

# 2012 Sustainability Report

Flowers Foods recognizes that without a healthy environment our company cannot be successful. We are committed to applying sustainability principles to all aspects of our business. We encourage every Flowers Foods team member to be responsible for conserving natural resources and to seek ways to improve the company's use of those resources.

Working with our team members, business partners, suppliers, and customers, Flowers Foods strives to prevent waste of water, packaging, energy, and other resources. Our commitment to sustainability makes us a better and stronger company. We believe these efforts increase profitability and enhance shareholder value over the long term.



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## Ongoing Sustainability Initiatives

- Reduce all forms of waste
- Recycle and reduce resources whenever possible
- Reduce fuel and energy consumption
- Further integrate sustainability into core processes
- Work with suppliers to embrace sustainability initiatives
- Educate workforce about sustainability
- Participate in community efforts to encourage sustainability

## About this Report

This report covers the 2012 calendar year. It includes forward-looking goals, covers bakeries owned and operated by Flowers Foods, and includes data for distribution, warehouse, office facilities, and resale outlet stores.

In July 2012, Flowers acquired Lepage Bakeries with two bakeries in Maine and one in Vermont. Due to incomplete data, Lepage Bakeries warehouse facilities are not included in this report.

The information contained in this report is subject to internal data management systems and controls and has been reviewed by our internal audit staff. Flowers Foods does not yet seek external verification of its sustainability reporting.

For more information about  
**Flowers Foods and  
 its sustainability initiative,**  
 visit [www.flowersfoods.com](http://www.flowersfoods.com).



## Our Vision

Together we work to be a truly exceptional company focused on growth opportunities for grain-based foods.

## Our Mission

To drive sustainable growth that enhances value for our shareholders, associates, distributors, customers, consumers, and communities

## Our Guiding Principles

- Integrity
- Service
- Quality
- Commitment

## The Flowers Way

- Grow sales
- Invest wisely
- Give extraordinary service
- Bake smart
- Appreciate team



## Message from Flowers Foods' Sustainability Director

This sustainability report, Flowers Foods' sixth consecutive one, covers a year of change for the baking industry. In November 2012, a major player (Hostess) unexpectedly ceased production, creating turmoil and uncertainty in the marketplace.

This industry event—coupled with a sluggish economy and our July 2012 acquisition of Lepage Bakeries—continued to have what we call a “roller coaster effect” on our sustainability measurements as new bakeries came onboard and as products and operational dynamics grew and changed. As a result, our overall sustainability performance in 2012 was disappointing.

Between 2007 (the year of our first sustainability report) and 2012, Flowers acquired nine bakeries and one bakery mix plant and expanded the geographic reach of its direct-store-delivery (DSD) territory from roughly 50% of the U.S. population to more than 70%. Flowers' acquisition of New England-based Lepage Bakeries with two bakeries in Maine and one in Vermont, expanded Flowers' DSD territory into new areas in the Northeast.

The two bright spots in our sustainability measurements are our operational efficiency and our production yield, which has continued to improve. We remain committed to achieving our goals in spite of market challenges and unprecedented geographic growth. We will continue to move forward by bringing our sustainability philosophy and efforts to our new bakeries and by continuing to challenge our Green Teams to be vigilant in monitoring and eliminating resource waste.

As we have said, operating efficiency has been a part of Flowers' DNA since the opening of its first bakery in Thomasville, Ga. in 1919. Energy efficiency is a key component of this since we know it is vital to our long-term goal of being the low-cost producer of quality bakery foods in the U.S. We instill this efficiency mindset into the teams at every bakery we operate.

In 2011, we implemented bakery level sustainability goals and integrated these goals into our corporate Pinnacle Awards program. This goal-setting continued in 2012. Each bakery, led by its Green Team members, strives to continuously improve its performance.

Dale Mediate  
Director of Sustainability

## Operational Efficiency

Our primary focus over the last several years has been on eliminating all forms of waste within our direct control. We have found that concentrating on yield and efficiency has helped us both cut costs and minimize our use of valuable resources.

One measure of our operational performance is production yield, which helps determine ingredient waste. This is calculated by looking at what ingredients go into making every product versus what ships as finished product. Our continuing improvement in production yield is due to our ongoing focus on quality and process improvement.

In 2012, our overall production yield increased by 0.27% over 2011, reducing ingredient waste by approximately 8.23 million pounds. Since 2008, our production yield has increased 1.55 percentage points. This means Flowers has eliminated approximately 47.4 million pounds of ingredient waste in 2012 compared to the 2008 rate. This is equivalent to the amount of waste produced annually by a medium-sized bakery.

We have achieved consistent improvement in this area, year over year. We believe eliminating ingredient materials waste not only saves money, but also saves on the energy and carbon required to bring those ingredients from the farm to the bakery. This reflects an important component of our sustainability philosophy, which is to be the best steward of all resources within our control.

As our bakeries improved their management of production time, our oven efficiency increased 1.17 percentage points in 2012 versus 2011. This means we eliminated 8,192 oven hours. This is equivalent to running a bread oven 24 hours a day, 7 days a week for more than 48 weeks.

Another measure of operational performance is our delivery efficiency. This compares what was shipped as finished product versus what was sold to the consumer. In 2012, our delivery efficiency increased by more than 1.47%, which reduced finished material waste by 36 million pounds.

## Carbon Footprint

In calculating our carbon footprint, we use the World Resources Institute and World Business Council for Sustainable Development's Greenhouse Gas Protocol (GHG Protocol), the global standard for greenhouse gas accounting.

We are focusing on Scope 1 and Scope 2 emissions. Under the GHG Protocol, emissions are classified by their source, and Flowers' core emissions fall into Scope 1 or Scope 2 classifications. Scope 1 emissions are direct emissions from owned or operated facilities, such as the oven fuel burned during our bakery production and the gas or diesel fuel used by company-owned or operated vehicles. Scope 2 emissions are indirect emissions resulting from the electricity used in our business. Flowers Foods also has some emissions that fall under Scope 3—indirect emissions that occur at, or come from sources outside, our company. These emissions are generated as a consequence of our business, such as the fuel used by our independent distributors to get our baked foods from warehouse to customer. Due to complexities, we are not yet able to collect data on Scope 3 emissions.

In 2012, our Scope 1 emissions for manufacturing operations were 171,131 metric tonnes of CO<sub>2</sub>e and 19,676 metric tonnes CO<sub>2</sub>e for non-manufacturing facilities for a total of 190,807 metric tonnes of CO<sub>2</sub>e. This 23.3% increase in our Scope 1 emissions was due to the acquisition of additional facilities.

Our Scope 2 emissions were 298,495 metric tonnes of CO<sub>2</sub>e for manufacturing operations, and 29,504 metric tonnes CO<sub>2</sub>e for non-manufacturing facilities for a total of 327,999 metric tonnes of CO<sub>2</sub>e. This 30.6% increase in our Scope 2 emissions is again attributable to our operating more facilities.

Indexed to production, our bakeries generated 0.392 tonnes CO<sub>2</sub>e per metric ton of finished product in 2012 compared to 0.336 in 2011. Our non-manufacturing facilities generated 0.044 tonnes CO<sub>2</sub>e per metric ton of product sold in 2012 compared to 0.032 in 2011.

*Note: CO<sub>2</sub>e stands for carbon dioxide equivalent and is the internationally recognized measure of greenhouse emissions.*

## Water Stewardship

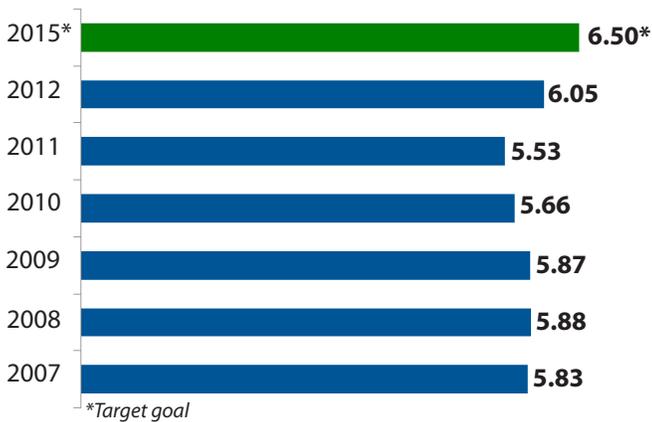
Water is a valuable resource and a vital ingredient in bakery foods. A dependable and clean water supply is critical for our bakeries, which obtain water from local municipal water systems. We comply with all waste water and storm water regulations and work with our municipal partners to ensure a continuous and healthy water supply in all the communities where we operate.

Total indexed water usage for all Flowers bakeries in 2012 increased to 6.05 pounds of finished product per gallon of water from 5.53 in 2011. This is our best performance yet but still not to our 2015 goal of 6.50. As we bring our newly acquired facilities in line with Flowers' standards, we expect their indexed water usage to increase.

Water usage at non-manufacturing facilities remained constant at 6.81% of our total usage.

### Water Usage

Finished product poundage per gallon of water



## Energy Conservation

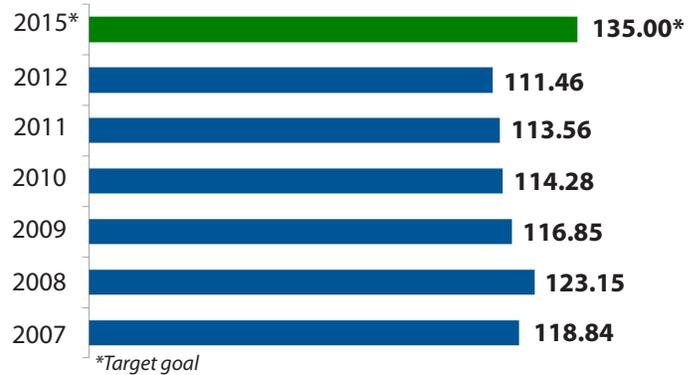
Natural gas and electricity are vital energy components in commercial baking. Unfortunately, our energy performance in 2012 was mixed compared to 2011, due to a slow economy and baking industry consolidation. While disappointed with our energy results, we remain committed to reaching our 2015 goals.

**Natural Gas** Flowers' finished product poundage per therm of natural gas decreased from 113.56 pounds in 2011 to 111.46 in 2012. This is a 1.85% decrease for our manufacturing facilities. A large portion of this decrease in gas efficiency can be attributed to the recent addition of production lines that are different from our traditional

bread and bun lines, such as cake, muffin, and tortilla. Non-manufacturing facilities represented 21.15% of our total gas usage.

### Natural Gas Usage

Finished product poundage per therm of natural gas



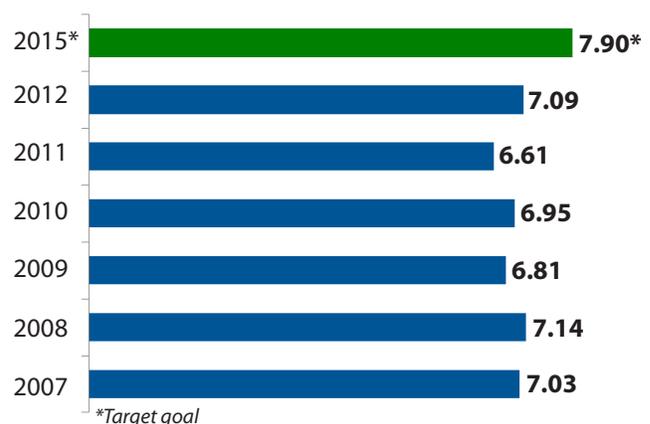
**Electricity** Our finished product poundage per kWh increased from 6.61 in 2011 to 7.09 in 2012. This performance is the best we have achieved since 2008 but still well below our 2015 goal of 7.90. The primary challenge for electric efficiency is a high base load to maintain systems combined with a decrease in production volume at many bakeries.

Non-manufacturing facilities represented 9.03% of our total usage.

We have begun to move our newer warehouses away from natural gas to electricity. This move lowers direct emissions and gives us greater flexibility in using efficient electrical devices.

### Electricity Usage

Finished product poundage per kilowatt hours



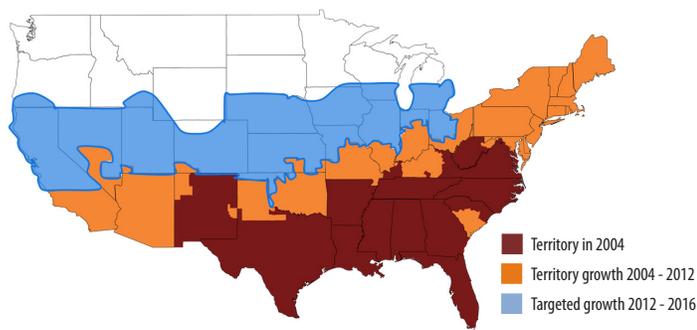
## Logistics

We operate primarily as a local or area producer and distribute 83% of our products through direct-store-delivery (DSD) routes operated out of our bakeries. On average, our products travel less than 95 miles from bakery to customer. Baking close to the market allows us to deliver a higher quality product and saves resources.

Our long-term strategy is to continually find ways to reduce the miles our products travel. We accomplish this by shifting production between bakeries, adding new production lines, and building new bakeries or acquiring bakeries in or near new markets. We also strive to maximize trailer use and fill returning trucks (back hauls) with ingredients and packaging shipments whenever possible.

We have made consistent progress in this area even though our DSD territory has increased significantly over the past five years. (See map below.) Back in 2008, Flowers acquired two bakeries in Phoenix that greatly increased our distribution out West, and our pounds per mile dropped significantly that year. Since then, however, our pounds per mile have steadily risen each year to exceed our 2007 baseline. This is evidence that our logistical network can build on the synergies of acquired territories and improve efficiencies.

### Flowers' DSD Territory and Future Expansion



With the purchase of Lepage Bakeries with bakeries in Maine and Vermont, however, the trend has reversed as we transported more products to meet the needs of the Northeast market. In 2012, we achieved a rate of 31.42 net pounds sold per transport mile compared to 31.96 in 2011. These results are a natural consequence of the company's geographic growth. We expect this trend to return to its increasing trajectory as we strategically shift and add production within this region.

Since late 2007, we have shipped snack cakes from our bakeries located in the East to West Coast markets using rail service. In 2012, we shipped 196 truckloads of product by rail, saving the equivalent of 283,000 miles of truck transport. Since 2008, we have shipped more than 640 truckloads by rail, saving an equivalent of 931,000 transport miles. With a greater focus on our snack cake business and expanded market territory in California, we expect to see even greater use of this more efficient long-distance transportation.

### Transport Miles

Net pounds sold per transport mile



Flowers relies on several excellent third-party freight providers (3PLs) to transport bakery foods from our bakeries and distribution centers to customers. Because we do not own freight equipment, we rely heavily on our partners to provide efficient and reliable transportation. We strongly encourage our 3PLs to use only efficient, modern, and well-maintained equipment, including power units, trailers, and reefer equipment. Flowers will continue to partner with 3PLs and supply chain vendors to pursue innovative ideas and reduce the miles traveled on our behalf and the number of transports used.

## Sustainable Procurement

Many people are surprised to learn that most of our bread bags are made with recyclable LDPE (low-density polyethylene) plastic and can be recycled. LDPE is most commonly recycled into trash cans and liners, compost bins, shipping containers, paneling, landscaping ties, and floor tile. Flowers' multi-pack snack cake boxes are made with 100% recycled paperboard and also can be recycled. Consumers should check with their local recycling centers about recycling bread bags and paperboard.

We continually look at different materials and methods to improve the lifecycle sustainability of our consumer packaging, mindful that the primary function of food packaging is to protect and ensure quality and freshness.

## Solid Waste

Flowers Foods is committed to continuous solid waste management and to cutting waste generation in all our facilities. We believe landfill waste should be eliminated without regard to production volume. Our goal is zero waste to landfill. An absolute 10% reduction in landfill each year is a part of our annual Pinnacle Awards program. In 2012, we sent 15.82 million pounds of trash to recycling instead of the landfill. Our total company-wide recycling rate stands at 32% for 2012.

We calculate our diversion rate using landfill, recycling, and food waste sent for reuse in animal feed. The diversion rate for our manufacturing plants was 92.28% in 2012. The diversion rate for all of our facilities (including non-manufacturing) was 86.62% in 2012. Please note that these numbers do not include bakery products donated to food banks and other groups and organizations that feed the hungry. Our reporting structure for these food donations is not fully developed.

Recycling and landfill diversion at our non-manufacturing facilities is challenging because of their relatively remote location from our bakeries and the small volume of recyclables that can be captured at each location. However, these warehouse locations collectively generate more landfill than our manufacturing facilities. While this is a testament to the waste reduction success at our bakeries, it points to an obvious opportunity for waste solutions across our distribution network.

We continue to review opportunities to reduce, reuse, or recycle as many waste items as possible. During 2012, we returned our broken plastic bread trays to our vendor, which converted them into 1.3 million pounds of plastic used to make new bread trays. This is a long-standing, closed-loop system of recycling that we are trying to emulate in other areas of our supply chain. These numbers are not included in the above recycling calculation.

## Flowers Green Teams



green team

The mission of our Green Teams is to generate sound ideas for improving sustainability in all areas of our business and to increase sustainability awareness at work and at home.

Flowers' focus is to keep our Green Teams inspired about their mission, to better communicate the success stories happening around our company, and to continually stress the importance being mindful of environmental sustainability in our daily lives.

## About Flowers Foods



Flowers Foods (NYSE:FLO), headquartered in Thomasville, Ga., is a leading producer and marketer of bakery foods for retail and foodservice customers in the U.S.

The company's 44 highly efficient bakeries produce breads, buns, rolls, snack cakes, pastries, and tortillas. More than 70% of the U.S. population has access to the company's fresh bakery foods through a network of independent distributors serving the East, South, and Southwest. Flowers' frozen bakery items and snack cakes are delivered to customers' warehouses nationwide.

Flowers' brands are among the most well known in the baking industry and are backed by consistent quality, value, and good taste. Top company-owned retail brands include *Nature's Own*, *Whitewheat*, *Cobblestone Mill*, *Tastykake*, *Mrs. Freshley's*, and *Blue Bird*. In 2012, Flowers Foods reported sales of \$3.05 billion.



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