



The **SCHWAN**
FOOD COMPANY

2010 SUSTAINABILITY report



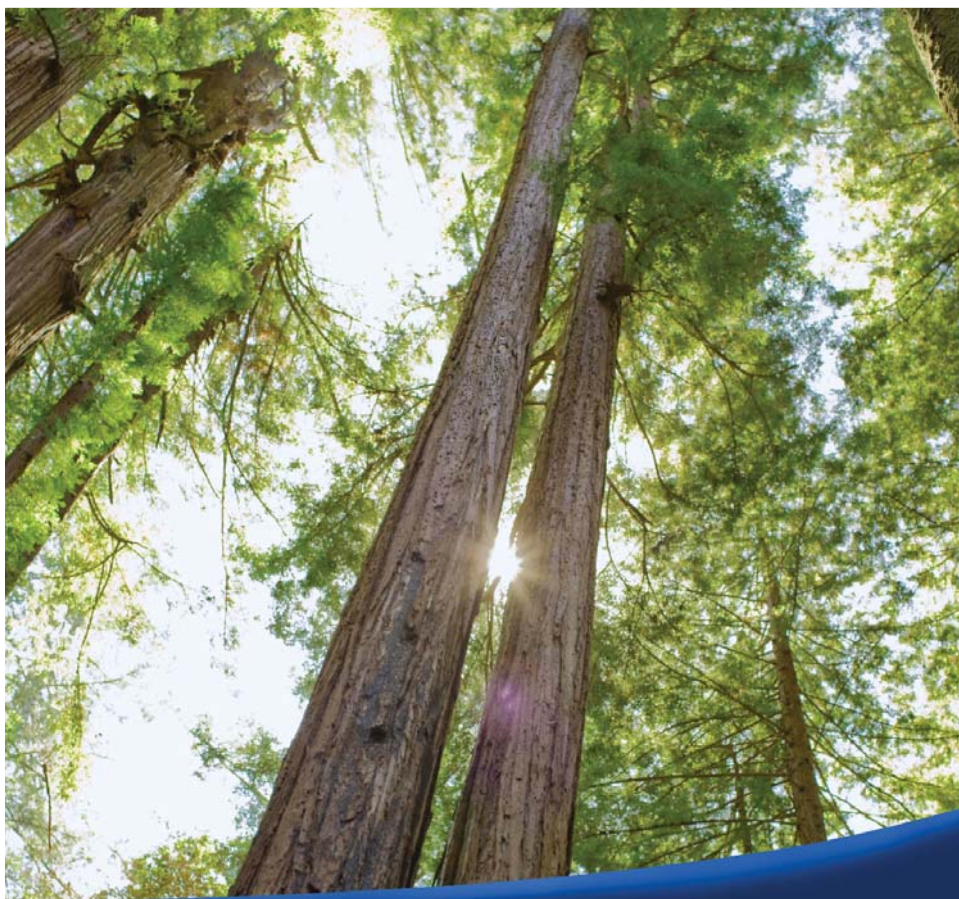
SUSTAINABILITY

statement

At The Schwan Food Company, we believe our success depends on balancing social, economic and environmental objectives. Schwan subsidiaries proactively seek out methods for balancing economic growth with the desire to conduct business as responsible stewards of the environment. We also continuously strive to improve in areas of efficiency and waste reduction, and act as good neighbors in communities in which we operate.

Our efforts will apply to all subsidiaries of The Schwan Food Company because we know that our sustainability efforts are essential to our future success. To continue our path toward sustainability and to provide economic value to shareholders, we will:

- Continue to research and implement methods for reducing the company's environmental impact.
- Continue to improve the health and safety attributes of our products, services and operations.
- Make further advancements in the general well-being of our employees and the communities that contribute to our success.



SUSTAINABILITY

at schwan



At The Schwan Food Company, we often talk about striving to be the best, whether it's through the quality of our products or the convenience of our services. Being the best is more than just a business slogan, it also means pursuing our goals with integrity and balancing our pursuit of growth with our commitment to being socially and environmentally responsible.

My hope is that this report will provide you with useful information about our efforts to grow and prosper in a responsible way. Within its pages, you will see the progress we have made in programs designed to help us continuously

improve in areas such as environmental impact, health and wellness, and our efforts to make advancements in the general well-being of our employees and the communities that contribute to our success.

By reading this report, you will learn how we:

- Have used an alternative fuel to power the majority of our 5,700 direct-to-home, food-delivery vehicles.
- Recycled enough material in 2010 to save nearly 240,000 trees.
- Are developing better plans for packaging so we will not use as much material in the future.
- Are rolling out systems that will help us better set, measure and achieve goals for reducing future energy usage at our manufacturing facilities and logistics operations.

Together, employees are working to make The Schwan Food Company the best branded frozen-food company on the face of the earth. This means delivering an enviable and consistent performance; not only financially, but also by leading with our values of integrity, helping one another and striving to improve the quality of life for our customers, our employees, our shareholders and the communities in which we live and work.

Sincerely,

Gregory D. Flack
CEO, President and Chief Operating Officer

COMPANY profile

The Schwan Food Company is a multibillion-dollar privately held company with approximately 17,000 subsidiary employees. Based out of Minnesota, the company sells fine frozen foods on its propane-powered delivery trucks, in grocery-store freezers, online and in the food-service industry. The company produces, markets and distributes products developed under respected brands such as *Schwan's*®, *Red Baron*®, *Freschetta*®, *Tony's*®, *Mrs. Smith's*®, *Edwards*®, *Pagoda Express*™, *Larry's*®, *Big Daddy's*® products and many others. Those brands are brought to customers through three primary marketing channels:

SCHWAN'S HOME SERVICE, INC.

Schwan's Home Service, Inc. is the largest direct-to-home food provider in the United States. Schwan's Home Service markets and distributes more than 350 products to millions of customers under the *Schwan's*® and *LiveSmart*™ brands. Products include pizza, choice meats, seafood, desserts, and of course, the company's signature ice cream. The business has nearly 500 sales-and-distribution centers located throughout the nation with approximately 5,700 home-delivery vehicles primarily powered by propane, a cleaner-burning fossil fuel. For more information, visit Schwans.com or call 1-888-SCHWANS.

SCHWAN'S CONSUMER BRANDS, INC.

Schwan's Consumer Brands, Inc. markets and sells fine frozen foods in grocery stores throughout North America. Schwan's Consumer Brands markets leading brands that include *Red Baron*®, *Tony's*® and *Freschetta*® pizza, *Mrs. Smith's*® and *Edwards*® desserts, *Pagoda Express*™ specialties and *Larry's*® potatoes. These brands have helped make The Schwan Food Company a leader in the frozen-food aisles of retail stores throughout North America.

SCHWAN'S FOOD SERVICE, INC.

Schwan's Food Service, Inc. markets value-added frozen food products to public and private schools, universities, health-care facilities, convenience stores and restaurants. Well-established product lines include pizza, Asian-style foods, desserts and sandwiches. With strong brands like *Freschetta*®, *Holiday Foods*™, *Tony's*®, *Mrs. Smith's*®, *Edwards*®, *Minh*® and *Big Daddy's*® products, Schwan's Food Service is taking the lead in providing product innovation to operators who value quality and service.

COMPANY FACTS

Founded: March 18, 1952
Headquarters: Marshall, Minnesota
Total revenue: Approx. \$3 billion
Popular brands: *Schwan's*®, *LiveSmart*™,
Red Baron®, *Freschetta*®, *Tony's*®,
Mrs. Smith's®, *Edwards*®, *Pagoda Express*™,
Minh® and *Big Daddy's*®

Web address: www.theschwanfoodcompany.com
Employees: 17,000
Total facilities: approx. 600
Total fleet: approx. 6,400
Manufacturing and logistics: 12 U.S. manufacturing locations and 4 major refrigerated warehouses



OUR mission, vision, values

OUR VISION

"My vision for our future is a strong, solid, well-managed, fast-growing, exciting, innovative company with high business ethics and an excellent reputation — a company that offers great opportunities, a place where people like to work."

~ Marvin Schwan, founder

OUR MISSION

To enrich the quality of lives through being the best branded frozen-food company on the face of the earth.

OUR VALUES

Growth

We believe individual growth and company growth provide endless opportunities for the future. We embrace change and celebrate our success.

Hard Work

We use both intelligence and extraordinary effort to ensure we produce value that is consistent with our mission.

Helping One Another

We are dependent on one another for success. Through teamwork and open dialogue, we achieve a shared vision.

Enthusiasm

We have the passion and desire for success and the drive and determination to accomplish our goals regardless of circumstance.

Integrity

We do what is right regardless of the cost or consequences.



ENVIRONMENT and economics



At The Schwan Food Company, we are conscious of the impact that business can have on the environment, and we continuously work to reduce our own impact on the world as we strive to grow as a company and enrich the lives of our stakeholders.

As a part of our efforts in 2010, employees focused on reducing the company's impact on the environment in four key areas: energy reduction on the road and in our facilities, waste management, package reduction and water usage.

ON THE ROAD

Overall, the subsidiaries of The Schwan Food Company operate one of the larger privately owned delivery fleets in the United States with approximately 6,400 delivery vehicles and more than 50 long-haul trucks. Schwan's Home Service, Inc. alone operates about 5,700 trucks every day, but it also has a long history of powering its fleet with liquefied propane gas. The use of propane to run more than 75 percent of the company's home-delivery fleet has economical and

environmental benefits. Propane emits less carbon monoxide and hydrocarbons than traditional fossil fuels, and engines that run on propane are also cleaner.

In 2010, Schwan's Home Service continued to incorporate lighter trucks into its food-delivery fleet. The new trucks are about 6,000 pounds lighter and deliver a 45 percent improvement in fuel economy measured in miles per gallon. By the end of 2010, about 20 percent of the company's fleet consisted of the new trucks, which are being phased in as the older trucks reach the end of their service.

Schwan's Home Service also continued to use synthetic oil in all of its trucks nationwide. The use of synthetic oil allows the company to reduce the number of its oil changes to once a year. This initiative saves approximately 36,000 gallons of oil annually, reduces the use of oil filters by more than 16,000 a year and reduces the annual disposal of plastic oil containers by more than 150,000.

ENVIRONMENT and economics

Schwan's Consumer Brands, Inc., which focuses on providing branded frozen foods to retail stores, also continues to invest in becoming more efficient on the road. In the fall of 2009, the business announced it would increase route capabilities and reduce emissions on delivery trucks by ordering new refrigeration systems. The state-of-the-art LEEP Freeze system eliminated the need for a separate diesel engine to run refrigeration. The system is projected to cut refrigerated fuel consumption by 90 percent and save the company about \$3 million over the lifetime of the trucks. Through 2010, about 40 percent of Schwan's Consumer Brands' 650 trucks were running the new systems, reducing CO₂ emissions by approximately 5.6 million pounds annually.

Logistics employees are continuously looking for ways to improve on-the-road performance. For long-haul trucks, the company began testing a semitrailer "skirt" that could help reduce the company's impact on the environment and deliver significant fuel-efficiency savings in its semis. The skirts are basically two plastic panels that are mounted underneath a semitrailer on each side. The wedged configuration of the skirt prevents drag by diverting air away from the rear wheels, axle components and cross members of the semitrailers. The skirts were tested on two semitrailers in 2010.

CONSERVATION THROUGH RECYCLING

The Schwan Food Company's subsidiaries have had recycling programs in place for years, but in 2009 the

company partnered with an outside firm to help collect and measure the amount of materials that are recycled every year. In its first year using the new program, the company recycled 10,214 tons of cardboard, 1,022 tons of plastic and aluminum, and 114 tons of glass.

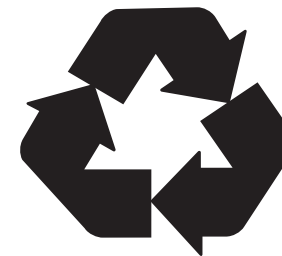
In 2010, the company's recycling program expanded to new areas and increased the amount of cardboard recycled by nearly 35 percent and increased the amount of plastic and aluminum recycled by more than 36 percent. Total materials recycled this year included:

- More than 13,784 tons of cardboard.
- More than 199 tons of plastic.
- More than 1,194 tons of aluminum.
- More than 180 tons of paper.
- Nearly 331 tons of steel and mixed metal.
- More than 15,070 tons of recycled and composted food waste.

According to Waste Management, recycling this material is the equivalent of saving 75,933,438 kilowatt hours of energy, 7,457,875 gallons oil, 65,752 cubic yards of landfill space, nearly 97,756,543 gallons of water and 237,409 trees.

2010 represents the first year that the company measured the amount of food waste, steel and mixed metal it

recycles. As part of diverting composted food waste away from landfills, the company's pizza plant in Florence, Kentucky, entered a new program in which sludge from the plant's wastewater pretreatment plant



ENVIRONMENT and economics

could be applied to farmland. In its first year, the plant diverted 864 tons of material from landfills. Earlier in the year, the waste water sludge was supplied to a company that used the material to make fireplace logs.

Additionally, the company's egg-roll manufacturing facilities in the Houston, Texas, area continued to sell cotton-seed oil to a company that uses the waste to produce biodiesel. Production facilities in Marshall, Minnesota, supplied 67.26 tons of stretch film to a company that uses the material to manufacture weather-resistant decking boards.

QUALITY PRODUCTS, LESS PACKAGING

Packaging can have a big impact on the environment, but food companies must balance between reducing the use of packaging and maintaining a quality product.

In 2009, the company launched a campaign to review the packaging of all of its products and determine where it could be more efficient in this area.

Some initial projects showed that by making minor changes to packaging, the company could save thousands of pounds of material.

That effort continued in 2010. The company went into the year setting a goal to reduce the amount of packaging it uses by 500,000 pounds. That figure

was later adjusted to a goal of reducing packaging by 1 million pounds. In the end, the company far-exceeded all expectations and reduced the amount of packaging it uses by approximately 5 million pounds — the equivalent of saving 46,000 trees and reducing CO₂ emissions by about 15 million pounds.

The success that the company had in this area comes from the diligent efforts of employees throughout the company. Packaging-reduction projects pushed teams to collaborate and think differently about their areas of responsibility. Everyone accepted the challenges with open minds and great achievements were made throughout the year. Some of the larger contributors to the overall success came from packaging changes involving *Tony's*® Original Crust pizzas and *Red Baron*® pizzas. By reducing the size of the pizza cartons and the carton cases, the production team helped save nearly 2.3 million pounds of packaging materials for *Tony's*® Original Crust pizzas. In a similar project, teams throughout the company worked to save nearly 250,000 pounds of material in its *Red Baron*® Fire Baked pizzas.



Red Baron® Fire Baked pizzas.

In 2011, *Freschetta*® pizzas will be introducing a new "Simply... Inspired™" line that uses about 30 percent less packaging by weight than a traditional pizza package.

ENVIRONMENT and economics

SAVING ENERGY, REDUCING COSTS

In 2010, the company completed work to measure and significantly reduce energy usage in its 12 manufacturing facilities. To help in this process, the company continued to conduct energy audits and form energy teams at its manufacturing facilities and major distribution centers in the United States. Additionally, work began for developing an online energy-, water- and carbon-management system which will enable validated tracking, measurement and reporting of the energy and water consumption and correlating impact to environment. The online management system was completed in January of 2010 and is in the process of rolling out at the company's manufacturing plants and distribution centers throughout the United States.

Energy reduction efforts in 2010 resulted in a cost-per-pound reduction over 2009 of nearly 7 percent. This reduction in energy consumption is estimated to reduce carbon emissions by 26 metric tons or the equivalent of removing 4,976 passenger vehicles from the road.

Going forward, these results will be evaluated against key metrics that are being established under the company's future sustainability strategies.

WATCHING OUR WATER

The company continuously strives to reduce its water usage. In 2009, the company implemented projects that saved about 45 million gallons annually, and the benefits of those projects carried over into 2010.

Employees at the pizza plant in Salina, Kansas, learned in the summer of 2010 that they would receive a "Gold" water pretreatment compliance award for exceeding water pretreatment standards. The Kansas Water Environment Association's Gold Pretreatment Compliance Award is given to companies that have exceeded federal and local pretreatment compliance requirements.

It was the plant in Salina that recently found ways to reduce its water usage by nearly 35 million gallons annually. The facility received a pollution-prevention award from the Kansas Department of Health and Environment for its efforts.



This graphic is an example of the online energy dashboard system being implemented at the company's manufacturing and logistics facilities to help track usage.

ENRICHING lives



OUR PRODUCTS

The Schwan Food Company's subsidiaries are committed to producing great-tasting, quality foods that people can trust in their daily lives. The company has a wide range of offerings from indulgent desserts to more healthful options like the more than 100 *LiveSmart*™ products offered by Schwan's Home Service, Inc.

Schwan's Home Service launched *LiveSmart* products in 2005 as a way to help consumers identify products that offer a health advantage. Those advantages include: delicious, better-for-you food, minimal additives and preservatives, moderate calories, sodium and fat, and zero grams of trans fats. The brand also began offering meal plans designed for specific consumer needs, such as heart-health, diabetes friendly and weight management. More about the *LiveSmart* meal options can be found on Schwans.com.

Through Schwan's Food Service, Inc., the company is also the No. 1 provider of

frozen pizzas to schools. The company has a long history of serving better-for-you pizzas in schools. Nearly a decade ago, the company announced a new breakthrough when it launched *Tony's® SmartPizza®* products for mainline school lunches. The *SmartPizza®* products set the nutritional benchmark for the category by using protein in crusts to enable the reduction of total fat and sodium and continue to meet child nutrition requirements.

In 2010, Schwan's Food Service continued to lead, achieving significant results in reducing sodium levels and using whole grains in pizzas. In the fall, Food Service announced to schools throughout the country that it had reduced the amount of sodium in its *Big Daddy's®* pizzas by 15 to 25 percent a full year ahead of schedule. On average, one slice of the company's school pizza provides as much calcium as an 8-ounce glass of milk, as much fiber as a slice of whole-grain bread, and the equivalent of an eighth-cup of vegetables — all for less than 400 calories.



ENRICHING lives

EMPLOYEE INITIATIVES

The Schwan Food Company and its subsidiaries are committed to promoting the well-being of its employees. In 2010, employees focused on programs designed to drive employee engagement, enhance safety, promote diversity and inclusion and encourage health and wellness.

SAFE AT SCHWAN

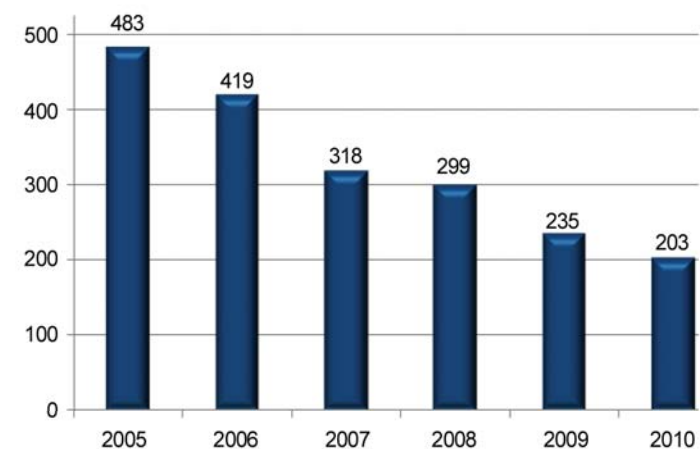
Employees with the subsidiaries of The Schwan Food Company showed success in the execution of safety programs. Manufacturing and logistics employees in the United States improved employee safety 14 percent over 2009 and 32 percent over the past three years.

The company has experienced positive results from safety programs partly because of employee engagement efforts and the implementation of programs like the Safety Training Observation Program (STOP). STOP ensures that workers know how to identify both safe and potentially hazardous working conditions. The company also has hazard mitigation and safety training and accountability

programs that encourage ownership and leadership in safety.

Because of the focus on safety by employees, many facilities either reached safety milestones or were recognized for their safety efforts. The Minnesota Safety Council announced in the spring of 2010 that the company's beverage plant, dry storage warehouse, plastics plant, employee store, truck garage, and long-haul drivers and dispatch, all received a Minnesota Governor's Safety Award. Since 1934, the award has spotlighted employers with excellent safety records. Nine of the company's facilities have received the award since 1998.

Additionally, the logistics team at the company's distribution center in Salina, Kansas, was recognized with a KSafe Award for Safety Excellence. The team worked more than 700,000 hours without a lost-time injury. KSafe awards are presented by the Kansas Department of Labor and the Division of Industrial Safety and Health to recognize employers who have worked to achieve safe work environments for employees.



Manufacturing and logistics employees have shown improvements every year since 2005 in terms of OSHA recordable injuries.

ENRICHING lives

Distribution center employees in Suwanee, Georgia, hit a major milestone with employee safety. In 2010, the team celebrated 10 years without a lost-time accident.

On the road, Schwan's Home Service reduced the number of its recordable injuries and preventable motor vehicle crashes for the third-straight year. In 2011, Schwan's Home Service and Schwan's Consumer Brands will be launching additional efforts to enhance safety.

LIVING WELL

The Schwan Food Company and its subsidiaries placed a heavy focus on the health and wellness of its employees in 2010 by creating an internal Wellness Council and partnering with RedBrick Health to offer health and wellness services.

The partnership with RedBrick Health launched in the fall of 2010 to offer employees a comprehensive suite of health services. Services included biometric health screenings, personal health programs, networking activities such as competitions and challenges and corporate-wide recognition programs. Hundreds of employees throughout the company participated in the free health screenings.



Ovations
APPLAUDING SCHWAN'S BEST

To help promote health and wellness internally, the company launched the "Living Well" initiative through its employee recognition website, *Schwan's Ovations*. The Living Well initiative is used to help provide information such as wellness tips, the USDA's MyPyramid and discounts for fitness centers.

DIVERSITY AND INCLUSION

Schwan subsidiaries are committed to supporting and encouraging diversity and inclusion in the workplace. Our goal is to provide an environment where every employee has an opportunity to reach their highest potential and contribute to the company's performance.

Diversity awareness and appreciation plays a critical role in attracting, developing and retaining employees at all levels of the company and helps to better serve our customers, business colleagues and suppliers.

The company's diversity and inclusion initiatives include the creation of diversity networks. Two of our diversity networks are the Schwan's Women's Network and Schwan's Young Professionals Network.

The purpose of the Schwan's Women's Network is to foster an environment that attracts, develops and retains successful women by providing growth and learning opportunities, mentors and role models, and networking opportunities, with the goal of increasing career mobility and advancement for women throughout The Schwan Food Company.

ENRICHING lives

The mission of Schwan's Young Professionals Network is to provide development experiences for young professionals that help drive a high-performance culture and make a direct impact on the company's business results.

Community Involvement

At The Schwan Food Company, we believe in integrity, helping one another and striving to improve the quality of life of employees and the communities where they live and work. Here are a few of our efforts to enrich lives in 2010:

- In the spring of 2010, the company was recognized for its donation of more than 100,000 pounds of food to Second Harvest Heartland, a nonprofit organization that supports food shelves throughout 59 counties in Minnesota and western Wisconsin.
- The company and its subsidiaries donated approximately \$240,000 to local chapters of the United Way. Over the past decade, the company and the

employees of its subsidiaries have raised approximately \$2.5 million for the United Way.



- To show its support for breast cancer awareness and research, the *Freschetta*® brand team changed the color of its packaging from green to pink. Additionally, \$200,000 of the proceeds from the specially packaged pizzas had been donated to support breast cancer research and awareness programs.



ENRICHING lives

- Through the efforts of employees and a company match, more than \$32,000 was raised to support relief efforts in Haiti. All donations went to the American Red Cross.
- In Marshall, Minnesota, employees have donated more than \$700,000 since 1999 to local charities through a Jean Day program. The Jean Day program allows employees to wear jeans if they donate a dollar to a local charity.
- Through its *Schwan's Fundraising*® program, Schwan's Home Service, Inc. partnered with local organizations throughout the United States to help raise nearly \$1.6 million for local nonprofit groups.
- Schwan's Food Service, Inc. recently became a "founding partner" with The Brand Lab, a community outreach program for high school students. The program helps students develop the skills to succeed in marketing and advertising.
- Schwan's Home Service, Inc. sponsored "Sons of the Fallen: A Live Tribute to Our Military Heroes," a program that aired in May in movie theaters throughout the United States. The program, produced in partnership with the Knights of Heroes Foundation, featured young children who had lost their fathers in military service. The children participated in a week-long retreat in the Rocky Mountains. During



the filming, Home Service staff members worked from 5 a.m. to 10 p.m. to serve food to participants.

- The Schwan Food Company continues to support education-based groups such as Students in Free Enterprise and scholarship programs at Southwest Minnesota State University. The company also supports Dollars for Scholars through scholarships at local schools in Marshall and through an internal scholarship program for the children and grandchildren of employees.

AWARDS and recognitions

Each year, subsidiaries of The Schwan Food Company are recognized for their products, services and programs. In 2010, the company received the following recognitions:

- Schwan's Home Service was recognized as a five-Star Ohio Green Fleet for its use of propane in its delivery trucks. The Ohio Green Fleet program recognizes companies that demonstrate leadership in environmental performance and efficiency.
- Two National Guard representatives presented Schwan's Home Service with a Minnesota flag and a plaque, thanking the marketing team for donating phone cards to troops. Home Service donated phone cards to members of the 1st Battalion of the 151st Field Artillery Unit.
- The company received a "Fleet Environmental Leadership Award" recently for Schwan's Home Service's use of propane in many of its delivery trucks. The *Automotive Fleet* magazine award was given to companies that made a positive impact on the environment by reducing emissions and fuel consumption in 2009.
- Schwan's Food Service moved up 10 spots on Cognitio's 2010 *New Product Scorecard*™, going from No. 22 to No. 12. The scorecard ranks manufacturers that do the best job in bringing new products to commercial and non-commercial food-service operations.
- The Stilwell Area Chamber of Commerce presented the company's dessert plant in Stilwell, Oklahoma, with an award to recognize the facility for the employment opportunities it provides residents in northeast Oklahoma and northwest Arkansas.
- Six Schwan's Global Supply Chain, Inc. facilities were recognized for their stellar efforts to work safely. The Minnesota Safety Council announced that the Beverage Plant, Dry Storage Warehouse, Plastics Plant, Employee Store, Marshall Truck Garage and Marshall Dispatch/Semi Drivers would all receive this year's Minnesota Governor's Safety Award.
- The *Freschetta*® team was named the winner of the 2010 "Giving Hope a Hand" Best Packaging award from Kroger. The award was given for *Freschetta* pizza's pink packaging that supported breast cancer awareness.
- *Good Housekeeping* magazine recognized Schwan's® Chicken Pot Pie as one of the best tasting after the magazine conducted a pot pie taste test. The results from the taste test are published in the March 2010 issue of the magazine.
- Schwan's Global Supply Chain logistics team in Salina, Kansas, received a KSafe Award for safety excellence. The team achieved more than 700,000 hours without a lost-time injury. This was the fourth-consecutive year that a Salina-based team has received a KSafe award.





The SCHWAN
FOOD COMPANY



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