

Water Impacts of Business Operations 2017 – Hormel Foods Corp.

Hormel Foods is exposed to regulatory, reputational, and financial risk associated with water pollution from animal feed and byproducts through its direct operations, contract farms, and suppliers.

The cultivation of feed ingredients for Hormel's turkey, pork, and grocery products requires fertilizer inputs that can contribute to nutrient pollution if improperly managed. Hormel operates three hog processing plants, seven turkey harvest and processing operations, and 35 facilities for manufactured goods, which may release toxic substances into waterways. In 2015, Hormel received eight notices of environmental non-compliance and reported a \$2,600,000 fine for a water related enforcement order at a Minnesota facility.¹

Animal waste may contain nutrients, antibiotic-resistant bacteria and pathogens, and pharmaceutical residue. These contaminants and poor manure disposal practices can contaminate local waterways, endangering the environment, workers, public health, and Hormel's water supply. Contract farmers raise 94% of Hormel's hogs and 23% of turkeys.² In 2013, a leading Hormel pork supplier in Minnesota was linked to manure contamination that caused rising nitrate levels in nearby rivers, making tap water dangerous to consume due to risks of blue baby syndrome.³

The UN Human Right to Water ensures the right to sufficient, safe, acceptable and physically accessible and affordable water for personal and domestic uses. Contamination of water supplies from Hormel's operations and contract farms would interfere with this right. UN Sustainable Development Goal 6 includes a commitment to improve water quality by reducing pollution and minimizing release of hazardous chemicals.

There is a growing trend toward increased state regulation and oversight of animal production and water stewardship, including in Iowa, Minnesota, Washington, and Wisconsin, with tightened requirements related to manure disposal, field application of manure, buffer zones, or groundwater monitoring.

Wal-Mart, Hormel's largest customer with 13.9% of 2015 sales, uses a Sustainability Index to assess suppliers, which includes Key Performance Indicators on water, manure management, nutrient management, and fertilizer use.⁴

Hormel's Environmental Sustainability Policy does not apply to suppliers and contract farmers and the Supplier Responsibility Principles do not address water quality. Hormel's CDP disclosure is limited in scope and depth, making it difficult to assess performance and management practices: it includes a small percentage of Hormel's suppliers; has no disclosure on suppliers' responses or discharge data; and the risk assessment is primarily focused on water availability not quality.

RESOLVED: Shareholders request the Board of Directors adopt and implement a water stewardship policy designed to reduce risks of water contamination at: Hormel-owned facilities; facilities under contract to Hormel; and Hormel's suppliers.

Supporting Statement: Proponents believe the water policy should include:

- Requirements for leading practices for nutrient management and pollutant limits;
- Financial and technical support to help implement the policy;
- Robust and transparent measures to prevent water pollution incidents;
- Specific time-bound goals to ensure conformance with the policy; and
- A transparent mechanism to regularly disclose progress on adoption and implementation of the policy.

1 <http://2015csr.hormelfoods.com/about-this-report/data-summary>; 2016 CDP Water Request.

2 Hormel 10K, <http://investor.hormelfoods.com/Cache/32276036.pdf>

3 <http://archive.earth.org/articles/2014/02/factory-farms-are-poisoning-iowa-water>

4 http://www.walmartsustainabilityhub.com/app/answers/detail/a_id/242; <https://www.sustainabilityconsortium.org/product-categories/>