

Strong platforms to achieve our medium term financial ambitions

Strong platforms

Deep customer relationships with mandate to do more	<p>Our business is about driving the strategies and growth of our customers. Our relevance, through multiple personal relationships across functions and levels, underpinned by a relentless focus on customer service and food safety, makes us a trusted partner in the food industry.</p> <p>We are strategic partners, supporting customers throughout the supply chain and utilising our capabilities in innovation and consumer insight to drive growth and shared returns for both us and our customers.</p>
Leadership positions in food to go: the UK's most attractive food category	<p>We lead in attractive and structurally-growing categories and formats in convenience food, particularly in food to go. Growth is driven by positive consumer and channel dynamics, underpinned by the structural drivers of convenience, health and wellness, and great value. The food to go category is also expanding to include new products, a broader set of consumer occasions, as well as new customer formats and delivery channels.</p>
Network, capability and teams set up for future growth	<p>Our well-invested, nationwide infrastructure of production facilities and distribution network reinforces the business model and provides us with capacity for growth. We invest carefully in industry-leading expertise, all underpinned by our Greencore Excellence programmes and increasing use of analytical and data technology solutions. Our highly experienced leadership team has wide-ranging food sector knowledge, and we prioritise people development and employee engagement.</p>
Track record of outperformance with strong margin and returns profile	<p>We have a strong track record of disciplined organic and inorganic investment in the UK, delivering attractive returns while maintaining, relatively low levels of financial risk.</p> <p>Structural growth, strong operational execution and our customer partnerships drive sustainable revenue and profit growth. Strong inherent free cash flow is achievable given our well-invested network, a clean organisational profile and careful cash flow management.</p>

Medium term financial ambitions

Mid single digit organic revenue growth

High single digit Adjusted EPS growth

Half of Adjusted EBITDA converting to Free Cash Flow

Mid teen ROIC

96%

Of sandwich sales are from long term customer contracts of 3+ years

#1

Ranking in The Advantage Report¹ of chilled convenience suppliers to major grocery retailers in the UK

#1

Market share² in:

- Grocery sandwiches
- Grocery sushi
- Italian chilled ready meals

5%

Forecast Compound Annual Growth Rate (CAGR) in food to go market 2019-2024 (IGD, 2019)³

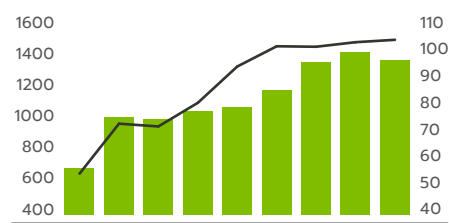
c.£300m

Network spend over last five years

77%

Employee engagement⁴ in the FY19 People at the Core survey

Revenue and Adjusted Operating Profit



14.4%

FY19 Group ROIC

— Revenue, UK and Ireland (LHS, £m)
— Adjusted Operating Profit, UK and Ireland (RHS, £m)

1 The Advantage Report™, part of a worldwide programme whereby retailers rate and rank all of their suppliers, both branded and own-label; © The Advantage Group International, Inc., 2019. See case study on page 19.
2 Source: Kantar, IRI (2019).
3 Institute of Grocery Distribution ('IGD') UK Food-to-Go 2019, Market landscape and future growth outlook – includes supermarkets & hypermarkets, convenience & other retailers, coffee specialists and food to go specialists; excludes quick-service restaurants where Greencore currently has no presence.
4 See Non-Financial KPIs on page 24.

Business Model

OUR BUSINESS PRIMARILY OPERATES IN THE ATTRACTIVE AND GROWING CONVENIENCE FOODS SECTOR IN THE UK.

Our primary business is manufacturing convenience food in categories such as sandwiches, salads, sushi, chilled snacking, chilled ready meals, chilled soups and sauces, chilled quiche, ambient sauces and pickles, and frozen Yorkshire Puddings. Our products are manufactured for grocery and other retailers, including all of the major UK supermarkets.

The very nature of the product categories in which Greencore operates demands a high degree of operational and commercial flexibility to fulfil our customers' needs. The need to adapt and innovate flows through our business model and is reflected in our culture.

Resources

People

Approximately 11,500 talented, committed and experienced people across our UK and Irish operations.

Infrastructure

21 well-invested and highly efficient production units across 16 locations, and a nationwide distribution network.

Integrated supply chain

A comprehensive network of suppliers from which we source different ingredient and packaging materials. Embedded and joint supply chains with core customers across various channels of the UK market.

Financial

A strong balance sheet and debt profile, disciplined capital allocation, and relatively low levels of financial risk.

Commercial and Operating Model

How we work with customers

Create a compelling food offer

- Assure excellent customer service
- Deliver impeccable food safety
- Commit to grow and innovate
- Propose attractive pricing and partnership



Partner with customers for long term

- Build multi-level, multi-functional relationships
- Do more with customers across the shared value chain

Work together to beat the model

- Enhance buying and manufacturing choices
- Improve our joint supply chain
- Drive retail growth

What differentiates us

Great Food

- Industry leadership in food integrity
- Innovation commitment to deliver customers' taste, nutrition and cost goals

People at the Core

- Effective workforce management
- Distinctive leadership team

Greencore Excellence

- Distinctive and repeatable way of working
- Step-change in our purchasing, manufacturing, and commercial capabilities

Sustainable Business

- Commitments on how we run our business
- Contributions to industry sustainability

Outcomes

Shareholder returns

Our business model creates sustainable value through disciplined capital allocation.

Read more:

Operating and Financial Review on pages 34 to 37

Customer satisfaction

Our commercial model provides best-in-class customer outcomes.

Read more:

Relevance in Our Strategy on pages 18 and 19

Supplier partnerships

Our collaborative approach with suppliers enables all parties to achieve goals and drive growth.

Read more:

Sustainability Report on pages 32 to 33

Consumer delight

Innovation and Great Food that directly addresses key consumer demand drivers.

Read more:

Market Trends on pages 8 and 9

Employer of choice

Career opportunities that engage and reward.

Read more:

Sustainability Report on pages 27 to 29

Heart of local communities

Education, food donation and charitable giving plans that enable community engagement.

Read more:

Sustainability Report on pages 27 to 29

Market Trends

STRUCTURAL DRIVERS OF CONVENIENCE, HEALTH AND WELLNESS, AND GREAT VALUE.

The three core consumer trends continue to be convenience, health and wellness, and great value. Consumers demand products and services that deliver quickly and make life easier. In addition they want to be able to make healthier choices whilst at the same time getting great value in the purchases they make.

Growth drivers of the next decade

Product categories	<p>Health continues to have an impact on key consumer trends in food. 35% of UK consumers are consciously following some form of specialist diet (IGD), and 30% of UK consumers would like to see more plant-based options (IGD).</p>	<p>While the concept of freshness has always been critical for consumers, it is increasingly linked with local produce and sourcing.</p>	<p>Sustainability is also now impacting category demand. 75% of UK consumers have become more aware of the environmental impact of plastic packaging than previously (IGD). 57% of consumers would pay more for products in recyclable packaging (IGD).</p>
Meal occasions	<p>Meal times are fragmenting. Our own consumer insight teams track consumer demand and behaviours across various occasions. Our research shows that 35% of all food to go consumer occasions now occur at lunch time.</p>	<p>Furthermore, 35% of such consumer occasions occurring either at breakfast or in the evening (Greencore research), market demands are driving more hot food solutions.</p>	<p>The remaining 30% of food to go consumer occasions occur as snacking (Greencore research), transforming the requirements of our customers.</p>
Channels	<p>IGD forecasts that the traditional grocery channel will grow at 1.5% per annum to 2024. The convenience channel will grow at 3.3%, while the discounter and online channels are forecast to grow at much faster rates (6.5% and 8.8% respectively).</p>	<p>Existing grocery players are actively exploring how best to outperform in their own channel while also accessing growth in alternative channels.</p>	<p>Consumers meanwhile are widening their repertoire of outlets from which they shop. The average shopper now uses 9.5 different outlets per month, compared to 7.5 only eighteen months ago (Greencore research).</p>
Formats	<p>Within each channel, consumers demand innovative and imaginative formats. Food theatre and the concept of food service in retail are becoming important elements of the overall shopper mission.</p>	<p>Convenience remains a core driver – the number of carry-out meal occasions are growing over twice as fast as that of in-home occasions in home food consumption (Kantar,2019).</p>	<p>While formats change, more focus will be required to deliver the right range in the right place at the right time – ensuring the three core consumer drivers are met.</p>
Competitors	<p>As the key players in the market re-evaluate their propositions to meet changing consumer demand, distinctions between what constitutes a supplier, a competitor and a customer are blurring in the convenience food market.</p>	<p>Foodservice specialists and new direct-to-consumer service providers are intensifying the competition for consumers and often for our customers. As they succeed, however, they are also prospective customers in their own right.</p>	<p>There have been significant structural changes amongst Greencore’s competitive set, across both food to go and other chilled convenience areas, leading to fewer and more specialised players in the market.</p>

How we are positioning the business

From

Sandwich focused



To

Win across food to go

Read more: Our Strategy on page 14 →

From

All about lunch



To

Feed the nation 24/7

Read more: Our Strategy on page 14 →

From

Focused on grocery



To

Scale across a broad range of channels

Read more: Our Strategy on page 14 →

From

Convenience led format growth



To

Provide more opportunities to buy

Read more: Our Strategy on page 14 →

From

Competition among food manufacturers



To

Win against broader food solution providers

Read more: Our Strategy page 14 →

Our Strategy

OUR STRATEGY HELPS DEFINE THE DIRECTION OF THE GROUP. IN FY19 WE RESET OUR STRATEGY TO REFOCUS ON THE ATTRACTIVE AND GROWING UK CONVENIENCE FOOD MARKET.

Delivering our goal



Our strategic pillars



Growth

Drive growth in an expanding food to go market



Relevance

Deepen customer relevance



Differentiation

Adopt a distinctive and repeatable Greencore Way of working



Our strategic goal

We have a clear strategy to drive sustainable growth, cash and returns from our industry leading UK business.

Our medium term financial ambitions

Mid single digit organic revenue growth

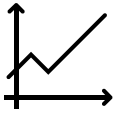
High single digit Adjusted EPS growth

Half of Adjusted EBITDA converting to Free Cash Flow

Mid teen ROIC

Value creation for all stakeholders

- Shareholder returns
- Customer satisfaction
- Supplier partnerships
- Consumer delight
- Employer of choice
- Heart of local communities



Growth

Drive growth in
an expanding food
to go market

OUR AMBITION TO DRIVE GROWTH IN AN EXPANDING FOOD TO GO MARKET RESTS ON TWO CORE ELEMENTS: BROADENING OUR PRODUCT PROPOSITION AND ENABLING CONSUMERS TO BUY MORE.

We broaden our product proposition firstly through product innovation in our core portfolio. First and foremost this is about Great Food – exciting, tasty, safe, and inspired by the trends that consumers want. We must ensure that we invest in diverse product development capability and bespoke research so that we can work jointly with customers to adapt to changing consumer trends, formats, meal occasions and channels. Underpinned by this product development capability, we are also building scale in expanding food to go categories – in particular in meal salads, a broader sushi offering, chilled snacking, and hot food.

Enabling consumers to buy more is about supporting existing and new customers' formats and channel plans. We work with customers to make current space work harder. This includes bespoke ranging by format, region and store. It also includes improved availability, underpinned by a joint approach to order management, food waste and supply chain analytics. We also enable customers to expand consumer reach by bringing our products to new points of distribution and ensuring that we are relevant to wherever consumers go when accessing food to go products.



FY19 Performance

The Group made good progress in broadening its product and channel proposition in FY19, particularly in food to go categories. We launched multiple commercial projects with key customers during the year including product launches in salads, sushi, chilled snacking as well as bespoke café channel initiatives.

47% of our products in the UK were new to market as the Group worked with customers on product or packaging development initiatives. This result was driven particularly by increased demand from customers for meat alternative products.

In September 2019 the Group acquired Freshtime which has extended our presence in meal salads and chilled snacking. We also initiated exploratory work in other areas to enable consumers to buy more, such as hot food and event-specific vending. There are multiple ongoing initiatives with customers to improve availability and merchandising in store.

FY19 revenue in the Group's activities in food to go categories totalled £962.5m and accounted for approximately 66% of revenue. Pro forma revenues grew by 3.3% in FY19 in these categories.

Outlook

We will continue to broaden our product range and extend our channel reach by utilising our investment in consumer insight and our additional capacity to develop new business opportunities with, and for, customers. We will also supplement these initiatives with disciplined strategic and tactical M&A activity.

Product innovation

47%



Pro Forma Revenue Growth

+2.6%

Read more in the **Strategic risks section** (page 40)

- Competitor activity
- Growth & change

Read more in the **KPIs section** (pages 22 to 25)



Case study: Freshtime

THE ACQUISITION OF FRESHTIME IN SEPTEMBER 2019 BROADENED OUR PRODUCT PROPOSITION AND IS HELPING US TO BUILD SCALE IN EXPANDING FOOD TO GO CATEGORIES.

Freshtime is a well-established supplier of meal salads, chilled snacking and prepared produce in the UK. Its products are distributed primarily in the grocery and convenience channels and the business operates from a single facility in Boston, Lincolnshire.

The acquisition of Freshtime has extended Greencore's presence in food to go salads and chilled snacking and its strong customer base is highly complementary to the Group's existing

portfolio. Freshtime's production facility is well invested, with an established local supply chain and capacity for future growth.

It is a business and a customer profile that we know very well. It provides us with a good strategic fit and an exciting opportunity to enhance our product offering, add further capacity to our manufacturing network, and drive growth and value for shareholders.



Our Strategy continued



Relevance

Deepen customer relevance

WE HAVE AN EMBEDDED CUSTOMER PARTNERSHIP MODEL: WE CREATE A COMPELLING COMMERCIAL OFFER, WE WORK TOGETHER TO DELIVER THIS MODEL AND WE PARTNER WITH CUSTOMERS FOR THE LONGER TERM.

Our strategy is to further deepen the relevance we have with our customers by driving returns through a shared value chain, by increasing value through our portfolio and by doing more for our customers.

We drive shared returns throughout the value chain by constantly enhancing our buying and manufacturing choices to optimise mix and efficiency, improving our joint supply chain, and driving retail growth.

We build multi-level, multi-functional relationships that can increase the relevance and value of our whole convenience food product portfolio with our customers, and leverage our scale.

We also do more with customers across the value chain to bring expertise and drive value from activities beyond traditional manufacturing. These include activities such as order management, distribution to individual stores, joint capacity planning and category management.





Case study: **The Advantage Report™**

AT GREENCORE WE PURSUE A RELENTLESS FOCUS ON OUR CUSTOMER PARTNERSHIPS. THESE PARTNERSHIPS HAVE BEEN DEVELOPED IN MANY CASES OVER DECADES, ACROSS MULTIPLE POINTS OF CONTACT AND ACROSS MULTIPLE FUNCTIONS AND LEVELS. WE HAVE ACHIEVED SOLE SUPPLY STATUS IN CERTAIN CATEGORIES AND HAVE EXPANDED OUR CAPABILITIES TO ADD VALUE THROUGHOUT THE SUPPLY CHAIN.

This track record is supported by our leading score in The Advantage Report™, a retailers' assessment of suppliers. The report analysed chilled convenience suppliers across a range of important performance areas – Strategic Alignment, People, Category Development, Retailer Own Label, Trade & Shopper Marketing, Supply Chain and Customer Service.

The most recent results were published in September 2019. We are very proud to have achieved number one ranking for our Group's overall performance amongst chilled convenience suppliers and also for the principal performance areas analysed. We are delighted to be recognised for our focus and dedication in this way. In addition, we are regularly recognised in customer specific awards for our performance.

FY19 Performance

The Group deepened its relevance with customers throughout FY19. We extended a number of contracts with core customers in the period. We also increased the proportion of our net sandwich sales that were sold under long term customer contracts.

We delivered multiple initiatives to drive shared returns across the value chain during FY19, including bespoke ranging and optimising recipe designs. From a portfolio perspective, we completed the reset of our ready meals product and facility footprint, providing a platform to drive growth and returns in that category.

We continued to invest in our range of services to increase our relevance across the value chain – including our Direct to Store distribution model and our inventory management system. More customers also worked with us during the year on 'earned recognition', a shared technical governance process.

Outlook

We will continue to expand our capability set throughout the supply chain, underpinned by excellent customer service and a relentless focus on food safety and the highest technical standards. In addition, we will engage openly with customers as they seek to grow in new formats, occasions and channels or to consolidate via acquisition.

Net sandwich sales sold under long term customer contracts

96%



Percentage of products delivered on time and in full

98.2%



Read more in the **Commercial risks section** (page 40)

- Changes in consumer behaviour and demand
- Key customer relationships and grocery industry structure
- Raw material and input cost inflation

Read more in the **KPIs section** (pages 22 to 25)

Our Strategy continued

ACHIEVING OUR STRATEGIC OBJECTIVE IS CENTRED ON FOUR KEY CAPABILITIES: GREAT FOOD, PEOPLE AT THE CORE, GREENCORE EXCELLENCE AND A SUSTAINABLE BUSINESS.

Great Food means many things for Greencore. We invest in our team and processes to ensure that we lead the industry in food integrity, delivering effective food safety and technical capabilities. We also invest in product and technical innovation to deliver the taste, nutrition, health and cost goals that our customers need.

People are at the core of Greencore's success – delivering food safety, ensuring health and safety in factories, responding to customer requests and directly impacting our economic performance. As the labour market becomes increasingly competitive we are enhancing our employee engagement and retention policies to continue to differentiate ourselves through our people.

Greencore Excellence involves step-changing our approach across three key functions: purchasing, manufacturing and commercial. In Greencore Purchasing Excellence we invest in analytical capability and combine this with a supplier partnership approach to reduce supply chain costs. Greencore Manufacturing Excellence is set up to deliver efficiencies in performance and to sustain these over time – underpinned by technology. We have also launched Greencore Commercial Excellence with an initial focus on enhancing our insight capability.

We aim to have a focused **sustainability** agenda, including making specific commitments around the way we run our business and the contributions we make to industry sustainability. This strengthens our business model and reinforces our partnerships with customers.



Differentiation

Adopt a distinctive and repeatable Greencore Way of working



FY19 Performance

We made further progress in developing and executing against our group of Greencore Excellence efficiency programmes. In our Greencore Purchasing Excellence and Greencore Manufacturing Excellence programmes, we deployed analytical and data technology solutions to enhance our operations. We also invested further in our consumer insight teams and capabilities as part of the newer Greencore Commercial Excellence programme.

We further developed our Line Manager Framework to enable front line colleagues to effectively use performance data to enhance efficiencies. We also began to step up work on our automation programme in the period, exploring how this can drive efficiencies and returns across the business.

Furthermore, we upweighted our sustainability agenda. In FY19, we reduced our food waste (measured as a percentage of total food production) to 9.2% from 10.5% in FY18.

[Read more in the Sustainability Report](#) (pages 26 to 33)

Outlook

We will continue to develop and invest in our capabilities to ensure that we exploit the growth opportunities available to us. Data technology and automation will remain very important elements of this.

We will continue to drive operational improvement, focusing on all areas of the supply chain through our Greencore Excellence programmes.

We will continue to enhance our engagement and retention strategy and maintain pay structures and employment conditions to ensure labour availability.

Adjusted Operating Margin

7.3%



Employee engagement as a percentage

77%



[Read more in the KPIs section](#) (pages 22 to 25)

[Read more in the Operational risks section](#) (see pages 41 and 42)

- Food industry and environmental regulations
- Product contamination
- Health and safety
- Disruption to day-to-day group operations
- Recruitment and retention of key personnel
- Labour availability and cost
- IT systems and cyber risk

Case study: Greencore Manufacturing Excellence

OUR GREENCORE MANUFACTURING EXCELLENCE ('GME') PROGRAMME WAS BORN OUT OF A VISION TO BECOME 'FAMOUS FOR MANUFACTURING'. SINCE 2017 OUR JOURNEY HAS TAKEN US FROM IMPLEMENTING A MAJOR OPERATIONAL EFFICIENCY PROGRAMME, DEVELOPING FRONT LINE LEADERSHIP TO ENABLE THIS, AND ULTIMATELY EXPLORING HOW NEXT GENERATION AUTOMATION CAN ENABLE OUR BUSINESS.

GME is a significant change programme that uses standardised processes, tools, and techniques to target the key levers of labour and waste. This supports our cost and sustainability agenda. We developed bespoke technology to provide information to line leaders so that they're guided to make choices in real-time to meet their performance targets.

Through the rollout of GME, it became clear that we needed to really give our front line colleagues the skills and capabilities to use this data effectively.

We developed our award-winning Line Manager Framework tool that allows our leaders immediate access, through an online portal 24 hours a day, training and development modules to help them in their day-to-day tasks.

Now we are at the early stages of exploring how targeted investment in automation could optimise our cost base and improve our operational efficiency.



Key Performance Indicators

Financial

THE GROUP USES A SET OF KEY PERFORMANCE INDICATORS ('KPIs') TO MEASURE THE PERFORMANCE OF ITS OPERATIONS AND OF THE GROUP AS A WHOLE.

The Group has identified these financial KPIs to measure progress of our strategic priorities in delivering profitability, returns and cash flow. Following the disposal of our US business, the majority of these KPIs are shown on a continuing basis except for Adjusted EPS and Free Cash Flow which are shown as total measures. Although the measures are separate, the relationship between them is also monitored.

All these KPIs are non-IFRS measures or Alternative Performance Measures ('APMs'). The definitions, calculations and reconciliations of all APMs (including these KPIs) to IFRS are set out within the APMs section on pages 180 to 184.

Profitability

Pro Forma Revenue Growth

+2.6%

Relevance

The Group uses Pro Forma Revenue Growth as it believes this provides a more accurate guide to underlying revenue performance.

The medium term financial ambition for Pro Forma Revenue Growth is for mid single digit organic revenue growth.

Result

Pro Forma Revenue Growth increased by 2.6% in FY19, primarily driven by growth in food to go categories.

Adjusted Operating Profit

£105.5m



Relevance

The Group uses Adjusted Operating Profit to measure the underlying and ongoing operating performance of each business unit and of the Group as a whole.

Result

Adjusted Operating Profit was £105.5m in FY19, compared to £104.6m in FY18, an increase of £0.9m with an improved performance in food to go categories offset by a mixed performance in other convenience categories.

Adjusted Earnings per Share (Adjusted 'EPS')

16.0p



Relevance

The Group uses Adjusted EPS as a key measure of the overall underlying performance of the Group and returns generated for each share.

The Group has a medium term target to achieve a high single-digit Adjusted EPS growth.

Result

Adjusted EPS was 16.0 pence compared to 15.1 pence in FY18, an increase of 0.9 pence or 6.0%. This reflects a decrease in Adjusted Earnings offset by a reduction in the weighted number of shares.

STRATEGIC LINKS



STRATEGIC LINKS



STRATEGIC LINKS



STRATEGIC LINKS



Growth



Relevance



Differentiation

Returns

Return on Invested Capital ('ROIC')

14.4%



Relevance

The Group uses ROIC as a key measure to determine returns from each business unit and of the Group as a whole, and as a key measure to determine potential new investments. With the significant change in the Group's structure following the disposal of the US business, the Group only calculates ROIC relating to continuing operations.

The medium term financial ambition for the Group is to achieve a mid-teen ROIC.

Result

The Group's ROIC in FY19 was 14.4% which is down 120bps on the FY18 measure. FY19 ROIC was negatively impacted by an increase in the effective tax rate and an increase to the invested capital base, in particular with the timing of the acquisition of Freshtime in September 2019.

STRATEGIC LINKS



Cash Flow

Free Cash Flow

£54.9m



Relevance

The Group uses Free Cash Flow to measure the amount of underlying cash generation and the cash available for distribution and allocation.

Result

Free Cash Flow was £54.9m compared to £92.4m in FY18, a decrease of £37.5m. This reflected the impact of cash flows from the US business disposed of during the period. Excluding cash flows relating to the disposed US business the result would have been an increase of £20.8m to £67.1m driven by an improved operating profit, lower working capital outflows, lower interest costs and lower exceptional cash flows.

STRATEGIC LINKS



Free Cash Flow Conversion

36.3%



Relevance

This is a new KPI. The Group uses Free Cash Flow Conversion as a measure of how efficiently profits from the overall underlying performance of the Group are transformed to cash available for distribution and allocation.

The Group has a medium term target to achieve a conversion rate of 50%.

Result

The Free Cash Flow Conversion was 36.3% in FY19, down 880bps on FY18. This was driven by the impact of cash flows relating to the disposed US business in FY19. Excluding cash flows relating to the disposed US business the Free Cash Flow Conversion would have increased to 47.3% from 33.1% in FY18.

STRATEGIC LINKS



Link to remuneration

The remuneration of Executive Directors is aligned closely with our financial KPIs through the Company's Performance Share Plan ('PSP') and Annual Bonus Plan ('ABP'). The performance element of the PSPs is measured on two fundamental KPIs, ROIC and Adjusted EPS, as well as Total Shareholder Return. The financial performance element of the ABP is also measured on ROIC and Adjusted EPS, however, for awards granted from FY20 onwards, they will be replaced with Adjusted Operating Profit and Free Cash Flow. Therefore, from FY20, four out of the six financial KPIs will be used to monitor the performance payouts. The performance against all of the financial and non-financial KPIs is taken into account when considering the personal and strategic element of the ABP. Further information can be found in our Report on Directors' Remuneration.

Key Performance Indicators continued

Non-financial

THE GROUP USES A SET OF KEY PERFORMANCE INDICATORS ('KPIs') TO MEASURE THE PERFORMANCE OF ITS OPERATIONS AND OF THE GROUP AS A WHOLE.

The Group has identified these non-financial KPIs to measure progress of our strategic priorities and sustainability agenda. The Strategic Report and Sustainability Report provide further detail on the measurement, monitoring and improvement actions of our non-financial measures. These measures are all for continuing operations post the US disposal and have been adjusted to include a full year effect of Freshtime where possible. Read more on non-financial information reporting on pages 50 and 51 and in our Sustainability Report on pages 26 to 33.

Health and safety

Accident Incident Rate per 100 employees

0.52



Relevance

Keeping our colleagues healthy and safe is a top priority for the Group. We aim to achieve this by continuing to develop a strong safety culture driven by management and employees at every level. The Group uses the Accident Incidence Rate ('AIR') to provide a guide of our health and safety performance.

Result

Throughout FY19, the Group developed its culture of reporting minor accidents. This led to a slight increase from 0.51 in FY18 to 0.52 in FY19 in our AIR ratio per 100 employees in the UK.

STRATEGIC LINKS



Employee engagement

Employee engagement as a percentage

77%



Relevance

Driving employee engagement is a key output of our people strategy. The employee engagement measure provides insight into how our people are committed to the Group's goals, how motivated they are to contribute to its success and importantly, how they are feeling about their own well-being.

Result

In FY19, our employee engagement, which was measured using slightly enhanced methodology, decreased by 3% since the last survey, which was conducted in FY17. The Group has prioritised initiatives to improve engagement including increasing employee communication through pulse surveys and colleague forums.

STRATEGIC LINKS



Product innovation

Percentage of products new to market

47%

(incl. Freshtime in FY19)



Relevance

The product innovation measure shows our ability to broaden our product proposition. It supports the Group's strategic priority to drive growth in an expanding food to go market. It is central to our commercial model and deepens our relevance to customers. The Group has a large team of highly skilled chefs and food technologists, who are constantly innovating and developing new products for our customers and consumers.

Result

This year our innovation rate increased to 47%, measured from a base of over 2,400 different products across 20 different categories. This result was supported particularly by increased demand from customers for meat alternative products.

STRATEGIC LINKS



STRATEGIC LINKS



Growth



Relevance



Differentiation

Service

Percentage of products delivered on time and in full

98.2%

(incl. Freshtime in FY19)



Relevance

Building our customer relationships underpins the Group's strategic priority to deepen customer relevance. An important component of measuring this is our service level. We track our service level by measuring the product we deliver to customers, on time and in full, compared to what they ordered from us.

Result

We continually meet high levels of service and have maintained an average service level across the Group of 98.2% (same as FY18).

STRATEGIC LINKS



Food safety

Percentage of BRC unannounced audits with AA+ and A+ grades

100%

A++ 15 units, A+ 6 units
(incl. Freshtime in FY19)



Relevance

Producing safe, authentic and excellent quality food is central to everything we do. The Group uses the British Retail Consortium Global Standard in Food Safety (the 'BRC') to measure its food safety levels. The BRC standard is recognised by the Global Food Safety Initiative. The BRC standard provides a level of competence in all aspects of food safety and testing is carried out through unannounced audits on food safety, quality and operational criteria at each of our sites.

Result

In FY19 all of our manufacturing units achieved the AA+ or A+ BRC grade. For the second consecutive year, the Group has met the highest level of food safety performance.

STRATEGIC LINKS



Food waste

Food waste as a percentage of total food production

9.2%



Relevance

Managing food waste is a top priority across our operations. Our aim is to address food waste through prevention, redistribution and use in animal feed. We have committed to reducing food waste to 5.35% of total food production by 2030 to meet the UN Sustainable Development Goal target.

Result

Through a programme of waste avoidance and food distribution initiatives, we continually reduce our food waste. Our food waste reduced by 1.3% from 10.5% in FY18 to 9.2% in FY19.

STRATEGIC LINKS



Link to remuneration

The remuneration of Executive Directors is aligned closely with our financial KPIs through the Company's Performance Share Plan ('PSP') and Annual Bonus Plan ('ABP'). The performance element of the PSPs is measured on two fundamental KPIs, ROIC and Adjusted EPS, as well as Total Shareholder Return. The financial performance element of the ABP is also measured on ROIC and Adjusted EPS, however, for awards granted from FY20 onwards, they will be replaced with Adjusted Operating Profit and Free Cash Flow. Therefore, from FY20, four out of the six financial KPIs will be used to monitor the performance payouts. The performance against all of the financial and non-financial KPIs is taken into account when considering the personal and strategic element of the ABP. Further information can be found on page in our Report on Directors' Remuneration.