



# 2010 Hormel Foods Corporate Responsibility Report

## People

Hormel Foods strives to be a company where people aspire to work and never want to leave. We have a tradition of fostering long-term careers that starts with promoting from within and is supported by competitive compensation, benefits, training and a safe work environment.

## Explore

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## Safety



Hormel Foods is a leader in the meat industry for employee safety and is known for its award-winning safety programs. Our dedicated corporate safety department develops and administers company-wide safety policies to ensure the safety of each employee and compliance with Occupational Safety and Health Administration (OSHA) standards. The corporate safety department conducts periodic safety audits of our manufacturing plants to ensure compliance with company safety policies.

Topics in this section include:

- [Safety Statistics](#)
- [Safety Training](#)
- [Safety Management](#)
- [Safety Excellence and Awards](#)
- [Industry Safety Recognition](#)



## Safety Statistics

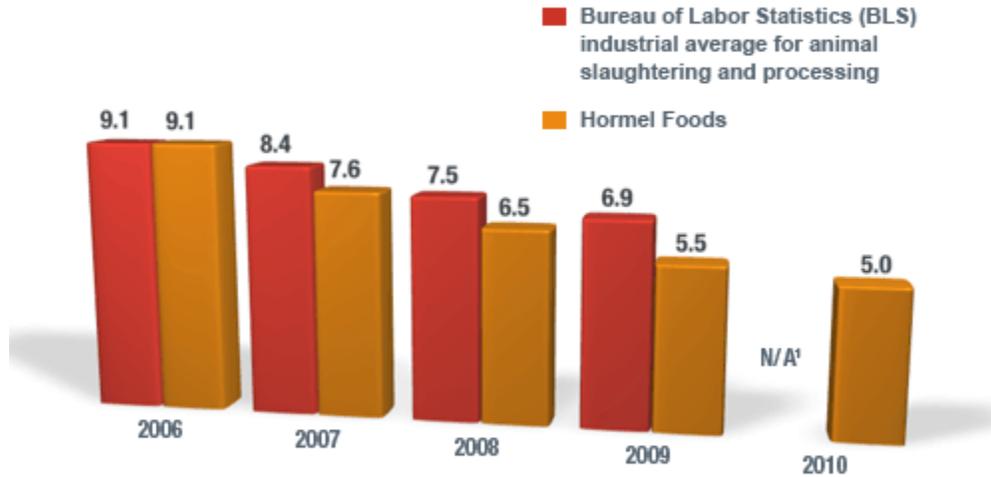
Our commitment to safety is evidenced by our injury/illness incident rates, which are equal to or below the Bureau of Labor Statistics (BLS) industrial average for North American Industry Classification System (NAICS) 3116 Animal Slaughtering and Processing.

OSHA calculates the Total Case Incident Rate (TCIR) as the number of OSHA recordable incidents multiplied by 200,000 hours and divided by the total hours worked that year. In 2010, for TCIR, Hormel Foods outperformed the BLS industry average by 27 percent with a rate of 5.0. Since 2006, we have reduced our TCIR by 45 percent.

Click [here](#) to show related graph.

### Total Case Incident Rate

Number of recordable incidents per every 100 full-time employees



<sup>1</sup>2010 BLS data not available until Fall 2011

Days Away from Work Injury and Illness (DAFWII) measures an injury or illness that involves one or more days away from work. In 2010, the DAFWII rate at Hormel Foods was 0.7. This is 36 percent lower than the BLS industry average of 1.1. Since 2006, we have reduced our DAFWII rate by 22 percent.

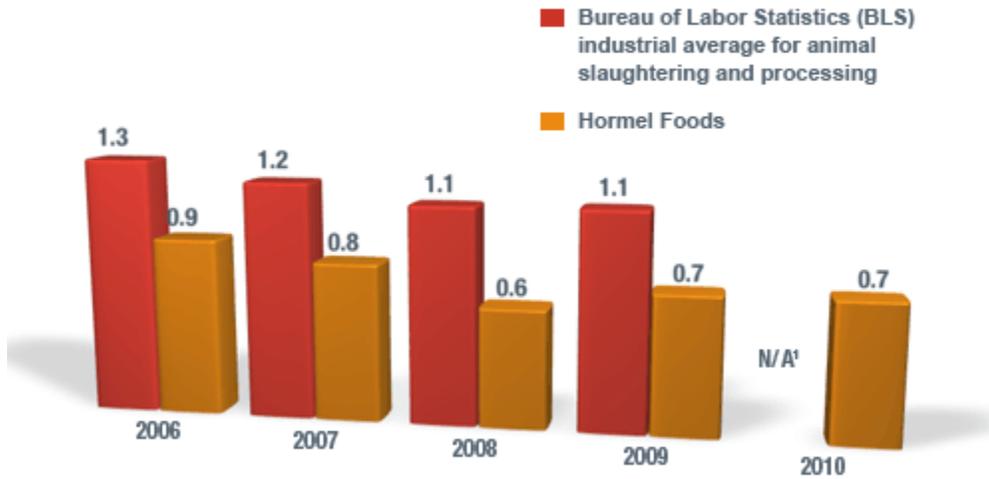


Click [here](#) to show related graph.

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### Days Away from Work Injury and Illness

Number of cases that involve days away from work per every 100 full-time employees



<sup>1</sup>2010 BLS data not available until Fall 2011

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Days Away, Restricted or Transfer (DART) measures the days an employee has restricted work activity or job transfer, or both. In 2010, our DART rate was 3.3. This is 28 percent lower than the BLS industry average of 4.6. Since 2006, we have reduced our DART rate by 36 percent.



Click [here](#) to show related graph.

### Days Away from Work, Restricted Work or Job Transfer Injury and Illness

Number of injuries or illnesses resulting in days away from work, restricted work activity or job transfer per every 100 full-time employees



### Safety Training



Our corporate safety department administers the monthly "Our Way to Safety" employee training program. Plant safety managers coordinate monthly "train the trainer" safety training meetings for plant supervisors who in turn train their respective employees. We conduct safety trainings for an average of 14,000 employees and supervisors in our plants each month and we complete more than 800 safety assessments per month in our plants. Some of the topics we cover include: electrical safety, emergency action plans, ergonomics, first aid/CPR/AED, hazard communication, inclement weather, lockout - control of hazardous energy, machine guarding and personal protective equipment.



## **Safety Management**

A Corporate Safety Steering Committee was formed in 2009 to provide corporate-wide safety process leadership to all business units of Hormel Foods and its subsidiaries.

The goals of the committee include:

- Driving continuous improvement of the safety process
- Analyzing key safety metrics and worker compensation trends
- Evaluating and approving initiatives that will support continuous improvement of the safety process
- Driving standardization of the safety process to all business units
- Demonstrating safety champion commitment to ensure employee safety is the number one priority

While Hormel Foods is known in the industry as a leader in employee safety, we see this as an opportunity to continue to lead in this area and show consistent improvement.

Also, our Safety, Health and Ergonomic Policy emphasizes our philosophy that safety and ergonomics are a team effort that requires every employee's participation. Each plant operates with a designated safety manager and defined safety committees who meet monthly with plant management to ensure safety policies are implemented and enforced. Companywide, our safety committees are comprised of more than 2,100 hourly and salaried employees. These committees perform monthly safety audits and, when necessary, ensure corrective actions are implemented. They are also responsible for assisting in the development of the plant's safety processes.

## **Safety Excellence Program**

Our Safety Excellence Program, which has been in existence since 1994, is designed to promote a safer workplace to increase employee safety awareness through the recognition of plants that meet or exceed company safety goals. Each year our corporate safety department tightens the Safety Excellence criteria to foster continuous improvement in our safety process. In 2010, 28 plants received the highly coveted Hormel Foods Safety Excellence trophy.

## **Industry Safety Recognition**

Our processing plants annually receive recognition for their outstanding safety performance from the American Meat Institute (AMI). In 2010, 19 company locations received a prestigious safety award from the AMI Foundation's Safety Recognition Award Program – a record for the highest number of AMI safety awards in a single year for Hormel Foods. Among this group, seven plants received the AMI Award of Honor, the highest level awarded for outstanding safety performance; five plants received the Award of Merit; three plants received the Award of Commendation; and four plants received the Certificate of Recognition award. The National Safety Council, a non-government, not for profit, public service organization, develops and administers the program for the AMI Foundation.



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## Professional Development

### Investing in Employees



Professional development involves regular performance reviews, comprehensive training and opportunities for career enhancement and advancement. At Hormel Foods, continuous improvement and innovation are a way of life. This Our Way principle reminds employees that the company cares about personal development and encourages continuous growth in their careers. We also know it is important to help employees manage career endings, and we do this by offering ongoing retirement planning education.

Topics in this section include:

- [Performance Review Program](#)
- [Training](#)
- [Recognition](#)

### Performance Review Program

We understand how important it is for our employees to feel challenged and valued, so we conduct regular performance reviews annually with more than 99 percent of salaried employees, 92 percent of office hourly employees and 49 percent of plant hourly employees. Reviews for salaried and office hourly employees include an assessment of current job performance and mutual employee/supervisor setting of goals for the next year. They also discuss work/life balance, career development, training needs and opportunities, current job performance and satisfaction.

Specifically, among our Corporate Office employees we employ a formal annual needs evaluation and training enrollment process. Administered through Corporate Learning and Development, it provides structure for managers to meet with each direct report, evaluate



development needs and identify training to be delivered along with priorities for the employee's development.

## Training

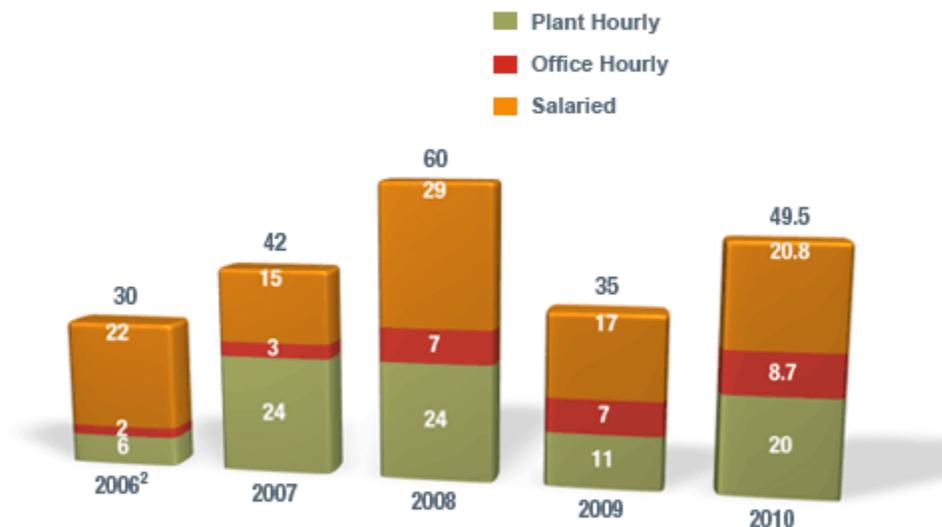
To support our tradition of fostering long-term careers, employees receive formal training applicable to their level of responsibility and expertise throughout their career at Hormel Foods. The total hours spent on training in fiscal year 2010 was 321,750. This equaled about 16.5 hours of training per employee. The chart below shows an in-depth analysis of training hours per employee group at Hormel Foods.

[Click here](#) to show related graph.

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### Hours of Formal Employee Training<sup>1</sup>

Hours



<sup>1</sup>Average annual hours of training per employee for each employee group.

<sup>2</sup>Parent-company only.

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Because training is based on applicability to employees' daily activities, hours of training per employee vary across the company. Some of our training programs include:

- Accountability
- Accounting
- Benefits
- Communication skills
- Computer skills
- Diversity and inclusion
- Executive training
- Food safety
- Interpersonal skills



- Management/leadership
- Negotiation
- Operations
- Reliability/maintenance
- Sales
- Workplace safety
- Six Sigma

Our career development efforts feature training and coaching that facilitate and encourage career enhancement and advancement. We offer educational assistance to reimburse eligible employees for undergraduate, graduate and preparatory course fees.

### **Hormel Foods Manager Training**

- **Manager Training:** Twenty Hormel Foods Employees from 12 company locations participated in manager training led by Randy Krug, corporate manager of learning and development. The three-day event focused on coaching employee performance sessions, situational leadership, human resources issues, Career Connection, performance management and compensation.
- **Advanced Sales Seminar:** Twenty-two consumer products sales (CPS) employees from across the country recently visited Austin, MN, to participate in the fourth annual Advanced Sales Seminar. The week-long session was packed with skill-building sessions designed to further prepare CPS employees for a solid future with Hormel Foods and the CPS division. The week included negotiation and presentation workshops, presentations about behavioral styles and interactive workshops highlighting the full line of CPS products.
- **Quality Control University:** Seventeen quality control employees from nine company locations graduated from the 2009 Quality Control University. The Hormel Foods corporate quality management team developed the program to train employees with two to five years of quality control experience with the company. The graduates attended four one-week sessions throughout the year, covering topics on food safety, government regulations, sanitation requirements, good manufacturing practices and more than 60 company quality programs. Along with classroom training, the sessions included hands-on experience such as conducting a sanitation audit and a hazard analysis.
- **Foodservice Management Completes Harvard Business School Publishing Management and Leadership Training Program:** Approximately 50 Hormel Foods employees (including foodservice executives and employees from corporate sales, corporate marketing and chain account sales) completed the program, which began in 2008 with online and on-site components comprised of various modules, case studies, articles and facilitated discussions focused on management and leadership strategy and skills.



- Our Way to Safety Conference: Forty Safety Management employees from various company locations, along with members of the corporate safety steering committee, attended the company-wide 2009 Safety Conference focused on the company's safety process. Guest speakers from the American Meat Institute, Bunzl, Mine Safety Appliances and Safety Management Services also presented at the event.
- Consumer Products Sales (CPS) Harvard Business School Management and Leadership Training Program: CPS managers participated in the launch of the Harvard Business School Management and Leadership Training Program. The training included various online modules and simulations for skill building practical help for managers on key topics, articles and facilitated discussions focused on management and leadership skills and strategies. The program was the first of its kind available to the CPS management team.
- Meat Products and Grocery Products marketers participated in the launch of the Harvard Business Publishing Excellence in Marketing training program. The program includes various on-line modules and simulations for skill building and practical help on key topics, articles and facilitated discussions focused on strategy/innovation, finance, brand equity and integrated communications. The program was the first of its kind available to these marketing teams.

## Recognition

### ***Patent Issued for Poultry Breast Saw Invented by Two Jennie-O Turkey Store Employees***

Jerry Schmiesing, a department supervisor, and Steve Ritter, a maintenance employee were recognized May 11th at Jennie-O Turkey Store in Melrose, MN, for their poultry breast saw invention, which improved production efficiencies, employee safety and ergonomics. The employees were each presented with a patent plaque and received a company stock award. When Jennie-O Turkey Store began selling split rotisserie breast in the late 1990s, the whole breast was manually cut in half with precision using a single-bladed saw. The process required four employees to rotate because of cold and sore hands.

When sales of the product increased, Jennie-O Turkey Store team members realized they could not continue the manual process and keep up with demand; as a result, the search began for a semi-automated or automated piece of equipment. The company eventually located a splitter from an outside supplier; however it could not continuously split the whole breast in half with the required precision.



Schmiesing and Ritter began assembling ideas to build a splitter in-house. After they crafted a plan, a saw was built, input into sample production runs and modified. After six weeks, they developed a breast splitting machine that today is used to precisely split 40 pieces per minute.

The machine was made operational in 2006, and in February 2010 Hormel Foods was awarded a patent for the machine.

### ***Featured in 2009 Selling Power magazine***

In addition to recognizing our employees, Hormel Foods also received an honor and recognition as one of the best companies to sell for. Hormel Foods was listed as the fourth best company to sell for in 2009 Selling Power magazine.

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## **Diversity and Inclusion**



At Hormel Foods, diversity is defined as respect for, and inclusion of, the unique differences of every individual. This encompasses personal attributes, values and organizational roles. Embracing all of the ways in which we are different – beyond race and gender – fosters innovation and cultivates an environment in which people aspire to work and build long-term careers.

Our Chairman of the Board, President and Chief Executive Officer, Jeffrey M. Ettinger, has demonstrated his commitment to this focus by including it among the company's key strategies. Companywide, women represented 34 percent of our workforce in fiscal year 2010. Our ethnic minority workforce represented 47 percent in fiscal year 2010. Of our 12-member Board of Directors, there are four women and three people of color.

The human resources department is actively implementing initiatives related to diversity and inclusion, including training programs and solidifying relationships with organizations at higher education institutions. Scorecards for business units and an inclusion index to track and monitor progress related to this initiative are also key components of the company-wide program.

### **Diversity and Inclusion Council**



The cross-functional Diversity and Inclusion Council supports company leadership by providing guidance on diversity and inclusion considerations. Part of their commitment is to:

- Expand the knowledge and learning of the Council to act as a source of insight;
- Define diversity and inclusion in a way that is relevant to Hormel Foods;
- Communicate the diversity and inclusion business case;
- Develop an annual plan, based on the current status of diversity and inclusion efforts, that includes objectives, strategies, tactics and resources for implementation; and
- Partner with leadership, human resources and corporate communications to implement our plans.

To learn more about our policy for supplier diversity, visit our [Process section](#).

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## Benefits



Our goal is to be a company where people aspire to work and never want to leave. To that end, we offer fair compensation and a benefits program that attracts and retains top talent. Full-time employees are eligible for disability coverage, life insurance, health care and retirement programs.

Topics in this section include:

- [Compensation](#)
- [Health Care Program](#)
- [Wellness Our Way](#)
- [Resource Service](#)
- [Profit Sharing](#)
- [Flexibility](#)
- [Retirement Savings Plans](#)
- [Educational Assistance](#)
- [Adoption Assistance](#)



## Compensation

The goal of our pay programs is to attract, retain, motivate and reward highly qualified employees. We aim to maintain internal equity, while remaining competitive with external labor markets and ensuring consistent and non-biased pay programs.

Under our merit-based process, managers assign individual performance ratings to employees in conjunction with our formal performance-management process. This involves annual written performance appraisals, requiring multiple levels of approval. An employee's individual performance and relative position to the market determines his or her merit increase.

For our salaried employees, who are part of the parent-company organization, we conducted an independent third party analysis to statistically review pay differences by gender, minority and age to ensure nondiscriminatory pay practices. The results of this analysis showed no pay inequities. We plan to expand this type of analysis throughout our organization.

To learn more about executive compensation, visit our [Performance section](#).

## Health Care Program

Hormel Foods is proud of the health care benefits we provide full-time employees. Affordable and comprehensive, our health care program offers medical, dental, vision and prescription drug coverage.

## Wellness Our Way Program



Hormel Foods recognizes employees perform best when they are healthy and that optimal employee performance is necessary for the company to be a leader in its field. We aim to cultivate and maintain a culture of health that is focused on encouraging and empowering employees to make healthy lifestyle choices through awareness, prevention and positive behavior change. We reward our employees for maintaining a healthy lifestyle through a wellness-incentive program. At our corporate offices, we offer free workout facilities. Activities to promote employee wellness, such as health fairs, healthy dining options and group walks are offered at all of our locations.



This initiative started in 1990, but we decided to relaunch the program as Wellness Our Way in 2009. Today the program is a results-oriented program, focused on helping employees live a healthier lifestyle.

- **Wellness Our Way Live Healthy Hormel Foods (January 14 - April 23, 2010)**  
A 100-day wellness challenge that encouraged participants to create a lifestyle of healthy habits, physical activity and improved nutrition and weight loss in a team-based structure.
- **Step to It! (July 1 - July 31, 2010)**  
The company's mini-walking challenge that measured the collective number of steps walked during four weeks.
- **San Jose Walking Challenge (May 9 - September 4, 2010)**  
One employee initiative was designed to promote 30 or more minutes of daily, moderate-intensity walking/exercise as recommended by the U.S. Surgeon General. The fun, team-based walking challenge called the San Jose Walking Challenge encouraged employees to walk/exercise the distances it would take to travel from Austin, MN., to San Jose, Costa Rica the equivalent of 3,335 miles. When teams would reach milestones along the way, they would receive information and "visit" various Hormel Foods International customer locations throughout Central America.

The challenge was well received by employees and included more than 876 participants on 103 teams. At the end of the event, participants logged more than 283,722 miles and were eligible for prizes.

- **Health 4 the Holiday Challenge (December 1 - 31, 2010)**  
Employees were encouraged to participate in challenges each day (physical activity, healthy eating, weight control and stress management) and keep track of their participation on a challenge calendar. They submitted the calendar at the end of the month, took quizzes about healthy lifestyle topics and logged their weight at the beginning and end of the challenge to encourage "maintaining not gaining" during the holidays, with the goal of being within two pounds of their pre-holiday weight on December 31st.

## **Resource Service**

Employees and their family members are offered access to a free, confidential counseling service. Employees can contact the service for information related to work, home and life issues related to grief and loss, childcare and eldercare referrals, midlife transitions, staying fit after age 50, budgeting, "empty nest" syndrome and retirement planning. The service provides information in many ways – online, via the telephone, through printed materials (tip sheets, booklets, kits) and through digital materials (CDs and videos).

## **Profit Sharing**

Hormel Foods established our profit sharing plan in 1938 as a method to return a portion of the company's profit back to employees, either as a payment in cash or as a contribution to the Joint Earning Profit Trust Plan. In fiscal year 2010, we announced the largest annual profit sharing in company history to be distributed to eligible employees – more than \$16.3 million.



## **Flexibility**

The company offers flexible work arrangements, which includes flex-time schedules, alternative work schedules, partial work arrangement, telecommuting and a summer-hours program.

Additionally, Hormel Foods offers a phase-back option for employees following birth of a child, adoption or placement of a child in foster care. This option allows employees to spread out their 12 weeks leave allotted through the Family and Medical Leave Act (FMLA) over a maximum of 24 weeks.

The Hormel Foods flex force program provides flexible employment opportunities for retirees who elect to return to the workplace. These employees can perform a variety of responsibilities in the role they held prior to retirement on a part-time or intermittent basis. This could include vacation coverage, temporary or weekend coverage, mentoring or training new staff, project work or filling various short-term employment needs.

## **Retirement Savings Plans**

Hormel Foods employees are eligible for a retirement plan that includes company contributions. In fiscal year 2010, the company contributed \$26.6 million to its defined contribution benefit plans and maintained these items on a fully funded basis.

## **Educational Assistance**

Our educational assistance program reimburses eligible employees for undergraduate, graduate and preparatory course fees, books and lab fees.

## **Adoption Assistance**

To assist employees at Hormel Foods who are building a family, the company offers adoption benefits that include financial reimbursement, leave of absence and resource and referral services for up to three adoptions per household during the employee's tenure with the company.

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## **About Our Employees**

More than 19,500 employees are a part of Hormel Foods. In more than 45 plants and offices around the United States and joint ventures in countries, such as China and the Philippines, our employees are our greatest asset. We invite you to learn more about them.



Click [here](#) to show related graph.

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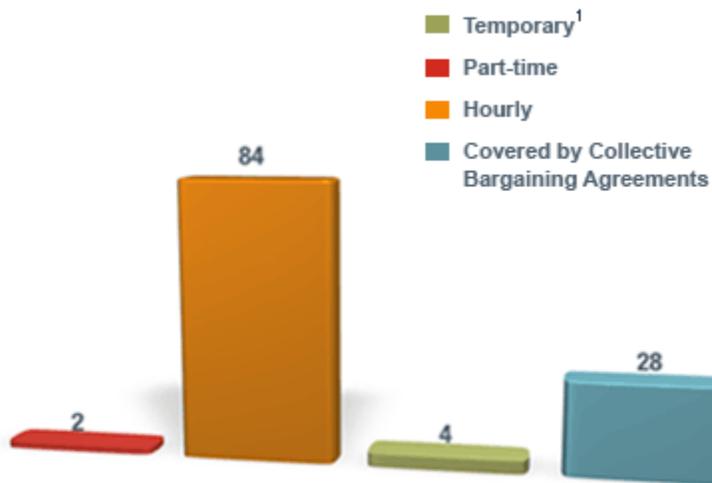
### Hourly and Salary Employees Percentage



Click [here](#) to show related graph.

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### Hormel Foods Employees By the Numbers Percentage



<sup>1</sup>Throughout the year, we supplement our workforce with temporary employees, which averaged 4 percent in 2010.

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Topics in this section include:



- [Tenure](#)
- [Workplace Conduct](#)
- [Human Rights](#)
- [Engagement](#)

## **Tenure**

As a company, we measure part of our success based on the tenure of our employees. We are honored to report that 58 percent of all employees had five years or more of service at Hormel Foods in fiscal year 2010. Within this group, 15 percent had 20 years or more of service and 4 percent had 30 or more years of service. Each person in our 31-person officer team has an average of 27 years of service.

We also monitor and analyze turnover to identify concerns and have action plans to address this area as necessary.

## **Workplace Conduct**

Founder George A. Hormel was instrumental in promoting the first child-labor laws in the United States. He was forced to work when he was a young boy, and he wanted no future child to be exploited as he was.

As a result, we value the individual at Hormel Foods. Our policies protect each employee's right to a workplace in which laws are followed, discriminatory practices are avoided and respect is shown. If for any reason an employee feels he or she has not been treated to his or her expectation, a third-party anonymous hotline is available. A team is assigned to review each issue and find a resolution. This supports an environment in which people want to work and do not want to leave. In 2010, there were zero incidents of discrimination. We also did not lose any hours of working time due to industrial disputes, strikes and/or lock-outs because these events did not occur.

## **Fair Employment Practices**

Hormel Foods complies with the age limits set forth by local, state and federal laws. We look to hire the best talent and do this through local talent recruitment. For example, when we built our new Dubuque (IA) Plant, we actively recruited local residents for hourly and salaried positions. We also promoted from within the company.

We do not hire anyone working at our processing facilities under the age of 18 in compliance with employment laws of the United States. Our policies do not tolerate child labor or forced labor at our facilities, which includes the use of forced prison labor.

Approximately 28 percent of our employees are covered by collective bargaining agreements. We adhere to the National Labor Relations Act and respect the right of employees to choose



whether they want to organize a collective bargaining unit or not. There are no operations in which the right to exercise freedom of association and collective bargaining may be at significant risk.

Hormel Foods employs an independent third-party analysis to statistically review pay differences by gender, minority and age to ensure non-discriminatory pay practices, of which none were found.

### **Immigration**

Hormel Foods fully adheres to hiring according to all local and federal guidelines, checking the identification and citizenship of employees. We have voluntarily used the E-Verify system since its inception in 1997. This program verifies the eligibility of an employee to work in the United States and is administered by the Department of Homeland Security in partnership with the Social Security Administration. We also participate in the Mutual Agreement between Government and Employers (IMAGE) program with the U.S. Immigration and Customs Enforcement, which assists us with these efforts and enhances fraudulent document awareness through education and training.

### **Human Rights**

Hormel Foods ensures compliance with all Federal and State laws when it comes to all investment agreements. Part of the due diligence we conduct in Human Resources (HR) is to document and make comment as to the target firm's adherence to employee safety and documented right to work meeting U.S. Immigrations and Customs Enforcement (ICE) minimum wage requirements and requirements for U.S. domestic programs such as E-Verify.

For international investments, HR conducts due diligence on the appropriate and legal age of the workforce. HR and accounting due diligence also includes whether the target company is in compliance with the governing country or province laws regarding paying for overtime and setting aside and disbursing legally required employee welfare funds for housing and education, among other items.

The company's legal due diligence also addresses over-arching questions as to whether the acquisition target adheres to all federal, state, and local statutes and whether there is outstanding litigation or enforcement actions underway or expected.

### **Human Rights Statement**

Hormel Foods conducts business responsibly and ethically. Workforce posters at all locations publically endorse and acknowledge adherence to the Equal Employment Opportunity, Fair Labor Standards Act (WH Pub. 1088 10/96), Family and Medical Leave Act (WH Pub. 1420 8/01), Occupational Safety and Health Administration (dependent on state requirements), Employee Polygraph Protection Act (WH Pub. 1462 9/88), the Federal WARN Act and the



Uniformed Services Employment and Reemployment Rights Act of 1994. In addition, we respect international human rights principles aimed at promoting and protecting human rights, including the United Nations Universal Declaration of Human Rights.

## Engagement

As a result of the Employee Engagement Survey results, which we reported last year, the following progress has been made:

- Recognition and rewards:
  - Created a workgroup presentation on Recognition Our Way
  - Created a discretionary award (\$250/employee)
  - Created Universal Stock options
- Increased focus on growth and development:
  - Established leadership potential criteria and assessment
  - Established leadership competency model
  - Revised our performance ratings and enhanced our performance management process documentation
  - Developed an improved appraisal form for office hourly employees
- Improved work/life balance:
  - Took first steps in developing a means for offering phase out retirement positions. Employees work two to three days a week for a few months post retirement, which helps pass along institutional knowledge, provides a mentor for employees and benefits the company
  - Made changes to office hourly premium pay policy to allow greater flexibility in making up time missed during an employee's regular work schedule
  - Increased the educational assistance undergraduate reimbursement maximum by 75 percent
- Corporate work environment:
  - Re-established CIP (workgroup resources)
- Equal opportunity for hourly employees:
  - Established uniform hiring guidelines
  - Established uniform career connection eligibility guidelines
- Diversity and inclusion:
  - Established employee resource groups
  - Mandated "Appreciating Differences" training for all corporate office employees and piloted the program in the Atlanta plant as well
  - Implemented an inclusion index to measure employee response to engagement items around inclusion
- Benefits:
  - Implemented a new wellness program – Asset Health
- Employee Engagement:



- Piloted the expansion of the employee engagement survey process to include plant hourly at two plants in Wichita, KS, and Osceola, IA, in 2010. Our plans are to expand to two additional plants in 2011.
-