE DIRECTORS

Fees for the Chairman and all the independent Non-Executive Directors increased by 3.6% in line with the increases of the UK general workforce from 1 January 2023.

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 10 years from 2013 to 2022. The FTSE 250 Index (excluding Investment Trusts) 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 10-YEAR TREND

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total remuneration (£'000)	610	626	784	1,235	1,570	1,627	1,562	1,765	1,686	631
Annual bonus (as a percentage of the maximum)	42%	32%	60%	69%	80%	78%	100%	100%	68%	0%
Long-term incentive vesting (as a percentage of the maximum)	n/a	0%	0%	61%	73%	88%	66%	100%	70%	0%

Notes

1. There were no long-term incentive awards that were due to vest dependent on a performance period ending in 2013.
2. 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

	2022 percentage increase over 2021			2021 percentage increase over 2020			2020 percentage increase over 2019		
	Salary /fees	Benefits	Annual bonus	Salary /fees	Benefits	Annual bonus	Salary /fees	Benefits	Annual bonus
Executive Directors	% change	% change	% change	% change	% change	% change	% change	% change	% change
Philip Heffer	12.6%	-83.2%	-100.0%	2.0%	-29.0%	-30.6%	2.0%	-31.6%	2.0%
Nigel Majewski[1]	2.0%	-59.7%	-100.0%	2.0%	-39.9%	-30.6%	2.0%	18.2%	2.0%
Non-Executive Directors									
Robert Watson[2]	2.0%	n/a	n/a	-33.3%	-100.0%	-100.0%	2.0%	21.9%	2.0%
Christine Cross	2.0%	n/a	n/a	2.0%	n/a	n/a	2.0%	n/a	n/a
Angus Porter	2.0%	n/a	n/a	7.9%	n/a	n/a	2.0%	n/a	n/a
Rebecca Shelley[3]	2.0%	n/a	n/a	7.9%	n/a	n/a	n/a	n/a	n/a
John Worby[1]	2.0%	n/a	n/a	2.0%	n/a	n/a	2.0%	n/a	n/a
Company average	4.6%	-28.7%	-100.0%	-0.1%	-23.1%	-43.0%	2.8%	-1.9%	4.5%

Notes

1. Nigel Majewski and John Worby left the Board on 24 May 2022. The percentage changes are based on annualised numbers.
2. Robert Watson was an Executive Director in 2020 moving to a Non-Executive role from 2021 onwards.
3. Rebecca Shelley was appointed on 1 April 2020.
4. The table above excludes Matt Osborne and Patricia Dimond who joined the Board during 2022.

Further information continued

CEO PAY RATIO

		CEO pay ratio		
Year	**Method**	**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
2022	Option B	30	25	16

Option B was adopted so that it could be linked with other reward-based activity collecting similar information. This information, comprising basic pay since the majority of employees do not receive benefits or annual bonuses, as at April 2022 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 2022 financial year.

	CEO £'000	**25th percentile employee £'000**	**50th percentile employee £'000**	**75th percentile employee £'000**
Salary component	570	20	24	40
Total pay and benefits	631	21	25	41

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. Pay ratios for the year are lower due to the drop in the CEO's variable pay. The P25, P50 and P75 pay ratios decreased due to lower CEO pay.

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 three main UK employing entities. The headline gender pay metric is the difference in the median hourly pay received by men and women. These metrics are set out below, which generally show an improving trend and compare favourable with the UK average.

	Hilton Foods UK	**Hilton Seafood UK**	**Fairfax Meadow**	**UK average**
2022	4.6%	4.0%	4.0%	
2021	9.8%	11.1%	0.0%	15.4%

Note: A positive % metric favours men and a negative % metric favours women.

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. On an ongoing basis, we monitor our pay rates to ensure that they are aligned to the market and are equitable internally. 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.hiltonfoods.com.

RELATIVE IMPORTANCE OF SPEND ON PAY

The following table sets out for the comparison total spend on pay with dividends.

	2022 £'000	**2021 £'000**	**% change**
Staff costs (note 8 to the financial statements)	239,692	211,866	13%
Dividends payable	26,578	25,862	3%

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

4 April 2023

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 Company financial statements in accordance with UK-adopted international accounting standards.

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;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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, is 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 94 and 95, confirm that to the best of their knowledge and belief:

- the Group and Company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities and financial position of the Group and Company and profit of the Group; 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 4 April 2023 and is signed on its behalf by:

Robert Watson OBE
Chairman

Matt Osborne
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 1 January 2023 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 as applied in accordance with the provisions of the Companies Act 2006; 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 1 January 2023; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of changes in equity and the consolidated and company cash flow statements 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

- Five trading subsidiaries, together with the parent company and four intermediate holding companies, were in-scope for full scope group reporting. In addition, audit procedures were performed over specific balances in three other components. This accounted for 75% of the total group revenue and 66% of profit before tax and exceptional items.

Key audit matters

- Accounting for the impact of the Belgium fire (group).
- Accounting for material acquisitions (group).
- Carrying value of goodwill (group).
- Carrying value of investments (company).

Materiality

- Overall group materiality: £2,500,000 (2021: £2,795,000) based on 5% of three-year average profit before tax and exceptional items (2021: profit before tax and exceptional items).
- Overall company materiality: £250,000 (2021: £2,500,000) based on 1% of total assets, however, capped at £250,000 for group reporting.
- Performance materiality: £1,875,000 (2021: £2,096,250) (group) and £187,500 (2021: £1,875,000) (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.

Carry value of goodwill (group) and carrying value of investments (company) are new key audit matters this year. Complex customer arrangements (group), which was a key audit matter last year, is no longer included because of the level of estimation in determining the balances in respect of the group's customer arrangements is low and driven by the terms and conditions included within the underlying contractual arrangements in place. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Accounting for the impact of the Belgium fire (group)	
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 were severely damaged, as were adjoining Hilton offices. As a result of the fire, exceptional costs totalling £9,500,000 (2021: £11,661,000) have been recognised in the year related to the incremental cost of fulfilling the Delhaize contract and associated legal and insurance costs. At the time of the fire there was a variance fund of £6.6m due from Delhaize. At the balance sheet date this has increased to £7.2m as a result of on-going trading. We focused on this area given the level of judgement in not recognising an insurance receivable, potential claims against the group and the variance fund receivable. Note 9 in the financial statements.	We held discussions with the Directors, management and management's specialists along with obtaining management's insurance policy; We reviewed correspondence between management, the insurers and management's claims advocate; We discussed the accounting treatment for insurance proceeds with our internal accounting technical team; We obtained independent confirmation from the group's legal representatives to consider any claims made against the group; We reviewed correspondence between management and Delhaize during the financial period and post period end to ascertain the recoverability of the variance fund balance; and We tested a sample of the exceptional costs recognised and reviewed the disclosures within the financial statements and consider these to be reasonable. No issues were identified through the procedures we performed.
Accounting for material acquisitions (group)	
During the period the Group acquired 100% of the issued share capital of Dutch Seafood Company BV (Foppen Group BV) for a consideration of £25.1m. The group also acquired a further 15% interest in Foods Connected for £1.7m, giving the Group a controlling interest in Foods Connected. The prior year acquisition accounting in relation to Fairfax Meadow Limited and Dalco acquisitions was finalised in the current year. We focused on this area because each of the acquisitions is material to the group and performing the required acquisition accounting involves the application of management judgement and estimation in determining the fair value of the assets and liabilities acquired. Further, this may result in the identification and recognition of intangible assets e.g. goodwill, brands or customer relationships. In respect of Dutch Seafood Company BV, customer relationship and brand intangibles of £30.5m have been recognised alongside £17.8m of goodwill. In respect of Foods Connected Limited, brand and customer relationships and technology of £9.8m have been recognised alongside £3.3m of goodwill. Following the finalisation of the purchase price accounting in respect of Fairfax Meadow Europe Limited, the final customer relationships and brand intangibles recognised were £11.8m, alongside £3.7m of goodwill. The purchase price accounting for Dalco Food BV was also finalised, resulting in final customer relationships and brand intangibles of £10.2m being recognised and £10.2m of goodwill. Note 18 in the financial statements.	We verified the consideration paid under the terms of the transaction to the Share Purchase Agreements, which included cash consideration for Dutch Seafood Company BV and Foods Connected Limited; We have audited and challenged management on the finalisation of the Dalco and Fairfax acquisition accounting; We understood the methodology applied by the third party valuation specialists in determining the purchase price accounting; We engaged PwC valuation experts to support us in assessing the methodology and considering the reasonableness of certain assumptions utilised; We assessed underlying forecasts supporting the valuation of intangible assets in each acquisition; The intangibles useful economic lives have been evaluated based on our understanding of the business and similar historical acquisitions; We verified the recognition and measurement of the fair value adjustments; and We reviewed the disclosures for compliance with the requirements of IFRS 3 'Business Combinations'. No issues were identified through the procedures performed.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HILTON FOOD GROUP PLC continued

Key audit matter	How our audit addressed the key audit matter
Carrying value of goodwill (group)	
The value of goodwill at the balance sheet date amounts to £82.5m (2021: £69.5m). The carrying value of goodwill is a key audit matter because of its magnitude alongside the level of judgement and estimation involved in determining its recoverability. In the current year this was particularly due to the adverse trading performance of the UK Seafood business. Therefore the recoverability of goodwill within the UK Seafood business and across the group was subject to greater levels of audit focus and challenge. The estimation includes the preparation of cash flow forecasts, growth rates applied to these cash flows, the terminal growth rate and the rate at which cash flows have been discounted. Note 15 in the financial statements.	We have reviewed management's year end impairment assessments and we have considered the existence of impairment triggers at the reporting date and concurred with management's view that there were triggers in respect of the UK Seafood business given its trading during the financial period. There were no impairment indicators in respect of the group's other cash generating units ('CGUs'); We obtained management's impairment models for each of the group CGUs; We tested the construct of the models to validate that they were in accordance with the requirements of a value in use model, as defined by accounting standards; We tested the mathematical accuracy of the impairment models and related calculations; We involved PwC valuation experts to assist us in evaluating and challenging management on the underlying assumptions and estimates applied in performing their assessments, particularly in respect of the cash flow forecasts, discount rate and terminal growth rate; We agreed year one cash flows within each of the models to the board approved budgets and; We assessed the Group's disclosures in respect of impairment review in accordance with IAS 36. No issues were identified through the procedures performed.
Carrying value of investments (company)	
The value of investments in the company balance sheet is £247.8m as at 1 January 2023 representing 98% of the total assets and 98% of equity. This investment is held in Hilton Foods Limited which is the holding company with direct or indirect ownership of all entities within the group. Given the nature of the activities of the parent, the carrying value of investments represents the most significant balances within the parent's financial statements. Therefore it is considered of greatest importance to users of the financial statements and from an audit perspective. Given the historic trading performance of the group this is considered to be an area of normal audit risk. Management performed an assessment of the impairment trigger indicators as set out in IAS 36 as at year end date and concluded there were no indicators present hence an assessment of impairment was not required for any subsidiaries. Note 17 in the financial statements.	We obtained management's assessment of impairment trigger indicators, as set out in IAS 36, for subsidiaries along with details of year to date results and compared them to the prior year which demonstrated significant growth across the Company's subsidiaries; and We considered the view of management and the performance of the group as a whole (including individual subsidiaries) and concluded that management's trigger assessment is fair and there are no indicators of impairment. We also consider the disclosures made in the financial statements to be appropriate.

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 thirty-seven subsidiary undertakings. There are twenty-six trading subsidiaries located in the United Kingdom, the Republic of Ireland, the Netherlands, Poland, Denmark, Sweden, New Zealand, Australia, Canada, USA, China, Greece and Hong Kong. There are six intermediary holding companies, located in the United Kingdom and Netherlands, which are all required to have statutory audits. The remaining five entities are dormant entities. In addition to these thirty-seven entities, the Group has a 50% interest in six joint venture companies which are located in Australia, Portugal, Ireland 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 financially significant components in the Group whose statutory audit opinions are not signed by the Group engagement partner. Those are Hilton Foods Holland and Hilton Foods 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 two significant risk areas applicable to these components: i) management override of controls; and ii) the risk of fraud in revenue recognition. 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 Sweden audit file. Following these reviews, meetings were held with each component to discuss findings from the engagement partner's review. In addition to the UK entities, the Group engagement partner visited the Group's operations in the Netherlands, Australia and New Zealand. This included meeting with local PwC audit teams, local management and touring the facilities.

The impact of climate risk on our audit

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 1 January 2023. 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 such as 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; 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HILTON FOOD GROUP PLC continued

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
Overall materiality	£2,500,000 (2021: £2,795,000).	£250,000 (2021: £2,500,000).
How we determined it	5% of three year average profit before tax and exceptional items (2021: profit before tax and exceptional items).	1% of total assets, however, capped at £250,000 for group reporting.
Rationale for benchmark applied	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 using a three year average profit before tax and exceptional items benchmark provides us with a consistent year on year basis for determining materiality. We used an average benchmark for the first time this year to reflect the impact of the challenging UK Seafood business on the consolidated profit before tax when compared to the underlying base businesses across the other entities in the group.	We believe that total assets is the primary measure used by the shareholders in assessing the performance of the company and is a generally accepted auditing benchmark for a holding company with no trading operations. The statutory materiality for the company was £2,250,000 (2021: £2,500,000), however, this was capped at £250,000 (2021: £150,000) for the purposes of group reporting.

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 £3,200 and £1,900,000. 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% (2021: 75%) of overall materiality, amounting to £1,875,000 (2021: £2,096,250) for the group financial statements and £187,500 (2021: £1,875,000) 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) (2021: £100,000) and £12,500 (company audit) (2021: £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;
- Understanding and evaluating the group's financial forecasts including severe, but plausible downside scenarios that could arise;
- Critically assessing the assumptions used within the forecasts, including consideration of alternative views, and their impact on the group's liquidity and covenant compliance;
- Obtaining and reviewing the group's financing arrangements, including an audit of bank covenant compliance and the classification of debt between current and non-current;
- Comparing the group's financial forecasts to historical performance to assess management's ability to forecast as well as assessing the year to date performance against budget for the 2023 financial year; and
- Reviewing 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.

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 1 January 2023 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 and company 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HILTON FOOD GROUP PLC continued

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 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, UK Listing Rules and UK and international tax legislation. 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, management bias through judgements and assumptions in significant accounting estimates and the accounting for 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 improve financial results, including revenue recognition;
– Challenging assumptions and judgements made by management, in particular in relation to acquisition accounting balances, goodwill impairment assessments and the accounting for the Belgium fire (see related key audit matters above);
– Confirmation that there have been no material matters reported on the group's whistleblowing helpline;
– Review of minutes from board and other committee meetings e.g. audit committee or remuneration committee; 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. 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 members 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 16 years, covering the years ended 31 December 2007 to 1 January 2023.

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

4 April 2023


EXPERTISE
QUALITY

MEAT

OUR BUSINESS BEGAN WITH MEAT, AND WE'VE DEVELOPED MARKET-LEADING EXPERTISE GLOBALLY.

Customers trust the quality we bring. We're always investing in new technology to deliver more value, efficiency and consumer-led innovative solutions.

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Note(s)	2022 52 weeks £'000	2021 52 weeks £'000 Restated (note 2)*
Continuing operations			
Revenue	5	3,847,600	3,301,970
Cost of sales*	7	(3,464,837)	(2,982,155)
Gross profit		382,763	319,815
Distribution costs	7	(42,028)	(25,083)
Other administrative expenses	7	(276,048)	(226,175)
Exceptional items	7, 9	(11,896)	(7,050)
Total administrative expenses*		(287,944)	(233,225)
Share of profit in joint ventures and associates	17	1,235	1,925
Operating profit		54,026	63,432
Finance income	10	356	10
Other finance costs		(24,768)	(14,913)
Exceptional finance costs	9	–	(1,131)
Total finance costs	10	(24,768)	(16,044)
Finance costs – net		(24,412)	(16,034)
Profit before income tax		29,614	47,398
Income tax expense		(10,267)	(11,232)
Exceptional tax income	9	145	3,116
Total income tax expense	11	(10,122)	(8,116)
Profit for the period		19,492	39,282
Attributable to:			
Owners of the parent		17,706	37,143
Non–controlling interests		1,786	2,139
		19,492	39,282
Earnings per share attributable to owners of the parent during the period			
Basic (pence)	12	19.8	45.0
Diluted (pence)	12	19.7	44.5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2022 52 weeks £'000	2021 52 weeks £'000
Profit for the period	19,492	39,282
Other comprehensive income/(expense)		
Items that may be reclassified to profit or loss		
Currency translation differences	29	(7,090)
Gain on cash flow hedges	786	–
Other comprehensive expense for the period net of tax	815	(7,090)
Total comprehensive income for the period	20,307	32,192
Total comprehensive income attributable to:		
Owners of the parent	18,219	30,417
Non–controlling interests	2,088	1,775
	20,307	32,192

The notes on pages 144 to 178 are an integral part of these consolidated financial statements.

CONSOLIDATED AND COMPANY BALANCE SHEET

	Notes	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Assets					
Non-current assets					
Property, plant and equipment	14	327,611	291,488	–	–
Intangible assets	15	160,480	105,775	–	–
Lease: right of use assets	16	216,578	222,004	–	–
Investments	17	6,208	5,539	247,785	247,785
Trade and other receivables	20	–	2,239	–	–
Deferred income tax assets	25	13,801	6,952	–	–
		724,678	633,997	247,785	247,785
Current assets					
Inventories	19	206,729	156,517	–	–
Trade and other receivables	20	271,160	230,388	5,875	2,874
Current tax assets		5,995	5,212	–	–
Other financial assets	22	–	1,140	–	–
Cash and cash equivalents	21	87,224	140,170	186	151
		571,108	533,427	6,061	3,025
Total assets		1,295,786	1,167,424	253,846	250,810
Equity					
Equity attributable to owners of the parent					
Ordinary shares	26	8,943	8,893	8,943	8,893
Share premium		144,926	142,043	144,926	142,043
Own shares		–	(87)	–	–
Employee share schemes reserve		5,004	6,990	–	–
Foreign currency translation reserve		(2,379)	(2,106)	–	–
Cash flow hedging reserve		786	–	–	–
Retained earnings		167,862	176,449	28,958	28,850
Reverse acquisition reserve		(31,700)	(31,700)	–	–
Merger reserve		919	919	71,019	71,019
		294,361	301,401	253,846	250,805
Non-controlling interests		10,956	6,548	–	–
Total equity		305,317	307,949	253,846	250,805
Liabilities					
Non-current liabilities					
Borrowings	23	270,510	–	–	–
Lease liabilities	16	230,152	228,977	–	–
Deferred income tax liabilities	25	15,921	4,132	–	–
		516,583	233,109	–	–
Current liabilities					
Borrowings	23	28,279	224,732	–	–
Lease liabilities	16	16,006	14,419	–	–
Trade and other payables	24	426,203	387,215	–	5
Financial liabilities at fair value through OCI	32	3,398	–	–	–
		473,886	626,366	–	5
Total liabilities		990,469	859,475	–	5
Total equity and liabilities		1,295,786	1,167,424	253,846	250,810

The notes on pages 144 to 178 are an integral part of these consolidated financial statements.

The financial statements on pages 140 to 178 were approved by the Board on 4 April 2023 and were signed on its behalf by:

R. Watson	M. Osborne
Director	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 period dealt with in the income statement of Hilton Food Group plc amounted to £25,600,000 (2021: £24,300,000).

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY

		Attributable to owners of the parent											
Group	Notes	Share capital £'000	Share premium £'000	Own shares £'000	Employee share schemes reserve £'000	Foreign currency translation reserve £'000	Cash flow hedge reserve £'000	Retained earnings £'000	Reverse acquisition reserve £'000	Merger reserve £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Balance at 4 January 2021		8,194	65,619	–	6,123	4,620	–	161,607	(31,700)	919	215,382	6,556	221,938
Profit for the period		–	–	–	–	–	–	37,143	–	–	37,143	2,139	39,282
Other comprehensive income													
Currency translation differences		–	–	–	–	(6,726)	–	–	–	–	(6,726)	(364)	(7,090)
Total comprehensive income for the period		–	–	–	–	(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
Profit for the period		–	–	–	–	–	–	17,706	–	–	17,706	1,786	19,492
Other comprehensive expense													
Currency translation differences		–	–	–	–	(273)	–	–	–	–	(273)	302	29
Gain on cash flow hedging		–	–	–	–	–	786	–	–	–	786	–	786
Total comprehensive income for the period		–	–	–	–	(273)	786	17,706	–	–	18,219	2,088	20,307
Transactions with non-controlling interests		–	–	–	–	–	–	(801)	–	–	(801)	3,584	2,783
Issue of new shares		50	2,883	–	–	–	–	–	–	–	2,933	–	2,933
Adjustment in respect of employee share schemes		–	–	–	(655)	–	–	–	–	–	(655)	–	(655)
Settlement of employee share scheme		–	–	87	(300)	–	–	–	–	–	(213)	–	(213)
Tax on employee share schemes		–	–		(1,031)	–	–	–	–	–	(1,031)	–	(1,031)
Dividends paid	13	–	–	–	–	–	–	(25,492)	–	–	(25,492)	(1,264)	(26,756)
Total transactions with owners		50	2,883	87	(1,986)	–	–	(26,293)	–	–	(25,259)	2,320	(22,939)
Balance at 1 January 2023		8,943	144,926	–	5,004	(2,379)	786	167,862	(31,700)	919	294,361	10,956	305,317
Company													
Balance at 4 January 2021		8,194	65,619	–	–	–	–	26,851	–	71,019	171,683	–	171,683
Profit for the period		–	–	–	–	–	–	24,300	–	–	24,300	–	24,300
Total comprehensive income for the year		–	–	–	–	–	–	24,300	–	–	24,300	–	24,300
Issue of new shares		699	76,424	–	–	–	–	–	–	–	77,123	–	77,123
Dividends paid	13	–	–	–	–	–	–	(22,301)	–	–	(22,301)	–	(22,301)
Total transactions with owners		699	76,424	–	–	–	–	(22,301)	–	–	54,822	–	54,822
Balance at 2 January 2022		8,893	142,043	–	–	–	–	28,850	–	71,019	250,805	–	250,805
Profit for the period		–	–	–	–	–	–	25,600	–	–	25,600	–	25,600
Total comprehensive income for the period		–	–	–	–	–	–	25,600	–	–	25,600	–	25,600
Issue of new shares		50	2,883	–	–	–	–	–	–	–	2,933	–	2,933
Dividends paid	13	–	–	–	–	–	–	(25,492)	–	–	(25,492)	–	(25,492)
Total transactions with owners		50	2,883	–	–	–	–	(25,492)	–	–	(22,559)	–	(22,559)
Balance at 1 January 2023		8,943	144,926	–	–	–	–	28,958	–	71,019	253,846	–	253,846

The notes on pages 144 to 178 are an integral part of these consolidated financial statements.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENT

	Notes	Group 2022 53 weeks £'000	Group 2021 52 weeks Restated (note 2)* £'000	Company 2022 53 weeks £'000	Company 2021 52 weeks £'000
Cash flows from operating activities					
Cash generated from operations	28	98,312	121,259	–	–
Interest paid		(24,768)	(16,044)	–	–
Income tax paid		(13,881)	(19,210)	–	–
Net cash generated from operating activities		59,663	86,005	–	–
Cash flows from investing activities					
Acquisition of subsidiary*		(81,822)	(35,453)	–	–
Acquisition of investments		(1,764)	–	–	–
Other financial asset – restricted cash		–	(1,140)	–	–
Settlement of deferred consideration		–	(2,500)	–	–
Issue of inter–company loan		–	–	(1,206)	(77,377)
Purchases of property, plant and equipment		(55,140)	(56,251)	–	–
Proceeds from sale of property, plant and equipment		261	114	–	–
Purchases of intangible assets		(1,622)	(1,115)	–	–
Interest received		356	10	–	–
Dividends received		–	–	25,600	24,300
Dividends received from joint venture		672	2,273	–	–
Net cash (used in)/generated from investing activities		(139,059)	(94,062)	24,394	(53,077)
Cash flows from financing activities					
Purchase of non–controlling interest		(1,151)	–	–	–
Proceeds from borrowings*		295,790	65,237	–	–
Repayments of borrowings		(228,565)	(79,819)	–	–
Payment of lease liability		(15,631)	(6,588)	–	–
Issue of ordinary shares*		1,133	75,339	1,133	75,339
Purchase of own shares		–	(2,278)	–	–
Dividends paid to owners of the parent		(25,492)	(22,301)	(25,492)	(22,301)
Dividends paid to non–controlling interests		(1,264)	(1,783)	–	–
Net cash generated from/(used in) financing activities		24,820	27,807	(24,359)	53,038
Net (decrease)/increase in cash and cash equivalents		(54,576)	19,750	35	(39)
Cash and cash equivalents at beginning of the period		140,170	123,816	151	190
Exchange gains/(losses) on cash and cash equivalents		1,630	(3,396)	–	–
Cash and cash equivalents at end of the period	21	87,224	140,170	186	151

The notes on pages 144 to 178 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 specialist international food packing business supplying major international food retailers in 14 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 period represents the 52 weeks to 1 January 2023 (prior financial period 52 weeks to 2 January 2022).

These consolidated financial statements were approved for issue on 4 April 2023.

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 period dealt with in the income statement of Hilton Food Group plc amounted to £25,600,000 (2021: £24,300,000).

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 periods 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 except for certain financial assets and liabilities measured at fair value 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 25.

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.

The financial information included in this preliminary announcement does not constitute statutory accounts of the Group for the years ended 1 January 2023 and 2 January 2022 but is derived from those accounts. Statutory accounts for 2021 have been delivered to the Registrar of Companies and those for 2022 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

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 1 January 2023. 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 income statement, 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.

Prior period adjustments

Following discussions with the FRC in connection with their limited scope review of the 2021 Annual report, that was focused on disclosures relating to business combinations, prior period adjustments have been made to restate the Consolidated cash flow statement, Deferred tax disclosures (note 25) and the disclosures of the Analysis and movement in net debt (note 29).

Presentation of cash outflow for the acquisition of subsidiary

The 2021 Consolidated cash flow statement recognised a £39,062,000 cash outflow within investing activities for the acquisition of subsidiary.

This figure included:

- £8,504,000 of debt acquired as part of the acquisition of Fairfax Meadow Europe Limited ('Fairfax Meadow') that was immediately repaid as a result of the requirements of change of control clauses within related bank facility agreements
- £1,825,000 of debt acquired as part of the Dalco acquisition
- £1,785,000 in respect of the fair value of shares transferred to the vendors as part of the consideration for the acquisition of Dalco. This amount was offset by a corresponding cash inflow recognised within the total £77,123,000 cash inflow from the issue of ordinary shares included within financing activities

(i) Acquisition of Fairfax Meadow

The repayment of the loans acquired with Fairfax Meadow was triggered by pre-existing change of control clauses requiring the debt to be repaid and therefore, in accordance with IAS 7, the repayment of the acquired debt was classified within the cash outflow from the acquisition of a subsidiary.

However, as the cash flows were not between the Group and the vendors of Fairfax Meadow the fair value of the acquired debt has been included within the fair value of assets and liabilities acquired rather than as part of the consideration.

As a result of this classification the £8,504,000 debt acquired and subsequently repaid should have been recognised as separate line items with the movements in net debt note. The movement in net debt detailed in note 29 for the 2021 financial period has therefore been restated to reflect this.

(ii) Acquisition of Dalco

The £1,825,000 of debt acquired as part of the acquisition of Dalco was not repaid at the point of acquisition and the £1,785,000 consideration paid in shares to the vendors was a non-cash item and therefore neither item should have been recognised as part of the cash outflow for the acquisition of a subsidiary.

To correct this, the 2021 comparative cash flow statement has been restated as follows:

- the cash outflow for the acquisition of subsidiary has been reduced by £3,609,000 to £35,453,000 with a corresponding £3,609,000 reduction in the net cash outflow from investing activities to £94,062,000.
- Proceeds from borrowings reduced by £1,825,000 to £65,237,000.
- Issue of ordinary shares reduced by £1,785,000 to £75,339,000.
- With a corresponding overall reduction of £3,609,000 in net cash generated from financing activities reduced to £27,807,000.

An adjustment has also been made to restate the movement in net debt for 2021 in note 29 to show £1,825,000 of further debt acquired with a corresponding reduction to £65,237,000 in the proceeds of new borrowings.

Deferred tax

The provisional fair value assessment of the assets and liabilities acquired through business combinations recognised in the 2021 Annual report included total deferred tax liabilities of £3,266,000.

In 2021's financial statement disclosures the total deferred tax amount recognised was included within the movement of deferred tax as a result of accelerated capital allowances.

However, included within this total figure was £3,001,000 recognised in respect of acquired brand and customer relationship intangible assets.

The prior period deferred tax movements explained in note 25 have therefore been restated to correctly classify the movement that related to the valuation of acquired brand and customer relationship intangible assets.

Depreciation

Following a review of expense classification, the Group has reclassified depreciation relating to buildings, plant and machinery from administration expenses to cost of sales as these assets are directly involved in production. As a result, the Group has restated the comparative figures for this reclassification. The restatement has no impact on operating profit and results in cost of sales increasing by £46,263,000 in the prior period with a corresponding reduction in gross profit. Other Administrative expenses have also therefore reduced by £46,263,000.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

International Financial Reporting Standards

(a) New standards, amendments and interpretations effective in 2022

The Group has applied the following amendments for the first time for their annual reporting period commencing 3 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16;
- Onerous contracts – Cost of Fulfilling a Contract – Amendments to IAS 37;
- Annual Improvements to IFRS Standards 2018-2020; and
- Reference to the Conceptual Framework – Amendments to IFRS 3.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New standard, amendments and interpretations issued but not yet effective

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods an on foreseeable future transactions.

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 and cost of sales expenses in the Group's income statement.

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;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option; and,
- only leases of a value above £1,000 have been considered.

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.

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 customer's 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 receivable/payable is recognised for expected rebates and discounts are deducted from the amount receivable from the customer.

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 period 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. The profit and loss of designated cash flow hedges goes through other comprehensive income and cash flow hedging 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 and 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 remeasurement but are instead accounted 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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. All business units acquired in the period are also tested for goodwill. 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 (See 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 3 to 22 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.

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.

Derivative financial instruments and hedging activities

The Group's policy is only to use forward currency exchange rate contracts for the purpose of mitigating commodity risk occurring in the normal course of business. At no time will the Group take positions in derivative instruments for the purpose of earning a stand-alone profit from such instruments.

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates each hedge as either: (a) fair value hedge or (b) cash flow hedge.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months, and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months. The fair value of a trading derivative is presented as a current asset or liability.

a) Fair value hedge

The Group has entered into currency forwards that are fair value hedges for currency risk arising from its firm commitments for purchases and sales denominated in foreign currencies ("hedged item"). The fair value changes on the hedged item resulting from currency risk are recognised in profit or loss. The fair value changes on the effective portion of currency forwards designated as fair value hedges are recognised in profit or loss within the same line item as the fair value changes from the hedged item. The fair value changes on the ineffective portion of currency forwards are recognised separately in profit or loss.

b) Cash flow hedge

Currency forwards

The Group has entered into currency forwards that qualify as cash flow hedges against highly probable forecasted transactions in foreign currencies. The fair value changes on the effective portion of the currency forwards designated as cash flow hedges are recognised in the hedging reserve and transferred to either the cost of a hedged non-monetary asset upon acquisition or profit or loss when the hedged forecast transactions are recognised.

The fair value changes on the ineffective portion are recognised immediately in profit or loss. When a forecasted transaction is no longer expected to occur, the gains and losses that were previously recognised in the hedging reserve are reclassified to profit or loss immediately.

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. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. 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 another 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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 period 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. The Group 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 treated acquisition costs, including legal and professional fees and stamp duty costs, as exceptional due to the size and expected frequency of acquisitions. As detailed in note 9 during the period to 1 January 2023 the Group has recognised exceptional items in respect of the fire at its facility in Belgium, as a consequence of acquisition-related costs incurred in the period, business restructuring costs and in respect of a gain made on accounting for the acquisition of a 15% share of its Foods Connected Ltd 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 33.

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.

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, US Dollars, Australian Dollars and New Zealand Dollars 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 is exposed to foreign exchange risk where some of its sales and purchases are denominated in US Dollars. The policy is to hedge material foreign exchange risk associated with highly probable forecast transactions with its key US customers based on firm commitments and monetary items denominated in foreign currencies.

(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

	2022		2021	
Group	Income statement £'000	Equity £'000	Income statement £'000	Equity £'000
Annual effect of a change in Group-wide interest rates by - 0.5%	1,495	1,495	885	885
Annual effect of a change in Group-wide interest rates by +0.5%	(1,495)	(1,495)	(885)	(885)
Annual effect of a change in exchange rates to the GBP £ by +10%	2,639	23,434	3,913	14,715
Annual effect of a change in exchange rates to the GBP £ by -10%	(2,159)	(19,173)	(3,202)	(12,040)

(b) Credit risk

The Group is exposed to credit risk in respect of credit exposures to its retail customer partners and banking arrangements. The majority of the Group's customers are comprised of blue chip international supermarket retailers, and the Group 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 £252.0m (2021: £227.1m) as stated in note 32.

3 FINANCIAL RISK MANAGEMENT continued

(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 £87.2m (2021: £140.2m) 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:

	2022			2021		
	Borrowings £'000	Leases £'000	Trade and other payables £'000	Borrowings £'000	Leases £'000	Trade and other payables £'000
Less than one year	28,279	22,645	418,794	224,732	22,716	378,258
Between one and two years	27,188	22,793	–	–	20,873	–
Between two and five years	54,375	63,656	–	–	58,137	–
Over five years	188,947	220,081	–	–	233,673	–

Capital risk management

The Group's and Company'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 33. 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 less interest, tax, depreciation and amortisation, excluding the impact of IFRS 16. The gearing of the Group was 177% as at the period end (2021: 69.5%).

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 contracts 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 judgemental 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.

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 period 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.

Critical accounting estimates

Goodwill impairment

Goodwill is reviewed for impairment at least on 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 in running reasonable sensitivities did not result in a material impairment in any of the CGUs subject to impairment testing.

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.

If projected performance was to increase or decrease by 10% compared to expectations there would be no impact to the share-based change to the share-based payments.

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 period and the Group's approach to assessing fair values of acquired assets and liabilities.

During 2022 and 2021 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 ten 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) APAC 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. APAC 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.

5 SEGMENT INFORMATION continued

The segment information provided to the Executive Directors for the reportable segments is as follows:

	2022				2021			
	Europe £'000	APAC £'000	Central costs £'000	Total £'000	Europe £'000	APAC £'000	Central costs £'000	Total £'000
Total revenue	2,348,355	1,592,946	–	3,941,301	2,040,618	1,314,602	–	3,355,220
Inter-co revenue	(93,701)	–	–	(93,701)	(53,250)	–	–	(53,250)
Third party revenue	2,254,654	1,592,946	–	3,847,600	1,987,368	1,314,602	–	3,301,970
Adjusted operating profit/(loss) segment result (see note 33)	49,672	26,705	(5,233)	71,144	61,788	22,370	(10,591)	73,567
Amortisation of acquired intangibles	(8,257)	–	–	(8,257)	(2,778)	–	–	(2,778)
Exceptional items	(9,014)	–	(2,882)	(11,896)	(6,994)	–	–	(6,994)
Impact of IFRS 16	915	2,120	–	3,035	291	(654)	–	(363)
Operating profit/(loss) segment result	33,316	28,825	(8,115)	54,026	52,307	21,716	(10,591)	63,432
Finance income	356	–	–	356	10	–	–	10
Finance costs	(8,094)	(5,336)	(11,338)	(24,768)	(2,881)	(10,017)	(3,146)	(16,044)
Income tax (expense)/credit	(3,469)	(7,505)	852	(10,122)	(7,965)	(1,761)	1,610	(8,116)
Profit/(loss) for the period	22,109	15,984	(18,601)	19,492	41,471	9,938	(12,127)	39,282
Depreciation and amortisation	39,776	37,640	353	77,769	33,039	33,604	140	66,783
Additions to non-current assets	46,197	9,643	1,167	57,007	29,587	27,528	662	57,777
Segment assets	769,936	481,229	24,825	1,275,990	643,157	462,556	49,547	1,155,260
Current income tax assets				5,995				5,212
Deferred income tax assets				13,801				6,952
Total assets				1,295,786				1,167,424
Segment liabilities	386,903	466,492	121,153	974,548	346,403	419,611	89,329	855,343
Deferred income tax liabilities				15,921				4,132
Total liabilities				990,469				859,475

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 33). 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, Estonia and APAC.

Analysis of revenues from external customers and non-current assets are as follows:

	Revenues from external customers		Non-current assets excluding deferred tax assets	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Analysis by geographical area				
United Kingdom – country of domicile	1,184,006	1,122,047	257,481	196,857
Netherlands	446,387	298,535	56,671	34,857
Belgium	26,915	25,687	883	1,327
Sweden	237,438	220,065	9,119	12,814
Republic of Ireland	83,686	95,349	3,008	4,711
Denmark	131,845	116,156	16,468	16,046
Central Europe	142,905	109,529	23,717	22,297
APAC	1,594,418	1,314,602	343,530	338,136
	3,847,600	3,301,970	710,877	627,045
Analysis by principal customer				
Customer 1	1,100,571	1,156,771		
Customer 2	341,289	327,293		
Customer 3	230,716	231,492		
Customer 4	124,506	113,555		
Customer 5	1,430,806	1,314,602		
Other	619,712	158,257		
	3,847,600	3,301,970		

6 AUDITORS' REMUNERATION

Services provided by the Group's auditors and their associates

During the period the Group (including its overseas subsidiaries) obtained the following services from the Group's auditors and their associates:

Group	2022 £'000	2021 £'000
Fees payable to the Group's auditors for the audit of the parent Group and consolidated financial statements	244	168
Fees payable to the Group's auditors and their associates for other services:		
– The audit of the Group's subsidiaries pursuant to legislation	801	544
– Other services pursuant to legislation	53	49
– All other services including regulatory acquisition work	25	25
Total fees payable to the Group's auditors and its associates	1,123	786

7 EXPENSES BY NATURE

Group	2022 £'000	2021 £'000
Changes in inventories of finished goods and goods for resale	3,620	3,503
Raw materials and consumables used	3,175,358	2,718,685
Employee benefit expense (note 8)	239,692	211,866
Depreciation and amortisation – owned assets	56,959	48,356
Depreciation and amortisation – leased assets	20,780	18,427
Repairs and maintenance expenditure on property, plant and equipment	30,861	24,101
Transportation expenses	42,254	24,721
Gain on impact of acquisition of Dalco BV (note 9)	–	(6,837)
Gain on impact of acquisition of Foods Connected Ltd (note 9)	(2,702)	–
Foreign exchange gain/(losses)	(391)	1,180
Other expenses	228,378	196,461
Total cost of sales, distribution costs and administrative expenses	3,794,809	3,240,463
Cost of sales	3,464,837	2,982,155
Distribution costs	42,028	25,083
Administrative expenses	287,944	233,225
Total cost of sales, distribution costs and administrative expenses	3,794,809	3,240,463

8 EMPLOYEE BENEFIT EXPENSE

Group	2022 £'000	2021 £'000
Staff costs during the period		
Wages and salaries	211,054	182,736
Social security costs	17,274	16,855
Share options granted to Directors and employees	(655)	2,725
Pension costs -defined contribution plan	12,019	9,550
	239,692	211,866

Group	2022 Number	2021 Number
Average number of monthly persons employed (including Executive Directors) during the period by activity		
Production	5,137	4,755
Administration	1,551	1,270
	6,688	6,025

Group	2022 £'000	2021 £'000
Key management compensation (including Directors)		
Salaries and short-term employee benefits, including termination benefits	10,059	8,423
Post-employment benefits	94	314
Share-based payments	3,074	3,074
	13,227	11,811

Group	2022 £'000	2021 £'000
Directors' emoluments		
Aggregate emoluments	1,414	3,658
Group contribution to money purchase pension scheme	94	138
	1,508	3,796

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 (2021: £nil).

9 EXCEPTIONAL ITEMS

Group	Operating profit 2022 £'000	Finance costs 2022 £'000	Tax 2022 £'000	Profit after tax 2022 £'000
Fire in Belgium	9,500	–	–	9,500
Impact of acquisition of Foods Connected Ltd	(2,701)	–	–	(2,701)
Acquisition related costs	1,204	–	–	1,204
Reorganisation costs	3,893	–	(145)	3,748
Total exceptional costs	11,896	–	(145)	11,751

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 related 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. The Group continues to work closely with its insurers to progress related insurance claims. The results for the period to 1 January 2023 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.

Exceptional costs totalling £9,500,000 have been recognised in the period relating to additional costs incurred in continuing to operate in Belgium including the ongoing insurance and legal claim.

In the prior period an exceptional impairment totalling £11,661,000 was recognised in respect of assets that were destroyed by the fire, alongside additional costs incurred in continuing to operate in Belgium including insurance and legal claims.

Acquisition of Foods Connected Ltd

On 7 July 2022 the Group acquired a further 15% interest in Foods Connected Ltd, taking its total holding to 65% (see note 18) and the financial position and performance of the business was fully consolidated from this date. The Group's existing joint venture interest was effectively disposed of at this date with an exceptional gain of £2,701,000, being the difference between the carrying value and fair value of the joint venture interest, recognised.

In 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.

Reorganisation costs

During the period exceptional reorganisation costs of £3,893,000 have been recognised by the Group. These costs resulted from on-going efficiency and restructuring programmes resulting in redundancies at a number of facilities operated by the Group. An exceptional tax credit of £145,000 has been recognised in respect of these costs.

Acquisition costs

During the period the Group has recognised exceptional acquisition costs relating primarily to the acquisition of Foppen in respect of legal and professional fees and other related costs of £1,204,000. In 2021 the business recognised £2,226,000 of exceptional acquisition costs in respect of legal and professional fees and £1,131,000 of exceptional finance costs related to the agreement of short-term acquisition bridge finance.

10 FINANCE INCOME AND COSTS

Group	2022 £'000	2021 £'000
Finance income		
Other interest income	356	10
Finance income	356	10
Finance costs		
Bank borrowings	(12,241)	(5,132)
Interest on lease liabilities	(8,758)	(8,536)
Exceptional finance costs (note 9)	–	(1,131)
Other interest expense	(3,769)	(1,245)
Finance costs	(24,768)	(16,044)
Finance costs – net	(24,412)	(16,034)

11 INCOME TAX EXPENSE

Group	2022 £'000	2021 £'000
Current income tax		
Current tax on profits for the period	13,697	12,646
Adjustments to tax in respect of previous periods	195	(2,322)
Total current tax	13,892	10,324
Deferred income tax		
Origination and reversal of temporary differences	(3,753)	(3,342)
Adjustments to tax in respect of previous periods	(17)	1,134
Total deferred tax	(3,770)	(2,208)
Income tax expense	10,122	8,116

Deferred tax charged directly to equity during the period in respect of employee share schemes amounted to £1,031,409 (2021: charge £333,000).

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 (2021: differs) from the theoretical amount that would arise using the standard rate of UK corporation tax of 19% (2021: 19%) applied to profits of the consolidated entities as follows:

	2022 £'000	2021 £'000
Profit before income tax	29,614	47,398
Tax calculated at the standard rate of UK corporation tax 19% (2021: 19%)	5,627	9,006
Effects of:		
Expense/(income) not deductible for tax purposes	1,074	(15)
Joint venture received net of tax	(238)	(471)
Adjustments to tax in respect of previous periods	178	(1,188)
Profits taxed at rates other than 19% (2021: 19%)	5,867	2,746
Impact of change in tax rates	(398)	(633)
Non-taxable gain on acquisition of JV	(513)	(1,299)
Unrelieved losses carried forward	(444)	–
Deferred tax recognised in reserves	(1,031)	–
Other	–	(30)
Income tax expense	10,122	8,116

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 period.

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 Group 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 Group'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		2022 Basic	2022 Diluted	2021 Basic	2021 Diluted
Profit attributable to owners of the parent	(£'000)	17,706	17,706	37,143	37,143
Weighted average number of ordinary shares in issue	(thousands)	89,234	89,234	82,456	82,456
Adjustment for share options	(thousands)	–	690	–	1,098
Adjusted weighted average number of ordinary shares	(thousands)	89,234	89,924	82,456	83,554
Basic and diluted earnings per share	(pence)	19.8	19.7	45.0	44.5

13 DIVIDENDS

Group and Company	2022 £'000	2021 £'000
Final dividend in respect of 2021 paid 21.5p per ordinary share (2020: 19.0p)	19,143	15,561
Interim dividend in respect of 2022 paid 7.1p per ordinary share (2021: 8.2p)	6,349	6,740
Total dividends paid	25,492	22,301

The Directors propose a final dividend of 22.6p (2021: 21.5p) per share payable on 30 June 2023 to shareholders who are on the register at 2 June 2023. This dividend totalling £20.2m (2021: £19.1m) has not been recognised as a liability in these consolidated financial statements.

Dividends paid to non-controlling interests in the period totalled £1,264,000 (2021: £1,783,000).

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
Cost					
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	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
Accumulated depreciation					
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 period	4,440	37,384	2,297	65	44,186
Exceptional impairment (note 9)	–	(672)	–	–	(672)
Transfer	–	–	(553)	–	(553)
Disposals	(87)	(192)	(878)	(12)	(1,169)
At 2 January 2022	33,779	250,865	15,418	48	300,110
Net book amount					
At 4 January 2021	67,173	218,338	5,165	170	290,846
At 2 January 2022	77,897	210,133	3,198	260	291,488

Cost					
At 3 January 2022	111,676	460,998	18,616	308	591,598
Exchange adjustments	3,313	15,110	654	25	19,102
Acquisition (note 18)	6,040	11,443	1,263	81	18,827
Additions	6,484	44,946	3,591	119	55,140
Transfer	–	496	100	–	596
Disposals	(7)	(1,171)	(47)	–	(1,225)
At 1 January 2023	127,506	531,822	24,177	533	684,038
Accumulated depreciation					
At 3 January 2022	33,779	250,865	15,418	48	300,110
Exchange adjustments	1,122	7,960	406	17	9,505
Charge for the period	7,623	36,529	2,712	121	46,985
Transfer	–	496	100	–	596
Disposals	(7)	(717)	(45)	–	(769)
At 1 January 2023	42,517	295,133	18,591	186	356,427
Net book amount					
At 1 January 2023	84,989	236,689	5,586	347	327,611

The cost and net book amount of property plant and equipment in the course of its construction included above comprise plant and machinery £26,877,000 (2021: £13,025,000).

Additions to property, plant and equipment include capitalised interest costs of £Nil (2021: £725,000).

15 INTANGIBLE ASSETS

Group	Computer software £'000	Brand and customer relationships £'000	Goodwill £'000	Total £'000
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	1,526	–	–	1,526
Transfer	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 period	1,468	2,702	–	4,170
Transfer	553	–	–	553
Disposals	(2)	–	–	(2)
At 2 January 2022	5,204	10,333	–	15,537
Net book amount				
At 4 January 2021	7,560	14,929	47,582	70,071
At 2 January 2022	11,547	24,746	69,482	105,775
Cost				
At 3 January 2022	16,751	35,079	69,482	121,312
Exchange adjustments	19	–	–	19
Acquisition (note 18)	2,849	37,452	21,105	61,406
Impact of finalising fair value of prior year acquisitions (note 18)	–	9,440	(8,053)	1,387
Additions	1,867	–	–	1,867
Transfer	(596)	–	–	(596)
At 1 January 2023	20,890	81,971	82,534	185,395
Accumulated amortisation				
At 3 January 2022	5,204	10,333	–	15,537
Charge for the period	2,019	7,955	–	9,974
Transfer	(596)	–	–	(596)
At 1 January 2023	6,627	18,288	–	24,915
Net book amount				
At 1 January 2023	14,263	63,683	82,534	160,480

Amortisation charges are included within administrative expenses in the income statement.

Goodwill impairment testing

Goodwill includes Seachill UK Limited £44,000,000 (purchased 2017), SV Cuisine Limited £2,789,000 (purchased 2021), Dalco £10,168,000 (purchased in 2021), Fairfax Meadow Europe Limited £3,685,000 (purchased in 2021), Dutch Seafood Company BV (Foppen) £17,805,000 (purchased in 2022) and Foods Connected Ltd £3,300,000 (controlling interest purchased in 2022). Each business is considered to be a separate cash generating unit. The recoverable amount of the cash generating units was based on a value-in-use basis 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 9.6%-10% (2021: 10%) based on the country and cash generating unit with a growth rate of 2% (2021: 2%) used to extrapolate cash flows. Discount rates and growth rates are calculated with reference to external benchmarks and where relevant past experience.

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 0.5%, a reduction in growth rate of 0.5% percentage point or a 5% reduction in budgeted cash flow. The impact in running reasonable sensitivities did not result in a material impairment in any of the CGUs subject to impairment testing.

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 period

Goodwill and other intangible assets totalling £21,105,000 has been provisionally recognised following the acquisitions of Foods Connected Ltd and final numbers for Foppen Group with each forming separate cash generating units in the period (see note 18). The individual cash generating units have been tested for impairment in the 2022 financial period.

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 and Buildings £'000	Equipment £'000	Vehicles £'000	Total £'000
Opening net book amount as at 4 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
Exchange adjustments	5,946	230	80	6,256
Additions	2,462	2,272	1,101	5,835
Acquisition (note 18)	3,106	–	108	3,214
Remeasurements, reclassification and scope changes	120	–	(71)	49
Depreciation	(17,105)	(1,945)	(1,730)	(20,780)
Closing net book amount at 1 January 2023	206,302	7,791	2,485	216,578

Lease liabilities Group	2022 £'000	2021 £'000
Current	16,006	14,419
Non-current	230,152	228,977
	246,158	243,396

Maturity analysis - contractual undiscounted cash flows Group	2022 £'000	2021 £'000
Less than one year	22,645	22,716
One to five years	86,449	79,010
More than five years	220,081	233,673
Total lease liabilities	329,175	335,399

(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	2022 £'000	2021 £'000
Buildings	17,105	16,339
Plant and equipment	1,945	927
Vehicles	1,730	1,161
	20,780	18,427
Interest expenses (included in finance costs)	8,758	8,536
Expenses relating to short-term leases (included in costs of goods sold and administrative expenses)	748	136
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

The total cash outflow for leases in 2022 was £24,387,000 (2021: £17,307,000).

Variable lease payments

Leases with liabilities recognised of £9,476,000 (2021: £9,824,000), accounting for 3.8% (2021: 4.0%) 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 1 January 2023, lease liabilities would have increased by 2022: £4,536,000 (2021: £1,895,000).

In addition, leases with liabilities recognised totalling £5,021,000 (2021: £6,408,000), accounting for 2.0% (2021: 2.6%) 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 1 January 2023, lease liabilities would have increased by £1,054,000 (2021: £278,000).

17 INVESTMENTS

The Group uses the equity method of accounting for its interest in joint ventures and associates. The aggregate movement in the Group's investments in joint ventures and associates is as follows:

Group	2022 Joint ventures £'000	2022 Associates £'000	2022 Total £'000	2021 Joint ventures £'000
At the beginning of the period	5,539	–	5,539	12,622
Acquisitions	1,139	1,765	2,904	–
Profit for the period	1,235	–	1,235	1,925
Disposal of investment	(2,925)	–	(2,925)	(6,551)
Dividends received	(672)	–	(672)	(2,273)
Effect of movements in foreign exchange	127	–	127	(184)
At the end of the period	4,443	1,765	6,208	5,539

17 INVESTMENTS continued

Where relevant, management accounts for the joint venture have been used to include the results up to 1 January 2023. The Group's share of the net assets, income and expenses of the joint venture and associates are detailed below:

Set out below are the joint ventures and associates of the Group as at 1 January 2023. Unless otherwise stated there has been no change to the holding.

				(%) Proportion of ordinary shares held by	
Joint venture	**Registered address**	**Country**	**Share class**	**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
Agito Global, Unipessoal LDA	n° 249 - 1°, Avenida da Liberdade, Lisboa Concelho, Santo António, Lisboa, 1250 143 LISBOA	Portugal	€1 Ordinary	–	50
Agito Group Pty Limited	C/O PwC, Level 15, 125 St Georges Terrace, Perth, Western Australia, 6000	Australia	AUD 1 Ordinary	–	50
Agito Global Limited	5th Floor, Beaux Lane House, Mercer Street Lower, Dublin 2, Dublin, D02 DH60	Ireland	€1 Ordinary	–	50
Agito Holdings Limited	2-8 Interchange Latham Road, Huntingdon PE29 6YE	UK	£1 Ordinary	–	50 (2021:100)
Agito Global Limited	First Floor Offices, Unit 6b, Vantage Park, Huntingdon, Cambridgeshire, PE29 6SR	UK	£1 Ordinary	–	50

Associates	**Registered address**	**Country**	**Share class**	**Parent**	**Group**
Cellular Agriculture Limited	Felin Y Glyn, Pontnewydd, Llanelli, SA15 5TL	UK	£0.000002 Series A-1 Ordinary	–	17.45
A Turner and Sons Sausage Limited	205 North Lane, Aldershot, Hants, GU12 4SY	UK	£1 Ordinary	–	16.25

As noted below, during the period the Group acquired an additional 15% interest in Foods Connected Ltd taking its interest to 65%. In addition the Group acquired a 17.45% interest in Cellular Agriculture Ltd for consideration of £1,715,000 and a 16.25% interest in A Turner and Sons Sausage Limited for consideration of £50,000.

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.

Sohi Meat Solutions

Summarised balance sheet	2022 £'000	2021 £'000
Current assets		
Cash and cash equivalents	320	301
Other current assets	44,850	35,675
Total current assets	45,170	35,976
Non-current assets	20,700	19,023
Total current liabilities	(54,504)	(42,377)
Total non-current liabilities	(5,987)	(6,920)
Net assets	5,379	5,702
Reconciliation to carrying amounts		
Opening net assets	5,702	5,678
Profit for the period	1,224	1,086
Dividends paid	(1,344)	(956)
Exchange adjustments	(203)	(106)
Closing net assets	5,379	5,702
Group's share – %	50%	50%
Group's share – £k	2,690	2,851

Summarised statement of comprehensive income	2022 £'000	2021 £'000
Revenue	306,007	254,949
Depreciation and amortisation	(4,338)	(4,020)
Net finance costs	(709)	(634)
Income tax expense	(275)	(417)
Profit for the period	1,224	1,086
Dividends received from joint venture entity	672	478

On 7 July 2022 the Group acquired an additional 15% interest in Foods Connected Ltd taking its shareholding to 65% (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 £2,701,000, being the difference between the carrying value and fair value of the joint venture interest, recognised.

The Group also has an interest in one other individually immaterial joint venture.

Individually immaterial joint ventures:	2022 £'000	2021 £'000
Aggregate carrying amount of individually immaterial joint venture	1,549	2,688
Aggregate Group share of profit for the year	409	391

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.

Hilton Foods Holland BV

Summarised balance sheet	2022 £'000	2021 £'000
Current assets	79,441	70,246
Current liabilities	(55,132)	(49,314)
Current net assets	24,309	20,932
Non-current assets	4,668	5,310
Non-current liabilities	(361)	(274)
Non-current net assets	4,307	5,036
Net assets	28,616	25,968
Accumulated non-controlling interests	5,722	5,194
Summarised statement of comprehensive income		
Revenue	329,934	288,347
Profit for the period	7,083	7,301
Other comprehensive (expense)/income	1,519	(1,806)
Total comprehensive income	8,602	5,495
Profit allocated to non-controlling interests	1,417	1,460
Dividends paid to non-controlling interests	1,193	1,175
Summarised cash flows		
Cash flows from operating activities	385	9,065
Cash flows from investing activities	(1,538)	(5,646)
Cash flows from financing activities	(5,965)	(5,919)
Impact of foreign exchange	1,096	(1,443)
Net decrease in cash and cash equivalents	(6,022)	(3,943)

17 INVESTMENTS continued

Investments in subsidiaries

Investments in subsidiary undertakings are recorded at cost, which is the fair value of consideration paid.

Company	2022 £'000	2021 £'000
At the beginning of the period	247,785	157,221
Additions	–	90,564
At 2 January 2022 and 1 January 2023	247,785	247,785

During the prior period the Company invested £90,564,000 in its subsidiary Hilton Foods Limited undertaking a swap of intercompany debt for equity.

The subsidiary undertakings of the Group are as follows for 2 January 2022 and 1 January 2023 unless otherwise stated:

Subsidiary undertakings	Registered address	Country	Share class	(%) Proportion of shares held by Parent	(%) Proportion of shares held by Group
Hilton Foods Asia Pacific Limited	2-8 Interchange Latham Road, Huntingdon PE29 6YE	UK	£1 Ordinary	–	100
Hilton Food Solutions Limited			£1 Ordinary	–	65 (2021:55)
Seachill UK Limited trading as Hilton Seafood UK			£1 Ordinary	–	100
Coldwater Seafood UK Limited			£1 Ordinary	–	100
Icelandic UK Limited			£1 Ordinary	–	100
Seachill Limited			£1 Ordinary	–	100
Fairfax Meadow Europe Limited			£1 Ordinary	–	100
Fairfax London Limited			£1 Ordinary	–	100
SV Cuisine Limited			£1 Ordinary	–	100
			£1 Preference	–	100
Foods Connected Limited	City Factory, 100 Patrick Street, Lower Ground Floor, Londonderry, BT48 7EL, Northern Ireland		£0.01 Ordinary	–	65 (2021:50)
Hilton Foods Limited	Carson McDowell LLP, Murray House, Murray Street, Belfast, BT1 6DN, Northern Ireland		£1 Ordinary	100	100
Hilton Foods UK Limited			£1 Ordinary	–	100
Hilton Meats Holland Limited	St George's Building, 3rd Floor, 37-41 High Street, Belfast, BT1 2AB, Northern Ireland		£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	–	65 (2021:55)
Dutch Seafood Company BV	82, Fahrenheitstraat, Harderwijk, 3846 CC		€0.01 Ordinary	–	100
Paling En Zalmfileerderij J. Foppen Jzn. BV			€45 Ordinary	–	100
Foppen Eel & Salmon BV	24-26, Daltonstraat, Harderwijk, 3846 BX		€10 Ordinary	–	100
Foppen Groep BV			€450 Ordinary	–	100
Dalco Food BV	Sweelinckstraat 8, 5344 AE Oss		€45.38 Ordinary	–	100
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 2, 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

Subsidiary undertakings	Registered address	Country	Share class	(%) Proportion of shares held by Parent	Group
Hilton Foods Australia Pty Limited	267 Dohertys Road, Truganina, VIC 3029	Australia	AUD 1 Ordinary	–	100
Foods Connected Australia Pty Limited	Moore Stephens, 62-64, Burwood Road, Burwood, NSW, 2134		AUD 1 Ordinary	–	65
Hilton Foods New Zealand Limited	11 Puaki Drive, Wiri, Auckland 2104	New Zealand	NZD 1 Ordinary	–	100
Foppen USA Inc	4th Floor, 374, Milburn Ave, Milburn, New Jersey, 07041	USA	$1 Ordinary	–	100
Foods Connected America Inc.	National Registered Agents, Inc., 1209, Orange Street, Wilmington, New Castle County, Delaware, 19081		$0.001 Ordinary	–	65
Hong Kong Fu-Peng Co Limited	Room 1001, 10/F Boss Commercial Centre, 28, Ferry Street, Kowloon, Hong Kong	China	HKD 1 Ordinary	–	100
Shanghai Fu Peng Food Trading Co Limited	Room 710, Tower A, Building 2, 555, Lansong Road, Pudong New Area, Shanghai		CNY 1 Ordinary	–	100
Foppen Seafood Canada Inc	Suite 1000, Brunswick House, 44, Chipman Hill, Saint John, New Brunswick, E2L 2A9	Canada	CAD 10 Ordinary	–	100
Olympic Eel & Salmon Industry SA	Industrial Area of Preveza, Preveza, 481 00	Greece	€30 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 16 March 2022 the Group acquired 100% of the share capital of Dutch Seafood Company BV (Foppen Group BV), a leading international producer of speciality smoked salmon products.

On 7 July 2022 the Group completed the purchase of an additional 15% of Foods Connected Ltd, taking its interest from 50% to 65%. Foods Connected Ltd provides software solutions for supply chain, procurement, food safety, quality and CSR.

2022 Group	Dutch Seafood Company BV (Foppen) £'000	Foods Connected Ltd £'000
Property, plant and equipment	16,792	71
Intangibles-Technology	–	2,849
Brand and customer relationship intangibles	30,488	6,964
Lease: Right-of-use asset	3,214	–
Inventories	22,580	–
Trade and other receivables	13,556	1,231
Cash and cash equivalents	–	230
Trade and other payables	(13,334)	(1,509)
Borrowings	(56,938)	–
Lease liabilities	(3,214)	–
Deferred tax	(3,050)	(1,882)
Derivative financial instruments	(2,785)	–
Goodwill	17,805	3,300
Fair value of assets acquired	25,114	11,254

Consideration		
Paid on completion	25,114	–
Issue of shares	–	1,688
Non-controlling interest	–	3,939
Deemed fair value of existing 50% interest	–	5,627
	25,114	11,254

18 BUSINESS COMBINATIONS continued

Dutch Seafood Company BV (Foppen)

The acquisition of Foppen improves the access for the Group to the specialised smoked salmon market, with a presence in the USA, Canada, Netherlands and Greece. The additional markets provide an opportunity for the Group to diversify its geographic presence whilst leveraging best practices and cost savings with the existing UK Seafood business.

Consideration for the acquisition of Foppen totalled £25,114,000 paid entirely in cash.

Customer relationship intangibles have been recognised and relate to the supply agreements and long-standing relationships that Foppen has with its customers. Brand intangibles have been recognised in respect of the Foppen trading name and other brands employed by the business. The fair value of these intangible assets of £30,488,000 has 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 five to 10 years.

The value of other assets and liabilities reflect the amounts expected to be realised or paid respectively.

Goodwill of £17,805,000 has been recognised and mainly relates to the strategic benefits for the Group of diversifying its product and geographic portfolio.

In the period the Group has recognised exceptional acquisition-related costs of £1,204,000 in respect of legal and professional and other related activities associated with acquisition activity.

The consolidated cash flow statement recognises a £82,052,000 for cash outflow within investing activities for the acquisition of subsidiary. This figure comprises £56,938,000 of debt repaid immediately on completion of the acquisition as a result of the requirements of change of control clauses within related bank facility agreements and the £25,114,000 cash consideration paid to the vendors.

The acquired business contributed revenues of £86,073,000 and operating profit of £4,300,000 to the Group for the period from 16 March to 1 January 2023.

Foods Connected Ltd

Consideration for the acquisition of the 15% interest in Foods Connected Ltd totalled £1,688,000 comprised of 170,305 Hilton Food Group plc shares at Market Value taking the holding of Foods Connected to 65%. The acquisition of Foods Connected provides an opportunity to deliver growth through new customer agreements with retailers and manufacturers across Europe and Australia and provides the Group control over the business.

As a result of the acquisition, and to allow full consolidation of Foods Connected Ltd as a subsidiary, the Group has recognised an exceptional gain of £2,701,000, being the difference between the carrying value of its joint venture interest at the date of acquisition and its fair value.

The fair value of the technology acquired was established following a review undertaken by qualified personnel and reflects their existing use value.

The value of intangible assets technology used in the company's operations have been reviewed and valued at £2,849,000.

The value of customer relationships have also been assessed with the support of competent professionals. Customer relationships have been assessed to have a fair value of £6,964,000 and a useful economic life of 22 years. The value of other assets and liabilities reflect the amounts expected to be realised or paid respectively.

Goodwill of £3,300,000 has provisionally been recognised in 2022. Residual goodwill relates to the strategic benefits for the Group of diversifying its business and the know-how of Foods Connected Ltd's employees.

The value of other assets and liabilities reflect the amounts expected to be realised or paid, respectively.

The acquired business contributed revenues of £2,876,000 and operating profit of £262,000 to the Group for the period from 7 July to 1 January 2023.

2021 Group	Dalco Food BV £'000	Fairfax Meadow Europe Limited £'000
Property, plant and equipment	6,047	6,782
Brand and customer relationship intangibles	10,193	11,766
Lease: Right-of-use asset	5,303	7,191
Inventories	8,142	7,982
Trade and other receivables	5,992	13,343
Trade and other payables	(8,767)	(16,782)
Borrowings	(1,825)	(8,504)
Lease liabilities	(5,303)	(7,094)
Deferred tax	(3,175)	(3,023)
Goodwill	10,168	3,685
Fair value of assets acquired	26,775	15,346

2021 Group	Dalco Food BV £'000	Fairfax Meadow Europe Limited £'000
Consideration		
Paid on completion	13,388	15,346
Deemed fair value of existing 50% interest	13,387	–
	26,775	15,346

During 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 retail and food service customers from its facilities in the Netherlands. The Group also acquired 100% of the share capital of Fairfax Meadow Europe Limited (Fairfax Meadow), a leading meat supplier to the UK food service sector.

Due to the timing of completion of the acquisition and the timing of other acquisition activity undertaken by the Group in 2021, the assessment of the fair values of assets and liabilities acquired was ongoing when the Group reported its 2021 annual results and were therefore provisional.

Dalco Food BV

The acquisition of the remaining 50% of Dalco allowed the Group to take full control of the business, enabling it to diversify further 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.

Updated fair values are presented above and have now been finalised.

Goodwill of £10,168,000 has been recognised in 2022 compared to £18,967,000 recognised in 2021 and relates to the strategic benefits for the Group of diversifying its product portfolio into the vegan and vegetarian protein market. The adjustment in Goodwill has gone to recognising Customer and Brand relationship, uplifting the fair value of fixed assets and recognising a deferred tax liability.

The fair value of property, plant and equipment acquired was established following a review undertaken by qualified surveyors and reflects their existing use value uplifting their fair value by £1,540,000 an increase of £1,654,000 compared to the amount reported in 2021.

Customer relationship intangibles have been recognised and relate to the supply agreements and long-standing relationships that Dalco has with its customers. Brand intangibles have been recognised in respect of the Dalco trading name. The fair value of these intangible assets of £10,193,000 (2021:£Nil) has 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 five to 10 years. As part of the transaction a deferred tax liability of £2,933,000 has been recognised.

The value of other assets and liabilities reflect the amounts expected to be realised or paid respectively.

Fairfax Meadow Europe Limited

The acquisition of Fairfax Meadow improves the access for the Group to the out-of-home channel, providing an opportunity to diversify into the food service sector and contribute to the Group's sustainable growth.

Consideration for the acquisition of Fairfax Meadow totalled £15,346,000 paid entirely in cash. This figure included £8,504,000 of debt acquired as part of the acquisition of Fairfax Meadow Europe Limited that was immediately repaid as a result of the requirements of change of control clauses within related bank facility agreements.

Goodwill has arisen and mainly relates to the strategic benefits for the Group 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 reflects 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 £11,766,000 (£12,519,000 recognised in FY 2021 accounts) 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 five to nine years. A corresponding increase in Goodwill has been recognised.

The value of other assets and liabilities reflect the amounts expected to be realised or paid respectively.

19 INVENTORIES

Group	2022 £'000	2021 £'000
Raw materials and consumables	162,216	136,926
Finished goods and goods for resale	44,513	19,591
	206,729	156,517

The cost of inventories recognised as an expense and included in cost of sales amounted to £3,178,978,000 (2021: £2,722,188,000). The Group charged £1,012,000 in respect of inventory write-downs (2021: £1,106,000). The amount charged has been included in cost of sales in the income statement.

20 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade receivables	218,175	201,377	–	–
Less: provision for impairment of trade receivables	(1,137)	(699)	–	–
Trade receivables – net	217,038	200,678	–	–
Amounts owed by Group undertakings	–	–	5,875	2,874
Amounts owed by related parties (see note 31)	838	565	–	–
Other receivables	34,090	25,868	–	–
Prepayments	19,194	5,516	–	–
	271,160	232,627	5,875	2,874
Less: Non-current other receivables	–	(2,239)	–	–
	271,160	230,388	5,875	2,874

Amounts owed by Group undertakings 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:

	Group		Company	
Currency	2022 £'000	2021 £'000	2022 £'000	2021 £'000
UK Pound	94,093	66,066	5,875	2,874
Euro	54,327	51,597	–	–
Swedish Krona	17,230	16,943	–	–
Danish Krone	33,646	25,204	–	–
Polish Zloty	4,397	4,313	–	–
Australian Dollar	50,035	49,092	–	–
New Zealand Dollar	12,317	19,412	–	–
US Dollar	4,602	–	–	–
Chinese Renminbi	513	–	–	–
	271,160	232,627	5,875	2,874

The Group has 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 periods 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 £1,137,000 (2021: £699,000).

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	2022 £'000	2021 £'000
At the beginning of the period	699	369
Acquisition	328	–
Provision for receivables impairment	467	401
Receivables impairment released	(216)	–
Receivables written off during the period as uncollectable	(143)	(67)
Exchange differences	2	(4)
At the end of the period	1,137	699

21 CASH AND CASH EQUIVALENTS

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Cash at bank and on hand	87,224	140,170	186	151

22 OTHER FINANCIAL ASSET – RESTRICTED CASH

On 6 January 2022 the Group acquired a 50% joint venture interest in Agito Group Pty. Prior to completion consideration for this investment was held in escrow by the Group's lawyers and was recognised in the 2021 accounts as restricted cash. Restricted cash as at 1 January 2023 was £Nil.

23 BORROWINGS

Group	2022 £'000	2021 £'000
Current		
Bank borrowings	28,279	224,732
Non-current		
Bank borrowings	270,510	–
Total borrowings	298,789	224,732

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	2022 £'000	2021 £'000
UK Pound	79,878	65,198
Euro	88,432	18,277
Danish Kroner	837	1,118
Polish Zloty	9,666	5,384
Australian Dollar	93,162	106,903
New Zealand Dollar	26,814	27,852
	298,789	224,732

Bank borrowings are repayable in quarterly instalments from 2022 – 2027 with interest charged at SONIA (or equivalent benchmark rates) plus 1.95% - 2.10%. Bank borrowings are subject to joint and several guarantees from each active Group undertaking.

The Group has undrawn committed loan facilities of £106m (2021: £96.8m).

The undiscounted contractual maturity profile of the Group's borrowings is described in note 3.

Group net debt is analysed as per note 29.

24 TRADE AND OTHER PAYABLES

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade payables	366,222	324,673	–	–
Amounts owed to related parties (see note 31)	314	136	–	–
Social security and other taxes	7,409	8,956	–	–
Accruals	52,258	53,450	–	5
	426,203	387,215	–	5

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 4 January 2021	3,304	(2,837)	2,575	793	3,835
Exchange differences	(290)	–	–	–	(290)
Acquisition (note 18) (Restated, note 2)	(265)	(3,001)	–	–	(3,266)
Income statement credit/(charge)	(988)	465	2,731	–	2,208
Adjustment in respect of employee share schemes	–	–	–	333	333
At 2 January 2022	1,761	(5,373)	5,306	1,126	2,820
Deferred tax on fair value uplift	–	(2,932)	–	–	(2,932)
Exchange differences	(71)	–	216	40	185
Acquisition (note 18)	3,993	(8,925)	–	–	(4,932)
Income statement credit	587	1,309	1,323	551	3,770
Tax charged directly to equity	–	–	–	(1,031)	(1,031)
At 1 January 2023	6,270	(15,921)	6,845	686	(2,120)

The following is the reconciliation of the deferred tax balances in the balance sheet:

Group	2022 £'000	2021 £'000
Deferred tax liabilities	(15,921)	(4,132)
Deferred tax assets	13,801	6,952
	(2,120)	2,820

Other timing differences principally relate to share-based payments. The deferred income tax liability above includes £1,989,000 (2021: £281,000) 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)	Group		Company	
		2022 £'000	2021 £'000	2022 £'000	2021 £'000
Authorised, issued and fully paid ordinary shares of 10p each					
At 3 January 2022/4 January 2021	88,935	8,893	8,194	8,893	8,194
Issue of new shares relating to employee incentive schemes	498	50	26	50	26
Issue of new shares relating to Dalco acquisition	–	–	15	–	15
Issue of new shares relating to equity placing	–	–	658	–	658
At 1 January 2023/2 January 2022	89,433	8,943	8,893	8,943	8,893

All ordinary shares of 10p each have equal rights in respect of voting, receipt of dividends and repayment of capital.

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 achievement of performance targets comprising minimum earnings per share (EPS), compound growth target and total shareholder return (TSR). Awards granted during the period introduced three new ESG performance metrics.

Awards will vest on a sliding scale, with 10% vesting at threshold and 100% vesting at maximum, as follows:

Performance basis	Threshold vesting	Maximum vesting
EPS	5%-6% compound per year	12%–15% compound per year
TSR – performance against the constituents of the FTSE 250 (excluding investment trusts)	Median	Upper quartile
ESG – Scope 1 and 2 energy	6.5% reduction over period	43.9% reduction over period
ESG – Recycled packaging	11.7% increase over period	28.3% increase over period
ESG – Food waste	15.0% reduction over period	30.0% reduction over period

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:

	Sharesave		Long-term incentive	
Group	Options ('000)	Exercise price (pence)	Options ('000)	Exercise price (pence)
At 4 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	–
Granted	231	1,204.00	366	–
Exercised	(117)	950.00	(219)	–
Lapsed	(210)	1,198.80	(156)	–
At 1 January 2023	505	1,174.95	1,579	–

27 SHARE-BASED PAYMENT continued

Share options outstanding at the end of the period have the following expiry date and exercise prices:

Group Expiry date	Type of scheme	Status	Exercise price (pence)	Number of options 2022 ('000)	 2021 ('000)
February 2023	Sharesave	Exercisable	950.00	68	194
February 2024	Sharesave	Not exercisable	1228.00	128	201
February 2025	Sharesave	Not exercisable	1200.00	126	209
February 2026	Sharesave	Not exercisable	1204.00	183	–
April 2024	Long Term Incentive Plan	Exercisable	nil cost	2	2
April 2025	Long Term Incentive Plan	Exercisable	nil cost	55	60
April 2026	Long Term Incentive Plan	Exercisable	nil cost	63	66
April 2027	Long Term Incentive Plan	Exercisable	nil cost	55	92
May/July 2028	Long Term Incentive Plan	Exercisable	nil cost	129	246
May 2029	Long Term Incentive Plan	Exercisable	nil cost	217	399
Sep 2030	Long Term Incentive Plan	Not exercisable	nil cost	342	355
May 2031	Long Term Incentive Plan	Not exercisable	nil cost	356	367
May 2032	Long Term Incentive Plan	Not exercisable	nil cost	360	–
Total				2,084	2,191

The fair value of options granted during 2022 determined using the Black-Scholes valuation model ranged from 1018p to 1108p per option. The significant inputs into the model were the exercise price shown above, volatility of 32-33% based on a comparison of similar listed companies, dividend yield of 2.14-2.44%, an expected option life of 3.0 years, and an annual risk-free interest rate of 0.11-1.28%. 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	2022 £'000	2021 £'000
Profit before income tax	29,614	47,398
Finance costs – net	24,412	16,034
Operating profit	54,026	63,432
Adjustments for non-cash items:		
Share of post-tax profits of joint venture	(1,235)	(1,925)
Depreciation of property, plant and equipment	46,985	44,186
Depreciation of leased assets	20,780	18,427
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	9,974	4,170
Gain on acquisition of Foods Connected Ltd (2022)/Dalco BV (2021)	(2,701)	(6,837)
Loss/(gain) on disposal of non-current assets	–	195
Adjustment in respect of employee share schemes	(655)	2,725
Changes in working capital:		
Inventories	(23,741)	(26,656)
Trade and other receivables	(14,443)	(23,116)
Trade and other payables	9,322	40,225
Cash generated from operations	98,312	121,259

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.

Group	2022 £'000	2021 £'000
Cash and cash equivalents	87,224	140,170
Borrowings (including overdrafts)	(298,789)	(224,732)
Net bank debt	(211,565)	(84,562)
Lease liabilities	(246,158)	(243,396)
Net debt	(457,723)	(327,958)

Net debt reconciliation	Cash/other financial assets £'000	Borrowings (including overdrafts) £'000	Net bank debt £'000	Lease liabilities £'000	Net debt £'000
At 4 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*	–	(10,328)	(10,328)	(12,397)	(22,725)
Repaid on acquisition*		8,504	8,504	–	8,504
New borrowings*	–	(65,237)	(65,237)	–	(65,237)
Exchange adjustments	(3,396)	8,497	5,101	10,652	15,753
Other changes	–	–	–	2,555	2,555
At 2 January 2022	140,170	(224,732)	(84,562)	(243,396)	(327,958)
Cash flows	(54,576)	228,565	173,989	15,631	189,620
Lease additions	–	–	–	(5,835)	(5,835)
Acquisition	–	(56,938)	(56,938)	(3,214)	(60,152)
Repaid on acquisition	–	56,938	56,938	–	56,938
New borrowings	–	(295,790)	(295,790)	–	(295,790)
Exchange adjustments	1,630	(6,832)	(5,202)	(9,306)	(14,508)
Other changes	–	–	–	(38)	(38)
At 1 January 2023	87,224	(298,789)	(211,565)	(246,158)	(457,723)

* Restated (see note 2).

30 COMMITMENTS

Capital commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Property, plant and equipment	20,309	12,268	–	–

31 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 period were as follows:

Group Sales	2022 £'000	2021 £'000
Sohi Meat Solutions Distribuicao de Carnes SA - fee for services	3,190	3,175
Sohi Meat Solutions Distribuicao de Carnes SA - recharge of joint venture costs	409	331
Dalco BV	–	438
Agito Holdings Limited	464	–

Group Purchases	2022 £'000	2021 £'000
Agito Holdings Limited	259	–
Foods Connected Ltd	–	568

Amounts owing from related parties at the year end were as follows:

	Owed from related parties	
Group	2022 £'000	2021 £'000
Foods Connected Ltd	–	4
Agito Holdings Limited	464	–
Sohi Meat Solutions Distribuicao de Carnes SA	374	561
	838	565

Amounts owing to related parties at the period end were as follows:

	Owed to related parties	
Group	2022 £'000	2021 £'000
Foods Connected Ltd	–	127
Agito Holdings Limited	259	–
Sohi Meat Solutions Distribuicao de Carnes SA	55	9
	314	136

Transactions with Directors

On 5 July 2022 the Group acquired a further 10% interest in its subsidiary Hilton Foods Solutions Limited from Group CEO Philip Heffer. The consideration for this acquisition was £1,151,000 and takes the Group's interest in Hilton Foods Solutions Limited to 65%. See note 8 on directors emoluments.

In the prior 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 Plc's 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.

32 FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Group Assets	2022 Total £'000	2021 Total £'000
Trade and other receivables	251,966	227,111
	251,966	227,111

Group Liabilities	Financial Liabilities at Fair Value £'000	Financial Liabilities at Amortised Cost £'000	2022 Total £'000	2021 Financial Liabilities at Amortised Cost £'000
Trade and other payables	–	418,794	418,794	378,259
Financial liabilities at fair value through OCI	3,398	–	3,398	–
Borrowings	–	298,789	298,789	224,732
Lease liabilities	–	246,158	246,158	243,396
	3,398	963,741	967,139	846,387

In addition to the above, amounts owed to the Company by Group undertakings of £5,875,000 (2021: £2,874,000) are classified as 'financial assets at amortised cost'.

33 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 uses these measures to assess business performance internally and therefore believes they provide useful additional information about the Group's performance and aids a more effective comparison of the Group's underlying 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 1 January 2023	Reported £'000	Add back: IFRS 16 Depreciation and interest £'000	Less: IAS 17 Lease accounting costs £'000	Reported excluding IFRS 16 £'000	Exceptional items £'000	Add back: Amort & depn of acquisition fair value adjustments £'000	Adjusted £'000
Operating profit - excluding exceptional items	65,922	20,780	(23,815)	62,887	–	8,257	71,144
Exceptional items	(11,896)	–	–	(11,896)	11,896	–	–
Operating profit	54,026	20,780	(23,815)	50,991	11,896	8,257	71,144
Net finance costs	(24,412)	8,758	–	(15,654)	–	–	(15,654)
Profit before income tax	29,614	29,538	(23,815)	35,337	11,896	8,257	55,490
Profit for the period	19,492	28,215	(23,815)	23,892	11,751	6,370	42,013
Less non-controlling interest	(1,786)	(3)	–	(1,789)	–	–	(1,789)
Profit attributable to members of the parent	17,706	28,212	(23,815)	22,103	11,751	6,370	40,224
Depreciation and amortisation	77,769	(20,780)	–	56,989	–	(8,257)	48,732
EBITDA	131,795	–	(23,815)	107,980	11,896	–	119,876
Earnings per share	pence			pence			pence
Basic	19.8			24.8			45.1
Diluted	19.7			24.6			44.7

33 ALTERNATIVE PERFORMANCE MEASURES continued

52 weeks ended 2 January 2022	Reported £'000	Add back: IFRS 16 Depreciation and interest £'000	Less: IAS 17 Lease accounting costs £'000	Reported excluding IFRS 16 £'000	Exceptional items £'000	Add back: Amort & depn of acquisition fair value adjustments £'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

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 1 January 2023	Reported £'000	Add back: IFRS 16 Depreciation and interest £'000	Less: IAS 17 Lease accounting costs £'000	Reported excluding IFRS 16 £'000	Exceptional items £'000	Add back: Amort & depn of acquisition fair value adjustments £'000	Adjusted £'000
Europe	33,316	8,669	(9,584)	32,401	9,014	8,257	49,672
APAC	28,825	12,111	(14,231)	26,705	–	–	26,705
Central costs	(8,115)	–	–	(8,115)	2,882	–	(5,233)
Total	54,026	20,780	(23,815)	50,991	11,896	8,257	71,144

52 weeks ended 2 January 2022	Reported £'000	Add back: IFRS 16 Depreciation and interest £'000	Less: IAS 17 Lease accounting costs £'000	Reported excluding IFRS 16 £'000	Exceptional items £'000	Add back: Amort & depn of acquisition fair value adjustments £'000	Adjusted £'000
Europe	52,307	6,393	(6,684)	52,016	6,994	2,778	61,788
APAC	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

REGISTERED OFFICE AND ADVISORS

REGISTERED OFFICE

2–8 The Interchange
Latham Road
Huntingdon
Cambridgeshire
PE29 6YE

ADVISORS

Corporate brokers

Numis Securities Limited
45 Gresham Street
London
EC2V 7BF

Shore Capital and
Corporate Limited
& Shore Capital
Stockbrokers Limited
Cassini House
57 St James's Street
London
SW1A 1LD

Legal advisor

Taylor Wessing LLP
5 New Street Square
London
EC4A 3TW

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors
Merchant Square
20-22 Wellington Place
Belfast
BT1 6GE

Registrar

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Financial Public Relations

Headland Consultancy Limited
Cannon Green
1 Suffolk Lane
London
EC4R 0AX

NOTES

FSC
www.fsc.org
MIX
Paper | Supporting responsible forestry
FSC® C022913

This report has been printed on paper which is certified by the Forest Stewardship Council®. The paper is Elemental Chlorine Free (ECF) made at a mill with ISO 14001 environmental management system accreditation.

This report has been printed sustainably in the UK by Pureprint, a CarbonNeutral® company and certified to ISO 14001 environmental management system.

It has been digitally printed without the use of film separations, plates and associated processing chemicals, and 100% of all the dry waste associated with this production has been recycled.

Designed and produced by:

Radley Yeldar | www.ry.com

HILTON
FOODS

HILTON FOODS PLC

2-8 The Interchange
Latham Road
Huntingdon
Cambridgeshire
PE29 6YE

www.hiltonfoods.com