

**Smithfield**® *Good food. Responsibly.®*

# Welcome to Our 2014 Integrated Report

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## Welcome

The Smithfield Foods 2014 Integrated Report<sup>1</sup> provides comprehensive information on our sustainability progress and performance along with information on our annual financial results.

Our sustainability strategy is based on our core values and organized by pillars that represent our key areas of sustainability focus: animal care, employees, environment, food safety and quality, and helping communities. The concept of *value creation* is an overarching focus of our sustainability strategy, underpinning these pillars.

To determine the content for this website, we used the results of an updated 2012 materiality analysis and the Global Reporting Initiative (GRI) G3 Guidelines, which provide a framework for sustainability reporting. This report has been prepared according to the GRI G3 Guidelines, at **Application Level "A."** We also include a **content index** that corresponds to the International Integrated Reporting Council (IIRC), which aims to establish a global integrated reporting framework.

Unless otherwise indicated, the information and metrics within this site pertain to our four divisions and to investments in which we have a majority (51 percent or more) interest. We also discuss our management approach to contract farming. Although contract farms are managed under the same animal care and environmental standards as company-owned farms, we do not provide performance data for these operations because they are independent businesses. We primarily use American measurement metrics and American numbering when reporting the performance of our U.S. and international operations.

Changes in the scope of reporting or reclassifications of data previously reported are noted in the relevant data sections, as are other assumptions and bases for calculations. Following our 2013 acquisition by the WH Group Limited, we changed our reporting timeframe from a fiscal year (May 1 through April 30) to a calendar year. The content in this report primarily covers 2014.

## Forward-Looking Information

This report contains “forward-looking” statements within the meaning of the federal securities laws. The forward-looking statements include statements concerning our outlook for the future, as well as other statements of beliefs, future plans and strategies or anticipated events, and similar expressions concerning matters that are not historical facts. Our forward-looking information and statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, the forward-looking statements.

These risks and uncertainties include, but are not limited to, the availability and prices of live hogs, feed ingredients (including corn), raw materials, fuel and supplies, food safety, livestock disease, live hog production costs, product pricing, the competitive environment and related market conditions, risks associated with our indebtedness, including cost increases due to rising interest rates or changes in debt ratings or outlook, hedging risk, adverse weather conditions, operating efficiencies, changes in foreign currency exchange rates, access to capital, the cost of compliance with and changes to regulations and laws, including changes in accounting standards, tax laws, environmental laws, agricultural laws and occupational, health and safety laws, adverse results from litigation, actions of domestic and foreign governments, labor relations issues, credit exposure to large customers, the ability to realize the anticipated strategic benefits of the acquisition of Smithfield Foods, Inc. by WH Group, the ability to make effective acquisitions and successfully integrate newly acquired businesses into existing operations and other risks and uncertainties described under “Item 1A. Risk Factors.” Readers are cautioned not to place undue reliance on forward-looking statements because actual results may differ materially from those expressed in, or implied by, the statements. Any forward-looking statement that we make speaks only as of the date of such statement, and we undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

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<sup>1</sup> Throughout this report, the term Smithfield is utilized for ease of reference to indicate one or more of our divisions.

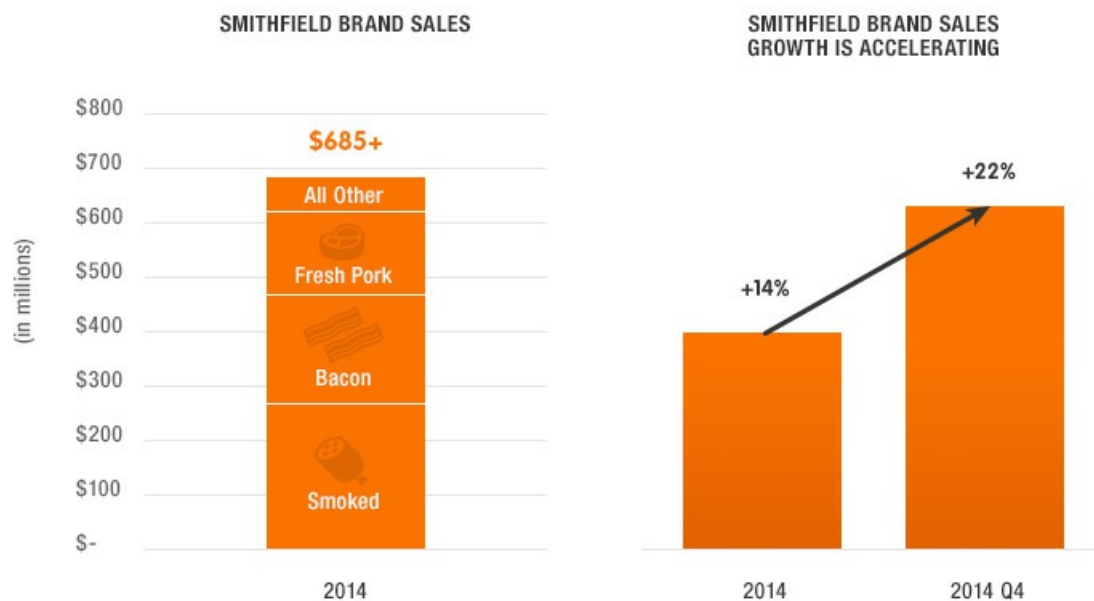


## Dear Smithfield Foods Stakeholders,

I write this letter during an exciting time at Smithfield Foods. The year 2014 was a record for our company, with the highest earnings in our history and our best-ever overall sales of \$15 billion.

We continued to strengthen our marketing and brand building efforts to drive product mix improvements while maximizing our manufacturing platform to operate more efficiently. This allowed us to deliver strong margins plus volume, market share, and distribution gains across a number of our core brands and strategic product categories.

## Smithfield is on course to be a \$1 billion retail pork brand.



IRI data ending January 4, 2015, and Nielsen Perishables Group data ending December 31, 2014.

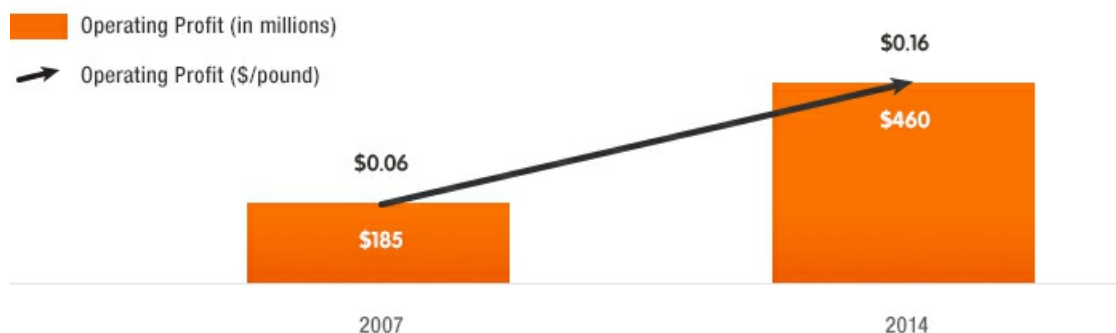
As we moved into 2015, we announced a new company organizational structure that has positioned us to accelerate such growth and further our mission of providing Good food. Responsibly.® The realignment, which took effect March 1, 2015, unified all of our independent operating companies, brands, and marketing efforts to put 48,000 employees under one corporate umbrella. Where once we had separate silos, we now have a consolidated and harmonized structure. In other words, we are “One Smithfield,” with a centralized organization that enables us to better meet the needs of our customers and consumers. In fact, many of our key customers have been asking us to make this change for some time. This will make it even easier for them to do business with us as we continue our evolution as a consumer packaged goods company.

## Benefits of "One Smithfield" Approach



Unifying all of our resources and brands positions us to take advantage of a host of opportunities for growth, leveraging our size and scope in the pork industry, and maximizing our manufacturing platforms and distribution systems. Our facilities can now operate more efficiently and effectively, and we're optimizing everything from brand management to sales. We also can better leverage marketing programs and sponsorships, such as our collaboration with NASCAR, which includes our signature Helping Hungry Homes® initiative to provide food—and especially protein—to those in need.

## Packaged meats profitability has improved, but significant growth potential remains.



The figures for 2007 are for the fiscal year ended April 29, 2007. The figures for 2014 are for the fiscal year ended December 28, 2014.

It's important to emphasize that this realignment was not about cost cutting. It was about our company's growth and success—and about maintaining and boosting our position as the leader in our industry. We did not close any plants or offices. Nor did we eliminate any jobs as a result. In fact, we are expanding.

Smithfield has always been an organization focused on people. A unified company allows us to focus even more on employees, creating greater opportunities for career advancement and growth. To build on this, we recently announced a new executive position of "chief people officer" to further our goal to make Smithfield an employer of choice.

Unification will also improve our sustainability programs and initiatives throughout the company. We have always shared best practices across our operations. For example, for more than a decade, our internal Environmental Excellence Awards program has encouraged our people to replicate successful programs, whether they are new technologies that improve resource efficiencies on our production lines or reductions in packaging that lower costs and generate less waste. The new structure creates even stronger mechanisms to cascade successful efforts across and between divisions—and to build upon them.

### Sustainability Leadership

Sustainability is ingrained in our corporate culture, and it wasn't so much 10 or 20 years ago. I'm proud of how far we have come as an organization since Dennis Treacy (now our chief sustainability officer) came on board in 2002. The Smithfield Foods of today is fundamentally different as a result.

Our customers care about sustainability, from animal care to environmental stewardship, and they aren't shy about asking us questions. More and more, consumers also want to know about the food they are buying—where it is made and how it is produced. We recognize that there is growing consumer concern about the food industry, especially large-scale production. At Smithfield, we believe it's critical to be open and honest about our products and practices so our customers feel confident serving our food to their families and friends. This report answers many of their questions and highlights our progress and our challenges in creating a more sustainable business.

Over the years, we have taken a series of steps that have positioned Smithfield as the leader in our industry, particularly on animal care and farm management. As the world's largest pork producer, we are tackling the tough issues facing our industry to improve our sustainability programs and processes while meeting the ever-changing needs and demands of our customers and our consumers. We take actions to address public concerns, and we're not afraid to be the first to innovate. Examples include the following:

- We were the first pork industry company to commit to providing group housing for pregnant sows on company-owned farms.

- We ceased using human-grade antibiotics for growth promotion on pigs on company-owned and contract farms in 2013. This move aligned us with new U.S. Food and Drug Administration guidelines years ahead of schedule.
- We are the only company in the industry to report antibiotics usage.
- We were the first in the industry to achieve ISO 14001 environmental certification for all company-owned farms and pork processing facilities worldwide.
- We removed ractopamine from feed for all company-owned animals supplied to our Fresh Pork Division's processing facilities.

Moving forward, our people will be the key to our continuing successes. Our new corporate structure will better support our people, brands, and customers while positioning Smithfield to take advantage of opportunities for growth. This was a natural step that is creating a stronger company. Change is good, and we have been celebrating it.

Back in 2013, we became a wholly owned subsidiary of the WH Group Limited, and we have upheld the pledge we made then to maintain Smithfield operations, staff, and management teams. We have also maintained our commitments to our sustainability programs and to our philanthropic support of the communities in which we operate. The merger created a stronger Smithfield, with more resources to grow as a company and to meet increasing global demand for high-quality pork.

At the time of the acquisition, we promised that we would be "The same old Smithfield, but better." We are continuing to deliver on that promise today.

Sincerely,



C. Larry Pope  
President and Chief Executive Officer

July 8, 2015





## A Dialogue with Dennis H. Treacy

Dennis H. Treacy, Smithfield Foods' executive vice president and chief sustainability officer, answers some of the questions we often hear from our stakeholders and talks about how sustainability creates value for those within and outside of our company.

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Q: How would you characterize Smithfield's sustainability evolution?

A: We have worked incredibly hard over the last 15-plus years to completely change the way our company behaves and operates. We've also worked hard to change the way the public perceives Smithfield Foods. This journey still continues. It's a cliché these days to talk about sustainability as a journey and not a destination—but there's quite a bit of truth to that.

We have fundamentally transformed our company to engage the workforce across all divisions on our sustainability programs, and these programs are a point of pride for employees. We have been able to demonstrate that applying a sustainability lens to everything we do saves us money—and even makes us money—while creating value for stakeholders at the same time. We have made tremendous progress, but we know we are not perfect.

I don't like to dwell in the past. I would rather think about the future, and I'm excited to see what the next chapters of our sustainability story will bring.

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Q: You recently set a new series of goals and targets. You beat some targets, you came close on others, and others you didn't meet. What will those next chapters bring?

A: When it came time to update our goals, we felt it was important to simplify them to make it easier for our people and the organization as a whole to understand them—and to understand how each individual can contribute. Our pillars and overall goals have essentially remained the same because we believe in consistency, and our overarching messages have not changed. But now we are zeroing in even more on innovation, transparency, and communication. We also want to emphasize how the concept of *value creation* permeates all that we do. In order for our sustainability programs to be successful, they need to create value for our business, for our communities, and for our stakeholders.

I'm proud that we surpassed our water target and significantly exceeded our solid-waste-to-landfill target. We came incredibly close to hitting our greenhouse gas (GHG) reduction target. However, energy reduction proved difficult due, in part, to our increased production of more ready-to-eat products and the relatively low cost of energy, which reduces the return on investment for more energy-efficient equipment. We only achieved a 3 percent reduction despite aiming for 10 percent. For this reason, we made the decision to adjust the target for energy and GHG reductions for our new 2020 deadline. Instead of seeking a 10 percent reduction, we're aiming for 5 percent for both categories. We think that's a more realistic expectation given the challenges we've seen to date in making meaningful strides in energy reduction.

### Q: What are some of your biggest challenges?

A: In all honesty, one big challenge is responding to a public that perceives large-scale agriculture in a negative way. We struggle with getting across the message that Smithfield Foods is filled with motivated individuals who embrace sustainability and push themselves every day to make meaningful changes for the animals, for the environment, for each other, and for our company as a whole.

Smithfield certainly made our share of mistakes, but we have turned things around, and today we are leading our industry and innovating on so many issues, from sow housing to the use of antibiotics to environmental management. Nonetheless, many consumers aren't aware of the changes we have made. We still have a lot of work to do to change opinions. The public tends to believe that a big company equals a bad company, and that's a hard thing to fight against—even when you are making significant progress.

More and more, people are concerned about food ingredients. We have entered a period of transparency, and we are open and honest about what makes up our food. The more we pull back the veil on food production, the more successful we'll be.

### Q: How do you address critics of so-called “factory farming”?

A: There's no getting around the fact that our business slaughters animals for food. If you don't like raising animals for meat, then you're going to take issue with Smithfield and our entire industry right from the start.

Many critics assume that because we are a large-scale operation, we are doing things differently than small farmers. That's not the case. Our hog production facilities raise pigs exactly like the majority of independent “mom and pop” farmers, whether they are in Iowa, Indiana, North Carolina, or Virginia. Our model is the same as theirs—it's just that our facilities are larger, with more barns. Company-owned farms may have a dozen barns at one site. Smaller farmers, meanwhile, might have half that. But the methods of raising the animals are the same.

Large-scale agriculture is needed to feed a growing world population—and, in particular, a growing middle class. Pork is the most popular meat in the world, and demand will only continue to increase as the world population jumps from 7 billion today to 9 billion by 2050. In the developing world especially, as more and more people raise themselves out of poverty, they want to eat more animal protein.

### Q: How are the people of Smithfield Foods helping to support your goals?

A: Being people-oriented is one of our key focus areas as a company. Our progress toward our sustainability goals and targets simply can't happen without the 48,000 individuals who make up the divisions of Smithfield Foods. We have worked hard to empower our people to take responsibility for their actions at work.

Our people are dedicated and proud of their accomplishments. We at Smithfield strive to create a work environment where employees feel comfortable and understand that their employer is doing the right thing and is operating in a responsible manner.

Our programs go beyond compliance; we focus on doing the right thing. We watch out for each other; we watch out for the pigs; and we watch out for the meat to make sure it's safe. We need to be constantly vigilant not only about who we are and what we make—but about where we're going, too.

We also want our people to know that being a leader in sustainability means taking risks. I encourage employees to take risks, even small ones, to make our company a better place to work and to make our communities better places to live.

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## Q: How can Smithfield drive improvements in the food chain?

A: As the largest pork producer, we are driving improvements in the marketplace through our leadership. We are the only company in our industry to be ISO 14001 certified at each of our plants and at each of our farms. We are the only company in our industry to report antibiotic use, and we are leading the industry in our commitment to group housing for pregnant sows on company-owned farms and contract farms.

Sustainability is top-of-mind for our customers, and our programs and efforts give us a competitive advantage.

Many of our own suppliers are moving toward sustainability. Our biggest supply comes in the form of animals, and we're beginning to ask more and more of our contract growers in this regard. For example, we are asking U.S. contract farms to convert to group housing systems for pregnant sows by 2022.

Our hog production operation has also been working to boost production of alternative grains and to create a supply for "local" grain in our North Carolina and Virginia markets.

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## Q: Smithfield has witnessed a stream of significant change in recent years, from the acquisition by the WH Group, which took you from a public to a private company, to the recent realignment of your business. Do these have any impact on your sustainability programs?

A: Our Chinese parent organization has been nothing but supportive of our sustainability programs, and there have been no suggestions that we stop what we are doing. In fact, the WH Group has expressed interest in learning from us. They have sent teams of people to our operations to see firsthand what our divisions are doing on farms and in processing plants, and we have sent teams to China as well. The WH Group is now publicly traded in Hong Kong, and the company recently formed a sustainability committee for its board of directors. We think that this will help broaden our program globally.

Meanwhile, our recent corporate realignment should strengthen our programs even further and make it even easier to promote changes and build our impacts across the organization.



## Sustainability Progress & Commitments

This report provides an in-depth review of Smithfield's sustainability performance as well as many of our plans for the future. The following tables are a good place to start. They provide a high-level overview of our progress and the commitments we make to our stakeholders.

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### Key Commitments

In early 2010, we adopted a set of goals and sustainability targets to exceed all regulatory guidelines or previous achievements. We call them our Key Commitments and have since continued to expand some of them. See how our 2014 performance measured up against each target.

[Learn more](#)

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### New Goals and Targets<sup>2</sup>

In early 2015, we developed a new set of sustainability goals and targets to better align with our current performance and the realignment of our operations. The new goals build upon lessons learned and best practices that we have developed over recent years. We will continue to push for improvements across our company, confirming our role as an industry leader.

[Learn more](#)

## Key Data Summary

Smithfield believes that transparency is central to ensuring accountability. Reporting on and comparing key performance indicators over the past five years helps stakeholders understand our performance over time and relative to others in our industry. These are some of the indicators that we feel are particularly important to internal and external stakeholders, as well as to Smithfield as a company.

[Learn more](#)

## Key Commitments

In early 2010, we adopted a set of goals and sustainability targets<sup>1</sup> to exceed all regulatory guidelines or previous achievements.

The following year, we expanded some of these targets and put more focus on *value creation*, which underpins our sustainability strategy. We reached several targets ahead of schedule and, in early 2015, we adopted a **new series of goals and targets**. We consider a facilities-based target “achieved” for 2014 if 100 percent of locations have met the standard. Targets are noted as “on track” if they are less than 100 percent achieved but making appropriate progress.

✔ Achieved  
 ➔ On Track  
 ⊘ Needs Improvement

Animal Care	
GOAL	Keep animals safe, comfortable, and healthy
TARGET	2014 RESULTS
<span style="color: green;">✔</span> Remain 100% Pork Quality Assurance Plus (PQA Plus <sup>®</sup> ) compliant at all company-owned and contract farms. <sup>2</sup>	100% of company-owned and contract farms were PQA Plus compliant.
<span style="color: green;">✔</span> Maintain PQA Plus certification for all suppliers and move toward site assessments.	100% of live animals were delivered by PQA Plus certified suppliers. 100% of supplier locations were site assessed.
<span style="color: green;">✔</span> Maintain 100% USDA Process Verified Program (PVP) certification for all relevant facilities.  (See <a href="http://ams.usda.gov/AMSV1.0/processverified">ams.usda.gov/AMSV1.0/processverified</a> )	All company-owned pig farms were 100% PVP certified, and all plants participated in this program.
<span style="color: blue;">➔</span> Complete conversion from individual gestation stalls to group housing for pregnant sows on company farms by end of 2017.	71.4% of sows were in company-owned group housing.
<span style="color: green;">✔</span> Maintain a systematic approach to humane animal handling and demonstrate continuous improvement.	100% of facilities managed animal handling based on North American Meat Institute guidelines.
<span style="color: green;">✔</span> Maintain Transport Quality Assurance (TQA) certification for all live-animal truck drivers.	100% of drivers delivering animals to processing plants were TQA certified.

Employees	
<b>GOALS</b>	Reduce employee injury rates 100% compliance, 100% of the time
<b>TARGETS</b>	<b>2014 RESULTS</b>
→ Meet or beat general manufacturing industry national average for injuries.	Smithfield beat all 2013 meat industry averages and beat the national average for all industries on two out of three measurements reported to the federal government.
→ All safety and operations leadership trained to 10-hour General Industry training.	84% of safety leadership completed 10-hour training.
⊖ Regular Safety Roundtable meetings to be held at each facility.	80% of locations held Safety Roundtable meetings.
✔ Increase formal employee engagement in safety processes to 25% participation by 2015.	100% of facilities had formal employee engagement of at least 25%.
Environment	
<b>GOALS</b>	Reduce natural resource demand Eliminate Notices of Violation (NOVs) at facilities 100% compliance, 100% of the time
<b>TARGETS</b>	<b>2014 RESULTS</b>
From fiscal 2008 baseline to 2014 <sup>3</sup> (normalized): ✔ Reduce water use 10%. ⊖ Reduce energy use 10%. → Reduce greenhouse gas (GHG) emissions 10%. ✔ Reduce solid waste sent to landfill 10%.	Since fiscal 2008 (normalized): Water use down 18%. Energy use down 3%. GHG emissions down 9.6%. Solid waste down 40.6%.
→ By 2017, each independent operating company (IOC) to establish a zero waste to landfill facility.	4 facilities qualified as zero waste to landfill.
✔ Every year, each IOC to complete one new packaging reduction project.	All IOCs introduced new packaging reduction projects.
⊖ No NOVs at facilities.	Received 20 NOVs and \$400 in fines.

## Food Safety & Quality

### GOALS

Deliver safe, high-quality meat products and eliminate recalls

100% compliance, 100% of the time

### TARGETS

### 2014 RESULTS

✔ Obtain 100% Global Food Safety Initiative (GFSI) certification

100% of relevant facilities are GFSI certified.

✔ Assure wide variety of products for different diets and needs.

Continued to increase portfolio of lower-sodium products.

There were zero recalls in the United States

## Helping Communities

### GOAL

Provide food to those in need and enhance education in local communities

### TARGETS

### 2014 RESULTS

✔ Pork Group IOCs to donate 4 million servings of food for those in need.

Donated 13.7 million servings of food.

✔ Each Pork Group IOC to support two Learners to Leaders<sup>®</sup> (LTL) programs.

100% of IOCs supported at least two LTL programs.

✔ Each facility to support two National FFA Organization or other education events

100% of facilities met or exceeded FFA/education target.

➔ Each facility to participate in at least one local community cleanup event.

85% of facilities sponsored local community cleanup events.

⊙ Each facility to participate in World Water Monitoring Challenge.

79% of facilities participated in World Water Monitoring Challenge.

<sup>1</sup> Targets are annual unless otherwise noted.

<sup>2</sup> PQA Plus compliant means that farms have been site assessed and that specific employees have been certified according to PQA Plus program guidelines.

<sup>3</sup> Our original environmental targets were for the end of fiscal 2015 (i.e., April 30, 2015). However, we recently changed to a calendar year rather than a fiscal year. As a result, we moved the end date back to December 31, 2014.



## New Goals and Targets

In early 2015, we developed a new set of goals and targets<sup>1</sup> to better align with our current performance and our new company organization.

The new goals build upon lessons learned and best practices that we have developed over recent years. We intend to continue to push for improvements across our company, confirming our role as an industry leader.

Animal Care	
<b>GOAL</b>	Keep animals safe, comfortable, and healthy
<b>TARGETS</b>	Each applicable facility to maintain a systematic program for animal care based on the North American Meat Institute's Recommended Animal Handling Guidelines and Audit Guide.
	Each farm division to continue to maintain and implement updates to the company's Animal Care Management System. Hog Production Division to achieve annual audit score of excellent (97%–100%).
	Each facility/farm division that handles live animals to maintain USDA Process Verified Program (PVP) certification.
	All live animal suppliers to be certified to Pork Quality Assurance Plus (PQA Plus <sup>®</sup> ).
	All live animal transporters to be certified to Transport Quality Assurance (TQA).
	Complete conversion to group housing systems for pregnant sows on U.S. company-owned farms by the end of 2017. <sup>2</sup> Complete conversions on U.S. contract farms and in joint ventures worldwide by the end of 2022.
	Report antibiotic usage on an annual basis.
Employees	
<b>GOAL</b>	Reduce employee injury rates
<b>TARGETS</b>	Continue to reduce Total Incident Frequency Rate. Maintain levels below general industry average.
	Achieve annual Days Away, Restricted, or Transferred (DART) results better than the general industry average.

Environment	
<b>GOALS</b>	<p>100% compliance, 100% of the time</p> <p>Reduce natural resource demand</p>
<b>TARGETS</b>	<p>Reduce notices of violation (NOVs) to zero.</p> <p>From baseline 2014 to 2020 (normalized):</p> <ul style="list-style-type: none"> <li>• Reduce water use by 10%.</li> <li>• Reduce greenhouse gas (GHG) emissions by 5%.</li> <li>• Reduce energy use by 5%.</li> <li>• Reduce solid waste sent to landfill by 10%.</li> </ul>
Food Safety & Quality	
<b>GOAL</b>	Deliver safe, high-quality meat products and eliminate recalls
<b>TARGETS</b>	<p>No USDA recalls.</p> <p>Maintain Global Food Safety Initiative (GFSI) certification at all applicable facilities.</p>
Helping Communities	
<b>GOAL</b>	Support our communities
<b>TARGETS</b>	<p>Each facility/farm division to participate in four community events per year for charities/nonprofits.</p> <p>At least one event per year must include a stakeholder presentation.</p> <p>Each U.S. division to sponsor at least two Learners to Leaders<sup>®</sup> programs each year.</p> <p>Maintain our Helping Hungry Homes<sup>®</sup> program (donations of product to food banks and organizations that distribute food directly to those in need).</p>

<sup>1</sup> Targets apply to domestic operations unless otherwise noted.

<sup>2</sup> Our sow housing conversion target was first announced in 2007. See the [Animal Care](#) section for more information.

## Key Data Summary

Smithfield believes transparency is central to ensuring accountability. Reporting helps stakeholders understand our performance over time and relative to others in our industry.

Below are some key performance indicators we feel are particularly important to internal and external stakeholders, as well as to Smithfield as a company. Unless otherwise footnoted, 2014 figures are reported by calendar year; figures for 2013 and earlier cover our old fiscal year (May 1 through April 30). Additional domestic data can be found in the relevant sections of this report.

Animal Care	2014	2013	2012	2011	2010
Sows in company-owned group housing (%) <sup>1</sup>	71.4	54.0	38.3	30.4	6.6
Antibiotics used (milligrams per pound)	142	151	123	145	133
Market hog transportation accidents <sup>2</sup>	4	4	14	4	9

Employees <sup>3</sup>	2014	2013	2012	2011	2010
Total Incident Frequency Rate <sup>4</sup>	3.45	3.47	3.42	3.93	4.66
Days Away, Restricted, Transferred Rate	2.48	2.53	2.22	2.80	3.24
Days Away from Work Illness and Injury Rate	0.64	0.73	0.65	0.74	0.82
OSHA notices of violation	45	31	67	74	34
OSHA penalties	\$243,840	\$149,210	\$320,800	\$117,449	\$33,323

Environment <sup>5</sup>	2014	2013	2012	2011	2010
Water use (gallons per cwt <sup>6</sup> )	72.8	76.2	79.5	79.6	77.9
Energy use (gigajoules per cwt)	0.126	0.124	0.121	0.129	0.131
GHG emissions (metric tons CO <sub>2</sub> e per cwt)	0.0149	0.0145	0.0145	0.0151	0.0152
Solid waste to landfill <sup>7</sup> (pounds per cwt)	1.60	1.85	2.36	2.72	2.74
Notices of violation	20	17	29	38	63
Significant fines	\$400	\$256,000	\$210,400	\$407,779	\$164,184

Food Safety & Quality	2014	2013	2012	2011	2010
Food safety expenditures <sup>8</sup>	\$32 million	\$8.4 million	\$5.6 million	\$5 million	\$4.2 million
Recalls	0	2	1	0	1

Helping Communities	2014	2013	2012	2011	2010
Smithfield Foundation scholarships	\$320,000	\$284,500	\$256,000	\$377,500	\$196,500
Learners to Leaders <sup>®</sup> contributions	\$390,000	\$344,170	\$355,779	\$288,388	\$369,710
Food donations (servings)	13.7 million	8.4 million	6.9 million	8.4 million	11.6 million

1 All sow housing figures are reported by calendar year.

2 In 2014, these four accidents resulted in the deaths of 234 hogs. Overall, 80,894 truckloads of animals were transported from farms to processing plants.

3 All Employees figures are reported by calendar year. Rates are calculated per 100 employees.

4 In previous reports, "Total Incident Frequency Rate" was referred to as "Total Case Rate."

5 Performance data for 2012 and earlier cover the periods from May 1 through April 30. Figures for 2013 and 2014 are reported by calendar year. In our previous report, 2013 figures were reported by fiscal year. All compliance figures are reported by calendar year.

6 CWT equals 100 pounds of product.

7 Total does not include hog production operations.

8 Totals are conservative and do not capture all food safety-related upgrades.



## About Our Company

Smithfield Foods, Inc., a wholly owned subsidiary of WH Group Limited, is the world's largest pork processor and hog producer, with sales exceeding \$15 billion in 2014.

In the United States, we are also the leader in numerous packaged meats categories with popular brands including Smithfield®, Eckrich®, Farmland®, Armour®, Cook's®, John Morrell®, Gwaltney®, Nathan's Famous®, Kretschmar®, Margherita®, Curly's®, Carando®, and Healthy Ones®.

Headquartered in Smithfield, Virginia, our business operations are organized in four divisions:

- Packaged Meats
- Fresh Pork
- Hog Production
- International

The International Division is comprised mainly of wholly owned and joint venture operations in Poland, Romania, Mexico, and the United Kingdom.

Our products are sold to more than 3,200 customers in 40 countries worldwide, including supermarket and hotel chains, wholesale distributors, restaurants, hospitals, and other institutions. We also sell to companies that further process our meats into consumer food products.

## Changes in Operations

In early 2015, we announced a realignment of our organization to unify all of our independent operating companies and brands under one corporate

umbrella. Effective March 1, the operations are organized as four divisions: Packaged Meats, Fresh Pork, Hog Production, and International.

The Packaged Meats Division includes all of the company's packaged meats business previously operated under Smithfield Farmland and John Morrell Food Group. The Fresh Pork Division encompasses the former Smithfield Farmland fresh pork operations. The Hog Production and International businesses retain their existing structures and leadership.

In June 2015, Smithfield announced the sale of our entire equity interest in Campofrio for \$354 million in cash. The sale represents approximately 37 percent of the entire issued share capital of Campofrio.

Companywide	2014	2013
Employees	48,240	46,700
Brands	13 core brands	12 core brands
Sales	\$15.0 billion	\$13.9 billion
Customers	3,200	3,200
<b>Packaged Meats Division</b>		
Pounds of packaged meats produced	2.8 billion	2.8 billion
Sales	\$7.2 billion	\$6.5 billion
<b>Fresh Pork Division</b>		
Pounds of fresh pork produced	3.9 billion	\$4.0 billion
Sales	\$5.8 billion	\$5.2 billion
<b>Hog Production Division</b>		
Sows	894,000	853,000
U.S. market hogs produced	14.7 million	16.2 million
Sales	\$3.4 billion	\$3.4 billion
<b>International Division</b>		
Sales volume (pounds)	1.5 billion	1.3 billion
International market hogs produced	2.7 million	2.5 million
Sales	\$1.7 billion	\$1.6 billion

Intercompany sales are included. For a detailed description of our businesses, read Smithfield Foods' [Form 10-K](#).  
Employee figures as of December 2014.



Sales exceeded \$15 billion in 2014.

Year Ended (\$ in millions)	Dec. 28, 2014 <sup>1</sup>	April 28, 2013	April 29, 2012
Sales	\$15,031.3	\$13,221.1	\$13,094.3
Operating profit	931.6	519.3	722.6
Net income	556.1	183.8	361.3
Capital expenditures	301.4	278.0	290.7
Working capital	2,280.4	1,805.6	2,162.7
Net debt <sup>2</sup>	2,293.0	2,159.6	1,606.6
Shareholders' equity	4,539.5	3,116.7	3,387.3
Net debt to total capitalization <sup>3</sup>	34%	41%	32%

<sup>1</sup> Smithfield switched from a fiscal year to a calendar year for 2014.

<sup>2</sup> Net debt is equal to notes payable and long-term debt and capital lease obligations, including current portion, less cash and cash equivalents.

<sup>3</sup> Computed using net debt divided by net debt and shareholders' equity.





## Our Commitment to Animal Care

We are committed to keeping animals safe, comfortable, and healthy. As the world's largest pork producer, we have a responsibility to be a leader in animal care.

In recent years, we have taken a number of steps that have placed us at the forefront of the hog production industry in the United States, from our pledge to convert housing for pregnant sows on company-owned and contract farms to our position on—and transparency around—the use of antibiotics.

### Prior Goal & Targets

#### Our Animal Care Goal

- Keep animals safe, comfortable, and healthy

#### Our Animal Care Targets

- Remain 100% Pork Quality Assurance Plus (PQA Plus®) compliant at company-owned and contract farms (meaning that farms have been site assessed and that specific employees have been certified according to PQA Plus program guidelines)
- Maintain PQA Plus certification and site assessments for all suppliers and move toward site assessments
- Complete conversion to group housing systems for pregnant sows on company farms by the end of 2017

## New Goal & Targets

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### Our Animal Care Goal

- Keep animals safe, comfortable, and healthy

### Our Animal Care Targets

- Each applicable facility to maintain a systematic program for animal care based on the North American Meat Institute's Recommended Animal Handling Guidelines and Audit Guide
- Each farm division to continue to maintain and implement updates to the company's Animal Care Management System. Hog Production Division to achieve annual audit score of excellent (97%–100%)
- Each facility/farm division that handles live animals to maintain USDA Process Verified certification
- All live animal suppliers to be certified to Pork Quality Assurance Plus (PQA Plus®)
- All live animal transporters to be certified to Transport Quality Assurance® (TQA)
- Complete conversion to group housing systems for pregnant sows on U.S. company-owned farms by the end of 2017
- Complete conversion to group housing systems for pregnant sows on U.S. contract farms and in joint ventures worldwide by 2022
- Report antibiotic usage on an annual basis

The U.S. sow housing conversion target was first announced in 2007. Operations in Poland and Romania have already completed their conversions from gestation stalls to group housing systems.

We are modernizing farms to provide more advanced housing and feed delivery systems for the animals, improving the quality of life of the pigs while making our business more competitive for the future. Our company's robust animal care management program, which guides the care of the animals at every stage of their lives—from gestation to transportation to processing—promotes their safety and overall well-being. All company-owned farm employees, contract hog producers, and plant employees who work with live animals must employ the methods and techniques of the animal care management system, and we take steps to verify their compliance. Our company has a zero-tolerance policy for animal abuse or mishandling. Learn more about [animal care at our international operations](#).

## Hog Production: 2014 at a Glance

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- World's largest hog producer
- U.S. domestic sows: 894,000
- U.S. market hogs produced: 14.7 million
- Primary breeds raised: Durocs (sires); Large White, crossbred with Landrace (females)

## Value Creation

Treating animals with care isn't just the right thing to do; it's the right thing to do for our business. The healthier the animals, the more successful our company.

Our animal care management systems, policies, and procedures are designed to ensure the proper treatment of the hogs within our Hog Production Division. The better we care for the pigs, the better our results as a whole. Our animal care performance can influence our reputation and the relationships we have with customers and consumers. It can also influence production levels: Healthy animals are more resistant to disease and gain weight faster, and healthy sows have larger litters.

Contract growing relationships provide opportunities for many hundreds of farmers to stay on their family farms, make investments for the future, stabilize their incomes, and diversify their operations. We also create markets for thousands of grain farmers across the United States and internationally who grow corn, wheat, sorghum, and other feed that we purchase.

As a vertically integrated company, we are uniquely positioned to deliver products that meet the demands of our customers in the United States and abroad. (Our Hog Production Division provides about half of the pigs for our products.) Vertical integration allows us to be responsive to customer requests in areas such as [sow group housing conversion](#), [antibiotics use](#), and production of [ractopamine-free pork](#), which is important for some export markets.

By the Numbers	2014
Contract grower payments	\$369 million
U.S. grain purchases	\$1.3 billion
International grain purchases	\$145 million

Click here for [grain purchases of our international companies](#).

## Independent Contract Growers

One of the keys to our success is the business relationships we formed with independent farmers. Contract relationships provide a level of financial stability that would not otherwise be possible for many independent farmers. Contract growers are an important part of our business structure, and they are as valuable to us as our own employees.

The contract growers are paid under agreements that typically run for multiple years. Our Hog Production Division assumes the market risks and owns the hogs. The growers are protected from market fluctuations and receive a predictable income stream.

**One of the keys to our success is the business relationships we formed with independent farmers.**

The concept of contract pork production has its origins with the founders of what later became known as Murphy-Brown LLC. All contract hog producers are required to employ the same animal husbandry methods and techniques of our company management system.

## Independent Suppliers

Another key to our success is the business relationships we form with independent suppliers. Fifty percent of our market hog supply is procured from independent suppliers; we work with more than 1,300 independent suppliers of various production sizes to supply eight processing plants throughout the Midwest and East Coast.

Independent suppliers are required to adhere to the following expectations:

- **Traceability.** All pigs must be traceable to farm of origin, including sow unit, nursery, and finishing farm.
- **Country of origin.** All pigs used in retail products must be born and raised in the United States.
- **Transport Quality Assurance (TQA) certification.** All truck drivers must be TQA certified and abide by our trucker expectations. This is verified on each load.
- **National Pork Board's (NPB) Pork Quality Assurance (PQA Plus®) certification.** All key management personnel must have PQA Plus certification. All premises, including nursery units and finishing sites, must have site status through the PQA Plus program.
- **Common swine industry audit.** Producers should follow the elements that are described in the recently adopted industry audit standards, including, but not limited to, training programs and documentation of employees who have received training; setting up standard operating procedures as listed in the audit standards; documentation that the program is being monitored; and documentation of corrective action from findings.

### Creating a Market for More Sustainable Feed Crops

Feed grains are a significant expenditure for our company's Hog Production Division—representing about 65 to 70 percent of the costs of raising hogs. We're always looking for ways to optimize our investments and find ways to control volatile prices.

But what if we could do that while simultaneously creating more sustainable alternatives to traditional feed grains, such as corn? That's exactly what we're working toward through an ongoing project in the Carolinas and Virginia focused on developing a market for winter wheat and grain sorghum. Both are sturdy crops that offer excellent sources of nutrients for pigs.



In 2012, we began looking for crops that would help reduce our dependence on Midwestern corn, which must be transported hundreds of miles by train to our Southeastern hog farms at considerable expense. But we were also looking for ways to boost incomes and productivity for farmers in our region.

"This program offers mutual benefits," says Terry Coffey, chief science and technology officer for our Hog Production Division. "We would rather spend money to encourage local farmers to produce more grain in the Carolinas and Virginia than spend money to bring grain on trains from the Midwest to the Southeast."

When we first began this initiative, North Carolina's livestock industries required 300 million bushels of grain to feed their animals each year. But the state's grain farmers were only able to produce about one-third of those bushels. In other words, the state had a huge grain deficit.

### Benefits of Alternative Crops

Grain sorghum (also known as milo) and winter wheat have significant potential for increased production. Like corn, grain sorghum is planted in the spring for harvest in the fall. Sorghum is naturally drought-tolerant, making it especially advantageous for hot, arid regions or areas with periodic water shortages. Sorghum's low fertilizer demand reduces the risk of nutrient leaching and, thus, soil and water pollution. In addition, sorghum has a relatively short vegetation cycle, which also helps reduce demand for fertilizers and pesticides.

Wheat is grown over the winter when rainfall in the Southeast is more plentiful. Sorghum and wheat grains can be grown on the same fields in the same year (known as double-cropping) to allow for sustainable intensification of production.

We have partnered with universities and agencies to expand sorghum and wheat farming, providing more than \$1.5 million of funding through 2014 to researchers at Virginia Tech College of Agriculture and Life Sciences, North Carolina State, and the North Carolina Biotechnology Center. We have committed another \$760,000 in grants through 2016. Scientists and agriculture experts are using these funds to conduct studies on topics ranging from the best varieties of sorghum to grow in the southeast climate to disease management practices.

In partnership with university and state agronomists, we are actively encouraging farmers who do not achieve profitable corn yields or who farm on marginal soils to switch to sorghum—or to double-crop with sorghum after winter wheat. Both grains cost less to grow than corn and often produce more consistent yields.

Our company pays sorghum farmers 95 percent of the harvest cash price of corn, making it an economically attractive alternative. Sorghum typically costs farmers less to produce than corn, yet they can make almost as much when they sell sorghum on the open market as they can make when they sell corn.

We are also supporting Official Variety Tests, known as OVTs, of sorghum crops across the Carolinas and Virginia to help farmers make comparisons between different types of sorghum. This will enable them to make better decisions of the seed type that is most appropriate for their specific soils and locations.

“If we focus on delivering new technology and better management information to farmers, we’ll see better production,” Coffey says. “And since Smithfield is giving farmers a viable market for their grains, we’ll see economic impacts across our region.”

Several years ago, only 5,000 acres of sorghum were grown in the region from which Smithfield buys grain in the Carolinas and Virginia. The amount planted each year varies based upon weather and market conditions. In calendar year 2014, it was around 50,000 acres—about 50 percent of which was purchased by Smithfield. Wheat acres have doubled to almost 1 million, with 10 percent increased yields.

Coffey says Smithfield saves at least \$5 million a year by increasing local sorghum and wheat purchases rather than bringing in corn by train from the Midwest. (A local buying effort has also resulted in us purchasing more corn that is grown in North Carolina, saving an additional \$6 million that would have otherwise been used for transporting Midwestern corn to the East Coast.)

Ron Heiniger, a cropping systems specialist at North Carolina State University, is one of the researchers working with us on the sorghum initiative. About 15 years ago, he worked on some sorghum trials in the Southeast. “We were disappointed because we thought sorghum would be a really good fit for this area,” he says. But he and other researchers couldn’t find a way to push farmers to adopt the crop, in part because there wasn’t a market for it.

Now, Smithfield provides an outlet for farmers to sell what they grow. Moreover, new research has developed hybrids and improved management techniques that allow farmers to overcome barriers, such as disease.

“This collaboration is solving a lot of the problems that had prevented sorghum from being adopted by growers in the Southeast,” he said. “Without a market, there’s no crop, so the fact that Smithfield stepped forward to establish one is a huge step in the right direction.”

He is focusing now on helping farmers achieve yields of 100 bushels to the acre. Current yields average about 78 bushels to the acre. But he’s convinced that 140-bushel yields aren’t out of the question. Corn yields can vary significantly by region, but in the Southeast, the yields typically hover around 120 bushels per acre.

Maria Balota, an associate professor of crop physiology at Virginia Tech, says Smithfield has not only created a market for sorghum, but also has provided the opportunity for research-based justification on why farmers should grow it. “Farmers need a grain crop that can be grown right after wheat, in addition to soybean, for good crop rotation,” she says. “I do not know of a better crop than sorghum for this purpose.”

Thanks to a variety of research projects sponsored by Smithfield, she says, farmers in the region now better understand which are the most profitable sorghum hybrids for the region—and how to grow them.

North Carolina Sorghum Production	2011	2012	2013	2014
Acres of sorghum farmed in Smithfield's trade area	5,000	72,000	100,000	50,000
Bushels of sorghum produced in North Carolina	250,000	5.4 million	7.2 million	3.9 million
Bushels of sorghum purchased by Smithfield	70,000	2 million	2.7 million	2 million

Smithfield's trade area includes North Carolina, southeastern Virginia, and northeastern South Carolina. Much of the region's sorghum crop is planted following the wheat harvest. In 2014, wheat harvesting was delayed due to wet weather, which impacted the ability to plant subsequent crops of sorghum.

Read about our programs to [convert hog manure into valuable energy](#).

## Animal Care Management

As the world's largest producer of pork, our Hog Production Division raises pigs on approximately 460 farms that it owns in the United States alone.

In addition, the division contracts with approximately 2,100 contract hog farms (also known as contract producers) that raise company-owned pigs in the United States. Additionally, meat processing facilities purchase pigs from large numbers of independent hog producers.

### Smithfield Animal Care Policy



Our Animal Care Policy, which applies to company farms, to contract producers, and to processing plants, underscores our commitments to providing the following:

- Shelter that is designed, maintained, and operated to meet the animals' needs;
- Access to adequate water and high-quality feed to meet nutritional requirements;
- Humane treatment of animals that enhances their well-being and complies with all applicable laws and regulations;
- Identification and appropriate treatment of animals in need of healthcare; and
- Use of humane methods to euthanize sick or injured animals not responding to care and treatment.

Our Animal Care Policy, which applies to company farms, to contract producers, and to processing plants, articulates a commitment to sound animal care and identifies five specific areas of responsible practices. (Our international operations have their own animal care policies, which are modeled after our domestic operations. See the [International Animal Care](#) section of this site for more information.) Suppliers that provide animal products to our facilities are expected to have similar operating policies and procedures in place to ensure the proper care of their animals during all stages of production, transportation, and processing.

Adherence to the Animal Care Policy is a condition of employment at Smithfield and a condition of agreements with contract producers. Contract producers found to be in violation of these agreements must take appropriate corrective actions. Those growers who fail to take corrective action or who are found to condone willful abuse or neglect of animals are subject to immediate termination. In the past 11 years, our Hog Production Division has terminated contracts with 11 contract growers who did not manage their farms in accordance with their contract commitments and the standards we require. (We did not have any contract terminations in 2014.) We encourage anyone who observes neglectful or abusive behavior on farms to anonymously contact our toll-free reporting hotline.

## Industry Relationships

Smithfield Foods is a member of several important national associations that work on behalf of the pork industry. In addition to the individuals listed below, several more employees serve on committees and subcommittees of industry groups.

**The National Pork Producers Council (NPPC)** engages in public policy issues on behalf of the industry, with a mission of protecting the livelihoods of America's 67,000 pork producers. One of Smithfield's management team, Don Butler, served as president of NPPC in 2009. One of the contract growers, R.C. Hunt, served as president of the NPPC from early 2012 through early 2013. Hunt is the president and co-owner of Andrews Hunt Farms in Wilson, North Carolina. Two Hog Production Division employees have served on the board of directors. Ray Summerlin of Rose Hill, North Carolina, served on the board from 2012–2014. Kraig Westerbeek joined the board in 2015.

**The National Pork Board (NPB)** is a quasi-governmental body of the United States created by Congress in 1985. The board is responsible for performing industry-related research and promoting pork as a food product. The U.S. Secretary of Agriculture appoints 15 pork producers or importers to serve on the board. Activities are funded by the mandatory National Pork Checkoff, which requires producers to pay into a marketing fund based on animal sales. Chris Hodges, one of our former executives, assumed the role of NPB chief executive officer in February 2015. He had previously been a board member of the NPPC. Conley Nelson, general manager of our Midwest Hog Production Division, served as president of the NPB in 2012–2013.

**The Pork Checkoff** funds research, promotion, and consumer information projects. Funds come from pork producers, who invest 40 cents for each \$100 value of hogs sold.

**The North American Meat Institute**, a national trade association, keeps its fingers on the pulse of legislation, regulation, and media activity that impacts the meat and poultry industry. It conducts scientific research through its foundation designed to help meat companies improve their plants and products.



## The Animal Care Chain



All hog farms must adhere to the guidelines of the National Pork Board (NPB) Pork Quality Assurance Plus (PQA Plus®) program. PQA Plus provides guidelines for proper care of animals to ensure optimal health and well-being. It includes on-farm assessments and third-party verification that proper care is being implemented.



All drivers who transport our animals, including contract and supplier drivers, must be trained and certified under the National Pork Board's Transport Quality Assurance (TQA) program. TQA provides education for transporters, producers, and animal handlers on all aspects of hog handling and transportation.



Animals are treated with respect at processing plants, just as they are when growing at farms. Each plant uses a systematic approach to animal care that includes the Smithfield Animal Handling & Welfare Quality Management Plan, a comprehensive training program, and internal and third-party audits.

## Animal Care Systems

We created our own animal care management system more than a decade ago. Developed in consultation with two of the world's foremost experts in animal behavior and handling, this system—which we frequently revise and update based on the latest science—still guides farming and processing operations today.

Recently, we worked with the industry to help the National Pork Board (NPB) draft a new common industry animal care audit platform to be recognized by pork producers, packers, and processors. The platform, released in 2014, builds upon the National Pork Board's Pork Quality Assurance Plus (PQA Plus®) program and is very similar to what we had already been requiring at the farms. We are committed to participating in this new national audit platform in order to create a standardized, common process for humane animal handling across our industry. The goal of the new framework is to provide customers and consumers with additional assurance that we are doing our part to raise animals in the most humane manner possible.

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**“As packers, we operate between our suppliers—the pork producers—and our customers—those who are selling pork to consumers. The eye of the public is on where their food comes from and how it is raised. Meeting the demands of our customers, while still appreciating the challenges of our producers, is tough. We are very pleased that these [new common audit] tools will be available to the pork industry to demonstrate the progress we continue to make with on-farm animal care.”**

—Chris Hodges, former senior executive and current chief executive officer of the  
National Pork Board

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All hog production employees and plant employees who work with livestock undergo animal care training. On farms, for example, new employees undergo training during an initial 90-day probationary period. These new workers must demonstrate competence in animal handling techniques and a thorough understanding of our corporate Animal Care Policy before the probationary period ends. We provide written manuals and videotaped training programs in English and Spanish, along with on-the-job training and mentoring with experienced animal handlers. Regular training programs continue throughout an employee's career.

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## Auditing

Auditing is an essential part of the animal care program at our farms and at our plants.

### On Farms

On farms, our rigorous internal and external auditing program was developed in consultation with external animal experts who systematically reviewed our auditing protocols and recommended improvements. Today, trained internal auditors conduct annual animal care audits on every company-owned farm across the country. External auditors, meanwhile, conduct random, unannounced visits at farms. The purpose of the third-party audits is to verify that our animal care auditing program is working as designed and that farms are compliant with our Animal Care Policy.

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**Today, trained internal auditors conduct annual animal care audits on every company-owned farm across the country. External auditors, meanwhile, conduct random, unannounced visits at farms.**

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All company-owned and contract farms are subject to random, third-party verification and site assessments under the National Pork Board's (NPB) Pork Quality Assurance Plus (PQA Plus®) program, which forms the basis for the new common industry audit platform. Smithfield is 100 percent PQA Plus compliant at all company-owned and contract farms. The PQA Plus program complements existing procedures at hog raising operations, supplementing the internal evaluations of day-to-day practices. Regular evaluation and training allow us to identify any areas of concern and make adjustments to procedures before problems occur.

## At Processing Plants

We treat animals with respect at processing plants—just as we do when they are growing at farms. All slaughter facilities use a robust, systematic approach that includes comprehensive employee training in line with our Animal Handling & Welfare Quality Management Plan. These operations are also subject to internal and external third-party audits.

We developed a quality management program following the standards set in the U.S. Department of Agriculture's (USDA) [Process Verified Program \(PVP\)](#). Our PVP program monitors several key aspects of production, including traceability to farm of origin in the United States; PQA Plus program adherence on farms; and Transport Quality Assurance (TQA) status of livestock haulers. Our PVP program is verified by the USDA Agriculture Marketing Services Quality Auditing Division each year to ensure that plants and suppliers are adhering to our PVP elements.

In addition to the PQA Plus requirements, all eight animal processing plants follow a quality management program based on the North American Meat Institute's [Recommended Animal Handling Guidelines & Audit Guide](#). The Guidelines, which were revised in 2013, were first developed by Colorado State University's Dr. Temple Grandin, who has provided Smithfield with her animal welfare expertise for many years.

Together, these programs help ensure that the animals that come to the plants were raised where management systems address health, animal well-being, and proper use of antibiotics. All suppliers are certified to the PQA Plus guidelines, and over 90 percent of our supply has gone through the on-farm site assessment portion of the NPB's PQA Plus program.

In November 2014, following the release of the NPB's new common industry audits, production plants sent letters to all pork producers to update them of our expectations for suppliers, especially those suppliers that are not part of our Hog Production Division's network of company-owned and contract farms. (Approximately half of all the pigs received at plants are raised by independent suppliers.)

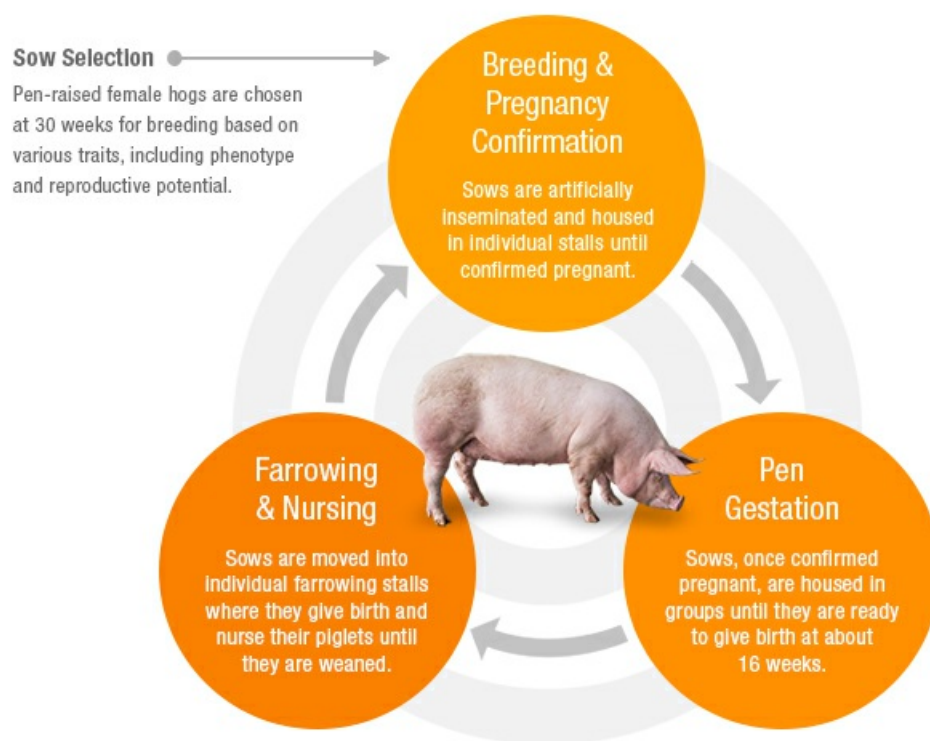
With the initiation of this audit, we took the opportunity to update and renew our supplier expectations, including traceability, country of origin, TQA certification, PQA Plus certification, and random third-party auditing, which we started in January 2015.

## Housing of Pregnant Sows

In 2015, our Hog Production Division made significant strides transitioning pregnant sows on company-owned farms to group housing systems.

As of December 31, 2015, 81.8 percent of our company-owned farms housed pregnant sows in group systems. Back in 2007, based on input from our customers, we made an industry-leading decision to convert to group housing for pregnant sows on all company-owned U.S. farms by 2017. We are on track to meet this goal, with more than seven out of every 10 pregnant sows now in group housing systems. (Individual stalls are still used for breeding and farrowing.)

### Group Housing System for Pregnant Sows



We have also recommended that contract sow growers in the United States convert their facilities for pregnant sows by the year 2022. Contract sow growers who elect not to participate won't be guaranteed contract extensions. We are providing guidance and expertise to contract growers to help them through the conversion process.

Worldwide, we have pledged to convert all company sow farms by 2022. Operations in Poland and Romania have already completed their conversions from gestation stalls to group housing systems, and our joint ventures in Mexico are currently working toward the 2022 goal.

### A Challenging Task

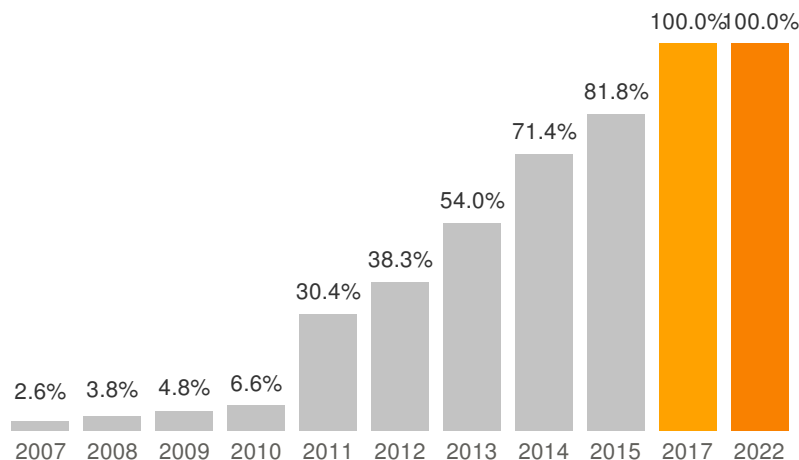
So what, exactly, does it take to make these conversions? And why has it been such a challenging task?

For starters, no two farms are exactly alike, with each one demanding a different approach. Group housing systems require substantially more square footage than individual stalls. To maintain the same number of sows on a farm, new barns must be built or existing ones expanded. This process

typically leads to additional construction work, such as moving septic systems, changing the location of farrowing barns, digging new wells, or removing buried utility lines. Feeding and watering systems very often need to be changed, and ventilation systems may need to be revamped.

## Percentage of Sows in Company-Owned Group Housing

GOAL 2017: U.S. Company-Owned Farms  
GOAL 2022: Contract Producers and International Farms



We estimate the overall costs for conversion will be approximately \$360 million for all company-owned farms by the time we complete the process.

Dave Elkin, director of engineering and technical services for our North Carolina-based Hog Production Division, oversees the conversion projects in the Southeast. In 2014, he and his team of 13 surveyors, designers, engineers, and project managers worked on conversions for 50,000 sows in North Carolina alone.

**“We look at the big picture and come up with a construction plan that will keep the farm in top form for another 20 years. We want to do things right so the farm is in even better condition after we have finished the housing conversion process.”**

**—Dave Elkin, director of engineering and technical services, Hog Production Division**

The first thing Elkin does in preparation for a conversion is to evaluate the overall site and determine whether aging equipment will need to be repaired or completely overhauled as part of the process. We also look at the environmental sustainability of each farm, including the waste treatment system, acreage needed for spray fields, nutrient utilization plans for crop production, storm water drainage, and road maintenance.

“We look at the big picture and come up with a construction plan that will keep the farm in top form for another 20 years,” Elkin says. “We want to do things right so the farm is in even better condition after we have finished the housing conversion process.”

Each conversion typically takes the better part of a year, from the very initial engineering and structural evaluations to completion. At the start of each farm conversion, Elkin and his team meet with farm managers and staff to understand specifics of their barns and to hear employees’ ideas for repairs and upgrades that can be carried out simultaneously.

In some cases, we are able to keep the animals on the farm while we are creating new housing systems. In other instances, we need to remove the

animals and find places for them at nearby facilities. When the animals do stay on the farm, **biosecurity** becomes a significant issue because we have teams of contractors and tradesmen (masons, carpenters, electricians, plumbers ventilation experts, etc.) coming in and out each day to work on the conversion.

Jimmy Mauney manages seven sow farms in Jones County, North Carolina; all of them have been converted. Five of the farms removed the hogs during the process; the other two were retrofitted with the animals on-site.

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**“I was very impressed with the company’s commitment and the amount of money they spent to change the systems.”**

**—Jimmy Mauney, manager of seven sow farms in Jones County, North Carolina**

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Once the barns were converted, Mauney’s staff of about 100 employees was retrained because sows housed in group systems require different management practices than those in individual stalls. For example, employees monitor the animals to protect docile sows from harassment by more aggressive sows. In addition, group pens make it more challenging to observe pregnant females that are in need of medical attention.

While he admits that the conversion process was “very stressful,” Mauney says he appreciates that Elkin and the engineers took employees’ viewpoints into consideration to make improvements that benefited both the animals and those charged with caring for them.

“I was very impressed with the company’s commitment and the amount of money they spent to change the systems,” says Mauney, who grew up on a sow farm and has worked with our hog production operations for more than a decade. “The company took care of additional improvements that went above and beyond gestation housing and did simple things, such as adding more lighting at some of the barns, which makes it easier for employees to take care of the pigs. And they changed the ventilation systems to make them more up-to-date and easier for our people to manage. They took care of all the little things that make a farm run much more smoothly.”

We’re also considering other changes that could improve animal well-being. For example, we’re partnering with Australia’s Pork Cooperative Research Center (CRC)—a pork industry/government alliance—and with researchers from Ohio State University to evaluate the amount of floor space allocated per sow and how it impacts animal well-being.

## Housing Systems

Generally speaking, the U.S. pork industry uses three types of housing arrangements for pregnant sows: individual stall housing, free-access pen housing, and small group housing. We are converting to free-access and small group housing at all company-owned farms. To date, our Hog Production Division has implemented more small group housing than free-access.

**Individual sow housing.** Historically used by most of the pork industry, this system puts pregnant sows in individual stalls for the duration of their pregnancies. This system allows for individual medical care and attention, minimizes fighting between sows, and allows personnel to monitor a sow's pregnancy more accurately.

**Free-access pen housing.** In this system, a large group of sows (between 30 and 40) has access to a common area for lounging and exercise, as well as access to individual stalls for feeding. Sows can come and go as they please and can close a gate behind them in the stalls if they choose. On company-owned farms, we have observed that about 90 percent of sows choose to spend a majority of their time in the individual stalls rather than in the common area.

**Small group housing.** This form of housing allows small numbers of sows to be in a common open pen once they are confirmed to be pregnant. These pens typically include individual feeding stations, which help to minimize fighting among sows for feed.



## Antibiotics Use

We believe “Good food. Responsibly.®” means providing people with safe food they are confident serving to their families. One way we honor that promise is through our strictly controlled use of antibiotics to care for company-owned and contract animals and to provide consumers with the safest food possible.

We don't raise all the animals that come through our processing facilities. For our outside suppliers, we support the U.S. Food and Drug Administration (FDA) 209 and 213 guidance for industry, which will become mandatory at the end of 2016, and requires that medically important antibiotics not be used for growth promotion across the industry.

### Let's Start with the Basics

There are two kinds of antibiotics: those used both in human and animal health (medically important antibiotics) such as penicillin, for example, and those that are only used in animal health (non-medically important antibiotics). We use both types of antibiotics, as authorized or prescribed by company veterinarians, to control, treat, and prevent disease. We do not, however, use medically important antibiotics to promote growth or for feed efficiency on farms.

### Our Guiding Principles

- **Control disease.** We administer antibiotics to our animals for a limited period of time to reduce the chance of spreading a specific disease following exposure.
- **Treat disease.** We administer antibiotics to treat sick animals.
- **Prevent disease.** We administer antibiotics to healthy animals when they may be exposed to a particular disease that exists on our premises or is likely to occur.

### Our Commitment

We understand that potential antibiotic resistance is a public health concern, which is why we use antibiotics in a sustainable and responsible way on company-owned farms and why we are voluntarily aligning our animal health policies with the FDA guidance for industry. This allows us to do our part to curb resistance while promoting the health of humans and animals. Visit the [FDA site](#) to learn more.

### Glossary of Terms

- **Judicious use of antibiotics** means the responsible use of medically important antibiotics in food production animals. Use of medically important antibiotics to promote growth is not considered a judicious use.
- **Withdrawal timelines** is the time frame set by the FDA to assure that the medicine is safely eliminated from the animal's system.

Our robust animal health management program, overseen by staff veterinarians, unifies our commitment system-wide. It maintains judicious use of antibiotics to produce healthy animals and make our food supply safe. The independent animal suppliers we work with are encouraged to judiciously administer all medications as well. Our veterinarians ensure sound animal care practices and good nutrition, perform preventive health examinations, authorize or prescribe vaccines and antibiotics, and are proactive in assessing potential health threats.



## Preventive Management

All antibiotics used on company-owned farms are pre-approved by a licensed veterinarian, and a written authorization or prescription is also required before they are administered to any animals. We take antibiotics use seriously; usage is guided by extensive and regular diagnostic testing and analysis to ensure sound practices. Antibiotics are only administered after careful evaluation of a group of pigs to determine the optimal minimum amount of medication necessary.

Employees who are responsible for using antibiotics are thoroughly trained to follow all applicable laws including the FDA's antibiotic usage policies and antibiotic withdrawal timelines.

Verifying diligence on farms is extremely important. We keep accurate records to track use of antibiotics on company-owned farms and began reporting antibiotics usage in 2007. Today we're the only U.S. hog producer to publicly provide this information. And to ensure we're always improving animal care and providing high-quality, safe food, we conduct ongoing research to identify new technologies and procedures that improve animal health while minimizing antibiotic use.

### Supporting Antibiotics Research

In late 2014, we pledged \$1.4 million to support scientific studies on antibiotic alternatives at the Virginia Tech College of Agriculture and Life Sciences and the Virginia-Maryland College of Veterinary Medicine.

Researchers will be using the funds to investigate methods that enhance animal well-being and production efficiency in swine-rearing operations.

The contribution, which will be paid out over three years, will pay for three projects that aim to improve animal health, reduce the use of antibiotics, and find alternative production methods for hog farming.



## Antibiotics Reporting

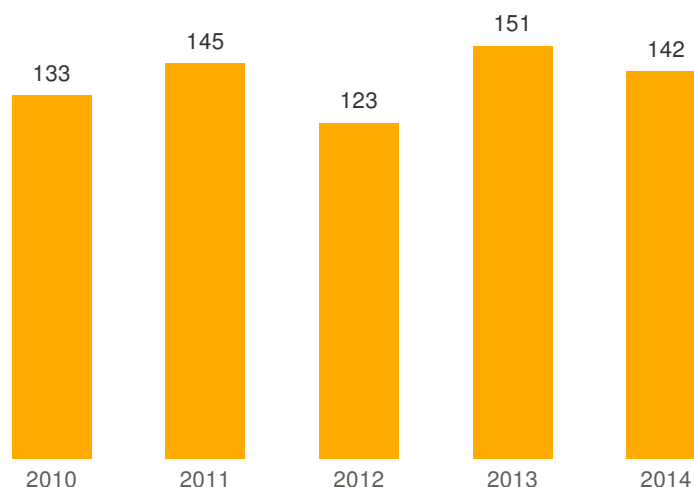
We report antibiotics use data based on the total active ingredient given to the pigs through feed as well as via water and injections. For 2014, the total was 142 milligrams per pound.

In 2013, we refined our metrics to provide a more meaningful, accurate measurement. In prior years, data were calculated based on quantities of only feed-grade antibiotic products purchased each year. These products, which are bought premixed, contain active ingredients (the antibiotic itself) and inactive ingredients (such as roughage and minerals), both of which vary widely depending on the manufacturer. The new metric is more accurate because it accounts for total active antibiotics ingredients only.

The amount of antibiotics used varies from year to year based on a number of factors including weather conditions, emergence of illnesses, inventory decisions, type of antibiotic used (feed, water, or injected), and active ingredient concentration.

## Antibiotics Used

(milligrams per pound)



In 2014, we changed from fiscal year to calendar year reporting. Data prior to 2014 cover the periods from May 1 through April 30. Data for 2014 is for the calendar year.

## Antibiotics Regulations

Every antibiotic we use is regulated by the U.S. Food and Drug Administration (FDA). All company-owned hogs comply strictly with all antibiotic withdrawal timelines—the amount of time needed to allow the antibiotics to clear an animal's system before slaughter—as established by the U.S. Department of Agriculture (USDA) and the Food Animal Residue Avoidance Databank.

Some countries, such as Japan, Russia, and several nations in the European Union (EU), require farms and suppliers to make specific adjustments to those requirements. We always adhere to the guidelines of those countries with which we do business.

Domestically, the USDA monitors meat and poultry to ensure that there are no antibiotic residues that exceed the safety levels established by federal agencies. The National Residue Program (NRP) tests animal tissues to monitor antibiotic residue. Research from the National Antimicrobial Resistance Monitoring System—a collaboration among the Centers for Disease Control and Prevention (CDC), the FDA, and the USDA—shows that antibiotic resistance in animal products and food-borne diseases has been steady or declining in recent years.

## Ractopamine-Free

Ractopamine is a safe and effective U.S. Food and Drug Administration (FDA)-approved feed supplement that has been used by the hog farming industry for many years to produce leaner pork. The supplement, which is widely used in the United States, is part of a healthy, balanced diet for growing hogs.

However, a number of nations ban the use of ractopamine. China, Russia, and the European Union (EU) countries, for example, require third-party verification that pork is ractopamine-free. To meet this demand, we have leveraged our vertically integrated platform to produce meat that is free of the supplement for certain export markets. Some plants now produce meat that is 100 percent ractopamine-free. We will continue to produce pork with and without this supplement, according to customer specifications.

## Piglet Care

Our Hog Production Division makes certain animal care choices to help ensure that piglets are safe and healthy and that the pork products produced meet customer expectations.

Although controversial for some, we believe the procedures we follow make the pigs more comfortable during their lives and improve the flavor of their meat. The procedures, which include tail docking and castration, are consistent with our [Animal Care Policy](#).

As part of our efforts toward continuous animal care improvement, we have been exploring alternatives to surgical castration. The standards we follow are all approved by the American Association of Swine Veterinarians (AASV) and the American Veterinary Medical Association (AVMA).

## Humane Euthanasia

There are times on farms when employees must humanely euthanize pigs—typically following injuries or illnesses.

Employees are trained by Hog Production Division veterinarians in accordance with the recommendations of experts, including the American Association of Swine Veterinarians (AASV) and the National Pork Board (NPB). We regularly review operating procedures around euthanasia to ensure that we are using the most appropriate methods, based on the size and weight of the animals involved.

We have invested in research to understand which techniques cause the least pain and stress to the animals and to their handlers. For pigs weighing less than 65 pounds, we use either carbon dioxide (CO<sub>2</sub>), which causes painless loss of consciousness and death, or a device called a non-penetrating captive bolt gun, which administers a controlled blow to the head without breaking the skin, instantaneously rendering the animal insensible and causing a quick death. For pigs larger than 65 pounds, we use a penetrating captive bolt gun that fires a retractable metal bolt into the brain, resulting in insensibility and death.

According to the AASV, humane methods will achieve the following:

- Minimize pain and distress to the pig during administration;
- Cause rapid loss of consciousness; and
- Result in death quickly and consistently.

In 2014, we unfortunately had to euthanize more pigs than typical in a year because of the Porcine Epidemic Diarrhea Virus (PEDV).

### A Terrible Epidemic

Its grisly name reflects the gruesomeness of the disease itself: Porcine Epidemic Diarrhea Virus, otherwise known as PEDV. It showed up without warning in the United States in the spring of 2013, leaving millions of piglets dead in its wake.

Veterinarian Dr. Mary Battrell, who works in our Hog Production Division, had never seen a disease move as rapidly through a sow farm as this one did. “Once it arrives on a farm, it just spreads like wildfire,” she said. “Within 24 hours, it will cause all piglets to develop severe diarrhea. Few pigs under five days old will survive.”

Across the U.S. industry, upward of 9 million piglets are estimated to have succumbed to the highly contagious disease between May 2013 and early 2015. Combined financial losses for the industry are believed to be in the hundreds of millions of dollars, if not exceeding \$1 billion. And while the disease abated in the later months of 2014, pockets of PEDV continued to show up on farms in the early part of 2015.

First recognized in England in 1971, the virus had been known to hog farmers across Europe and, more recently, in China, Korea, and Japan. Affecting only pigs, the disease poses no risks to humans or other animals and does not impact the safety of pork.

No one knows for sure how it got to North America, but feed is one of several sources of speculation. We saw the disease first appear on company-owned and contract grower farms in North Carolina in late June and July of 2013. At first, Dr. Battrell thought that the virus could be confined to just a few isolated farms through the use of proven biosecurity measures. But by the time September rolled around, it was clear that PEDV had reached full-blown epidemic force.

PEDV is typically transmitted through infected feces that can be carried by pigs, trucks, boots, or clothing. Related to a type of gastroenteritis, it causes acute diarrhea and vomiting within 12 to 36 hours of onset. The mortality rate is extraordinarily high for young animals—nearly 100 percent in pigs that have not yet been weaned from their mothers. The disease attacks the pigs’ intestines, ruining their ability to absorb nutrients from food.

Older pigs will also suffer from PEDV-related symptoms, but they typically recover after several days. Once sows have had the disease, they build

up an immunity to it, which can then be passed to their offspring through their milk.

## Stepping Up Biosecurity

After we realized how severe the epidemic was, our only option was to step up our already strict biosecurity measures. PEDV jumps quickly from one facility to the next. If one sow farm had an outbreak, a sow farm within a one-mile radius had an 85 percent chance of also becoming infected with the virus.

Enforcing even more stringent biosecurity was a logistical nightmare, Dr. Battrell said. The Hog Production Division created special wash stations for vehicles to be sanitized and disinfected. Feed trucks had to save their deliveries to PEDV-positive farms until the end of their days to limit the chances that they would carry the disease to another farm.

## An Emotional Toll

Beyond the hard physical work, the disease took an emotional toll on farm staff and contract growers. The staffers would do their best to keep the piglets hydrated. But there was nothing else they could do.

Dr. Battrell and other veterinarians spent many sleepless nights dealing with the virus and worrying about where it would strike next. Dr. Battrell is still concerned. Although many of the farms have now built up immunity to the disease, we don't know how long that immunity will last. Younger sows that have not been previously exposed are constantly entering farms; another outbreak could impact their health and that of their future offspring.

Commercial vaccines mitigate the impact of the disease, but they do not keep a farm from suffering an outbreak, and there is not yet a proven way to completely halt the disease's spread.

Those who work on pig farms know that the pigs they care for will, eventually, be slaughtered for meat. But there's a big difference between that eventuality and watching baby piglets suffer from the ravages of a deadly virus.

"The job of farm workers is to keep pigs healthy—that's what they do for a living. Now, all of a sudden, we're telling employees that they can't save these pigs," Dr. Battrell said. "It really was tragic."

## Biosecurity

Porcine Epidemic Diarrhea Virus (PEDV) highlighted once again how critical biosecurity is to our operations and to the safety of the animals.

Our biosecurity policy is divided into two parts:

- The animal production process at the individual farm, and
- The movement of vehicles, animals, personnel, and equipment between farms.

Our Hog Production Division has procedures to prevent contaminants from being brought onto farms, including a “shower-in” process before entering a sow farm. All employees and visitors must take a shower and change into clean clothing before entering the farm. A “shower-out” procedure is required when leaving.

Equipment and supplies delivered to the sow farm must be disinfected prior to being allowed inside the farm complex. Additional biosecurity measures are taken on genetic farms and at locations where semen collection for the artificial insemination process occurs.



## Safe Transportation

Transportation of animals from farms to processing plants is an important element of our animal care program.

All drivers who transport company-owned animals must be trained and certified under the National Pork Board's (NPB) Transport Quality Assurance® (TQA) program, which provides education for transporters, producers, and animal handlers on all aspects of hog handling and transportation.

We comply strictly with federal animal transport time guidelines and have systems in place to maximize the comfort and safety of the animals. For example, strategically placed fans and water misters help maintain animal comfort in hot weather.

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**Each year, millions of pigs are transported over many miles between farms and from farms to processing plants. The vast majority of those trips occur safely and without incident.**

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In a typical year, between 85,000 and 90,000 truckloads of animals are transported from farms to processing plants. About 60 percent of those loads are hauled by company trucks and company drivers.

### Transportation Accidents Involving Market Hogs

Each year, millions of pigs are transported over many miles between farms and from farms to processing plants. The vast majority of those trips occur safely and without incident. Nevertheless, accidents do occasionally happen.

Our live-haul accident-response procedures are widely regarded by animal care experts as the best in the industry. Our Hog Production Division has five equipment trailers, known as "rescue units," pre-positioned in key areas where our business activity is concentrated. These trailers are stocked with a variety of equipment, such as lights, penning equipment, saws, generators, and other devices that are needed when a truck carrying animals is involved in an accident. When an accident occurs, designated company employees are dispatched to pick up a rescue unit and bring it to the accident site. Our aim is to have a rescue crew arrive at an accident site within the first hour of the incident. We carefully monitor all of the rescued animals that are brought to a plant to make sure they have not been injured. Injured animals that are humanely euthanized do not go into the food supply.

We look for new ways to improve transportation to benefit the animals and the employees who work with them. For example, in recent years we have incorporated unloading doors with wide chutes on trailers at many plants. This reduces the stress as pigs exit the vehicles.

Market Hog Transportation Accidents	2010	2011	2012	2013	2014
Total number of loads hauled	93,973	90,916	84,633	89,351	80,894
Number of accidents	9	4	14	4	4
Market hogs involved	1,609	706	2,234	713	710
Market hog transportation fatalities	466	208	695	66	234

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In 2014, we changed from fiscal year reporting to calendar year. Data prior to 2014 cover the periods from May 1 through April 30. Data for 2014 is for the calendar year. Number of loads hauled in 2014 declined as a result of the Porcine Epidemic Diarrhea Virus (PEDV).

Read about [safe transportation in our international operations](#).

## Animal Care Policy

Smithfield Foods is committed to being the industry leader in animal care practices to assure respectful and humane treatment of animals, to produce wholesome food products, and to analyze our operations and practices, including internal and independent third-party audits, to ensure continual improvement.

All Smithfield Foods operations involved with the production or processing of live animals are required to provide the following:

- Comprehensive written animal care programs to ensure animal well-being.
- Shelter that is designed, maintained, and operated to provide a physical environment that meets the animals' needs.
- Access to adequate water and high-quality feed to meet animal nutrition requirements (production facilities) and in accordance with the Humane Methods of Slaughter Act 1978 (processing facilities).
- Humane treatment of animals that ensures their well-being and complies with all applicable legal and regulatory requirements.
- Identification and appropriate treatment of animals in need of care.
- Humane treatment of animals that meets or exceeds the requirements of the Humane Methods of Slaughter Act of 1978, and all applicable American Meat Institute Animal Handling Guidelines (processing facilities).
- Timely use of humane methods to euthanize sick or injured animals not responding to care and treatment.

Adherence to the principles of this policy is a responsibility and requirement of those who interact with animals that are owned or processed by Smithfield Foods' divisions. Willful neglect or abuse of animals will not be tolerated and will result in immediate termination. Offenders may also be subject to criminal prosecution under applicable laws.





## Our Commitment to Employees

At Smithfield, we pride ourselves on being a people-oriented company. Although we have grown and changed greatly over the decades, the principle of respecting and caring for one another has remained constant.

The 48,000 employees across our divisions are fundamental to our success, and we strive to create a fair, ethical, and rewarding work environment. We want employees to spend their careers at Smithfield, and we encourage them to continue their education and training while they work with us. Our divisions place a priority on promoting employees internally and support education opportunities, including internal training, scholarships, and tuition reimbursements that can advance employees' careers.

### Employees at a Glance

48,000 strong across the globe

Turnover 21.3%–32.4%

\$850,000 in higher education programs

Work in the meat production industry is extremely demanding, with average employee turnover rates in the industry hovering around 50 percent. We are pleased to report that our turnover rates are significantly lower than the industry average. In 2014, turnover ranged from 23.1 to 32.4 percent across our divisions. We have achieved these results by emphasizing safety and training alongside employee engagement and health and wellness activities. There is still room for improvement and we are committed to continuing this work, but we are proud of the results we have achieved so far.

And we believe that keeping employees on the job for the long term is a win-win proposition: Employees get a chance to advance within the company and earn more pay, while our divisions benefit from their knowledge and expertise.

## Value Creation

We create value through the employment of 48,000 people, many of them in rural areas where there are limited job opportunities.

Our operations also contribute to the economic stability and development of local communities, where we purchase goods and services and where employees reside.

By the Numbers	2014
Total salaries and wages (including bonuses and stock options)	\$1.7 billion
Total benefits (including pension)	\$282 million
Total compensation expense (excluding payroll taxes)	\$2.0 billion

One important way that we create value through our operations is through a commitment to buying feed grain from local farmers. Since 2011, we have invested \$12.4 million in upgrading feed mills, which has provided a greater capacity to source grains closer to our operations. In 2014, our Hog Production Division purchased more than 68 million bushels, worth nearly \$371 million, from local farmers, an increase of 27 percent over 2013. To develop and maintain a skilled workforce, we invest in employee training, workplace safety, and health and wellness activities. These programs can have an impact on our bottom line, particularly around the following issues:

- Workplace safety
- Workers' compensation costs
- Absenteeism
- Employee satisfaction and engagement
- Turnover rates

## Employee Relations

Employees at every level work hard to achieve our successes, so we are committed to meeting their needs, addressing their concerns, and helping them enjoy long careers with our company.

We engage with employees through management safety committees and have taken steps across operations to evaluate—and enhance—employee satisfaction. We offer competitive wages and benefits, a strong pension plan after five years' employment, educational scholarships, and a variety of continuing education and personal enrichment programs.

Our Workforce	
Total workforce	47,641
Packaged meats	10,567
Fresh pork	21,382
Hog production	4,894
International	10,798

Workforce totals as of September 2014. Approximately 54 percent of our U.S. workforce is unionized, and substantially all of our employees are full time. About 63.5 percent of our workforce is compensated based on hourly rates.

In early 2015, we united our operations and brought our subsidiaries together under the Smithfield Foods umbrella as a way of strengthening our position in the industry and accelerating our company's growth.

We took a number of steps to explain to employees the changes underway and the opportunities they present for greater advancement within the company. On the day of the announcement, we hosted an employee town hall and circulated a follow-up email from our CEO, Larry Pope, which included a video summarizing what was announced. We will continue these town hall discussions on at least a quarterly basis, and we have sent additional communications to continue to engage with employees. We also emphasized the fact that no layoffs or plant closures will occur as a result of this realignment. Becoming "One Smithfield" is about ensuring our future success, not about cutting costs.

All human resources and employee-relations issues are managed by three vice presidents of human resources; two of these vice presidents are also in charge of sustainability efforts within their divisions. Early in 2015, we named Mark Garrett as Smithfield's first chief people officer, a new executive-level position. In his new role, Garrett will be responsible for employee development and employee engagement at all locations, ensuring a continually improving working environment, and creating new programs and policies to help achieve that vision. Garrett reports to Dennis Treacy, Smithfield Foods' executive vice president and chief sustainability officer.

Employee Data	2014
Hourly employees*	30,251
Salaried employees*	6,592
Full-time employees	36,607
Part-time employees	206
Total turnover rate	23.1%–32.4%
Employees under age 30	8,256
Employees 30-50 years old	17,944
Employees over age 50	10,640
Average hourly compensation—male	\$14.55
Average salary—male	\$70,188
Average hourly compensation—female	\$13.68
Average salary—female	\$55,327

\* Salary values and full-time / part-time figures do not include our international operations.

## Employee Engagement, Recruiting, and Retention

Our operations use employee engagement surveys and more informal, face-to-face meetings to identify, measure, and prioritize the issues that affect employees and impact our business success. Through these activities, we aim to evaluate how well employees are connected to the vision and future of the company, how well they trust their immediate supervisors, and how satisfied employees are with their opportunities for advancement. By answering these questions, employees directly impact action plans that contribute to an improved work environment.

Part of the success in retaining employees comes from recruitment efforts and trying to hire the right employees for the right jobs at the right time. Employees are recruited at colleges and universities across the nation, and every external job post is distributed to an employment network serving veterans and active-duty military personnel.

## Documenting Hog Production from the Inside Out

In 2013, the Hog Production Division began a coordinated effort to unite some of its far-flung offices and facilities and to better align how to present the business to the public. The project aimed to connect the operating regions and continue the focus on great people producing high-quality products safely and sustainably.

As part of this project, the division wanted to hire a photographer who could capture the day-to-day reality of farm work. A contest was organized to enlist the talented workforce in helping document the work. Almost a dozen employees submitted entries, and the winning entry came from Rachel Ritland, a territory manager's assistant in the Midwest division, who has been a hog production employee for five years.



The photo shoot, which lasted for three weeks, captured facilities in North Carolina, Missouri, Oklahoma, Colorado, and Utah. (Several of her photos are featured on this website.) And while Ritland said the travel part was fun, it was also a lot of work. “We shot 6,000 photos in those three weeks,” Ritland explained. “In the end, we ended up with 700 photos that I edited and we kept, and now we’ve got them all in a database so we can use them whenever we want.”

Although the shoots themselves were grueling—and the editing process was extremely time-intensive—Ritland said it was a rewarding process because it pushed her out of her “comfort zone.”

Another eye-opening aspect of the project was to learn more about hog production at the company. “We wanted to tell the story of the people who work for us and show how they enjoy working for the company,” Ritland said. “It was important to us to capture the different aspects of our work: the people, the pigs, the environmental side, and the communities.”

Now that she’s seen what goes on in other parts of the company, Ritland said she has a clearer picture of the daily work of all aspects of the hog production side of the business. “It was interesting to see all the different processes at our facilities—for the most part, it’s similar, but there are some unique practices at each. And I’d never been to Utah or North Carolina before, so I felt really privileged to go out and see so much of the country.”

## Benefits & Training

Properly trained employees create value at every level of our company.

The regular, high-quality training provided to team members enables them to work more safely, create a better work environment, and continue company successes. (For more on safety training, see [Injury Prevention Management](#)).

Competitive wages and benefit programs vary according to facility, location, and position. In 2014, the average hourly wage was \$14.55—more than double the current federal minimum wage of \$7.25 an hour. The majority of hourly positions are hired locally whenever possible.

Comprehensive health insurance and benefits packages are offered to employees in recognition of the value employees bring to the company. These include 401(k) and pension plans, life insurance, and vision and dental care. Many locations provide on-site medical care and preventive health screenings.

In addition to these benefits, training programs offer employees a way to help them grow professionally. Our Smithfield University program is an online education program geared toward workers in our office locations. Available through our company intranet, Smithfield University courses can be self-led or instructor-led and offer a range of topics, including computer skills, leadership trainings, sales knowledge, and public-speaking and communications.

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**In 2014, we launched our new Career Foundation Program, which brings in 25 recent college graduates as new employees and enrolls them in a two-year rotation throughout the company in their area of interest.**

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Workers in production facilities have access to regularly scheduled, comprehensive training that focuses on providing the knowledge they need to perform their jobs safely and well. For managers and supervisors in those facilities, we have created our “Defining Safety Leadership” program to give them clear guidance on how to connect our safety and performance processes to every employee in the facility.

In 2014, we launched our new Career Foundation Program, which brings in 25 recent college graduates as new employees and enrolls them in a two-year rotation throughout the company in their area of interest. Whether they’re focused on engineering, operations, or business management, these employees spend six months each in four positions at our company, giving them a holistic understanding of the company’s work and strengthening their effectiveness right from the start.

## Supervisory Training

Successful supervisors not only must be able to perform their job well, they also must be able to encourage and coach others to become better. We know that the quality of a worker’s relationship with his or her supervisor can mean the difference between a successful work arrangement and a challenging one.

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**Our Smithfield Leadership Institute and Emerging Leaders programs target employees with management potential, helping to prepare them for new roles with greater levels of responsibility.**

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Across our operations, we conduct a number of supervisory trainings to continue to ensure strong leadership across the company. Our Smithfield Leadership Institute and Emerging Leaders programs target employees with management potential, helping to prepare them for new roles with greater levels of responsibility. We also conduct our Top Gun Leadership Program every year, a 12-month commitment to strengthen and develop

high-performance leaders through formal classroom training with case studies, executive briefings, and team projects.

We offer our Pork 201: “Trimming the Fat” program to help frontline managers understand the business operations of the company, including hands-on instruction about yields, margins, and cost efficiencies, as well as meat science and meat processing techniques.

A number of locations also offer Spanish classes for English speakers who want to improve channels of communication with their Spanish-speaking colleagues.

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## Educational Assistance

We place a high value on keeping employees for the long term and promoting them within the company, which often requires helping them learn new skills. In addition to our many on-the-job training programs, we also recently expanded our support for employees who are going back to school to earn college or graduate degrees. To help employees pursue their educational goals, we offer tuition reimbursement up to \$6,000 a year for bachelor’s degree programs and up to \$7,500 per year for master’s degree programs for as long as the employee maintains strong grades. In 2014, this program provided more than \$850,000 to employees who were continuing their education.

Our company’s philanthropic arm—the Smithfield Foundation—also provides scholarships for the children and grandchildren of employees, among other initiatives.

In 2013, we donated \$330,000 to Paul D. Camp Community College (PDCCC) a two-year public institution in nearby Franklin, Virginia, to support the school in creating an educational platform to give students the skills they will need to compete in the workforce of the future—and in careers at Smithfield.

In 2014, the school used those funds for a number of projects, including the construction of the Regional Workforce Development Center, the establishment of a sustainability program, the launch of a new robotics curriculum, the enhancement of workforce programs and services, and scholarships. Some of these trainings include on-the-job education, giving students a month in the classroom, then a week at a plant putting their education to work, then back to the classroom to continue their education.



## Human Rights

Our formal Human Rights Policy ensures the fair treatment of employees throughout the company.

The **policy** spells out the expectations we have in the areas of equal opportunity; health, environment, and safety; harassment and violence; the rights of employees; and other key topics.

We provide copies of the policy to all employees, including new hires, and encourage workers to call a toll-free hotline number to report any violations. We also communicate our Human Rights Policy to all major suppliers and expect them to comply. In addition, our **Supplier Code of Conduct** promotes adherence to all relevant laws and regulations, including those addressing slavery and human trafficking.

Our long-standing **Code of Business Conduct and Ethics** is also part of our governance framework and designed to help create a safe and fair work environment. The Code is communicated to all employees and sets forth our expectations for appropriate employee behavior, as well as corporate hiring and disciplinary policies. For more information on ethics, see the **Governance & Management** section.

## Diversity

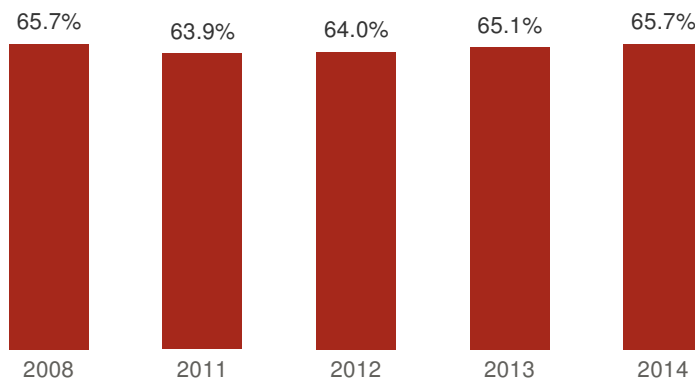
We strive to make the workforce reflective of our diverse consumer base. While we are making steady progress in increasing the number of women and minorities who work at our company, there remains room for improvement.

Building a workforce that embraces a wide variety of perspectives and experiences will make our company more effective and competitive, so, in 2014, we increased efforts to recruit diverse employees. We have targeted our hiring outreach at women’s colleges and universities and historically black colleges and universities in addition to the many animal science programs from where we have traditionally recruited employees.

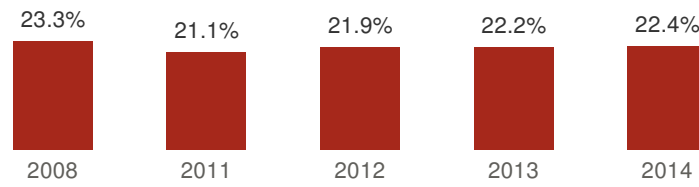
We do not discriminate against any employee or any applicant because of race, color, religion, ethnic or national origin, gender, sexual preference, age, disability, veteran status, or any other status protected by federal law. The company works hard to provide employees of all backgrounds with opportunities for training and advancement at all levels. All facilities adhere to our Equal Employment Opportunity policies and programs.

### Minorities and Women at Smithfield<sup>1</sup>

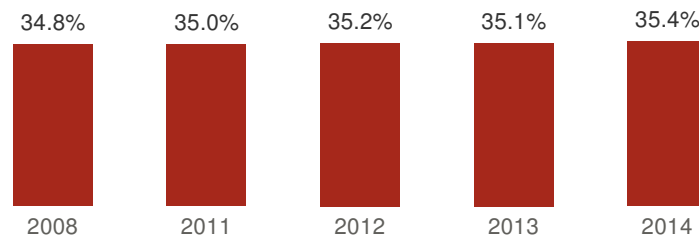
#### Minority Employees



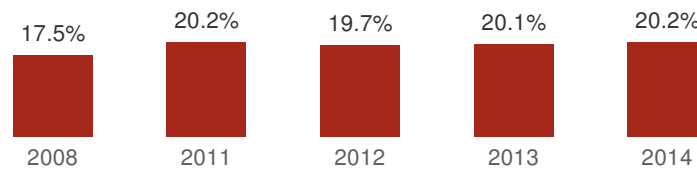
## Minorities in Management



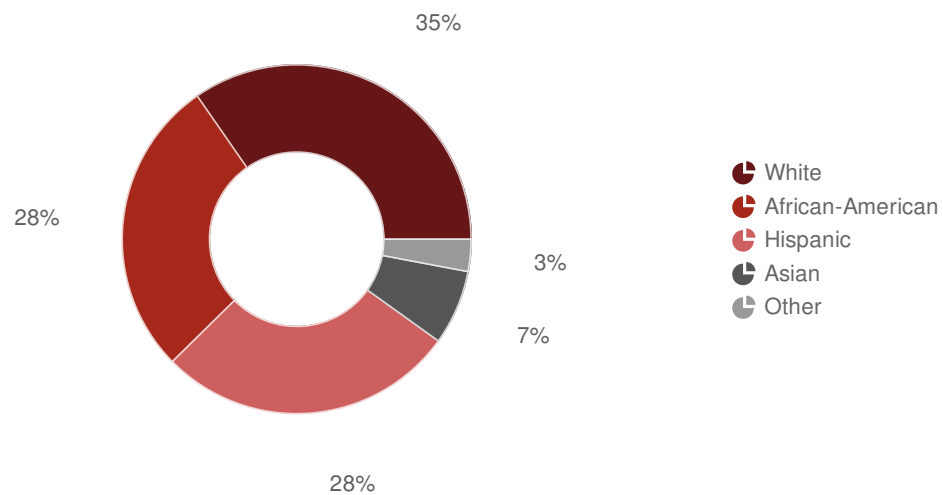
## Female Employees



## Women in Management



## 2014 Demographic Breakdown for All Operations



<sup>1</sup> Data reported as of September each year. To determine the representation of women and minorities for reporting to the federal government, each location with more than 50 employees produces the requisite report using a standard methodology. The information is then centralized for corporate analysis and the development of future employee programs.

## Employee Wellness

Our commitment to employees includes helping them lead healthy lifestyles. Across locations, a wide variety of free programs promote good physical and emotional health.

We believe that investing in employees' health and well-being pays dividends in the long term. Healthy employees feel better, perform better, contribute to a more positive work environment, and drive down overall company health care costs.

Health and wellness programs vary from location to location. Some examples include hiring a full-time personal trainer for employees, professional counseling services, blood pressure and cholesterol screenings, free mammograms, massages, intra-office weight-loss competitions, flu shots, and much more.

### Promoting Healthy Behaviors

In 2014, we expanded our "fit" wellness program to employees at more locations. The program represents our commitment and responsibility to support good health for employees and their families. It offers enhanced benefits, such as diabetes management, smoking cessation programs, and maternity management for a healthy pregnancy—including a \$200 gift card for new parents. Several corporate offices offer annual health fairs that include blood pressure screening, cholesterol checks, massages, mammogram screenings, and more. We also host regular "lunch-and-learn" events to discuss healthy living topics such as stress management, weight control, and employee assistance program services.

### Weight Loss and Exercise

Many locations are involved with Weight Watchers®. At some locations, we have supported friendly competitions among employees to see who can lose the most weight. Interested employees pay the Weight Watchers membership fee at the start of the challenge, and if they lose 5 percent or more of their weight during a 12-week time period, we will reimburse them for the cost of their sign-up fee. We have found that many employees lose much more than 5 percent, thanks in part to the support and encouragement they received from their colleagues during the challenge. To date, employees have collectively lost more than 3,000 pounds through our Weight Watchers program.

Some office locations host on-site gyms for employee use, and several of our employees are certified yoga instructors who lead regular classes for their colleagues. At our Smithfield, Virginia, location, in 2014, we hired a personal trainer to be on-site for a portion of every day, conducting one-on-one fitness training, boot camps, and other group classes.

### Going Casual for a Cause

At our corporate office, we offer employees a "Jeans Fund." People who want to dress down once a month can contribute \$5 to a collection that we then donate to local charities. In 2014, we raised more than \$91,500 that we donated to 20 charities, some serving the regions around our offices and some national organizations.

## Health & Safety

When people think about jobs in meatpacking and processing facilities, first impressions are often of dangerous work. That may have been true a generation ago, when the meat industry ranked among the most hazardous in the nation. Today, however, our facilities boast injury rates that are not only better than our industry average, they are better than the national average for all industries combined.

### Prior Goal & Targets

#### Our Health & Safety Goal

- Reduce employee injury rates

#### Our Health & Safety Targets

- Meet or beat general manufacturing industry national average for injuries
- All safety and operations leadership trained to 10-hour General Industry training programs
- Host Safety Roundtable meetings at all locations
- Increase formal employee engagement to 25% by fiscal 2015

### New Goal & Targets

#### Our Health & Safety Goal

- Reduce employee injury rates

#### Our Health & Safety Targets

- Continue to reduce Total Incident Frequency Rate (TIFR). Maintain levels below general industry average
- Achieve annual Days Away, Restricted, or Transferred (DART) results better than the general industry average

The meat processing industry as a whole has seen a significant and positive downward trend in injuries over the past decade. But Smithfield's improvements put us well ahead of our peers. Injury rates across all facilities—including farms and meat processing facilities—are at historically low levels. For the fourth consecutive year, the total rate of injuries at the company—the number of injuries in all three categories we report to the federal government—was lower in 2014 than the national average for all industries, with a 5 percent reduction in all incident rates over 2013. Over the past decade, our total incident frequency rate has improved by a dramatic 64 percent, from 9.48 in calendar year 2004 to 3.41 in 2014.

**Today, our facilities boast injury rates that are not only better than our industry average, they are better than the national average for all industries combined.**

Our revolution in workplace safety stems from our ambitious targets to meet or beat industry averages for the three performance metrics we report to the U.S. Occupational Safety and Health Administration (OSHA): Total Incident Frequency Rate (TIFR<sup>1</sup>); Days Away, Restricted, or Transferred (DART); and Days Away From Work Injury and Illness (DAFWII). Our company-wide TIFR and DART rates for 2014 dropped by 1 percent and 2 percent, respectively, while our DAFWII rate finished 12 percent lower than the previous year.

In recent years, we have advanced our health and safety systems by updating our Employee Injury Prevention Management System (EIPMS) audit process and conducting further EIPMS and auditor-certification trainings. In 2014, we continued to expand the number of facilities that use our behavioral risk improvement (BRI) process. At the time of this report, nine Smithfield locations had been trained in and implemented the BRI process.

Our successes in achieving world-leading levels of worker safety performance are in part a result of the rigorous safety training programs that we require for all employees. We also have made great improvements in getting employees at all levels of the company to take ownership of safety practices. Workers are identifying possible problem areas and creating solutions, and our annual **safety awards** recognize innovations that can better protect employees.

## The Hard Work Behind Smithfield's Safety System

John Tignor, corporate director of health, safety, and security, bristles when people classify plant workers as “unskilled laborers.” Every day, he says, employees in processing facilities make precision cuts with the accuracy of surgeons. And they do it roughly 3,000 times a shift.

“Our facilities are designed to cut, grind, shred, and pull apart flesh and bone,” Tignor says. “And we need to make sure that it only happens with product and not with people. The fact that we’re able to do all of that, and at such a high level of safety, is pretty incredible.”

Unlike manufacturing plants that put things together, many of the plants disassemble things—specifically, market hogs weighing an average of 280 pounds apiece. Because each animal is a slightly different size and shape, the process does not lend itself to automation. Humans need to gauge where to make the cuts that will create the perfectly shaped pork loin or rack of ribs that will ultimately feed our consumers.

“When I started in this business 20 years ago, the meat industry had the highest injury rates of any industry in the country,” Tignor says. “Today, our worker injury rates can compare to those of retail stores and fast-food outlets.”

Workers in the Hog Production Division also face various types of risks. Live animals can be unpredictable, and workers must also be on the lookout for a range of hazards, such as machinery with moving parts, confined spaces, large mobile equipment, and vehicles. We have customized our safety processes to address the specific hazards that each workplace presents. And our results show that we are building a culture where safety is everyone’s job.

<sup>1</sup> In previous reports, “Total Incident Frequency Rate” was referred to as “Total Case Rate.”

## Health & Safety Performance

We are extremely proud of the dramatic worker safety improvements we have achieved across our company in recent years.

While the average rate of injury among beef and pork producers in 2013 was 5.7 injuries per 100 employees, according to the U.S. Department of Labor's Bureau of Labor Statistics (BLS), Smithfield's injury rate for 2014 was 3.45 injuries per 100 employees.

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**The number of work-related injuries and illnesses per 100 employees that result in medical treatment has fallen substantially since 2008.**

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In 2014, Smithfield continued our improvement and outperformed our peer companies. Our U.S. Occupational Safety & Health Administration (OSHA) Total Incident Frequency Rate (TIFR); Days Away, Restricted, Transferred (DART); and Days Away From Work Injury and Illness (DAFWII) rates all continued to decline, hitting record lows for 2014, as shown in the data charts below.

### OSHA Total Incident Frequency Rate (TIFR)<sup>1</sup>

The number of work-related injuries and illnesses per 100 employees that result in medical treatment has fallen substantially since 2008. In 2014, it improved by 1 percent over 2013 and by almost 48 percent since 2008.

### OSHA Days Away, Restricted, Transferred (DART) Rate

The number of work-related injuries and illnesses per 100 employees that result in an employee missing work, having restricted duty, or being transferred from his or her regular duty work assignment fell by 2 percent last year and by 43 percent since 2008.

### OSHA Days Away From Work Injury and Illness (DAFWII) Rate

The number of work-related injuries and illnesses that result in one or more days away from work per 100 employees has fallen 50 percent since 2008. For 2014, we posted a 12 percent reduction over the previous year.

### TIFR, DART, and DAFWII Rates Compared with National Averages



YEAR	TIFR			DART			DAFWII		
	Smithfield	A&P	AI	Smithfield	A&P	AI	Smithfield	A&P	AI
2008	6.58	7.5	4.2	4.4	5.0	2.1	1.29	1.1	1.2
2011	3.93	6.4	3.8	2.8	4.3	1.9	0.74	1.2	1.2
2012	3.42	6.3	3.7	2.22	4.3	1.8	0.65	1	1.1
2013	3.47	5.7	3.5	2.53	3.9	1.8	0.73	1	1.1
2014	3.45	N/A	N/A	2.48	N/A	N/A	0.64	N/A	N/A
<b>08–14 Change</b>	<b>-47.6%</b>	<b>N/A</b>	<b>N/A</b>	<b>-43.6%</b>	<b>N/A</b>	<b>N/A</b>	<b>-50.4%</b>	<b>N/A</b>	<b>N/A</b>

A&P = National averages for animal slaughtering and processing industry

AI = National averages for all industries, including state and federal government

All values are calculated per 100 employees for a calendar year. National averages for meat industry and all industries are based on 2013 data from the U.S. Department of Labor's Bureau of Labor Statistics (BLS). Data were not yet available for 2014 at the time of this report's publication.

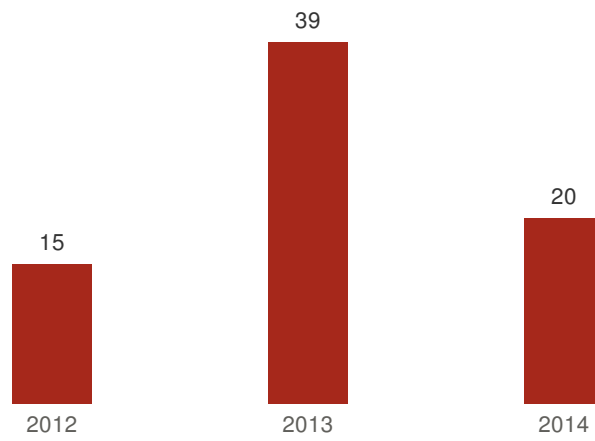
These rates represent significant reductions over the previous year and illustrate how effective our safety management program has been. Many facilities have rates that are significantly below the most recently published Total Incident Frequency Rate (TIFR) for both our industry and for all industries combined. The reductions in injury and illness rates have also led to a decrease in overall workers' compensation claims.

## OSHA Violation Notices

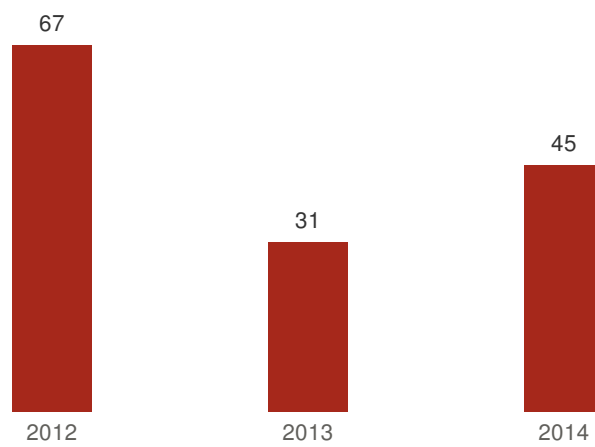
In 2014, Smithfield had 20 regulatory inspections conducted at locations across the country, receiving 45 citations with penalties totaling \$243,840. The government's emphasis on regulatory inspections and enforcement over the past few years has continued, which, in part, accounts for Smithfield's profile for 2014. That year, the government conducted in-depth inspections of two company locations—Tar Heel, North Carolina, and Smithfield, Virginia—which accounted for 75 percent of our citation and penalty amounts.

## OSHA Inspections, Notices of Violation (NOVs), and Penalties

## Inspections



## Notices of Violation



## Penalties



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1 In previous reports, "Total Incident Frequency Rate" was referred to as "Total Case Rate."

# Injury Prevention Management

The foundation of our company’s ongoing safety success is Smithfield’s Employee Injury Prevention Management System (EIPMS), which was initially developed from Occupational Health and Safety Assessment System (OHSAS) 18001 and supplemented by the Z10 standard of American National Standards Institute (ANSI) and U.S. Occupational Safety and Health Administration (OSHA) Voluntary Protection Program (VPP) guidelines. We regularly update and revise the EIPMS, resulting in continually improved health and safety management guidelines.

## Employee Injury Prevention Management System



Required of all operations, EIPMS is designed to minimize potential risks to employees and others, improve business performance, and enhance relationships within the marketplace. With a strong focus on the well-being of employees, the program opens communications and facilitates the sharing of best practices.

EIPMS has also positioned our company to begin working toward achievement of OSHA VPP status. VPP is considered the gold standard of employee health and safety, recognizing employers for implementing effective safety and health management systems and for maintaining injury and illness rates below federal national averages. To apply to the program, an individual facility must achieve injury and illness rates below industry averages for three consecutive years and must also be in compliance with all local, state, and federal safety standards.

In 2014, three individual locations submitted applications to OSHA for VPP assessments, and currently two others were working on their application submissions when this site was updated.

Smithfield outperforms OSHA benchmarks for the meatpacking industry, and we have continued to demonstrate year-over-year performance improvements.

## A VPP Milestone for Farm Operations

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Our Employee Injury Prevention Management System (EIPMS) safety protocols were implemented with the goal of putting us on course to earn Voluntary Protection Program (VPP) status for all of our operations. Our Milford, Utah, farm operation plans to submit its VPP application in 2015. If achieved, we believe it will be the first all-encompassing farm business in the United States to have earned VPP status. We are extremely proud of this landmark achievement and the safety leadership that it represents.

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## Safety Engagement

Smithfield encourages employee engagement at all levels of the organization. We find that active engagement in formal safety processes improves health and safety program effectiveness. We work to increase employee engagement in safety activities, encouraging employee participation in safety program reviews and development of new systems. Many locations maintain employee safety teams, which can bring fresh perspectives on safety challenges and successes.

Each year, we host a Safety Conference, bringing together safety leaders from across our company. Approximately 115 company safety professionals, as well as management personnel from operations, engineering, and maintenance, attended the 2014 Safety Conference alongside safety personnel representing our international businesses in Romania and various parts of Mexico. Among the focus areas we covered during the conference were ergonomics, the principles behind human behavior, changes to the U.S. Occupational Safety and Health Administration (OSHA) record-keeping requirements and other regulatory updates, training and information surrounding updates to our Employee Injury Prevention Management System (EIPMS) Database, training on our new incident reporting database, as well as sharing outstanding practices from the various platforms both internationally and domestically.

## Planting the Seeds of Safety on a Farm

Our operations span a wide range of workplace conditions, from offices to processing plants to farms, each presenting safety challenges. At farms, the animals themselves pose the biggest safety challenges.

Pigs are unpredictable creatures that, when fully grown, can weigh more than many adult males. Many of our safety efforts focus on training employees on animal behavior and the correct ways to interact with pigs in order to prevent injuries.



Although federal safety standards are strict for processing plants, with thousands of safety standards in place, there are very few such standards for farming operations. As part of our commitment to safety, we require every facility to meet the standards of our Employee Injury Prevention Management System (EIPMS), which means that the farms operate far beyond the safety standards required by law. The farms have taken the principles and best practices of EIPMS and customized them to address these risks. This process is known as the Injury Prevention System, or IPS.

Across the Midwest farms, employees engage in daily Safety Huddles—10-minute meetings that take place every morning in the main office. During each Huddle, we ask the following questions: Have there been any staff injuries in your department? Have there been any near misses? What did you do to stay safe? We also review how many days have passed without incident at each location and within the Midwest as a whole. Each Huddle also includes an opportunity to recognize employees for their safety successes. Since starting these Huddles, we find they have helped to keep safety top-of-mind across all farms.

Because farm operations are much larger and more spread out than our processing plants, observation, auditing, and sharing of best practices can be more challenging. That is why the Midwestern Hog Production locations joined together in creating Regional Core Teams for safety in 2014, covering Iowa, Illinois, Missouri, and Oklahoma. Core Team leaders select representatives to lead safety efforts at each facility within the region, and each regional team meets monthly to share best practices, identify hazards, and assess risks. Core Team leaders then gather six times a year to share their region's results.

At the Oklahoma farms, managers have implemented a Safety Employee of the Month award program to honor employees who take safety efforts to a higher level. The monthly awards recognize employees who have conducted hazard identifications and risk assessments, made or suggested making proactive safety improvements, or recommended or performed tasks to improve the region's safety culture or safety awareness. Each award winner receives a \$25 gift card and a certificate of merit.

## Auditing and Inspections

Consistent auditing of each facility is a key element of our success in reducing injury rates. Each facility has an in-house audit program that evaluates whether its Employee Injury Prevention Management System (EIPMS) is effective. The EIPMS audit focuses on hazard identification and injury prevention, supplemented with an overview of regulatory compliance. These efforts help us identify hazards and risks, as well as help us develop injury prevention solutions before employees are subjected to unnecessary risks.

At all facilities, we audit for operational controls, such as training, machine and tool safety, personal protective equipment, chemical safety, hearing conservation, and emergency planning and response, as well as employee engagement. We highlight the success stories from facilities that perform well and share their best practices with other sites. Facilities that score poorly on the audits not only must correct their practices, but they are also subject to more frequent audits. Failure to improve audit scores results in increased involvement from the director of health and safety and higher-level corporate leaders, if necessary, to facilitate improvement.

We complement site-specific audits with annual audits conducted by teams trained and led by company-certified lead auditors. In addition to the EIPMS audit process, Smithfield undergoes thorough external audits of compliance and hazard control programs at U.S. worksites on a revolving

schedule. These audits, led by independent, third-party personnel with experience in the meatpacking industry, complement the management systems audits through in-depth examination of worksites' control of injury and illness hazards.

## Return to Work

Although we are very proud of our achievements in reducing employee injuries to unprecedented levels for our industry and every industry, on-the-job injuries still occur. We have established a Return to Work (RTW) program to return every injured employee, wherever possible, to full and regular work as soon as medically feasible.

We are also working to better manage the costs associated with workers' compensation claims. This process included the creation of a computer-based Workers' Compensation Dashboard to help plant managers better understand compensation-related costs, the implementation of a fleet safety program for our divisions with transportation operations, and the launch of an organization-wide Fraud Awareness and Prevention program to bring attention to the issue of workers' compensation fraud.

To ensure that we appropriately implement all of these elements of the program, we regularly monitor and report outcomes in a separate scorecard that is reviewed during our internal audit process.

## Safe Chemical Management

Safe storage and handling of ammonia and chlorine gas used at our facilities are essential to the safety of our workforce and our surrounding communities. We report to the U.S. Environmental Protection Agency's (EPA) Toxics Release Inventory (TRI) database each calendar year for these chemicals.

Historically, we have addressed ammonia and chlorine systems from an engineering standpoint. Today, we also manage them through stringent safety processes. Our facilities have implemented U.S. Occupational Safety and Health Administration's (OSHA) rigorous Process Safety Management of Highly Hazardous Chemicals (PSM) standard. Over the last year, we have held full-day PSM training programs with our safety and environmental engineering employees. We assign responsibility to individuals for ensuring the physical security of chemicals at our facilities.

Our safety professionals at locations containing certain hazardous chemicals have also received chemical safety and security training facilitated by the U.S. Department of Homeland Security (DHS) Chemical Anti-Terrorism Division. These sessions provide background information and recommendations to safety and security professionals for safeguarding workplace chemicals that could be used in manufacturing controlled substances, improvised explosive devices, or other chemical weapons.

### Safety Performance During the Tar Heel Water Tank Collapse

We take safety extremely seriously across our company. In June 2014, we put our rigorous safety training into action at the Tar Heel, North Carolina, facility.

A 400,000-gallon water tank situated at the processing plant burst open and released all its water in seconds, with enough force to move a trailer parked nearby. It broke a valve off the bottom of a temporary storage tank, releasing a residual amount of ammonia from the tank.

The event was significant enough to knock out power to the plant, causing an evacuation of approximately 2,400 employees. Due to the ammonia release, about 25 workers sought medical treatment for respiratory discomfort. Thankfully, there were no serious injuries.

The spill led to a brief closure of the state highway adjacent to the plant and a three-day plant shutdown. But we believe that our intensive safety trainings at the Tar Heel plant—and at all facilities—prevented this spill from being a significant disaster. There was no damage to the environment and no damage to the community as a result of the spill.

"I've never been prouder to work for Smithfield than I was in the wake of this incident," says Dennis Pittman, Smithfield's director of corporate communications and public affairs. "We had a problem, but the right people had been trained, and everyone did their job safely and responsibly. It was a true testament to how well trained our people are in handling everything from environmental to safety to employee care; everybody did what they're supposed to do, and how we came out of there was very impressive."

Ammonia is the primary refrigerant used in processing plants. Although we have reduced ammonia use through improved efficiency, Smithfield remains diligent in the handling, use, and storage of this chemical. The amounts used in processing facilities have increased recently due to higher production volumes of ready-to-eat products and an increased need for refrigeration.

Chlorine gas is used in several on-site wastewater treatment facilities. We have worked to reduce chlorine gas and have nearly eliminated its use. Although OSHA only requires a PSM plan for facilities with 1,500 pounds of chlorine gas, we at Smithfield are going above and beyond regulations, requiring each facility to have a PSM plan in place regardless of chlorine quantities.



# Recognition and Awards

## External Recognitions

Our significant safety efforts continue to be recognized by our industry. In 2014, the North American Meat Institute recognized 63 percent of our locations with their worker safety awards. Each of our divisions, including our Hog Production Division, were recognized in this year's awards program for their safety performance, as well as for implementation of effective health and safety programs.

Eight Smithfield locations received the Worker Safety Award of Honor, the highest award bestowed by the organization. The awards program is administered by the National Safety Council (NSC) and based on evaluation of each eligible facility's safety record, as well as its implementation of various key components of an effective safety and health program.

These locations received the Award of Honor:

- Crete, Nebraska
- Milan, Missouri
- Milford, Utah
- Omaha, Nebraska
- Peru, Indiana
- Salt Lake City, Utah
- Sioux Center, Iowa
- Tar Heel, North Carolina

In addition to the locations highlighted above, 32 other facilities received Worker Safety Awards for outstanding achievements in workplace safety.

## Smithfield Foods Health & Safety Awards

During our annual Health and Safety Conference, we present seven awards to recognize outstanding performance. Five of the awards are performance-based awards, for which the winning facilities are selected through a scoring system that reviews their efforts against our vision of being an industry leader for worker safety and health. During the review process, facilities are scored on a number of categories including effective implementation of a health and safety management system that meets the requirements of Smithfield's Employee Injury Prevention Management System (EIPMS), monthly safety scorecard measurements, regulatory compliance and audit results, injury and illness rates, and implementation and developments toward other key initiatives such as U.S. Occupational Safety and Health Administration (OSHA) Volunteer Program (VPP) and Behavioral Risk Improvement (BRI).

## These are the winners of the 2014 Smithfield Foods Health & Safety Awards:

- President's Award—Salt Lake City, Utah
- Award of Commendation—Sioux Center, Iowa
- Award of Commendation—Milan, Missouri
- International Award—Granjas Carroll de Mexico
- Organizational Excellence Award—Smithfield Farmland Fresh Meats Division
- Safety Professional of the Year—Matt Robinson, Hog Production, Utah
- Innovation Award—Hog Production, Laurinburg, North Carolina, Feed Mill

The five performance-based awards are the Organizational Excellence Award, given to an entire operating division; the International Award, given to locations outside of the United States; the coveted President's Award, given to an individual location with the highest level of performance; and the Award of Commendation given to the first and second runners-up to the President's Award.

The two other awards presented at the safety conference are the Safety Professional of the Year and the Innovation Award. Winners of these awards are chosen based on nominations from people and organizations across Smithfield. A panel of judges, consisting of internal personnel from each operating division and our corporate headquarters, as well as several external partners that work closely with Smithfield in our worker safety efforts, reviews each nominee before deciding the winners.

## Safety Awards Highlight Innovation and Employees' Efforts

2014 marked the third year of our Innovation Award program, and each year has brought a larger number of submissions; this year we had more than 60 submissions for innovative safety practices.

The winning entry, which we recognized during the 2015 Safety Conference, was a vacuum-assisted bag mover installed to lift large bags of feed and feed additives and move them from pallets to storage at our Laurinburg, North Carolina, feed mill.

Prior to implementing this new system, batching operators would lift about 625 feed bags weighing 50 pounds each over the course of a week—repetitive, heavy lifting that we identified as the number one ergonomics risk during our hazard-identification and risk-management process. Two employees spearheaded the project to develop a more ergonomically safe practice and identified the Palamatic Vacuum Hoist as the best tool for the job. With the hoist installed, employees can now move the 50-pound bags using no more than two fingers on push-button controls.

As a result of installing the vacuum-assist lift, the Laurinburg safety team has managed to virtually eliminate the risk of personal injury, particularly back injury, among our employees, which also reduces any costs from lost-time injuries and worker's compensation claims.

# Policies & Statements

## Human Rights Policy

Smithfield<sup>1</sup> is committed to the protection and advancement of human rights, as enshrined in the Universal Declaration of Human Rights (UDHR) issued by the General Assembly of the United Nations on December 10, 1948.

The Smithfield Human Rights Policy is grounded in the [Smithfield Code of Business Conduct and Ethics \(PDF\)](#) (the “Code”), and operates in conjunction with the Code. The Code, in conjunction with the Human Rights Policy, sets forth Smithfield’s policies and practices relating to conducting our business in an ethical and responsible manner that supports and respects the protection of human rights. It reflects the company’s core values and high ethical standards.

As used in this Policy and the Code, the term “Smithfield” means Smithfield Foods, Inc., and all foreign or domestic operations and joint ventures in which Smithfield has a majority interest and/or management responsibility, the terms “employees” or “representatives” mean and include all Smithfield employees, officers, and directors, and the term “supervisor” refers to the person to whom an employee reports. Smithfield will communicate this policy to its direct supply chain partners.

The Compliance Committee is responsible for the oversight and implementation of this policy, and shall define the company’s implementation and monitoring efforts to conform to this policy and advance our commitment to continuous improvement.

### 1. Equal Opportunity

Smithfield does not discriminate against any employee or applicant for employment because of race, color, religion, ethnic or national origin, gender, sexual preference, age, disability, or veteran status. This applies to recruitment, hiring, training, promotion, disciplinary practices, and other terms and conditions of employment. Discrimination against any employee or applicant for employment is a serious violation of equal employment opportunity law and of Smithfield’s corporate policies. It is the responsibility of every supervisory employee to ensure that discrimination does not occur and for every employee to report violations to our policy or the law.

Smithfield will take action to ensure that qualified applicants are given equal opportunity to be employed and promoted. All personnel actions and company-sponsored programs shall continue to be administered on a nondiscriminatory basis. Violations of policy will be reviewed, investigated, and appropriate action taken based on the facts.

### 2. Health, Environment, and Safety

Smithfield is committed to ensuring the health, safety, and well-being of our employees, the people living and working in communities near our facilities, and the environment and will provide the human, physical, and financial resources necessary to meet this commitment. These resources will be used to enable employees and contractors to work safely and comply with company policies and the law, to prevent pollution, and to protect the environment. Our employees are expected to comply fully with company policies and to adhere, at a minimum, to the applicable health, environmental, and safety legal requirements of their host country. Training will be provided to our employees on these company policies and legal requirements.

### 3. Harassment and Violence

Smithfield is committed to providing our employees with a non-discriminatory work environment free of any type of harassment per company policy and the law. Supervisory employees must investigate all complaints of harassment and employees are advised on their responsibility to report violations. The company will take appropriate disciplinary actions for violation of policy or law.

All verbal and physical threats of violent behavior are unacceptable and should be reported as outlined in the Smithfield Code of Conduct. Every report of violence or threats of violence will be investigated. Employees who engage in violence or threats of violence will be subject to disciplinary action, up to and including termination of employment as well as criminal prosecution.

#### 4. Rights of Employees

Smithfield does not use forced or compulsory labor. Workers are recruited and receive competitive wages and benefit packages. Smithfield will not use child labor and respects the rights of children to be protected from economic exploitation. Smithfield recognizes and respects employees' rights and freedom to choose whether to join or not join third-party organizations or to associate freely and bargain collectively. Where applicable, Smithfield supports the rights of its employees to make these choices through fairly conducted secret ballot elections. Smithfield recognizes that in some countries workers are not free to organize and join unions, and in such circumstances the company is open to other forms of worker representation.

#### 5. Implementation

This Human Rights Policy will be implemented by Smithfield through communication and training programs for staff on human rights issues generally, and on the requirements of Smithfield's Human Rights Policy specifically.

## Health & Safety Policy

At Smithfield Foods<sup>1</sup>, we remain 100 percent committed to the safety, health, and well-being of our employees. The safety of our employees is more important than our most valued customer. We strive to lead the industry in occupational safety and health just as we strive to be the industry leader in producing wholesome food products, animal welfare practices, and protecting the environment.

All Smithfield Foods companies are expected to implement an Employee Injury Prevention Management Systems and maintain improvements in the management of workplace injury and illness risks.

We further demonstrate this commitment to health and safety through:

- Identifying hazards, conducting risk assessments, and identifying control measures as well as development of processes and procedures for timely abatement and control of the hazards and risks associated;
- Maintaining compliance with all federal, state, and local regulatory requirements;
- Appointing safety coordinators at each location;
- Providing appropriate training to ensure awareness of potential hazards and competence in performing specific duties or job tasks in a safe manner;
- Promoting active participation in safety efforts by all hourly and management employees;
- Developing measurements and auditing systems to ensure that standards of performance are met and opportunities for improvement are identified; and
- Defining roles and responsibilities of all members of management toward health and safety to include review of goals and objectives during all annual and subsequent performance evaluations.

Maintaining a safe and healthful working environment is the responsibility of all employees. We expect all locations to maintain compliance with company and regulatory health and safety guidelines as well as implementation of other recognized good engineering and safe work practices. Smithfield Foods will manage worker health and safety as one of its core values to conducting business. It is with this in mind that the leadership at Smithfield Foods announces an expectation for each of our individual locations to establish and document formal objectives and management plans to achieve OSHA VPP status at the federal level or state-plan-state equivalent. This policy shall be reviewed and communicated to every employee as well as other interested parties involved in our operations.

Reviewed and accepted on this date: December 1, 2015

## Diversity Statement

Smithfield Foods understands that its customers, employees, and suppliers are critical to its success as a global food company.

### "Good food. Responsibly.®" Means a Commitment to Diversity

Smithfield Foods<sup>1</sup> understands that its customers, employees, and suppliers are critical to its success as a global food company. Smithfield Foods is committed to partnering with customers, employees, and suppliers of diverse backgrounds and geographic locations, and to conduct our business in an ethical and inclusive way. Our global perspective and commitment to inclusion are central to our mission to produce good food, responsibly, and ultimately maximize shareholder value.

Therefore, Smithfield Foods has established a Diversity Advisory Committee to help the company identify opportunities to strengthen relationships with our customers, our employees, our suppliers, and in the communities where we have operations.

## Customers

Smithfield Foods is always seeking new markets for its products. We continually strive to reach out to a diverse customer base and produce good food that will be enjoyed by families across the globe. Our new initiatives include product development, marketing and advertising with diverse media outlets, sponsorships, and forming successful partnerships with key influencers.

## Employees

Smithfield Foods is committed to attracting, training, and maintaining a diverse workforce that is reflective of the marketplace. We strive to implement a company culture that is inclusive, positive, and performance-oriented. Having a diverse workforce allows us to benefit from a variety of perspectives and strengthens our global competitiveness.

Explore the many opportunities available across our family of companies. Visit our [Careers](#) page for our most recent employment information. Apply today!

## Community

At Smithfield Foods, we believe that being an active and sustaining partner in the communities in which we operate is not only good business, but also our role as a responsible corporate citizen. Some examples of our activities include:

- Our Learners to Leaders® educational alliance, which provides learning opportunities to young people from disadvantaged backgrounds.
- College scholarships for the children and grandchildren of our employees, in partnership with numerous colleges and universities in the United States, including several historically black colleges and universities (HBCUs).
- Our Helping Hungry Homes® initiative, through which we partner with America's Second Harvest and local food banks to feed families in need.
- Our partnership with FFA to support young students in the educational quest for careers in the agriculture industry.

<sup>1</sup> As used in these policies and statements, the term "Smithfield" or "Smithfield Foods" means Smithfield Foods, Inc., and all foreign or domestic operations and joint ventures in which Smithfield has a majority interest and/or management responsibility.



## Our Commitment to the Environment

At Smithfield, we're committed to reducing the environmental impacts of our business and especially cognizant of the unique challenges we face as the world's largest pork processor and hog producer.

From the feed given to animals to the **disposal of their manure** to the energy used to transport products, we've prioritized our opportunities for environmental improvements. Employees are instrumental in our quest to be better environmental stewards in our priority areas: water, energy, greenhouse gas (GHG) emissions, and solid waste. With our Environmental Policy as our guide, we aim to empower employees to drive improvements at the farm and plant levels. Specific environmental goals and targets help us sharpen our focus as we work together to realize the biggest environmental, as well as economic, benefits.

## Prior Goals & Targets

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### Our Environment Goals

- Reduce natural resource demand
- Eliminate notices of violation (NOVs)
- 100% compliance, 100% of the time

### Our Environment Targets

- Water: 10% reduction over fiscal 2008 by 2014\*
- Energy: 10% reduction over fiscal 2008 by 2014
- Greenhouse Gas (GHG) Emissions: 10% reduction over fiscal 2008 by 2014
- Solid Waste to Landfill: 10% reduction over fiscal 2008 by 2014
- Packaging: One new packaging reduction project per year per independent operating company (IOC)\*\*
- Zero Waste to Landfill: One zero-waste-to-landfill facility for each IOC by 2017
- Compliance: Reduce NOVs each year

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\* The original deadline for these water, energy, GHG, and solid waste targets was the end of fiscal 2015 (i.e., April 30, 2015). However, we recently changed to a calendar year. As a result, we moved the end date back to December 31, 2014.

\*\* Our original set of environmental goals was specifically tied to the independent operating companies (IOCs) that made up Smithfield Foods at that time. We have since realigned the company, effective March 1, 2015. For the purposes of this 2014 sustainability report, we are continuing to report against our original targets to show our progress and performance.

All water, energy, GHG emissions, and solid waste targets are normalized by production levels. GHG emission and waste-to-landfill targets do not include hog production operations.



## New Goals & Targets

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### Our Environment Goals

- 100% compliance, 100% of the time
- Reduce natural resource demand

### Our Environment Targets

- Compliance: Reduce notices of violation (NOVs) to zero.
- Water: 10% reduction over 2014 by 2020
- Energy: 5% reduction over 2014 by 2020
- Greenhouse Gas (GHG) Emissions: 5% reduction over 2014 by 2020
- Solid Waste (Material to Landfill): 10% reduction over 2014 by 2020

All water, energy, GHG emissions, and solid waste targets are normalized by production levels. GHG emission and waste-to-landfill targets do not include hog production operations.

We are proud of all we've achieved in recent years. For example, our operations met two of our four targets, passing them both by wide margins, and narrowly missed a third. We did not meet our energy reduction target.

- Normalized water use down by more than 18%
- Normalized solid waste to landfill down by nearly 41%
- Normalized greenhouse gas (GHG) emissions down by 9.6%

Thanks in part to our strides in resource demand reductions, *Food Engineering Magazine* named Smithfield "Sustainable Processor of the Year" in 2014. However, we recognize that environmental stewardship is an evolving process and continue to seek opportunities to further reduce our environmental impacts.

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**We expect that our efforts to meet these new targets will further cement our role as an industry leader.**

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In early 2015, in coordination with our company realignment, we developed a set of new environmental goals and targets that encourage further improvements. We intend to continue to push for strong reduction in water use and waste to landfill, and have refined our expectations on energy use and emissions. We expect that our efforts to meet these new targets will further cement our role as an industry leader.

## Value Creation

Each day, farm and facility employees do their parts to improve resource efficiency in countless ways, whether finding new projects that increase recycling, eliminate leaks, or reduce packaging.

Together, their efforts have saved more than \$471.6 million<sup>1</sup> since 2004, when we started tracking cost savings as of our [Environmental Excellence Awards](#) program.

Project Costs and Savings	2004–2014
Number of projects	1,390
Awards granted	144
Capital expenditures	\$93.9 million
Average cost reductions year one	\$10.1 million
Average return on investment	10.4 months
Estimated net cumulative cost reductions	\$471.6 million

Using the online reporting tool of our Environmental Management System (EMS), we analyze data to find opportunities to turn our operational byproducts (such as hog manure, solid waste, and bacon grease) and underutilized resources (such as company land not currently in use) into valuable assets for our company. We share innovative approaches across all our divisions so that employees throughout our company can apply best practices at their facilities.

By the Numbers	2014	
	Value	Volume
Composting	\$0	28,358 tons
Cardboard purchased	\$159,006,700	164,813 tons
Cardboard recycling sales	\$1,728,290	27,833 tons
Biogas production	\$1,466,940	307,299 gigajoules
Wind energy leasing	\$274,000	137 megawatt hours
Bacon grease sales	\$9,008,805	26,301 tons

Cardboard recycling sales are estimated based on average per-ton income. Bacon grease sales are from precooked bacon facilities only and do not include grease extracted by rendering facilities or from wastewater. Biogas figure represents savings from natural gas not purchased and is based on actual cost.

Beyond economic benefits such as reduced operating costs, efficient use of resources creates value for local communities. It also helps build strong relationships with stakeholders interested in our progress.

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## Improving Fleet Efficiency and Safety

One of the most significant ways we manage transportation efficiency and costs while limiting emissions is through telematics, which is the integrated use of telecommunications and information systems for tracking vehicles, shipments, and managing fleets. Telematics enables operations to assure compliance with Department of Transportation regulations, evaluate vehicle maintenance needs, track a vehicle's progress within its route, and evaluate driver behavior (e.g., braking, acceleration, engine revving, and speed). Our divisions use this data to reward good driving behaviors, improve fuel economy, optimize truck maintenance, and reduce costs.

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## In 2014, nearly 400 company-owned trucks carried 23.2 million hogs and 4.1 million tons of feed over 27.3 million miles.

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When feed trailers are empty or are hauling light loads, the front trailer axle is raised off the road. This reduces rolling resistance and provides marginal savings in fuel costs.

The farming operation in Milford, Utah, recently gained a big efficiency boost by replacing the dual tires on the tractor-trailers with single, lighter, wider tires, known as "super singles." As a result, more feed could be added to every load, which reduces the number of trips. This saves \$106,250 in fuel costs and lowers carbon dioxide (CO<sub>2</sub>) emissions by 100 metric tons annually. The Milford site shared this innovation and it has been adopted in other locations.

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## Working with Grain Farmers to Reduce Runoff and Emissions

Agriculture is the fifth largest source of greenhouse gas (GHG) emissions in the United States. Inefficient fertilizer use and poor soil management practices, which can impact waterways and result in emissions of certain GHGs, are responsible for 4 percent of this country's GHG emissions, according to estimates from the U.S. Environmental Protection Agency (EPA).

Meanwhile, animal agriculture consumes about 40 percent of all the corn grown in the United States. As a large purchaser of feed grains, our Hog Production Division wants to support efficient agriculture production while reducing fertilizer runoff.

Enter our collaboration with the nonprofit Environmental Defense Fund (EDF)—a joint effort that may surprise those who view our two organizations as unlikely allies. "We're not exactly seen as two peas in a pod," says Maggie Monast, an EDF project manager.

Our collaboration came to fruition in 2014 after Walmart challenged suppliers (like Smithfield) who use large quantities of commodity grains to find ways to reduce fertilizer loss on farms. The Smithfield-EDF collaboration is designed to help farmers optimize their fertilizer application when growing grains for animal feed. By efficiently applying fertilizer, farmers can reduce the chance for potential water pollution and help address GHG emissions while simultaneously boosting their crop yields and improving soil health.

Nitrogen is critical for crop growth, and the world needs more crops to feed a growing global population. But determining the appropriate nitrogen amount can be tricky business. Our program aims to help farmers access the tools and practices that will enable them to use precisely the right amount while getting good crop yields at the same time.

"The goal is to help farmers do more with less," says Kraig Westerbeeck, vice president, environment, engineering, and support operations at our Hog Production Division. "We're looking to partner with farmers who will be able to produce the same amount of grain with less fertilizer. Those who can do that will make more money while providing us with feed for our animals that is more sustainable to our business. Everyone wins."

Smithfield and EDF conduct weekly meetings to assess our progress toward our project goal: having 75 percent of our Southeast grain-sourcing acres participate in the program by 2018. EDF estimates that the collaboration will ultimately reduce excess nitrogen fertilizer on 450,000 acres of farmland and reduce GHG emissions in our supply chain.



**The project earned a “best in class” award from Walmart at the retailer’s 2014 Sustainability Expo.**

As part of the work, our hog production operation has an on-staff agronomist who spends many of her days traveling to grain farms in North and South Carolina, showing farmers how they can make adaptations that will improve their fertilizer usage and their crop production. (She also provides information on the benefits of crop rotation.)

One way grain growers can optimize fertilizer inputs is through some of the latest in farming technology: the Trimble® GreenSeeker®, a crop-sensing system that gets mounted to fertilizer spreaders and sprayers. The technology uses optical sensors to quantify the variability of the crop as fertilizer is applied. Feedback from the system allows farmers to apply just the right amount of fertilizer, in the right place, and at the right time.

Our hog production operation purchased one of these in 2012—and the equipment paid for itself within one year. So, in 2014, it purchased five more—at a cost of \$20,000 each—to lend to farmers. Farmers pay \$1,000 for installation and can use the borrowed equipment free of charge for one year. If they like it, they can purchase the equipment or give it back so it can be loaned to another farmer. This loan program allows farmers to test out what might otherwise be a prohibitively expensive piece of equipment.

Data on the results of the technology are being collected and will be shared with participating farms. Additional optical sensors can be purchased, too, if enough farmers are using and liking the technology.

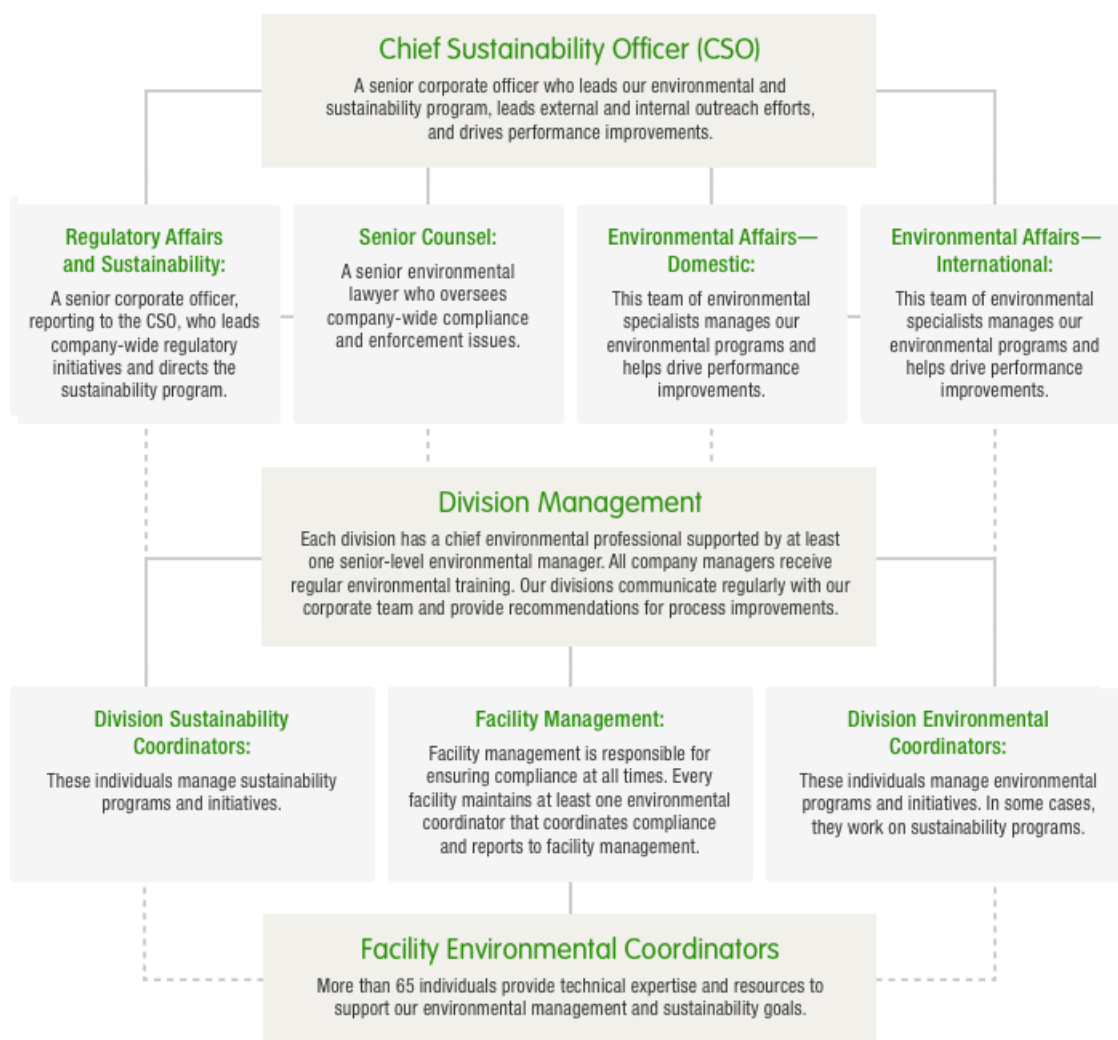
“Walmart planted the seed for this project, and Smithfield is demonstrating its commitment to being a leader in improving fertilizer efficiency,” said Monast.

<sup>1</sup> Estimated savings are conservative because they only account for projects submitted to our Environmental Excellence Awards.

## Our Management Approach

Effective environmental management is critical to the success of our business and to the achievement of long-term sustainability goals.

A senior corporate officer and a team of environmental specialists manage and lead environmental programs to drive performance improvements. See the [GRI Index](#) for more information on our management approach.



### Facility Environmental Coordinator Training Program

All environmental professionals participate in a mandatory five-year cycle of environmental training and assessment courses. Participants spend a year studying regulatory compliance, pollution prevention, safe chemical management, safety, hazardous materials, emergency response, and other relevant topics to become certified Environmental Coordinators (ECs). To finish all five levels, the EC undergoes more than 55 hours of training, including participation at our Environmental Training Conference, webinars, and individual sessions. Experienced ECs can take advanced-level courses to remain abreast of environmental requirements and topics relevant to their daily environmental activities (i.e., Level 6). We strive to have at least one certified EC at each processing facility.

## Environmental Coordinator Training Certifications

EC Certified to Level 0*	12
EC Certified to Level 1	10
EC Certified to Level 2	3
EC Certified to Level 3	6
EC Certified to Level 4	0
EC Certified to Level 5	1
EC Certified to Level 6	9
<b>All Levels</b>	<b>41</b>

\* Twelve employees are currently working on Level 1 but have not completed their coursework (i.e., Level 0). This training effort addresses positional turnover and increases overall facility environmental awareness, creating trained back-up personnel at key positions.

Facility ECs play an important role in driving our sustainability efforts, and we depend on their diligence to manage environmental programs and ensure regulatory compliance. Though EC roles and responsibilities may vary, ECs typically spend their days managing our Environmental Management System (EMS) database, training colleagues on a variety of environmental programs and procedures, and engaging with local, state, and federal regulators.

## Suppliers

In spring 2012, we updated and distributed our [Supplier Code of Conduct](#) to help suppliers meet and exceed our high standards. In addition to environmental requirements, our Code of Conduct outlines areas for compliance, including legal requirements, labor and human rights, product safety, animal well-being, health and safety, and business integrity.

**Major suppliers are required to complete our sustainability survey when we distribute it. We expect to circulate the next survey in 2015.**

We require that all suppliers comply with the code, and we reserve the right to audit suppliers' facilities. In addition, suppliers are obliged to report any regulatory noncompliance and of any events that may have a negative impact on their business. Finally, major suppliers are required to complete our sustainability survey when we distribute it. We expect to circulate the next survey in 2015.

## Data Collection & Reporting

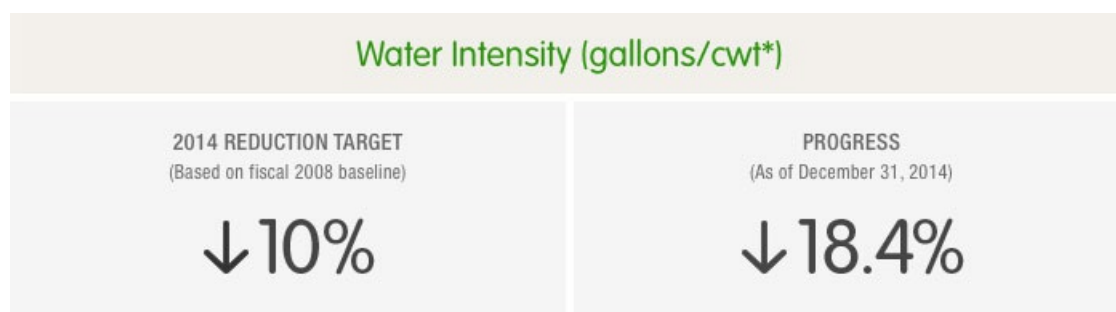
Collecting, managing, and reporting data are integral steps for tracking progress toward environmental goals and targets. We are always looking for ways to improve the data collection processes. To this end, we launched the E<sup>2</sup>MS tool in 2013. This customizable, web-based tool allows each facility to carefully track, measure, and verify water, waste, energy, and other sustainability data to share it with division and corporate management.

Each year, facility performance scorecards are created from the data, with the best facilities receiving awards.

Following the 2013 acquisition by the WH Group Limited, we changed the reporting timeframe from a fiscal year (May 1–April 30) to a calendar year. Some previously reported data have been adjusted in this report due to this change. Additionally, some of the data in this report are normalized per 100 pounds of product (cwt). This includes live weight of hogs raised on farms, as well as fresh and packaged meats shipped from each plant. We also provide absolute performance data to demonstrate improved efficiencies. Data for 2013 do not include the acquisition of a controlling interest in American Skin Food Group, LLC, in September 2012. Greenhouse gas (GHG) emissions and waste-to-landfill data do not include the Hog Production Division.

## Water Use

Like all food companies, our operations need water, and some processes—such as sanitation both on farms and in plants—use water intensively.



\*CWT equals 100 pounds of product.

We are developing proactive water management systems and implementing best practices to reduce water consumption in an increasingly water-constrained world. Since 2008, our divisions have reduced water used per 100 pounds of product (cwt) by 18.4 percent, surpassing our 10 percent reduction target. Total water use has dropped by nearly 16 percent.

### Smithfield the Industry Leader in Water Management

A recent report from the business sustainability organization Ceres ranked Smithfield Foods No. 1 in water management among leading meat companies. The report examined how water risks might disrupt operations, limit growth, or increase agricultural input costs, and therefore affect the profitability and competitive positioning of food companies.

Ceres awarded Smithfield 33 out of a possible 100 points in four categories: governance and management; direct operations; manufacturing supply chain; and agriculture supply chain. The next-closest ranking for a meat-industry competitor was 12; the lowest of five competitor companies scored a three. Ceres evaluated companies in four industries (packaged food, beverage, meat, and agricultural products).

The ranking for Smithfield represents a significant accomplishment given the water use challenges for agricultural businesses like ours, and it underscores our leadership position in providing sustainable food.

Some accomplishments realized in 2014 include the following:

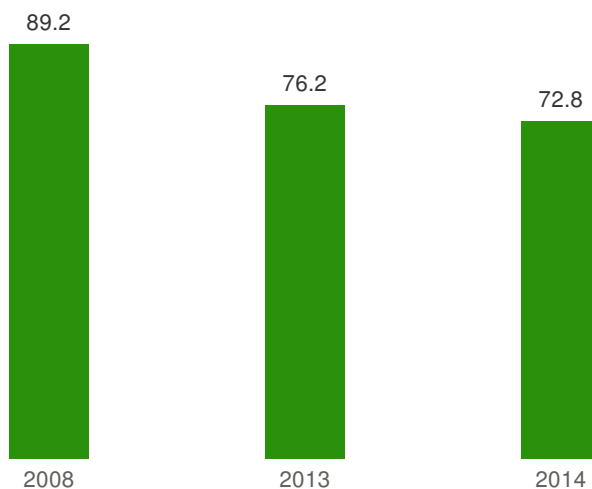
- The processing facility in Sioux Falls, South Dakota, washes meat as part of the production process. This water is then reclaimed and reused, but some is lost through the process. Previously, lost water was replaced by hand, leading to significant waste. The plant installed level controls on machines to replace only the water that was consumed. This project will save the plant more than 80 million gallons of water, 51,411 dekatherms of natural gas, and 197,000 kilowatt hours of electricity each year for a total of \$523,000 in saved utility costs.
- The plant in Denison, Iowa, rerouted a water line that was inadvertently adding to wastewater discharge. This saves nearly 46 million gallons and more than \$85,600 per year.
- The plant in Bolingbrook, Illinois, updated several older processes (including introducing a new dry cleaning process, extending run production sequencing, and putting low-flow nozzles on hoses) over the past several years. These adjustments reduced overall water use 81 percent (94 percent per cwt) from 2008 levels even while production grew by over 300 percent.



- The processing facility in Milan, Missouri, uses woven belts to drain water from bio-solids prior to disposal. Cleaning these belts is vital, but had used nearly 80 gallons of water per minute. To reduce the water needed in the cleaning process, employees developed a system that uses recycled wastewater to wash the belts instead, saving the plant nearly 5 million gallons of local fresh water each year. This savings proved especially significant during the 2014 summer drought in the Midwest.
- The pet food ingredient processor in Denver, Colorado, combines fresh and frozen meats before pumping the meats through pipes to blending equipment. To keep pipes from freezing, the plant used to run fresh water over the piping and let it drain through the floor. Spotting an opportunity to reduce water waste, the plant built a closed loop system to return the water to a storage drum for continuous reuse. The project has saved an estimated 1.5 million gallons of water while reducing water and sewer costs by \$16,800 per year.

### Water Intensity

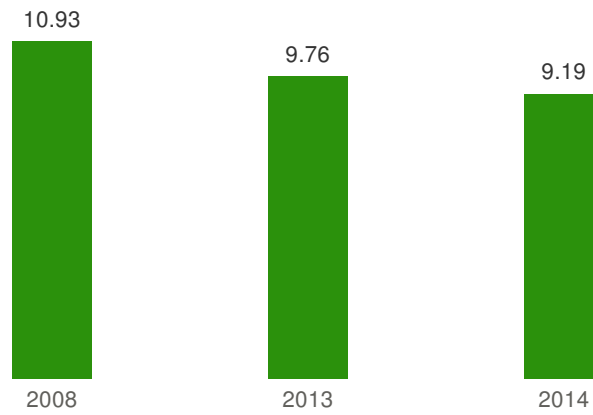
(gallons/cwt)  
08-14 Change: -18.4%



CWT equals 100 pounds of product. Data for 2013 do not include American Skin Food Group, LLC.

## Water Use

(billions of gallons)  
 08-14 Change: -15.9%

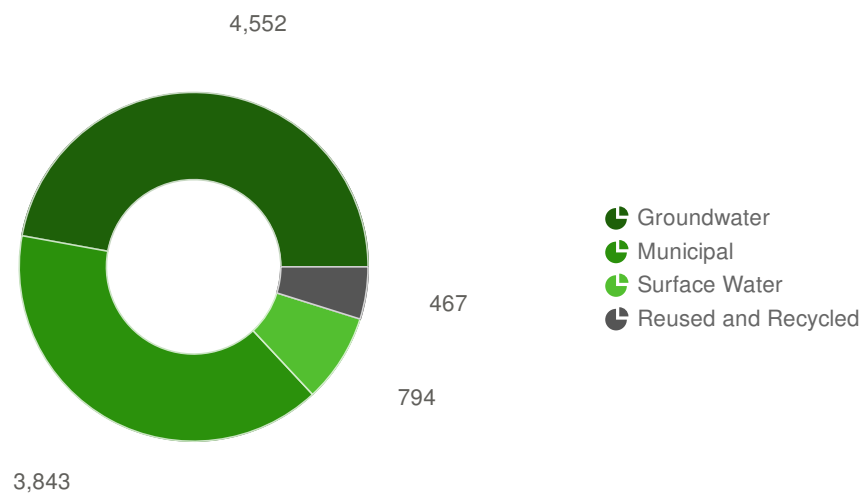


Data for 2013 do not include American Skin Food Group, LLC.

## 2014 U.S. Water Management

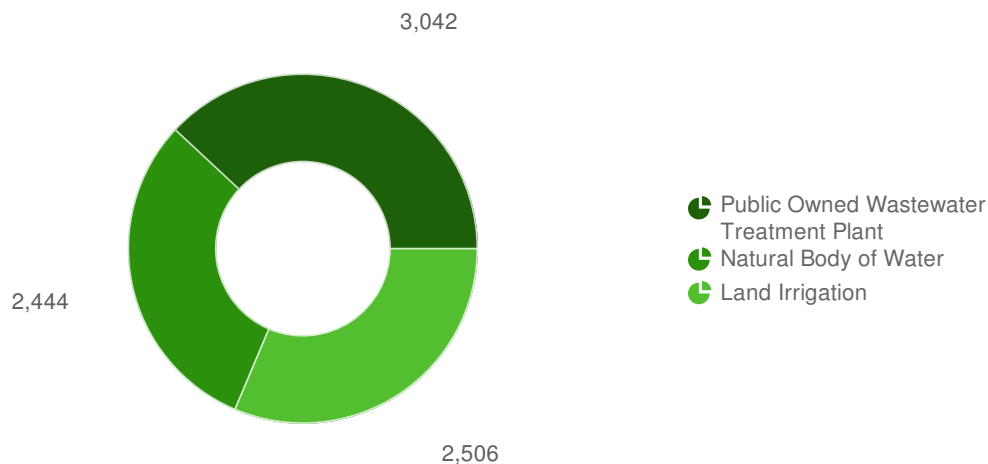
### Sources

(millions of gallons)



## Discharge

(millions of gallons)



## Water Quality

All processing facilities must meet the quality standards established in their wastewater discharge permits as provided by local and state officials. Less than 40 percent of facilities are indirect dischargers, meaning that wastewater flows to a public-owned treatment works (POTW) that further treats it before discharging it into the environment. The POTW establishes pollutant limits for facilities to ensure environmental protection.

The five facilities that discharge directly into natural bodies of water, such as a stream or river, must meet the U.S. Environmental Protection Agency’s (EPA) stringent industry-specific pollutant limits. The table below lists the maximum pollutant concentrations and loads for direct-discharging facilities based on EPA guidelines. Individual permits may vary:

Pollutant (units)	Maximum Daily	Maximum Monthly Average
BOD5* (pounds/1,000 LWP**)	0.04	0.02
Oil and grease (pounds/1,000 pounds LWP)	0.12	0.06
Total suspended solids (pounds/1,000 pounds LWP)	0.08	0.04
Ammonia (mg/L***)	8.0	4.0
Total nitrogen (mg/L****)	194	134
Total fecal coliform (MPN/100 ml*****)	<400	N/A

\* BOD5 = Biochemical Oxygen Demand, a measure of organic loading  
 \*\* LWP = Live Weight Processed  
 \*\*\* mg/L = milligrams per liter  
 \*\*\*\* MPN/100 ml = most probable number (MPN) of coliform per 100 milliliters

Farms have zero discharge permits. Land application of manure is not considered a discharge.

## Energy Use

From transporting animals to powering production facilities, our divisions use significant amounts of energy in the form of electricity, fossil fuels, and biogas.

Reducing energy use can be difficult due to increased automation of processing systems and greater production of ready-to-eat products. As a result, normalized energy use rose by nearly 2 percent from 2013 to 2014. While we're committed to energy reduction from a sustainability perspective, reduction projects reap fewer economic benefits because energy prices continue to stay relatively low.



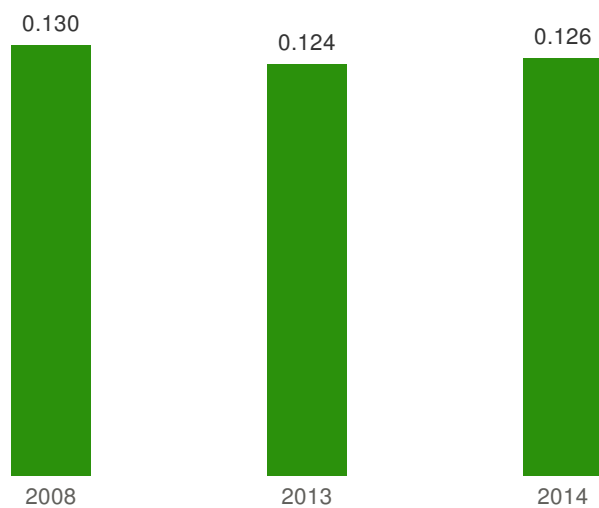
\*CWT equals 100 pounds of product.

In 2014 our divisions implemented several energy efficiency projects, including the following:

- The plant in Bolingbrook, Illinois, moved its operations to a larger, newer facility with high efficiency lighting, and installed fans and scrubbers that improved air quality without the need to exhaust air to the environment. This allowed the facility to reduce energy use by 19 percent (76 percent per 100 pounds of product (cwt)) from 2008 to 2013, while quadrupling production. The plant is currently installing motion sensors to realize even greater efficiencies.
- The plant in Springdale, Ohio, added wider pipes and headers to its ammonia chilling system, allowing compressors to operate at optimal pressure levels while reducing energy demand. The project reduces electricity use by an estimated 1,656,364 kilowatt hours (kWh) while saving \$85,300 in annual costs.
- The facility in St. James, Minnesota, set out to improve its outdated ammonia chilling system. It chemically descaled its six evaporative cooling towers to improve their heat transfer and installed two new refrigeration compressor controllers. The more efficient system saves an estimated 925,669 kWh each year with an annual cost savings of \$97,700.

## Energy Intensity

(gigajoules/cwt)  
08-14 Change: -3.0%



CWT equals 100 pounds of product.

Energy Use by Fuel Type (Gigajoules in millions)			
	2008	2013	2014
Electricity	5.607	5.773	5.775
Natural gas	7.539	8.322	8.272
Propane	1.183	1.290	1.401
No. 2 Oil*	2.985	0.650	0.742
No. 6 Oil	0.630	0.002	0.130
Biogas	0.398	0.287	0.307

\* Includes transportation fuel use.

## Direct and Indirect Energy Use

(gigajoules in millions)



More than 90 percent of U.S. facilities report energy data (electricity, natural gas, and propane use). Data for 2013 do not include American Skin Food Group, LLC.

Smithfield's Energy Technology Review Committee actively works with technology providers, utilities, and government agencies to identify and develop pioneering renewable energy technologies that can be deployed at farms and processing facilities. See [Turning Manure into Renewable Energy](#) to learn more about carbon footprint reduction efforts.

## Greenhouse Gas Emissions

The production and distribution of our products result in greenhouse gas (GHG) emissions. For example, processing plants use energy from natural gas, fuel oil, and electricity to power operations. We strive to limit the energy generated and purchased to meet our reduction target.



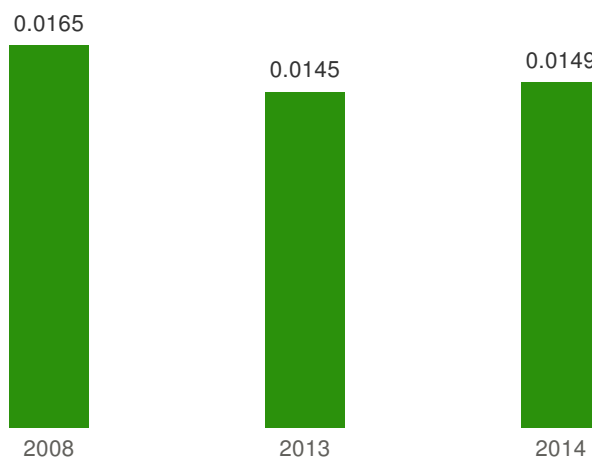
\*CWT equals 100 pounds of product.

### Managing Greenhouse Gas (GHG) Emissions

GHG emissions at processing facilities have decreased even as they have increased output and shifted product lines toward ready-to-eat products, which require more energy to produce. In 2014, normalized GHG emissions were 9.6 percent below 2008 levels; nearly meeting the 10 percent reduction target.

### GHG Intensity

(metric tons CO<sub>2</sub>e/cwt)  
 08–14 Change: -9.6%



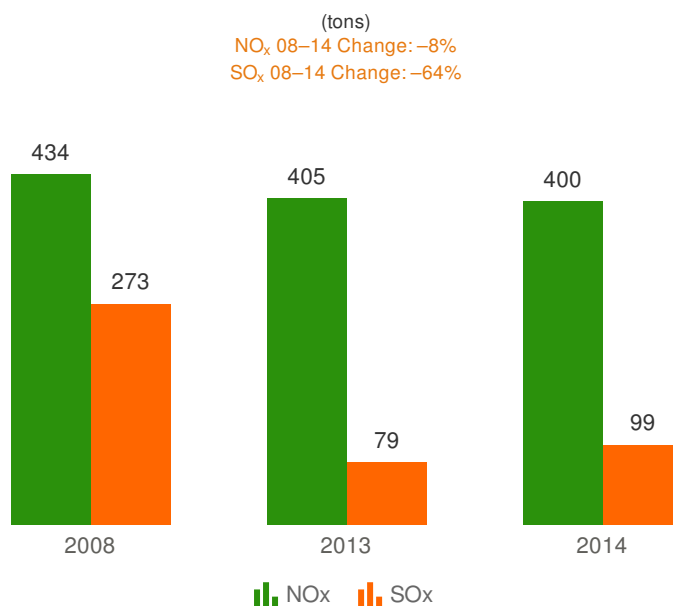
Total Direct & Indirect GHG Emissions by Type	2013	2014
Carbon dioxide (CO <sub>2</sub> ) emissions (metric tons)	1,215,198	1,214,010
Methane (CH <sub>4</sub> ) emissions (metric tons CO <sub>2</sub> e)	515	534
Nitrous oxide (N <sub>2</sub> O) emissions (metric tons CO <sub>2</sub> e)	2,674	4,229
GHG emissions (metric tons CO <sub>2</sub> e)	1,218,360	1,218,773

CO<sub>2</sub>e stands for carbon dioxide equivalent. CWT equals 100 pounds of product. Data do not include hog production operations. Data for 2013 do not include American Skin Food Group, LLC.

### Other Air Emissions: Nitrogen Oxides (NO<sub>x</sub>) and Sulfur Oxides (SO<sub>x</sub>)

Several facilities report NO<sub>x</sub> and SO<sub>x</sub> emissions to the U.S. Environmental Protection Agency (EPA) and state regulatory agencies.<sup>1</sup> Since 2008, operations have reduced emissions by switching to natural gas, adding emission-control devices, upgrading equipment, and tuning boilers. NO<sub>x</sub> emissions have dropped 8 percent, while SO<sub>x</sub> emissions have fallen 64 percent.

### NO<sub>x</sub> and SO<sub>x</sub> Emissions



<sup>1</sup> The number of reporting facilities fluctuates over time due to changes in reporting requirements, varied reporting timeframes, and operational changes.



## Materials Use & Waste to Landfill

Reducing solid waste is an important part of our commitment to environmental stewardship.

Our approaches include redesigning packaging, increasing recycling and composting, selling materials with residual value, and using packaging with post-consumer recycled materials.



\*CWT equals 100 pounds of product.

Our efforts have diverted millions of pounds of waste from landfills since developing our goal of reducing solid waste by 10 percent. In 2014, our divisions sent 38.4 percent less solid waste to landfills than in 2008, despite increased production. Solid waste landfill disposal per 100 pounds of product (cwt) fell by 40.6 percent.

Projects like those described below helped operations significantly surpass our 10 percent reduction target:

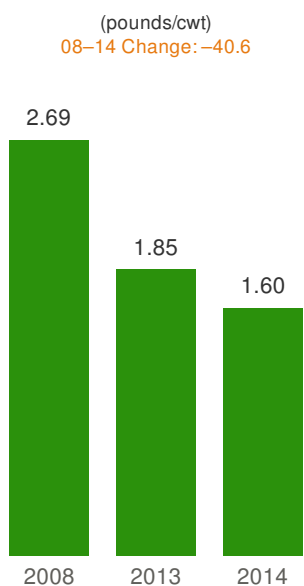
- Facilities in Sioux Falls, South Dakota, and Sioux Center, Iowa, began beneficially reusing 100 percent of their wastewater biosolids by applying them to land as fertilizer. The volume of material sent to the landfill dropped by 5,534 tons—or 33 percent—in 2014.
- The Denison, Iowa, plant installed equipment to dry solids removed during the wastewater treatment process to sell the dried sludge. The project eliminates more than 5 million pounds of solid waste and saves the facility \$319,000 per year.
- Since 2008, the hog farming operation near Milford, Utah, has recycled pallets, metals, used electrical motors, old vehicles, spent catalysts, and specialized equipment parts. It also has optimized its Environmental Management System (EMS) to understand and quantify the environmental and economic benefits of its recycling efforts. Over the course of this project, the plant has earned \$171,000 from selling its recyclables while keeping nearly 947,000 pounds of waste out of landfills.
- Farming operations near Warsaw, North Carolina, partnered with a waste and recycling management company to recycle grain bags and compost feed mill waste and wood shavings. In the first year, this saved an estimated \$238,000 and diverted nearly 6.8 million pounds from landfills.
- The feed mill in Laurinburg, North Carolina, began handling its trash (feed bags, cardboard, empty totes, and office waste) and organic waste (grain dust, waste feed, and sweepings) separately. The trash is now compacted onsite, reducing trips to the landfill from twice a week to once per month. The organic waste goes to a local composting company each week. This reduces landfill fees by \$21,000 per year and keeps 1.25 million pounds of organic material out of landfills.

**In 2014, our divisions sent 38.4 percent less solid waste to landfills than in 2008, despite increased production.**

Total Waste Disposition (Tons)	2013	2014
Cardboard recycled	26,743	27,833
Metals recycled	1,388	2,016
Plastics recycled	604	884
Wastewater sludge land applied	16,574	12,120
Material composted	17,239	28,358
Material anaerobically digested	10,458	16,673
Waste-to-energy	2,449	14,506
Hazardous waste	15	13
Universal waste	48	37

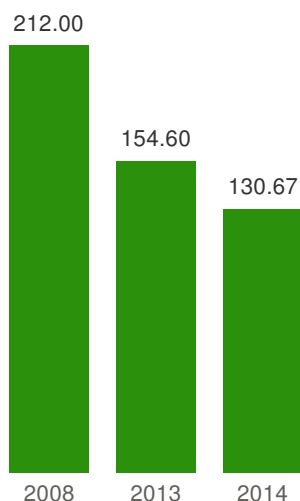
Data do not include hog production operations. Solid waste is typically hauled away for a fixed fee; reliable weights are not available. Data for 2013 do not include American Skin Food Group, LLC. CWT equals 100 pounds of product.

### Normalized Solid Waste to Landfill



## Solid Waste to Landfill

(pounds in millions)



### Zero Waste to Landfill

For the past few years, we have encouraged all domestic processing facilities to go beyond the 10 percent solid waste reduction targets. We now challenge them to meet zero-waste-to-landfill best practices. We have a variety of criteria in place for facilities to follow in order to be considered zero waste. At least 50 percent of total waste must be reused or recycled, and incineration without energy recovery is limited to legally required disposal items, such as hazardous waste. In order to keep zero waste economically viable, costs of using the zero-waste approach must not exceed 105 percent of baseline waste costs. Finally, we require record keeping of waste practices and review by staff and/or a third-party auditor.

**We now challenge domestic processing facilities to meet zero-waste-to-landfill best practices. We have a variety of criteria in place for facilities to follow in order to be considered zero waste.**

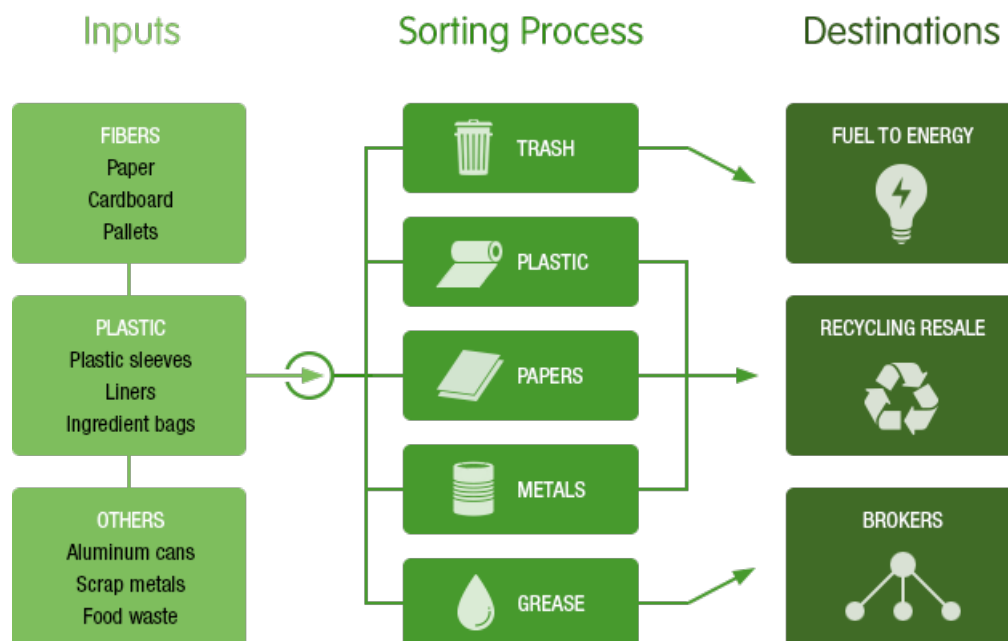
### Becoming a Zero-Waste-to-Landfill Facility

While each facility has its own challenges in meeting our zero-waste target, the most successful zero-waste projects involved the following elements:

- Itemizing all the varieties of waste the plant might generate on any given day
- Color coding waste bags to optimize waste sorting
- Setting and tracking recycling goals
- Training employees in proper recycling techniques
- Informing suppliers of waste reduction efforts
- Hiring a recycler that accepted a wider variety of items

- Composting organic wastes
- Compacting non-recycled items and sending to a waste-to-energy facility
- Selling reusable byproducts such as grease
- Reinforcing the new protocols at daily plant employee meetings
- Providing regular updates to management and employees

The new waste diversion paradigm looks like this:



Several other facilities have followed this recipe for success. To date, four facilities have achieved zero-waste-to-landfill status:

Facility	Zero-Waste Certification Date	Highlights
Peru, Indiana	May 2013	<ul style="list-style-type: none"> <li>• Recycles more than 98% of its waste</li> <li>• Diverted 440 tons of waste from landfills</li> <li>• Saves nearly \$95,000 per year</li> </ul>
St. James, Minnesota	March 2014	<ul style="list-style-type: none"> <li>• Diverted 1,306 tons of waste from landfills</li> <li>• Increased recycling 97%</li> </ul>
Bolingbrook, Illinois	June 2014	<ul style="list-style-type: none"> <li>• Diverted 142 tons of waste from landfill</li> <li>• Saved more than \$22,000 in operating costs</li> <li>• Generated \$38,000 in recycling rebates</li> </ul>
Springfield, Massachusetts	July 2014	<ul style="list-style-type: none"> <li>• Diverted 242 tons of waste from landfill</li> <li>• Saved more than \$65,700 in operating costs</li> </ul>

We expect to certify the following three additional zero-waste-to-landfill facilities in 2016:

Facility	Planned Zero-Waste Certification Date
Omaha, Nebraska	January 2016
Sioux Center, Iowa	February 2016
St. Charles, Illinois	June 2016

## Optimizing Packaging

Product packaging helps ensure food quality and safety. It offers protection during transit, extends shelf life, and communicates important nutrition and safe-handling information to consumers.

Because we offer so many types of products, processing facilities utilize a wide variety of packaging materials, including resin-based plastics, such as clear film and bags for sealing meats, and corrugated cardboard boxes for shipments. Other items include foam trays, plastic boxes, absorbent liners, folding cartons, zipper bags, plastic tubs and lids, and rigid plastic trays.

To continue to drive packaging efficiency, we have encouraged facilities to develop packaging reduction projects each year. The aim is that material use will be reduced, and good practices shared across the business, driving further improvements.

Recent packaging reduction initiatives include the following:

- The plant in Mason City, Iowa, trimmed an inch from the length of the “cook-in” bags for ham, which had occasionally interfered with the vacuuming process, requiring bags to be thrown out. Though seemingly small in size, this reduction has improved the product-sealing process, reduced bag waste by 1,778 pounds, and saves the plant about \$13,500 per year.
- The plant in Cudahy, Wisconsin, slightly reduced the height, length, and width of its bacon box, cutting 0.16 pounds per unit. That might sound like a minuscule amount. But with an annual production of 250,000 bacon boxes each year, this reduction eliminates 20 tons of corrugated cardboard needed for packaging and saves the plant \$41,000 per year in packaging costs.
- The plant in Salt Lake City, Utah, introduced “tapeless” cardboard boxes with flaps that interlock, eliminating the need to close them with tape. This reduced the amount of plastic in packaging by 7,000 pounds and cut costs by \$63,400 annually.

## Compliance

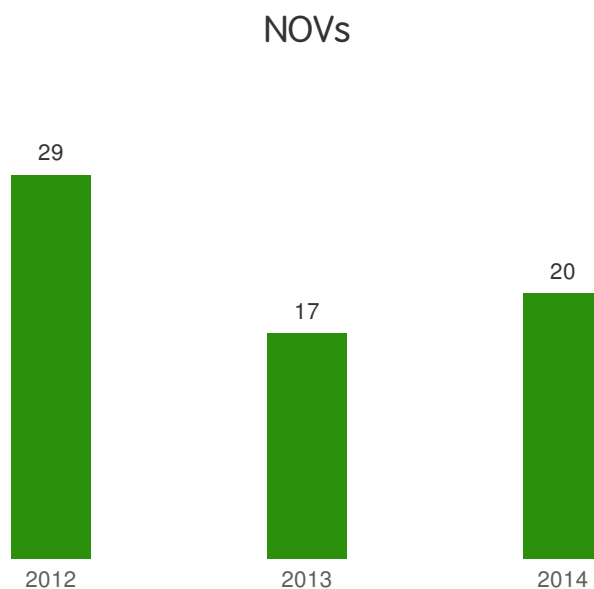
We seek to comply with local, state, and federal environmental requirements at all times and have compliance management programs that train and motivate employees to prevent, detect, and correct violations.

Our goal is to continue improving coordination and communication within the company to achieve the following:

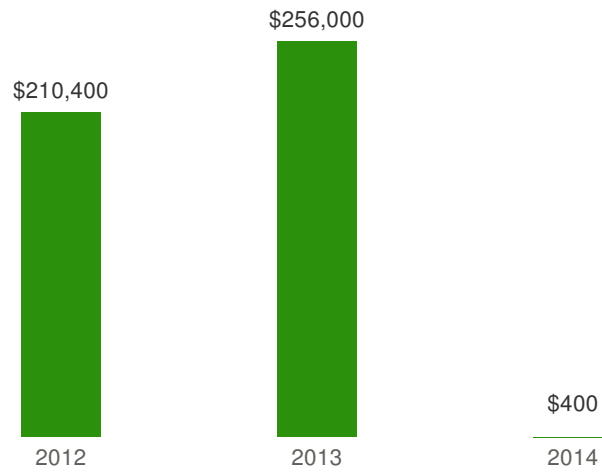
- Improve overall environmental performance and eliminate notices of violation (NOVs);
- Effectively analyze and communicate Environmental Management System (EMS) and International Organization for Standardization (ISO) audit results to plants;
- Expand training programs and improve training conference attendance;
- Increase participation in the Smithfield Awards program;
- Earn more third-party recognitions; and
- Share results annually with management to drive continuous improvement.

U.S. operations received 20 NOVs in 2014. We are taking all necessary corrective actions to resolve the concerns, which involves coordination with multiple stakeholders, including the local municipality and state agencies. We take any NOV or fine seriously and work quickly to determine how our management systems can be improved while making corrective actions. We also work with regulators to resolve all environmental issues as they arise.

### Notices of Violation (NOVs) and Fines at Wholly Owned Farms and Plants



## Fines

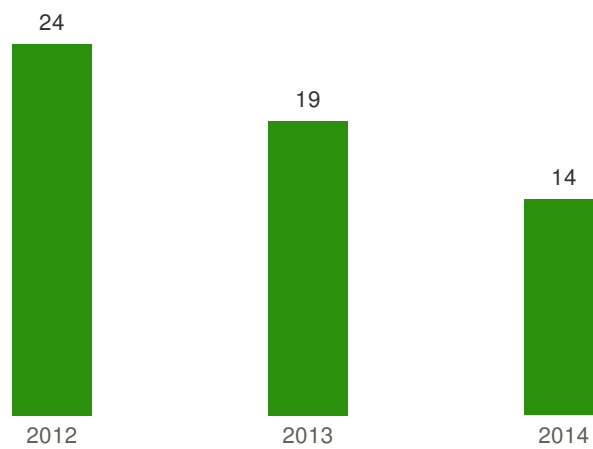


Total NOVs and fines include all domestic farms and plants.

## Environmental Performance of Contract Producers

We recognize that suppliers are key to achieving our goal of being the most trusted, respected, and ethical food industry leader. In 2014, approximately 2,100 domestic contract farms received 14 environmental notices of violation (NOVs), a 26 percent reduction from 2013.

## Contract Farm Notices of Violation



Contract farm NOV totals are based on reviews of state databases and production staff surveys.

## Biodiversity & Conservation

Protecting biodiversity is an issue of growing scientific and public concern. Scientists and conservation organizations have identified several factors that threaten biodiversity, including habitat destruction, invasive species, pollution, human overpopulation, and overharvesting.

As a company, we avoid and minimize adverse impacts on biodiversity by not operating in protected habitats or areas of high biodiversity value. It is our understanding that there are no protected species with habitats near our domestic operations. Several facilities feature buffers and other natural areas in an effort to preserve local natural habitat.

We support biodiversity efforts when we can make a meaningful contribution. As an example of this commitment, our Hog Production Division donated a lease of 600 acres of company-owned land to the Missouri Prairie Foundation in an effort to bring back native vegetation and the wildlife that once flourished there.

### Wildlife Conservation

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The facility in Kinston, North Carolina, converted 14 acres of unused property into a wildlife habitat modeled after the state of North Carolina's Wildlife and Industry Together (W.A.I.T.) Program. Employees built bird boxes and bat houses to encourage local species to repopulate the property. An old retention pond houses other wildlife.

We also provide financial support to [environmental stewardship programs](#) that protect native habitats in North Carolina.



## Corporate Support for Land Conservation and Water Quality

The James River region of Virginia, which is home to Smithfield, includes a 10,000-square-mile drainage basin where 3 million people live.

Several years ago, Smithfield joined the Chesapeake Bay Foundation, Dominion, The Nature Conservancy, Altria, and the Virginia Association of Parks in a coalition of concerned businesses, environmental organizations, and outdoor enthusiasts called VIRGINIAforever\*. Over the last decade, the coalition has successfully argued for increased funding for land conservation and water quality improvement. While progress has been made, VIRGINIAforever believes the state must continue to make investments in protecting its natural resources.



For the first time, VIRGINIAforever has asked the state to meet specific environmental conservation and protection funding goals between 2015 and 2019. Achieving these goals will sustain the levels of land conservation that were achieved when the state's efforts were at their most robust, in an economically sound way.

Supporting Land Conservation and Water Quality		
\$834 million to protect land		\$805 million to protect waterways
Farmland	120,000 acres	Wastewater treatment upgrades in 2017-2019
Forestland	240,000 acres	Stormwater management improvements
Historic Lands	50,000 acres	Broad implementation of agricultural best management practices
Natural Areas	40,000 acres	
Recreational	50,000 acres	

\* Our executive vice president and chief sustainability officer, Dennis H. Treacy, is on the executive board of directors.

## Environmental Enhancement Grants

In 2000, operations in North Carolina agreed to give \$50 million over 25 years to promote environmental enhancement in eastern North Carolina. The North Carolina attorney general used these donations to create the Environmental Enhancement Grants (EEG) Program to fund projects that restore and protect impaired, degraded, or endangered natural resources and natural areas.

Since 2001, more than \$23 million has been awarded to nearly 100 conservation projects. To see past winners, please visit the [Environmental Grants](#) page on the North Carolina Department of Justice website.

## Recognition & Awards

As part of our sustainability efforts, all facilities submit at least one project to an environmental awards program run by third parties, such as local governments, trade associations, or charitable foundations.

In 2014, our operations received 98 awards for environmental efforts from external organizations, recognizing performance in areas including packaging, water management, and energy reduction.

### Third-Party Recognition

#### *Food Engineering Magazine Award*

In November 2014, *Food Engineering Magazine* named Smithfield “Sustainable Processor of the Year” for making sustainability a corporate priority while giving back to local communities. The magazine recognized the following facilities for efforts in water recycling, solid waste and energy reduction, wastewater treatment improvements, and other industry-leading actions:

- Peru, Indiana—Recycling wastewater, achieving zero-waste-to-landfill status
- Bolingbrook, Illinois—Energy and water consumption reductions, achieving zero-waste-to-landfill status
- Tar Heel, North Carolina—Wastewater treatment improvements, improved biogas production

#### North American Meat Institute (NAMI) Foundation Awards

Our operations received a total of 49 awards from the North American Meat Institute (NAMI) for their environmental achievements.

The NAMI Environmental Achievement Awards are presented to companies that go beyond environmental compliance by designing and successfully implementing an innovative environmental program. In order to qualify for an award, all participants must support their submissions with data on natural resources, cost savings, and other metrics.

#### Achievement Award Winners

Environmental Technology, Outreach, and Training	
Award	Facility Location
First Place	Lincoln, Nebraska
Second Place	Cudahy, Wisconsin
Third Place	Smithfield, Virginia

Pollution Prevention	
Award	Facility Location
First Place	Bolingbrook, Illinois
Second Place	Milford, Utah
Third Place	Springfield, Massachusetts

Resource Conservation	
Award	Facility Location
Second Place	Milford, Utah
Second Place	Milan, Missouri

Social and Economic Sustainability	
Award	Facility Location
First Place	Denver, Colorado
Second Place	Milford, Utah

A second set of awards, called the Environmental Recognition Awards, is a four-tier, voluntary environmental management system toolbox. The program begins in Tier 1 with simple environmental compliance policies and culminates with an ISO 14001 Environmental Management System (EMS) as Tier 4, the most complex program. NAMI recognized 39 Smithfield facilities with Tier 4 Environmental Recognition Awards.

## Additional Awards

Our operations received 49 awards from various governmental entities and environmental groups, such as Hampton Roads Sanitation District, Kansas Water Environment Association, The North Carolina National Guard/Onslow Career Center, The Kentucky Department of Environment, Romanian Corporate Social Responsibility (CSR) Media Awards, Northern Illinois Food Bank, and the Sampson County (North Carolina) Agri-Exposition Center.

## Internal Awards Program

As part of our sustainability program, each facility submits at least one project to our internal awards program, the Environmental Excellence Awards. We select the most innovative projects and initiatives that reflect good environmental stewardship coupled with economic benefits. In August 2014, the winners were announced at our annual awards banquet during our Environmental Training Conference in Denver, Colorado.

Environmental Excellence Awards are given to specific employees or to a team, while a President’s Award is given for projects that are the combined effort of a larger group of employees. Winning programs are selected based on several factors, including environmental impact and social significance, efficiency, cost-effectiveness, originality, and technical value. Winning facilities receive recognition from senior management and cash awards of \$5,000, of which \$3,000 goes to a nonprofit of the award recipient’s choice.

## 2014 Environmental Excellence Awards Winners

In 2014, we recognized achievements that represent our strong commitment to sustainability in the following categories:

### Wastewater Handling and Treatment

Location	Project Summary	Project Cost	Cost Savings	Other Savings
Kansas City, Missouri	Negotiated a contract with the company that sanitizes the plant's equipment in which the contractor was responsible for the cost of chemicals. This prompted the company to reduce use of five major chemicals by at least 35%.	\$0	\$35,810	Significantly diminished chemicals in wastewater.
Szczecin, Poland	Modernized slaughterhouse equipment, which optimized waste collection and improved wastewater quality.	\$0	\$5,836	N/A

### Environmental Training and/or ISO 14001

Location	Project Summary	Project Cost	Cost Savings	Other Savings
Lincoln, Nebraska	Developed DVD designed to educate incoming drivers on how to reduce on-site contamination.	\$500	N/A	N/A

### Resource Conservation—Waste Reduction Category

Location	Project Summary	Project Cost	Cost Savings	Other Savings
Warsaw, North Carolina	Partnered with solid waste and recycling company to reduce waste from grain bags, harvest grains, and food by 90%.	\$0	\$238,000	Solid waste—6.8 million pounds Grain bags—110,000 pounds
Milford, Utah	Replaced dual wheels on feed delivery trucks with wider "super single" tires. This allowed heavier loads and saved 36,400 road miles.	\$23,070	\$106,250	Fuel—9,760 gallons

### Packaging Reduction

Location	Project Summary	Project Cost	Cost Savings	Other Savings
Mason City, Iowa	Reduced size of ham cook-in bag from 11" x 20" to 11" x 19", cutting bag waste by 9%.	\$0	\$13,512	Solid waste— 1,778 pounds Plastic use— 1,871 pounds
Cudahy, Wisconsin	Altered bacon box size, reducing per unit weight by 0.16 pounds and overall waste by 2,000 tons.	\$0	\$41,000	

### Best Recycling of a Previous Year's Project

Location	Project Summary	Project Cost	Cost Savings	Other Savings
St. Charles, Illinois	Installed fuel filtration system in its dry sausage stuffing system, eliminating annual oil change.	\$2,444	\$26,520	Oil—240 gallons
Orange City, Iowa	Installed storm water filter bag in the storm drain near the tanker loading area, reducing potential contamination to nearly 0%.	\$0	None	Reduced storm water pollution and reportable incidents.

### Community Outreach

Location	Project Summary	Project Cost	Cost Savings	Other Savings
Milford, Utah	Employees spent two days beautifying the Minersville Reservoir, a popular local recreational destination.	\$18,800	N/A	N/A
Rose Hill, North Carolina	Participated in five holiday gift drives throughout eastern North Carolina.	Donated \$2,430 and 120 pounds of ham	N/A	N/A
Smithfield, Romania	Engaged with 31 rural communities through meetings, dialogues with local groups, city hall visits, and speaking engagements.	N/A	N/A	N/A

### Innovative Solution to a Compliance Issue

Location	Project Summary	Project Cost	Cost Savings	Other Savings
Cudahy, Wisconsin	Installed water jet to keep pH monitoring system clean, ensuring accurate wastewater quality monitoring.	\$950	N/A	Reduced potential for notices of violation (NOVs) or fines for low pH.

N/A–Not applicable.

### 2014 Savings from Awards

152 submitted projects achieved these savings:

- \$21.2 million
- 220 million gallons of water (a six-minute shower for each person in New York City)
- 107,837 dekatherms of natural gas (equal to nearly 610,450 gallons of gasoline)
- 6.14 million kilowatt hours of electricity (enough to power about 650 American homes for a year)
- 10,433 tons of solid waste materials not sent to landfill (52 blue whales)
- 119,842 gallons of fuel oil (enough to heat nearly 245 American homes during the three months of winter)

Cost reductions are reported per calendar year.

### 2014 President’s Award Winners

Our joint venture \* in Mexico (Granjas Carroll de Mexico ) won the President’s Award for its Community Outreach efforts . The company built and installed 223 custom-made, wood-burning stoves in local households. The se efficient stoves provide a means of cooking with better air quality and reduced health risks, relative to the converted 55-gallon drums household commonly use. The stoves are popular and will provide daily benefits for many years.

\* We typically only report on companies and investments in which we have a majority (51 percent or more) interest.

### 2014 Zero Hero Award Winners

The “Zero Hero” award is given to individuals who best exemplify our goal of 100 percent compliance, 100 percent of the time so that our operations can achieve zero notices of violation (NOVs).

Kraig Westerbeeck, vice president, environment, engineering, and support operations at our Hog Production Division, and John Meyer, senior director of environmental affairs and sustainability at our Packaged Meats Division, were selected because each of their respective divisions received zero NOVs for a 12-month period ending in 2013. They are the only individuals who have won the award twice.

## Defining Pork’s Environmental Footprint

The National Pork Board (NPB) supports research to quantify the carbon, water, air, and land footprints of a four-ounce portion of pork.

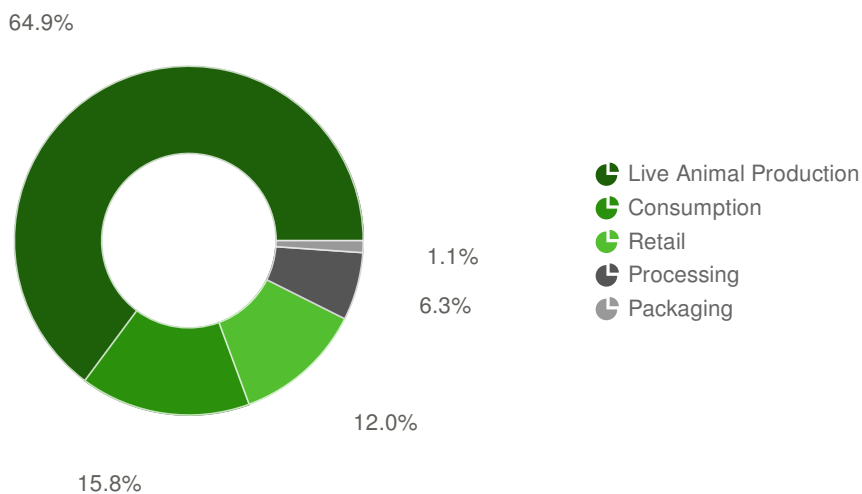
### The Carbon Footprint of Pork

The University of Arkansas Applied Sustainability Center’s peer-reviewed life cycle assessment (LCA) quantified greenhouse gas (GHG) emissions<sup>1</sup> across the production cycle: feed production, swine production, delivery to processor, processing, packaging, distribution, retail, and consumption/disposal.

Some key findings are as follows:

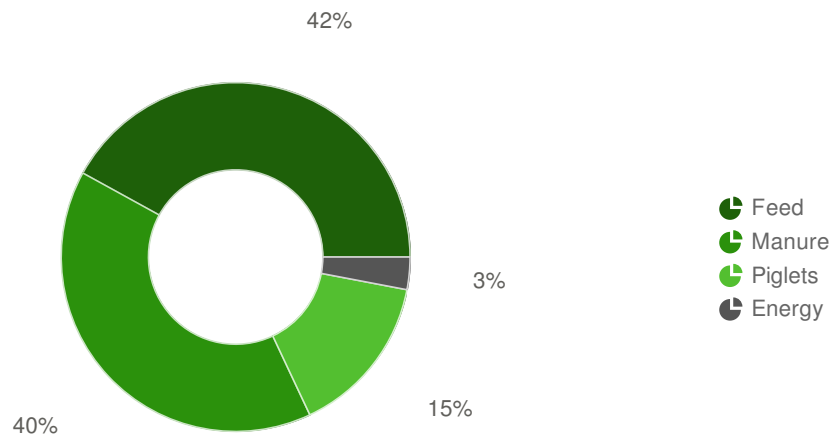
- The preparation and consumption of one four-ounce serving of pork contributes 2.48 pounds of carbon dioxide equivalents (CO<sub>2</sub>e).
- Nearly two-thirds of the carbon footprint comes from live animal production.

### Life Cycle Total



The chart below represents a breakdown of the live animal production portion of the Life Cycle Total chart above.

## Live Animal Production



- Manure management techniques impact the carbon footprint of swine production.
- Pork's carbon footprint is smaller than many animal proteins. However, the study did not make direct comparisons between animal proteins.

## The Water Footprint of Pork

The NPB also funded research to identify and quantify a baseline water footprint for pork production. The Checkoff-funded report includes these elements:

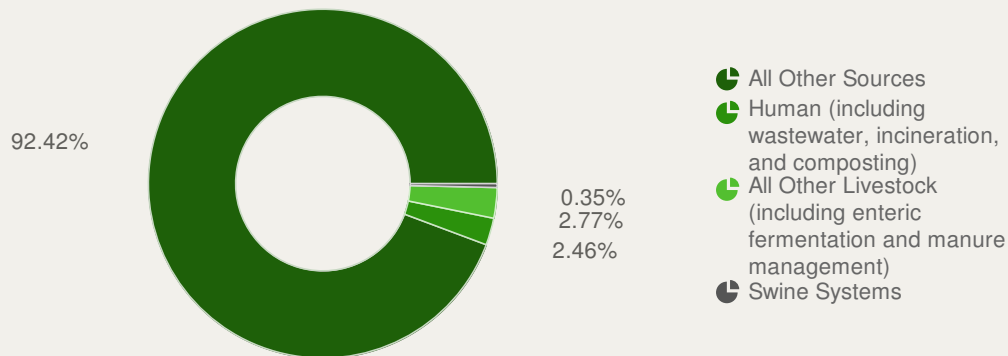
- A review of available literature related to water use associated with pork production
- A summary LCA of water use across the entire supply chain
- An in-depth LCA of the on-farm water use for all aspects of raising the animals
- A software tool to help pork producers identify areas for potential improved efficiency and model how operational changes impact a facility's footprint.



### Did You Know?

Pork production's carbon footprint represented only 0.35 percent of the United States' GHG emissions in 2009.\* Since 1990, U.S. farmers increased meat production by almost 50 percent\*\* while holding GHG emissions relatively constant. In other words, every pound of meat now has a smaller carbon footprint than 25 years ago. This reflects superior production methods employed over the years, including improved feeding programs, using manure as a natural fertilizer, and enhanced manure management and application practices.

### 2009 Swine GHGs as a Percent of U.S. Total



Percentages based on total gross GHG Emissions in millions of metric tons carbon dioxide equivalents (CO<sub>2</sub>e).

\* Draft Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990–2009—February 15, 2001.

\*\* American Meat Institute, 2009.

### Next Steps: The Air and Land Footprints of Pork and Sustainability Tool Integration

The NPB plans to fund research to identify and quantify the air and land footprint of U.S. swine production. For more information on how America's pork producers are focusing on sustainability, visit the [NPB website](#).

<sup>1</sup> GHG emissions are commonly defined in terms of the cumulative global warming potential (GWP) of all greenhouse gases emitted for a system or product.

## Manure Management FAQs

We get lots of questions about manure management. What follow are some of those that get asked most frequently.

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**Q: Do pigs wallow in their own manure?**

**A:** Modern barns are often designed with slatted floors and routine flushing systems to remove manure from animal pens. This helps keep the animals cleaner relative to outdoor systems.

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**Q: Where does the hog manure go?**

**A:** The manure goes into several types of treatment systems that vary depending on several factors, including the location and type of the farm. The majority of our hog production operations use anaerobic treatment lagoons, which have been designed and certified by qualified professionals to treat and store the manure. Although the surfaces of the lagoons are exposed to the air, they are anaerobic below the liquid surface. Lagoon sizes vary depending on the animal production on the farm. These lagoons allow the solids and the associated nutrients in the manure to break down naturally over a period of six to 12 months. Think of the lagoons as a “stomach” for a farm, where naturally occurring anaerobic organisms digest the materials. With this treatment system, our hog production operations achieve up to 95 percent reductions in volatile solids and 85 percent reductions in biological oxygen demand (a common measure of the amount of oxygen necessary for bacteria to break down organic material in water). What remains is an anaerobically digested, low-solids effluent product that is highly suitable for use as an organic fertilizer and is applied for that purpose.

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**Q: How are these treatment facilities managed?**

**A:** Our Environmental Management System (EMS) requires daily checks on the status of all lagoons, weekly inspections, and regular internal audits. The results of all these efforts are recorded and reported to relevant agencies. Our Hog Production Division makes sure that each company-owned farm has enough land available to utilize the manure to grow a variety of crops. Technical specialist staff prepare detailed and comprehensive nutrient management plans that specify the land area needed and types of crops to be grown. Land application systems are designed to ensure proper and precise application of these nutrients and are calibrated at regular intervals to maintain performance.

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**Q: Are the treatment systems regulated?**

**A:** The Federal Clean Water Act prohibits hog farms and other livestock operations from discharging manure or any wastewater to “waters of the state” at any time. All treatment systems on company-owned and contract farms require sign-off by state and federal regulators when they are built. In addition, hog production operations are regulated by state and/or federal water quality permits. These permits not only make comprehensive nutrient management plans enforceable under law, but also require that we keep extensive records demonstrating compliance. Government inspectors visit hog production operations regularly (up to four times per year) to ensure compliance. Our internal requirements go well beyond regulatory compliance and record keeping; our EMS for hog production operations is certified to ISO 14001 standards.

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**Q: Are there other location-specific regulations?**

**A:** Yes. Local, state, and federal setback requirements ensure that hog farms are located in areas that minimize impacts to neighbors, as well as risks to local water sources. Setbacks vary, but examples include requiring farms to locate lagoons 500 feet from any public water-supply well and no less than 2,500 feet from schools, hospitals, parks, and other public spaces.

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**Q: Are the anaerobic lagoons the best system available?**

A: They are for certain locations and climates but not in all places. Our Hog Production Division utilizes a variety of manure management technologies depending on regulatory requirements and regional climatic conditions. We have invested millions of dollars over the past 15 years to evaluate different manure management technologies and will continue to monitor emerging technologies. A few years ago, we sponsored research at North Carolina State University that analyzed 18 different treatment technologies; the researchers concluded that anaerobic lagoons are the best technology for existing North Carolina farms today.

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**Q: What other types of systems does Smithfield use?**

A: Lagoons aren't feasible in colder climates, so, in these locations, farms use slurry storage systems to maximize the nutrient content of the manure. The manure is stored in tanks or in-ground concrete pits for eventual application to crops as slurry.

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**Q: How does Smithfield's Hog Production Division ensure that manure applied to fields won't wash away with the rain?**

A: Hog production facilities apply the fertilizer at controlled application rates and only at times when ponding and/or runoff will not occur; detailed records of all applications are kept and inspected by state regulators. Employees must inspect the fields before, during, and after manure application to make sure that no runoff occurs. In North Carolina, for example, operators carry pagers that alert them to developing weather events and are required to shut down land application when developing weather systems are within 30 minutes of the farm. This precipitation alert system has been used in North Carolina for several years.

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**Q: Is it better for the environment to raise hogs outdoors?**

A: While some outdoor systems disperse manure across large areas, many outdoor animal producers locate hogs near creeks and have little or no containment to control manure runoff during rainstorms. In addition, untreated manure is deposited on the ground all year long. Modern production systems have storage systems so that manure does not need to be applied during rainstorms or in seasons when crops are not growing.

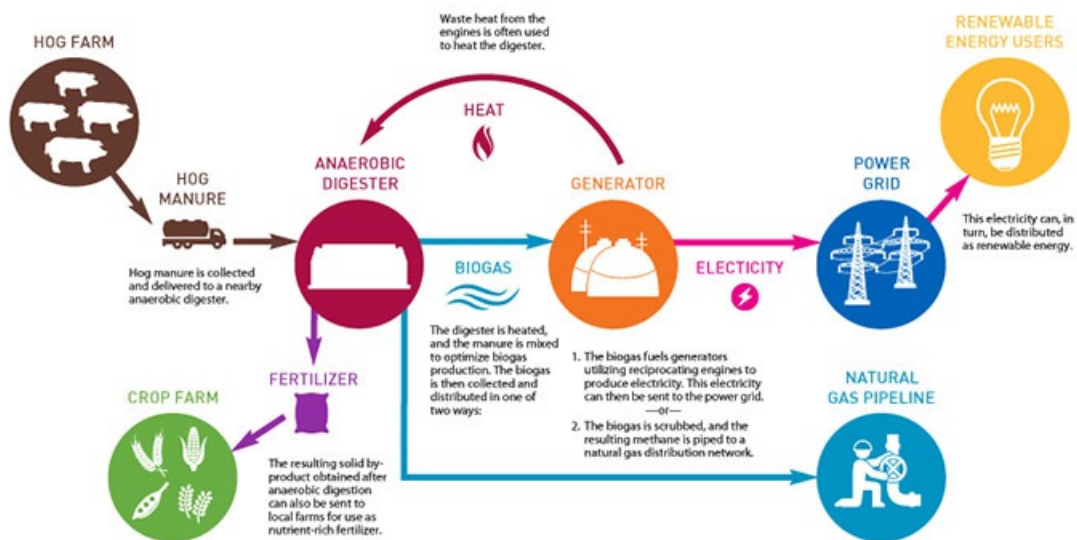
## Turning Manure into Renewable Energy

Like all animals, hogs generate manure—and lots of it. Managing that manure is a critical element of our Hog Production Division’s extensive environmental management systems.

We’re proud of its manure management programs, which we believe are among the best in our industry. We’re not only finding the best ways to dispose of manure: We’re looking at ways to transform it into a useful second life.

### Generating Value with Manure

Our Hog Production Division and contract growers’ farms have a ready supply of feedstock—manure—for powering renewable energy projects and producing valuable fertilizer. This illustration briefly covers some of the ways manure can generate value.



The increasing popularity of renewable energy and reduced carbon footprints had prompted us to commit to playing a long-term, sustainable role in this area in the mid-1990s. Since then, several states have passed legislation encouraging electricity providers to generate power from renewable sources, including hog manure, while new technology is helping to make hog manure more suitable for conversion to energy.

Several production facilities are working on several projects with great potential, including the following:

### Biogas

For nearly two decades, several plants have used their anaerobic wastewater treatment systems to capture biogas—which is 60 to 70 percent methane—to fuel modified steam boilers. This cuts fuel costs, reduces methane emissions, and utilizes a waste product.

A processing facility in Tar Heel, North Carolina, runs a 3 million gallon-per-day (MGD) wastewater treatment plant that discharges into the Cape Fear River. In 2012, the facility began replacing leaky covers on the two 5.75 acre anaerobic basins. This increased average production levels from 13,000 gigajoules (GJ) to 21,500 GJ.

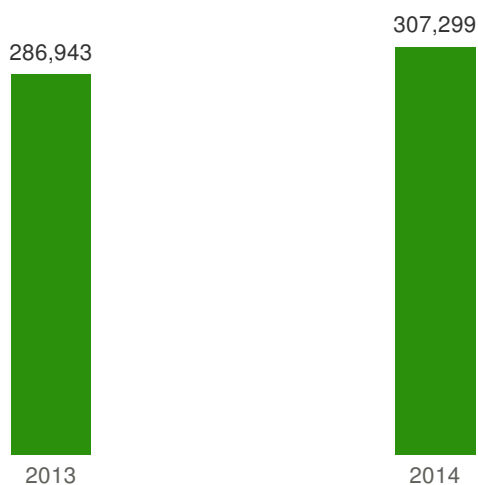
In Missouri, our Hog Production Division signed an agreement to allow a developer to install impermeable synthetic covers on existing lagoons, and

barn scraper technology will be utilized to deliver manure to the covered lagoons. Alternative fuel equipment will harvest and commercialize biogas produced inside the lagoons. The biogas will then be utilized as a renewable, green energy resource.

In 2014, four facilities produced enough biofuel to power approximately 8,000 U.S. households for one year.

## Biogas Production

(gigajoules)



## Manure to Electricity

The Circle Four hog finishing farm complex near Milford, Utah, has a manure supply contract with an energy development firm that built power production facilities on its property. Two 10 million gallon anaerobic digesters receive the manure from 350,000 hogs and produce biogas. Specialized scrubbers remove the impurities, producing pure methane. This methane is combusted in two specially modified generators.

Since December 2012, the project has generated 3.2 megawatts of electricity per year, which is enough to power nearly 100 homes and offset an estimated 107,561 metric tons of carbon dioxide (CO<sub>2</sub>) emissions per year. The farm complex earns royalties for providing the feedstock and realizes operational benefits from the upgraded infrastructure. This collaboration reduces manure sent to on-site lagoon systems while improving water and air quality on the farm.

The Vestal farm in Kenansville, North Carolina, upgraded its existing biogas production processes with the help of an energy development firm. By adding an electricity generator to the system, the farm now has the capacity to produce 100 kilowatts of electricity from hog waste.

Over the past five years, our Hog Production Division has pursued opportunities to supply fuel to several larger projects that could generate five to 10 megawatts of electricity throughout North Carolina. Many of these projects are still awaiting financing.

## Wind Farm Partnership

Circle Four Farms partnered with a wind developer to install a 305 megawatt wind power project, nearly 40 percent of which is on Circle Four's property. The site has generated commercial power since late 2009 and is able to power nearly 4,000 homes in the Milford area. The project offsets Circle Four's fossil fuel use while also generating lease income and increasing property tax revenue for the county and the state of Utah.

We plan to be involved with these types of projects in the United States and internationally over the long term, and we are utilizing internal and external expertise to identify and optimize new energy sources. We are confident in our ability to add value through manure management systems. We continue to explore business relationships where we can work with companies that have the capital and technical expertise to make these projects a success.

## Environmental Policy

It is the corporate policy of Smithfield Foods<sup>1</sup> to conduct business in a manner consistent with continual improvement to protect the environment.

- Smithfield Foods is committed to protecting the environment through pollution prevention and continual improvement of our environmental practices.
- Smithfield Foods seeks to demonstrate its responsible corporate citizenship by complying with relevant environmental legislation and regulations, as well as with other requirements to which we voluntarily subscribe. We will create, implement, and periodically review appropriate environmental objectives and targets.
- Protection of the environment is the responsibility of all employees within the scope of the environmental management system (EMS).

Smithfield Foods communicates this policy to persons within the scope of the EMS and makes it available to the public upon request.

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<sup>1</sup> As used in this policy, the term "Smithfield" or "Smithfield Foods" means Smithfield Foods, Inc., and all foreign or domestic operations and joint ventures in which Smithfield has a majority interest and/or management responsibility.



## Our Commitment to Food Safety & Quality

Producing safe, high-quality, and nourishing food is fundamental to our company's very existence. Our customers and consumers put their trust in Smithfield Foods every time they sit down to a meal of one of our many products.

We believe that food safety starts on the farm, where we have rigorous systems in place to raise healthy animals. It continues at the processing plants, where we follow meticulous and exacting procedures that allow us to produce what we firmly believe to be the world's safest pork. Our vertically integrated business enables traceability from the conception of the livestock to the consumption of the pork products.



## Prior Goals & Targets

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### Our Food Safety & Quality Goals

- Deliver safe, high-quality meat products and eliminate recalls
- 100% compliance, 100% of the time

### Our Food Safety & Quality Targets

- Obtain 100% Global Food Safety Initiative (GFSI) certification for all relevant facilities (those producing meat for human consumption)
- Assure wide variety for different diets and needs and include products designed to address health and wellness in accordance with accepted standards

## New Goal & Targets

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### Our Food Safety & Quality Goal

- Deliver safe, high-quality meat products and eliminate recalls

### Our Food Safety & Quality Targets

- No U.S. Department of Agriculture (USDA) recalls
- Maintain Global Food Safety Initiative (GFSI) certification at all applicable facilities

Smithfield Foods partners with industry, government, and independent experts to create and implement leading, science-based food safety and quality practices, and we constantly work to improve upon them. We have a zero tolerance policy when it comes to food safety violations and a workplace culture that places responsibility for food safety squarely on the shoulders of every farm and plant employee.

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## Smithfield Foods had no product recalls in the United States during 2014.

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Our company and our individual brands provide information on nutrition, product characteristics, and safe food handling to consumers. For information on food safety as it relates to animal health, please see the [Animal Care](#) section of this report.

In the following video, learn more about fresh pork production and our leading traceability program that tracks our hogs from farms through finished products.

## Value Creation

Maintaining the highest food safety standards is critical for Smithfield's business, building value not only for our own company but also for the customers that sell our products in food stores and restaurants.

Product quality and safety is one of the biggest areas of risk for a food producer and manufacturer. Food products are susceptible to contamination by disease-producing organisms or pathogens, which are found naturally in the environment. Product contamination can subject food companies to product liability claims, adverse publicity and government scrutiny, investigation, or intervention. This, in turn, could result in increased costs and decreased sales as customers lose confidence in the safety and quality of the food.

Given the potential negative impacts from food safety failures, our company has numerous systems in place that are designed to monitor food safety risks.

Smithfield invests millions of dollars each year in capital improvements to facilities and equipment, focusing on the safety of our products and protection of employees while simultaneously enhancing production at existing and new facilities. During 2014, our company spent about \$32 million on projects that were specifically aimed at addressing food safety and quality issues, such as upgrading refrigeration systems to maintain proper temperatures, replacing roofing to provide better insulation and address leaks, upgrading cleaning and sanitation systems, and installing testing equipment.

For example, we believe the recently opened \$80 million state-of-the-art hot dog plant in Kinston, North Carolina, is the most efficient and food-safe hot dog plant in the world. Proprietary "cook-in-the-package" technology eliminates post-cooking environmental exposure to prevent contamination. In addition to the food safety benefits, the technology saves money while yielding environmental improvements. Under the old cooking process, hot dogs were cooked in casings, which were removed before the hot dogs were packaged. Those casings were typically disposed of in landfills. The new technology eliminates about 225 tons of casing waste per year, saving the plant about \$20,000 in disposal costs.

## Creating Value Through Innovation

How can we build more value for Smithfield's customers—the restaurants, food service providers, and retailers who sell our products? That's something the teams at our Virginia-based Innovation Center spend their days cooking up.

Built in 2011, the Innovation Center—one of two such centers at our company—is a technologically advanced facility that is part research and development center, part pilot plant, and part test kitchen. Staffed by food scientists, chefs, and product development specialists, its primary aim is to work with *our* customers to develop new products that will meet the needs of *their* customers (i.e., our ultimate consumers).



We collaborate with individual retailers and restaurants to brainstorm ideas for new products and to think of ways to bring those products quickly to the marketplace. Together, we explore consumer insights and behaviors and test recipe ideas that we hope will become the next hot seller. A team of Innovation Center developers will typically work on five or six projects at a time, testing adaptations for everything from lower-salt or gluten-free products to new hams that capitalize on the latest food flavoring trends. (Sriracha hot sauce, anyone?)

The 37,000-square-foot Innovation Center's pilot plant allows us to run trials of new products on a small and manageable scale. Before we built the Innovation Center, prototypes for products would be made on one of the regular lines at the neighboring Smithfield North plant (or one of the 19 other processing facilities), requiring us to produce much larger amounts than necessary—and to take time out of the lines from regular production. The pilot plant is faster, more efficient, and more cost-effective, too.

When it's time to test the product, representatives from our customers travel to the Innovation Center to participate in blind tastings and to observe focus groups. Our facility includes a gleaming test kitchen with all the latest culinary bells and whistles. It also boasts a smaller test space that we call "Grandma's Kitchen," a replica of a folksy kitchen (complete with gingham curtains and old-school appliances) meant to evoke memories of eating at grandma's house.

In addition, the Innovation Center provides many of the recipes for our company's Taste of Smithfield restaurant in Smithfield, Virginia, which has become a tourist destination for the town where Genuine Smithfield Hams were first made 300 years ago.

## Going Whole Hog

Nearly 100 percent of the pigs we process will eventually make their way into some type of product, from human food to pet products to medicines.

American consumers typically eat just half of the meat that comes from one market hog. So what happens to the rest? Our facilities make sure that the remaining 50 percent doesn't go to waste.

Certain parts of the animal, including organ meats, are exported to countries where they are considered delicacies. Hog pituitary and pancreas glands, meanwhile, are among our most valuable products, used to make pharmaceuticals such as heparin and insulin. Our rendering plants take unused animal byproducts from the processing plants (including skin, fat, blood, and bone) and break them down further. Much of that becomes food for pets and livestock. Other uses include fertilizer, biodiesel, and gelatin.



## Our Processing Plants

When it comes down to it, food safety is all about the fundamentals. It's about procedures and, of course, it's about science. But at its roots, it's about people.

"Food safety is, essentially, a daily exercise in blocking and tackling, and there are no magic bullets," says Warren Dorsa, a vice president of food safety and quality for the Packaged Meats Division of Smithfield Foods. "It's about paying attention and keeping your eye on the ball. You can have the best technology at a plant, but if your employees fail to do the basics, you're not going to succeed."

Like all companies, we have a set of detailed policies and carefully outlined systems for day-to-day operating procedures. But even more important, we have instilled in our people a culture that puts food safety as their highest priority. This concept comes from the very top of the company, from leaders who insist that food safety is non-negotiable.

For example, an individual plant worker has the authority to shut down production if, for any reason, he or she believes that the safety or quality of the food has been compromised. We tell all production employees that food safety is up to them, and they take that responsibility seriously.

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**We have instilled in our people a culture that puts food safety as their highest priority.**

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"Our people know food safety is not something they can take lightly," says Katie Hanigan, vice president of food safety of the Fresh Meats Division of Smithfield Foods. "Our rule of thumb is this: If they see something that would make them not want to eat the product or feed it to their families, then we're not going to feed it to anybody else. So we tell them to shut the lines down."

No matter how professionally it is done, meat production always entails some food safety risk. Our job is to manage those inherent risks, using science as our guide. From good personal hygiene to good manufacturing practices, there are, quite literally, thousands of procedures we must follow every day to be sure that the meats we produce are safe. We can, and we do, automate much of this—but only to a point. We also must rely on our people to manually clean equipment and diligently inspect machinery during and after each production shift to be sure that we're following our own strict guidelines.

For example, at night the product manufacturing equipment gets disassembled, scrubbed cleaned, sanitized, and put back together for the next day's production run. Bacterial contamination is a constant concern, and we must remain vigilant.

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## Standards and Targets

We follow a comprehensive approach that addresses each phase of production, from farms to processing plants. We have a food safety management system that applies to facility, equipment, and process design; operating and sanitation procedures; employee training; and auditing of our facilities. We work to anticipate points in the production process where challenges might exist and then develop programs to solve potential problems.

## Food Safety Certification

Our original food safety target was to obtain **Global Food Safety Initiative** (GFSI) certification for all relevant facilities. Today, 100 percent of relevant facilities—37 in total—are GFSI certified and subject to GFSI's annual third-party audits. Our goal now is to maintain the certification at all facilities.

GFSI, which certifies a plant's compliance with an internationally recognized set of food safety standards, makes food safety and quality assessments more consistent and efficient while ensuring compliance in foreign markets. Many of our customers rely on the GFSI certifications rather than conduct their own audits of our facilities.

## Product Quality

Every day, a plant management team reviews a sample of the many products we produce at each of our facilities. Before a product is sent to a customer for the first time, a detailed review—called a First Production Report—is conducted to ensure that packaging, labeling, product appearance, and flavor are exactly what have been specified. These procedures are in addition to the continuous product monitoring conducted by our operations and quality assurance personnel.

We believe our food safety responsibilities continue well after our products leave our facilities. Our brands provide food safety and pork handling tips on their websites to educate consumers on proper food handling, storage, and preparation.

## Training

We expect every employee working on farms and in plants to follow our strict food safety requirements and to have a strong familiarity with best practices. Our Food Safety and Quality Training Policy outlines required food safety and quality training topics, trainer qualifications, and the frequency of training at all of our subsidiary processing facilities. The Global Food Safety Initiative (GFSI) verifies employee-training programs as part of its auditing processes.

### Every plant holds a daily pre-shift meeting that often includes food safety or worker safety topics.

Each worker is trained upon hiring and is retrained on an ongoing basis, depending on his or her job requirements. Plants spend thousands of man-hours training employees in food safety procedures. Every plant holds a daily pre-shift meeting that often includes food safety or worker safety topics. We document all trainings at each facility and test employees to assess how well each individual has absorbed the training and to determine the training program's effectiveness. Employees who fail their tests may be reassigned to less critical positions.

Food safety professionals remain on the cutting edge of food safety by attending and speaking at educational seminars, professional meetings, and regulatory meetings.

Training sessions also take into account the diversity of our employee base. At many plants, workers are non-native English speakers, so training manuals and hands-on sessions are offered in multiple languages.

A number of employees have gone through advanced training sessions—known as Brown Belt and Black Belt training—that cover a range of food safety and food science topics, including presentations from our Executive Food Safety Council members. The one-week sessions, which are held in conjunction with Iowa State University, are unique in our industry, providing the training and tools necessary for employees to have a better understanding of products and processes. These, in turn, will help them to be more successful in their careers overall. A select group of employees from all areas of our company, including operations, sales, marketing, logistics, maintenance, engineering, and product safety/quality, participate in

these training sessions.

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## Auditing, Inspections & Testing

We developed Smithfield's first-generation, comprehensive auditing protocols more than three decades ago to improve our ability to effectively control food safety hazards. Since then, we have updated and enhanced these protocols to satisfy changing customer and consumer demands and ensure continuous improvement. Our ongoing, internal auditing program is designed so that our products maintain the highest quality and safety and meet all internal and government standards. We are constantly assessing the programs, and we incorporate any new regulatory findings and/or best practices in our industry. Each facility is subject to a variety of inspections and audits:

- All relevant facilities—37 in total—are Global Food Safety Initiative (GFSI) certified and subject to annual third-party audits.
- Government officials regularly inspect our facilities and products.
- Each of our facilities regularly conducts mock product recalls that are supervised by food safety professionals. In these mock exercises, facility staff must locate and collect 99.9 percent of affected food products within four hours.
- Plant personnel conduct self-audits and mock product recall scenarios throughout the year.
- Most of our customers rely on the GFSI auditing process, although some of our larger customers send their own food safety officials to perform audits at plants.

Any nonconformance discovered by an audit is addressed swiftly at each facility. We conduct a follow-up audit after the initial audit to make certain that any problems have been sufficiently addressed and then share our findings with other Smithfield facilities. Currently, the Food Safety Council randomly audits several facilities a year to validate the plants' ability to address nonconformances identified during GFSI audits.

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**Our ongoing, internal auditing program is designed so that our products maintain the highest quality and safety and meet all internal and government standards.**

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Our rigorous microbiological testing programs constitute a significant part of our ready-to-eat food safety programs. We conduct in-house research, for example, to test the accuracy of "sell-by" dates. All laboratories operate under stringent quality control programs with proficiency testing and accreditation by state and federal agencies where relevant.

We conduct tests across all of our operations, from environmental metrics (such as plant structure, air quality, and water quality) and equipment to raw materials and the finished ready-to-eat products. The data from these tests are used to validate the efficacy of existing programs and/or to make adjustments as needed.

## Nutrition

We produce affordable products that are a significant source of protein. We believe it's important to provide consumers with a wide range of dietary choices. Some consumers want products with reduced fats, sugar, and salt, while others resist making compromises on flavor or convenience.

Our Research and Development (R&D) teams, consisting of nutritionists, chefs, and food scientists, work with our customers—including supermarkets, public school systems, and restaurant chains—to develop foods that meet their particular preferences and needs.

We carefully consider feedback from customers (e.g., supermarkets and restaurants) and the end consumer, and continue to deliver new selections with improved nutrition credentials.

### Pork Nutrition Facts

- Pork is an excellent source of protein, zinc, vitamins B12 and B5, thiamine, and iron.
- Less than 50 percent of the fat in pork is saturated.
- On average, the fat and cholesterol content of lean, trimmed pork is 31 percent lower today than 20 years ago.
- A three-ounce serving of cooked lean pork has 78 milligrams of cholesterol compared with 76 milligrams in a three-ounce serving of cooked, skinless chicken.

Over the years, we have developed leaner cuts of pork and have modified many products to reduce fat or sodium. Several of our products meet the American Heart Association's certification criteria for foods that are low in saturated fat and sodium content.

All our packaged meat product categories—bacons, hams, hot dogs, and sausages—include product lines that are nutritionally improved with either lower sodium, reduced fat, or less sugar.

## Sodium

We have been evaluating the sodium levels in all of our products to ensure that we can offer the right choices to accommodate a large number of different diets and lifestyles. At the end of 2014, we offered more than 100 reduced-sodium products in the marketplace.

Sodium is a life-essential nutrient and important for food preservation and food safety. Curing meats with salt, for example, blocks the growth of bacteria and prevents spoilage. Salt is also a key ingredient in many of our products and helps us meet customer and consumer demands for quality, authenticity, flavor, and convenience.

We recognize that there are concerns about too much sodium, which can lead to high blood pressure in some individuals. Most U.S. estimates show Americans eat more sodium than they should each day. We believe in the importance of balance and moderation.

Our [sodium policy](#), which is based on our commitment to producing wholesome food products for our customers, is consistent with the view that a healthy lifestyle is based on a range of factors, including dietary patterns and exercise. Our policy calls for the following:

- Provide a broad spectrum of products to meet different needs and tastes to ensure that consumers can make choices that suit their individual lifestyles.
- Offer sodium-reduced products for the benefit of consumers who opt for these choices or who are on restricted diets.

- Adhere strictly to all health and disclosure regulations issued by the U.S. Food and Drug Administration and the U.S. Department of Agriculture.
- Continuously analyze and improve our product portfolio.

All our brands offer a variety of products that are lower in sodium than their traditional counterparts.



## Determining Optimal Product “Sell-By” Dates

Most consumers know to look at the date codes of their foods. Stamped on virtually every package, these “sell-by” or “use-by” dates help inform us if the products we purchase are fresh, of high quality, and safe to consume.

The sell-by dates also help retailers determine how long to display the products for sale. Once a sell-by date passes, a product can usually be safely consumed for a short period of time, although it may no longer be at its highest quality. In contrast, the expiration of a use-by date implies potential food safety issues, meaning that the product should not be consumed after that date has passed.

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**With food safety as our highest priority, we always err on the conservative side when we select a date for a particular product.**

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Ever wondered how these dates are determined for our products? We have a rigorous process that is driven by a combination of science and quality management. With food safety as our highest priority, we always err on the conservative side when we select a date for a particular product.

The date stamped on your pork chops or package of bacon is the date our company will stand behind. If a retailer or a consumer tells us that one of our meats is not up to our exacting standards prior to the date on the package, we will initiate an investigation into the cause and determine the appropriate resolution. The stamped date and related product bar code show us precisely which facility produced the food so we can investigate the plant and the particular production line in that plant to ensure there is no systemic issue concerning food safety or food quality. In many cases, these numbers even tell us the precise time the particular product was made.

When we develop a new product, we review the latest scientific research and use a process of predictive modeling to select the product’s initial code date. This allows us to determine how long the product will be safe for use after leaving the production facility. This initial determination of code date is always followed with appropriate scientific validation studies.

Not surprisingly, fresh meats have shorter shelf lives than packaged meats, such as ham or bacon, where sodium and other added ingredients act as preservatives. There is no one set standard governing date codes. Many variables, from the types of ingredients to the cut of meat to the form of packaging, influence the sell-by dates.

To assure that products are safe to consume during the stated code dates, we run “challenge” tests under carefully controlled conditions in which pathogens are placed on test products in our certified microbiological laboratories or third-party certified laboratories. We conduct thorough shelf-life studies to make sure code dates provide consumers with information they can rely on to deliver safe, high-quality food for their families. During these tests, our scientists and food safety professionals check samples for their appearance and quality using a complex scoring system we have developed over the years. When appropriate, we’ll run various microbiological tests on these products.

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**Not surprisingly, fresh meats have shorter shelf lives than packaged meats, such as ham or bacon, where sodium and other added ingredients act as preservatives.**

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During production, sample products are pulled from the plant and sent to accredited laboratories—including internal labs and external third-party labs—to run shelf-life verification studies. The samples are stored at a conservative refrigerator temperature (typically 40 °F, which is warmer than the more typical 35 °F at which we hold our products prior to shipping) and routinely analyzed. These ongoing studies are designed to constantly assure that our code dates continue to be appropriate for our products and our consumers.

Of course, proper food handling and preparation by consumers is a critical element of food safety. Consumers must do their part and follow proper refrigeration, preparation, and cooking guidelines to be certain that they are providing safe, high-quality meals for themselves, their families, and their

friends.

## Sodium Policy

Salt (sodium) is a life-essential nutrient and a critical component for food preservation and food safety. At Smithfield, salt is also a key ingredient in many of our products and helps us meet customer and consumer demands for quality, authenticity, flavor, and convenience.

Smithfield's policy is based on our commitment to producing wholesome food products for our customers and calls for the following:

- Provide a broad spectrum of products to meet different needs and tastes, and which ensure that consumers can make choices that suit their individual lifestyles.
- Offer sodium-reduced products for the benefit of consumers who opt for these choices or who are on restricted diets.
- Strict adherence to all health and disclosure regulations issued by the FDA and USDA.
- Continuous analysis and improvements to our product portfolio.

Our policy is consistent with the view that a healthy lifestyle is based on a range of factors, including dietary patterns and exercise, and not on just one nutrient.



## Governance Overview

Our mission is to be an ethical food industry leader that excels every day at bringing delicious and nutritious meat products to millions of people while setting industry benchmarks for sustainability.

We do this in part through sound governance and management principles and practices, which provide the foundations for trust, transparency, and progress at our company. Our systems for ethical conduct, the way we engage with stakeholders, our approach to public policy, and our management of supply chain issues are all important elements of our sustainability strategy, cutting across our key pillars and creating value for our company and for our stakeholders.

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**Operationally, we are part of an enterprise that shares our belief in global opportunities and our commitment to the highest standards of product safety and quality.**

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In 2013, Smithfield Foods went from being a publicly traded company on the New York Stock Exchange to a wholly owned subsidiary of WH Group Limited, formerly Shuanghui International Holdings Limited, a now publicly traded company in Hong Kong. Operationally, we are part of an enterprise that shares our belief in global opportunities and our commitment to the highest standards of product safety and quality.

Throughout this transition, our sustainability governance has remained largely the same. One exception is that we have replaced our board-level sustainability committee with a corporate-level Public Affairs and Sustainability Committee comprised of our chief executive officer, our chief sustainability officer, and other senior Smithfield leadership. Formed in early 2015, the new committee has many of the same oversight responsibilities as those previously conducted by our board committee. It meets on a quarterly basis.

The Public Affairs and Sustainability Committee approves any new sustainability goals and targets and guides our strategy. Our CEO reviews the sustainability performance of our company on at least an annual basis.

Smithfield does not currently tie executive pay to sustainability performance. Our executive compensation philosophy is to motivate our executive officers continually to improve operating performance.

In this section of our report, we discuss our governance and **sustainability management** structures, our **ethical standards and programs**, our **sustainability targets**, our approach to **enterprise risk management**, our **stakeholder engagement** efforts, and **public policy** issues of interest to our company. This section also discusses the results of our most recent **materiality analysis** that we used to better understand—and better report on—the issues that are of greatest importance to our company and to our stakeholders.

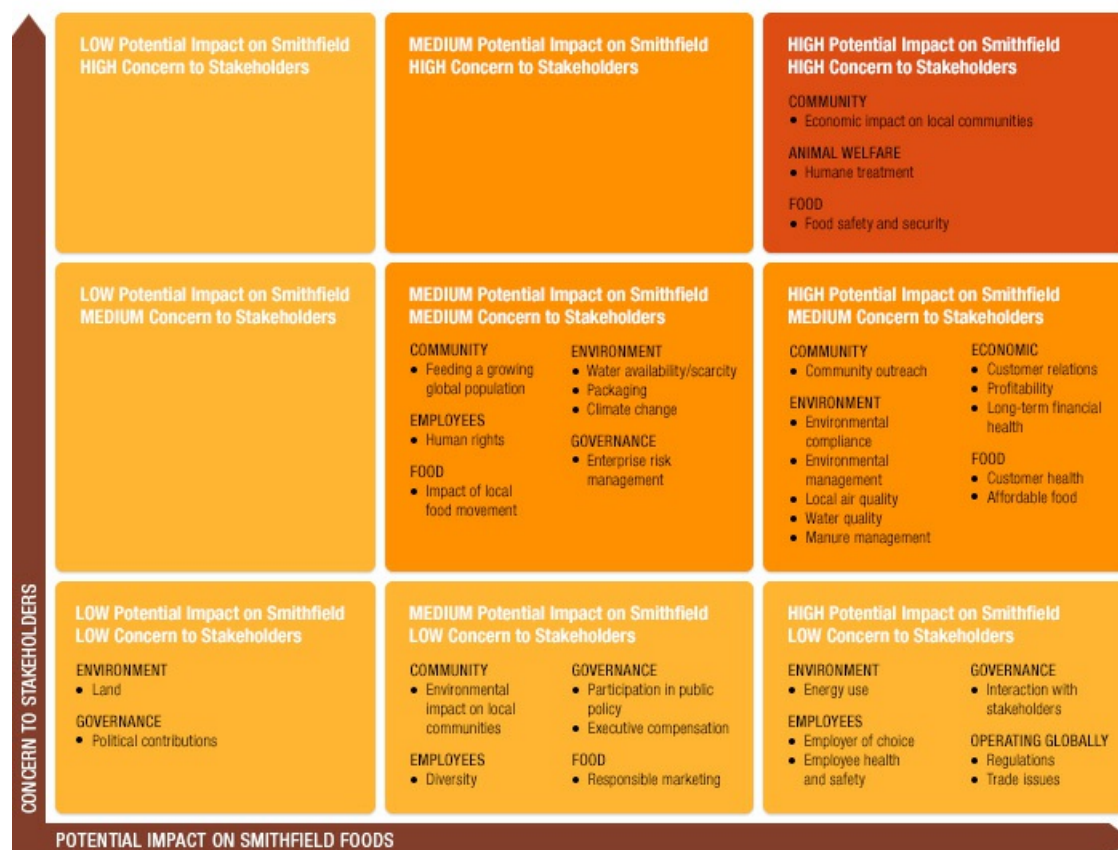
# Materiality Analysis

Smithfield Foods conducted our first materiality analysis in 2010 to gain a better understanding of the key sustainability issues for our company and our stakeholders.

In early 2012, we conducted a streamlined update to see how concerns over specific issues may have evolved over two years. We plan to conduct a new materiality analysis in 2015. The 2012 analysis guides content development for this report. As much as is practical, we have weighted discussion around the topics that have been identified as most material to our business and to our stakeholders. These are the issues that are most critical to our company's ability to create and sustain value today and in the future.

## Materiality Matrix

This matrix is the result of a structured analysis used to identify our most material issues—those of greatest impact on Smithfield Foods and the highest concern to stakeholders. Those issues appear in the upper right box.



## Corporate Governance

Safeguarding integrity remains a critical business priority. Ethical and lawful conduct is an essential part of our company's culture, and we are committed to conducting our business with the highest standards.

Smithfield maintains a **Code of Business Conduct and Ethics** for all employees and corporate officers. We publish the Code in the five major languages of the countries in which our divisions have operations. It conveys policies and practices for conducting business in accordance with applicable laws and the highest ethical standards.

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**We also provide employees with opportunities to report ethics violations or similar concerns through an anonymous telephone hotline.**

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Our executive-level Ethics and Compliance Committee (ECC), chaired by our chief legal officer, oversees the full range of compliance issues for Smithfield and administers the Code. Beginning in 2015, the chair of the ECC reports to the Public Affairs and Sustainability Committee on risks and compliance issues related to the environment, animal care, and other sustainability matters.

All executive officers are required to complete an annual certification relating to ethics and compliance, the Code, and other company policies. The chair of the ECC is required to report promptly any violation of the Code by an executive officer or director to the Public Affairs and Sustainability Committee.

We also provide employees with opportunities to report ethics violations or similar concerns through an anonymous telephone hotline. The company reviews and responds to all hotline complaints.

Our email Code of Conduct certification process promotes awareness of our code and the values that we expect our employees to demonstrate in their day-to-day work. Each year, we send emails to all employees with email accounts, and they must acknowledge compliance. Certain supervisory/managerial personnel who do not have active email accounts certify compliance by paper-based methods.

## Sustainability Management

Overall management of Smithfield's sustainability program rests with a core team of senior managers and subject matter experts from business units and facilities.

This cross-functional team facilitates decision making, helps develop sustainability goals and promote sustainability, reviews best practices, and coordinates and disseminates key sustainability data.

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**We formed corporate committees to develop and implement consistent approaches, including committees focusing on environmental compliance, animal care, food safety, and diversity.**

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We developed our sustainability management strategy more than a decade ago. At that time, we identified several sustainability areas that merited a more consistent management approach across the company to meet our goal of leading the industry with our practices. The first such area was environmental management. Our Hog Production and International divisions implemented and certified environmental management systems at all U.S. farms and processing facilities and some overseas operations. Over the years, we expanded that approach to other areas such as animal care and employee health and safety. We formed corporate committees to develop and implement consistent approaches, including committees focusing on environmental compliance, animal care, food safety, and diversity. Common elements of the management systems developed in each of these areas include policies, employee training, goal setting, corrective action, third-party auditing, and executive review.

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## International Operations & Acquisitions

While our sustainability program initially focused on U.S. operations, the program is being phased in at our wholly owned international subsidiaries in Europe. Of course, regulatory frameworks vary from country to country. Therefore, we, like many other companies, are working hard to align our goals and approaches to important issues, such as environmental management, with international operations.

When we acquire a new company, we conduct various reviews, including an assessment of the company's practices related to key sustainability areas such as employees, safety, and the environment. We also try to address the current relationship with local regulators and the communities in which they are based. Following an acquisition, we promptly implement our environmental and health and safety management systems (described in the respective areas of Our Sustainability Program on this site) and identify practices already in place, as well as gaps. We then use our corporate-level training programs and intranet sites to communicate best practices.

We also make available our environmental management expertise and safety expertise to the companies in which we hold a minority interest, and we encourage them to utilize environmental and safety compliance practices that are consistent with our own.



# Supply Chain Management

Suppliers are integral to our commitment to produce Good food. Responsibly.®

Our [Supplier Code of Conduct](#) helps ensure that suppliers continue to meet or exceed our high standards. The Code, which is incorporated into all new and renewed contracts with our largest suppliers, sets forth the business conduct requirements for all suppliers who do business with Smithfield Foods.

The degree to which suppliers comply with the requirements—and the extent of their sustainability efforts—will be a consideration for future business with Smithfield Foods. The code outlines expectations around legal compliance, environmental sustainability, and business integrity, as well as labor and human rights issues. We monitor our suppliers' performance, although we do not conduct formal audits.

We maintain standardized vendor requirements, which include food safety, equal employment opportunity, and animal welfare guidelines, for all ingredient and packaging suppliers. (See the [Animal Care](#) section for a detailed discussion of management policies and practices around hog supply, including our recommendation for all contract sow growers to convert their facilities to group housing systems for pregnant sows by 2022.)

We also survey our largest suppliers to understand what they are doing in areas such as energy reduction, natural resource use, employee safety, and community giving.

## Sustainability Goals & Targets

In 2010, we first adopted a series of ambitious goals and corresponding targets in our domestic operations for our primary sustainability focus areas.<sup>1</sup>

Each of these is discussed in greater detail in the relevant sections of this website, including the [Key Commitments](#) table. The following year, we added new targets, including greenhouse gas (GHG) emissions reductions, packaging reduction projects, and zero-waste-to-landfill objectives. We also put more of a focus on *value creation*, which underpins our sustainability strategy. Over several years, our international operations have adopted those goals and targets.

We reached several of our targets ahead of schedule. In early 2015, in light of the restructuring of our business, we took a close look at our goals and targets to better align them with our current performance and our new company organization. We refined our goals and set new targets, including an updated suite of environmental resource reduction targets that use calendar 2014 as a new baseline. (The original goals were intended to be met by the conclusion of our old fiscal year; i.e., April 30, 2015. Now that we operate on a calendar year, we moved the end date back a few months to the end of calendar 2014.)

Our new goals build upon lessons learned and best practices that we have developed over the last few years. We intend to continue to push for improvements across our company, reaffirming our role as a leader in our industry.

Details on the new goals can be found in the [New Goals and Targets](#) table and in the specific sections of this report.

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<sup>1</sup> Our original sets of goals were specifically tied to the independent operating companies (IOCs) that made up Smithfield Foods at that time. These IOCs were disbanded with our corporate restructure, effective March 1, 2015. For the purposes of this 2014 report, we are continuing to report against our original targets to show our progress and performance.

# Enterprise Risk Management

Risk management is an important concept for Smithfield Foods.

Our Form 10-K, for example, highlights the most significant risk factors that could materially impact our operations. These include, but are not limited to, fluctuations in the commodity prices for hogs and grains; outbreaks of disease among, or attributed to, livestock; perceived or real health risks related to our products or the food industry in general; and environmental regulation and related litigation.

In 2012, we conducted our first formal Enterprise Risk Management (ERM) assessment as part of an effort to develop an aligned, integrated ERM framework across the entire company. Our ERM program is based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO)<sup>1</sup> ERM Integrated Framework. The aim of the ERM program is to proactively understand and deal with complex business risks—both tangible and intangible, existing and emerging—that could negatively influence the achievement of the organization's objectives.

Our initial ERM process included a detailed review of the potential risks and their relative level of significance. The risk identification phase included interviews with many of Smithfield's executive leadership team, led by our chief internal auditor, to determine the key risks facing our business. Following those interviews, a committee of senior executives met to prioritize the risk areas, vet our company's monitoring and controlling activities, and identify the likelihood and impacts of each risk. Our chief executive officer reviewed the analysis, as did the then board of directors. Commodity markets stood out as the largest risk in terms of impact and likelihood of occurrence.<sup>2</sup>

We continue to utilize this assessment to strengthen our reporting practices. On a related note, our vice president of risk management sits on the steering committee for the Food-Service ERM Association, which was recently formed as a cross-industry working group to address some of the key risks within food services.

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<sup>1</sup> COSO defines ERM as a "process effected by an entity's board of directors, management, and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives."

<sup>2</sup> Considerable conceptual and content overlap exists between the ERM risk analysis process and the **materiality analysis** we conducted for our sustainability strategy and reporting. We update the materiality analysis every other year for this report. For the next analysis, we will consider the results of the ERM.

# Stakeholder Engagement

We define stakeholders as all persons or organizations that are affected by the operations or practices of the company.

We routinely conduct internal analyses to identify stakeholders and have identified and defined the following stakeholders as groups we engage with regularly:

- **Internal stakeholders**, including employees, facility management, and corporate management, among others.
- **External stakeholders**, including the customers and suppliers with whom we do business; the end consumers of our products; federal, state, and local governments and regulatory entities; nongovernmental organizations; and the communities in which our employees live and work.

In recent years, we have increased our efforts around proactive stakeholder engagement, reaching out to a variety of groups to talk about who we are, what we do, and how we might be more responsive to each other's needs. These groups include members of the media, opinion leaders on issues of food production, religious organizations, and student groups. One area we've focused on is **sustainable food production**, an increasingly urgent issue as the world's population continues to grow.

We engage with stakeholders in a number of ways and forums, and our communications vary depending on their respective needs. We engage with other stakeholders on an as-needed basis in response to particular issues that arise.

In addition, our sustainability targets will continue to encourage our divisions and facilities to meet with community stakeholders to highlight our programs and obtain input.

## Other examples of engagement include the following:

- In 2014, we hosted about a dozen bloggers—primarily “mom bloggers” who write about food—for a tour of a processing plant. The women were encouraged to ask questions and learn more about meat production in the United States. This was the first time we had hosted a group like this, and we were excited to engage with them on issues of sustainable food production.
- A new partnership with the Environmental Defense Fund (EDF) aims to help farmers optimize how much fertilizer they use on grains grown for animal feed. The project came about after Walmart challenged suppliers to find ways to reduce fertilizer loss on farms. Read more in the [Environment](#) section.
- In recent years, we have increased our reporting on water use after stakeholders told us that they wanted to learn more about how we are managing water at Smithfield.
- Increasingly, our customers are hearing from their customers—the ultimate consumers—about issues of concern to them. We participate in supplier surveys and communicate directly with customers, including working with our customers to develop approaches to issues ranging from animal care to nutrition to environmental and health and safety practices. We are responding in numerous ways, including offering low-fat and low-sodium products. The sales force, which provides the primary customer point of contact, communicates our approach to sustainability, so various team members can interact knowledgeably with customers on these issues.
- The government is an important stakeholder, and Smithfield continues to explore innovative initiatives with elected officials. For example, Smithfield entered into a voluntary agreement with the North Carolina attorney general's office to investigate and participate in a variety of environmental enhancement efforts. Smithfield also participates with the Iowa attorney general to pursue innovative programs advancing swine production in that state. Grants are awarded to applicants selected by the attorney general in collaboration with Iowa legislators and Smithfield.

See the [Animal Care](#) section for information on how we're engaging with growers of alternative grains in the Southeast.

## Smithfield Foods Association Membership

Our engagement with diverse stakeholders is reflected in the list of organizations in which we hold memberships.

### National Organizations

- American-Romanian Business Council
- American Polish Business Council
- Animal Agriculture Alliance
- Corporate Environmental Enforcement Council
- Democratic Governors Association
- Environmental Law Institute
- EPA (Environmental Protection Agency) Office Water Stakeholder Meeting Agriculture/Manufacturing
- Global Environmental Management Initiative
- Grocery Manufacturers Association
- ImmigrationWorks USA
- McDonald's Corp. Sustainability Council
- National Academy of Sciences Roundtable on Science and Technology for Sustainability
- National Association of Manufacturers
- National Farm Ranch & Rural Communities Committee (Environmental Protection Agency Federal Advisory Committee)
- National Pork Board
- National Pork Producers Council
- North America Meat Association
- North American Meat Institute
- Organization for International Investment
- Republican Attorneys General Association
- Republican Governors Association
- US-China Agriculture and Food Partnership
- US Meat Export Federation (USMEF)

### State and Regional Organizations

- Alliance for the Chesapeake Bay
- Bladen County Committee of 100 (North Carolina)
- Bladen County Livestock Association (North Carolina)
- Cape Fear River Assembly (North Carolina)
- Chesapeake Business Forum
- Clinton 100 Committee (North Carolina)
- Duplin Agribusiness Council (North Carolina)
- Missouri Agribusiness Association (MO-AG)
- North Carolina Chamber of Commerce
- North Carolina Foundation for Soil and Water Conservation
- Palmetto Agribusiness Council (South Carolina)
- Sampson County Friends of Agriculture (North Carolina)
- Various state pork associations
- Virginia21
- Virginia Agribusiness Council
- Virginia Chamber of Commerce
- Virginia FREE
- VIRGINIAforever
- Virginia Foundation for the Humanities
- The Virginia Public Access Project (VPAP)
- Virginia Oyster Reef Heritage Foundation
- Wallace Committee of 100 (North Carolina)

## Public Policy

We participate in legislative and regulatory processes both as an individual company and through industry associations.

We believe that engagement in the political process is important in making our views heard on issues of significance to the business. Representatives of Smithfield and its divisions have participated in many cross-industry boards and commissions at the national and state levels, including the U.S. Department of Agriculture's Agricultural Technical Advisory Committee for Animals and Animal Products, the U.S. Environmental Protection Agency's (EPA's) Farm, Ranch, and Rural Communities Federal Advisory Committee, Virginia's Commonwealth Council on Bridging the Nutritional Divide, and the National Academies' Roundtable on Science and Technology for Sustainability.

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## Issues of Interest

The following are among the most significant current public policy issues for our company:

- **Free Trade.** The United States is currently negotiating two landmark free trade agreements: The Trans-Pacific Partnership (TPP), a trade pact between the United States and 11 Pacific nations including Japan; and the Transatlantic Trade and Investment Partnership (TTIP) with the European Union. Each of these deals would aim to eliminate tariffs and other barriers to export of the goods that we produce to growing and emerging marketplaces around the globe. Smithfield supports the ongoing negotiations and urges swift adoption by Congress. In order to close these negotiations, Congress needs to pass Trade Promotion Authority (TPA) legislation, which enables the United States to negotiate the best deal possible with our trading partners. Smithfield also supports statutory changes to Mandatory Country-of-Origin Labeling (M-COOL), which will guarantee continued access to markets in Canada and Mexico.
- **Dietary Guidelines.** Every five years, the Department of Health and Human Services and the U.S. Department of Agriculture review and publish dietary guidelines that reflect the latest nutritional science and are intended to encourage Americans to eat a healthy diet. The dietary guidelines are based upon recommendations from the Dietary Guidelines Advisory Committee (DGAC), a non-governmental group charged with advising the government on the best nutritional science to date. Smithfield supports efforts to ensure that the next round of Dietary Guidelines reflect the best nutritional science and recognize the value of nutrient and protein-rich meat like pork.
- **Renewable Fuel Standard (RFS) Reform.** The Renewable Fuel Standard, which requires huge volumes of corn to be processed into ethanol at ever-increasing volumes irrespective of market conditions, is a law we have worked for years to reform. The RFS diverts 40 percent of the nation's corn supply into fuel, artificially driving up demand, reducing supply, and increasing cost of food. Our work has resulted in the steady erosion of public support for the Renewable Fuel Standard (RFS); 2014 marked the first time that a majority of the House of Representatives (218 members) was on the record in support of reforming the RFS. Smithfield supports the passage of H.R. 704, the "RFS Reform Act of 2015," in the U.S. House of Representatives and S. 577, the "Corn Ethanol Mandate Elimination Act of 2015" in the U.S. Senate. These bills would eliminate the federal mandate for corn ethanol, while keeping in place incentives for the development and commercialization of advanced ethanol.
- **Immigration.** Since many valued employees are legal immigrants, we pay close attention to debates on immigration reform. This immigrant workforce brings a rich diversity to our operations and the communities in which we live. We support comprehensive U.S. immigration reform that ensures we can maintain an adequate and stable workforce and provide opportunities for legitimate workers who seek employment at companies like ours. We believe the United States should protect legal immigrants and their employers and provide paths to citizenship for those willing to work.

## Policies & Disclosures

### California Slavery and Human Trafficking Disclosure

Smithfield Foods<sup>1</sup> is committed to the protection and advancement of human rights, as enshrined in the Universal Declaration of Human Rights (UDHR) issued by the General Assembly of the United Nations on December 10, 1948. Smithfield Foods and its employees adhere to the Smithfield Human Rights Policy (our "Policy"), which is grounded in the [Smithfield Code of Business Conduct and Ethics \(PDF\)](#) (our "Code of Conduct"). A primary tenet of our Policy is "Smithfield Foods does not use forced or compulsory labor."

Effective January 1, 2012, the California Transparency in Supply Chains Act of 2010 requires Smithfield Foods to make the following disclosure as to our efforts to eradicate slavery and human trafficking from our direct supply chain:

- **Verification of Supply Chain.** Smithfield Foods has been preparing a code of conduct for our suppliers (our "Supplier Code"). A primary tenet of that code will be adherence to all relevant laws and regulations, including those addressing slavery and human trafficking. We will update this disclosure once our supplier code of conduct is in effect.
- **Audit.** Smithfield Foods does not currently conduct audits of suppliers to evaluate supplier compliance with company standards against trafficking and slavery in supply chains.
- **Supplier Certification.** Once our Supplier Code is in effect, our suppliers will be required to certify compliance with our Supplier Code.
- **Accountability.** Smithfield Foods is committed to ethical and socially responsible conduct in the workplace. Upon hire, Smithfield Foods requires all employees to read and acknowledge receipt and understanding of our Code of Conduct. Employees recertify this acknowledgment annually. Our Code of Conduct includes, among other things, certification that the employee will comply with all applicable laws and regulations. Human trafficking and slavery is a violation of such laws, and would constitute a violation of our Code of Conduct. Such a violation could result in disciplinary action against the employee, including termination.
- **Training.** As noted above, Smithfield Foods requires annual certification from our employees that they understand and will adhere to our Code of Conduct. We do not conduct specific training at this time on our Code of Conduct or on our Policy.

### Smithfield Foods Supplier Code of Conduct

Smithfield Foods<sup>1</sup> continues to focus on its vision of being the most trusted, respected, and ethical food industry leader. This vision supports our promise to customers that we will produce "Good food. Responsibly.®" Our suppliers are integral to maintaining and improving on these goals by providing sustainable products and services. This Supplier Code of Conduct has been implemented to help ensure that our suppliers continue to meet and exceed these high standards.

It sets forth the business conduct requirements for all suppliers (suppliers, vendors, contractors, and consultants) who do business with Smithfield Foods as well as strategies to support a sustainable future. These requirements are in addition to other contract terms and conditions that apply. The degree to which suppliers comply with these applicable requirements and the extent of their sustainability efforts will be considerations for future business with Smithfield Foods.

### Legal Compliance

Suppliers must comply with all applicable laws, regulations, and rules for the products and services they manufacture, distribute, or otherwise provide. This includes compliance with federal, state, local, and international requirements. Examples include, but are not limited to, the following areas:

- Environmental
- Health and Safety
- Labor/Employment

- Labeling/Packaging
- Transportation
- Record Keeping and Accounting
- Securities/Insider Trading
- Import/Export
- Antitrust/Fair Competition
- Foreign Corrupt Practices
- Data/Copyright
- Immigration

## Labor and Human Rights

Suppliers shall treat all employees with respect and dignity at all times. Adherence to laws and regulations governing labor and human rights is a prerequisite for this to occur. Smithfield Foods recommends suppliers go beyond the legal requirements and implement policies and procedures that help foster improved employee relations.

### Forced Labor

All labor used by suppliers must be voluntary. The use of forced labor of any kind is prohibited, including indentured service, involuntary prison labor, bonded labor, and labor performed due to physical threat.

### Child Labor

Suppliers and their subcontractors shall not use child labor as defined by federal and state regulations and international standards. Smithfield Foods prefers suppliers do not employ anyone under the age of 16.

### Working Hours

Suppliers shall not schedule employees to work more hours or days than allowed by applicable laws. Voluntary alternative schedules and overtime are acceptable if conducted in compliance with legal requirements and collective bargaining agreements.

### Compensation

Employees shall be fairly compensated for their work, which must meet minimum wage requirements where applicable. Wages should be comparable to those of similar companies in the local area. Overtime shall be paid as required by law or at least the same as the hourly wage.

### Freedom of Association/Collective Bargaining

Suppliers must respect the rights of employees to freely associate, organize, and bargain collectively.

### Harassment and Abuse

Suppliers must ensure that their facilities are free from employee harassment, threats, punishment, or other forms of abuse.

### Product Safety and Quality

Smithfield Foods is dedicated to providing the highest-quality meats and packaged foods to our customers. Suppliers of meat products and ingredients have a direct impact on our ability to meet this commitment and, therefore, must have in place policies and procedures to manage the safety and quality of products delivered to us. Smithfield Foods reserves the right to inspect supplier facilities and request documentation to verify



that these systems are in place and are being fully implemented.

## Animal Well-Being

Smithfield Foods is committed to being the industry leader in animal care practices to assure respectful and humane treatment of animals that we own or process, to produce wholesome food products for our customers, and to analyze our operations and practices, including internal and third-party audits, to ensure continual improvement. Suppliers that provide animal products to our facilities are expected to have similar operating policies and procedures in place to ensure the humane treatment of their animals during all stages of production, transportation, and processing. We invite our suppliers to review our Animal Care Policy and Antibiotics Policy for further guidance.

## Environment and Sustainability

At Smithfield Foods, we are constantly striving to improve our environmental performance and we aim for leadership in our industry. Our suppliers must be an extension of these environmental stewardship efforts by adhering to applicable environmental regulations as a minimum. In addition, Smithfield Foods expects its suppliers to pursue environmentally responsible leadership roles by proactively reducing its environmental impact and assisting our facilities in meeting their environmental objectives and targets whenever possible. Suppliers should consider the following environmental management best practices and sustainability goals:

- Smithfield Foods prefers that suppliers adopt an Environmental Policy and implement an environmental management system;
- Obtain all permits and develop all applicable environmental plans required for your facilities and fully comply with their monitoring, reporting, and renewal requirements;
- Minimize waste generation and manage all wastes as required by law and in a responsible manner. Source minimization practices are preferred followed by direct reuse and recycling of wastes where feasible;
- Minimize water use and wastewater generation through conservation practices and reuse options;
- Minimize air emissions that affect human health and the environment, and effectively operate installed air emission control processes;
- Reduce energy consumption and the generation of greenhouse gases;
- Reduce packaging materials for supplied products and assist Smithfield Foods in reducing the environmental impact of the packaging used for our food products. A life-cycle approach to packaging design is preferred; and
- Reduce the use of hazardous materials in manufacturing operations and inform Smithfield Foods of any formulation changes that could adversely impact our environmental performance or food quality.

## Health and Safety

At Smithfield Foods, the safety, health, and well-being of our employees is more important than our most valued customer. Our suppliers must also give the health and safety of their employees the same priority. Again, compliance with health and safety legal requirements is mandatory. The minimum program requirements include:

- Provide employees with clean, safe, and healthy working conditions;
- Provide potable drinking water, adequate sanitation facilities, resources to respond to fire and medical emergencies, and personal protective equipment;
- Implement policies and procedures that help ensure equipment is maintained in a safe condition, identify and correct workplace hazards, monitor and report on workplace illness and injury, require health and safety education and training for employees, and encourage employee participation; and
- Minimize employee exposure to health hazards including hazardous chemicals, biological agents, and air pollutants.

## Business Integrity

Smithfield Foods expects its suppliers to always conduct business with high ethical, legal, and socially responsible standards. The Smithfield Foods Code of Business Conduct may be referenced for a more detailed discussion of our expectations.

## Ethical Behavior

Suppliers must not tolerate any form of corruption within their company or from their subcontractors such as fraud, bribery, extortion, or embezzlement. The improper use of insider information and price fixing are prohibited.

## Conflicts of Interest

Suppliers shall notify Smithfield Foods of any potential conflict of interest relating to financial interests or other arrangements with our employees that may be considered inappropriate. Gifts and entertainment offered to employees must not be excessive or construed as an attempt to influence business decisions.

## Protecting Company Assets

Suppliers often have access to company assets and sensitive information that must be safeguarded. This includes trade secrets, intellectual property, production methods and equipment, and financial information. Disclosure of confidential information or use of trademarks and copyrighted information requires written approval. Smithfield Foods reserves the right to have executed nondisclosure agreements on file with distributors and manufacturers although this shall not prevent Smithfield Foods from conducting general business transactions.

## Verification of Supplier Compliance

Smithfield Foods will verify compliance with this Code of Conduct through the following:

- Smithfield Foods reserves the right to audit supplier facilities following a reasonable request, with the expectation that suppliers will correct identified deficiencies.
- Suppliers shall inform Smithfield Foods of any significant regulatory noncompliances or significant news events that may negatively impact public or governmental views of our company or jeopardize our legal compliance.

Suppliers shall complete an annual sustainability assessment survey, if requested, to develop a baseline of sustainability performance and identify improvement trends.

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## Supplier Sustainability Assessment Survey

Smithfield Foods<sup>1</sup> has developed and implemented a [Supplier Sustainability Assessment Survey \(PDF\)](#) for its top suppliers to ensure that our customers receive safe, high-quality products produced in a responsible, sustainable manner.

The survey includes questions about supplier programs covering environmental management, energy conservation, employee safety, community involvement, employee benefits, animal care, and general sustainability efforts. [Survey responses \(PDF\)](#) are shared with suppliers so that they can compare their sustainability efforts with other suppliers and identify opportunities for improvement.

## Code of Business Conduct and Ethics

The Smithfield<sup>1</sup> Code of Business Conduct and Ethics embodies our commitment to doing the right thing in all aspects of our business. Doing the right thing means acting in the best interests of those who count on us to do our jobs: our customers, our co-workers, and the public.

All employees are asked to sign a statement that they have read and understand the Smithfield Code of Business Conduct and Ethics, and that they will act in full compliance.

The Code of Business Conduct and Ethics is available in the following languages:

[English PDF](#)

[Polish PDF](#)

[Romanian PDF](#)

[Spanish PDF](#)

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<sup>1</sup> As used in these documents, the term "Smithfield" or "Smithfield Foods" means Smithfield Foods, Inc., and all foreign or domestic operations and joint ventures in which Smithfield has a majority interest and/or management responsibility.

# Governance Appendix

(Numbers refer to GRI Indicators.)

## 4.5

### Linkage Between Compensation and Performance

Our executive compensation philosophy is to motivate executive officers continually to improve operating performance. Therefore, annual and equity-based long-term incentives are opportunities for compensation; they are designed to pay out when performance is strong and not to pay out when performance is disappointing. Consequently, a substantial majority of each named executive's total potential direct compensation—and in the case of our CEO, 82 percent for fiscal 2014—is variable and can be earned only if performance objectives are achieved and/or shareholder value is increased.

The primary goal of our executive compensation program is the same as our goal for operating the company—to maximize short-term and long-term corporate performance. To achieve this goal our executive compensation program is based on the following principles:

- **Paying for performance:** A significant portion of executives' compensation is subject to corporate, segment and/or business unit performance measures. Performance-based compensation can vary widely from year to year depending on our performance, which is impacted by, among other things, the volatile nature of our agricultural commodity-based industry and governmental food and energy policy. In recent years, average payouts of performance-based compensation (excluding equity awards) ranged from 0 percent to 90 percent of executives' total cash compensation (excluding retirement plan distributions). In fiscal 2014, performance-based cash compensation constituted on average approximately 60 percent of such total cash compensation of named executives compared to 52 percent in fiscal 2013T (the transition period between our fiscal year and our new calendar year).
- **Alignment with the interests of shareholders:** Equity-based awards are made under WH Group's stock incentive plan and are intended to align an executive's financial interests with those of our parent company's shareholders by providing value to the executive if the market price of WH Group's stock increases. In addition, many cash awards are tied to key financial performance measures that are expected to correlate with the creation of shareholder value.
- **Attracting and retaining top talent:** Compensation of executives is designed to be competitive with the organizations with which we compete for talent so that we can attract and retain talented and experienced executives. Executives have, on average, approximately 26 years of experience with Smithfield and its predecessors.

Each element of the compensation program is designed to further one or more of these principles. The structure of a particular executive's compensation can vary depending on the scope and level of that executive's responsibilities. For an executive with corporate-level responsibilities, performance-based cash compensation is generally based on Smithfield's consolidated results of operation. For an executive responsible for the Pork Group or an individual business unit within that group, performance-based cash compensation is generally based on the operating results of the Pork Group thus encouraging coordination of efforts among the individual business units in order to maximize the financial performance of the entire Pork Group. Occasionally an executive responsible for an individual business unit might receive performance-based cash compensation based on the operating results or other performance measure of that unit, particularly if that unit operates more or less independently of other units.

## 4.6

### Conflicts of Interest

Smithfield's Conflicts of Interest Policy can be found in the company's [Code of Business Conduct and Ethics \(PDF\)](#). The purpose of the Code is to ensure that business decisions are based on business needs, not on personal interests or relationships.

## 4.11

### Precautionary Principle

As discussed in the respective sections of this report, we evaluate risks and address risks as part of our management systems for key sustainability issues, including environmental stewardship, food safety, and animal welfare. Smithfield has a corporate-level committee, the members of which periodically examine these issues. This may include taking precautionary actions; however, we do not apply the precautionary principle as a matter of policy.

The precautionary principle (or approach) is a moral or political principle that was included in the Rio Declaration on Environment and Development

from the United Nations Environment Programme, which defined it as follows:

“Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation.”



## Our Commitment to Helping Communities

Smithfield places great importance on our connection to the communities where our employees work and live. Our relationship with our communities is one of mutual support, and we take seriously our responsibility to keep those communities strong.

## Prior Goal & Targets

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### Our Community Goal

- Provide food to those in need and enhance education in our communities

### Our Community Targets\*

- Pork Group independent operating companies (IOCs) to donate 4 million servings of food through Helping Hungry Homes®
- Each Pork Group IOC to support two Learners to Leaders® programs
- Each facility to participate in two National FFA Organization or other education events
- Each facility to participate in at least one community cleanup event
- Each facility to participate in World Water Monitoring Challenge

\* Our original set of goals was specifically tied to the independent operating companies (IOCs) that made up Smithfield Foods at that time. We have since realigned the company, effective March 1, 2015. For the purposes of this 2014 report, we are continuing to report against our original targets to show our progress and performance.

## New Goal & Targets

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### Our Community Goal

- Support our communities

### Our Community Targets

- Each facility/farm division to participate in four community events per year for charities/nonprofits
- At least one event per year must include a stakeholder presentation
- Each U.S. division to sponsor at least two Learners to Leaders® programs each year
- Maintain our Helping Hungry Homes® Program (donations of product to food banks and organizations that distribute food directly to those in need)

Over the years, we have developed several focus areas for our community support initiatives. Our signature cause is addressing hunger and supporting hunger relief programs. But Smithfield also emphasizes educational opportunities, environmental stewardship initiatives, disaster relief efforts, assistance for first responders and military families, and health and wellness initiatives. In 2014, Smithfield companies contributed \$6.6 million in cash donations to a variety of programs and organizations.

At each of our locations, we have identified some of the most pressing needs for our local communities and created numerous programs to support them, ranging from food donations to charity road races to river cleanups. We continue to refine the way we track our community support initiatives so we can better measure our impacts.

## Value Creation

Smithfield creates value in the communities where we work in a number of ways. We provide jobs, pay taxes, and, in many places, underpin the economic vitality of the regions where facilities and farm divisions are located. We also create value through our initiatives related to hunger relief, education, and health and wellness.

We believe that the strength of our business depends in large part on the strength of the communities where we work:

- Strong communities support our ability to recruit and retain good workers and enable us to become a stronger, more vital company.
- The economic vitality of our local communities—and agricultural communities more broadly—provides the basis for a reliable supply of the goods and services we need to operate.
- Stable, well-governed communities provide a good place for our employees to live.

By the Numbers	2014
Cash donations	\$6.6 million
Food donations (cash value)	\$13.7 million
Food donations (servings)	13.7 million
Total amount of donations	\$20.3 million



## Hunger Relief

Despite the overall wealth of the United States, hunger and food insecurity are two of the biggest social problems facing this country.

### Food Donation Target

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- Provide 4 million servings a year of food for those in need

### 2014 Progress

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- Donated 13.7 million servings

The national hunger relief nonprofit Feeding America® estimates that 46.5 million people received support from food assistance programs in 2014. That means one in seven households nationwide does not always know where the next meal will come from. As a leader in the food industry, we believe we have a responsibility to help families in need. That is why we have made hunger relief our signature cause, and it is why we dedicate so many resources to helping solve the hunger that people face every day.

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**As a leader in the food industry, we believe we have a responsibility to help families in need.**

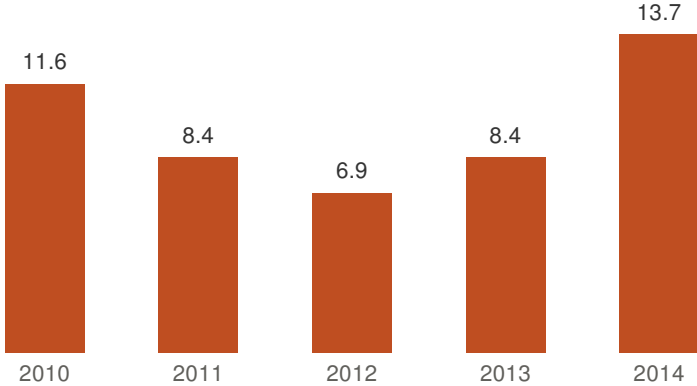
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We want to do what we can to improve access to high-quality nutrition for people of all ages, but it is particularly important for children. Getting enough nutrition during the first three years of life has profound implications for a child's future physical and mental health, academic achievement, and economic opportunities. Children who lack sufficient nutritious, healthy foods in their early years are likely to face lifelong challenges in becoming active, productive citizens.

We have a long history of supporting hunger relief in our communities, providing much-needed fresh protein to food banks, supporting after-school nutrition programs, and delivering food relief in the wake of natural disasters. We are especially proud of our partnerships with our retail grocery customers across the country, whose in-store fundraisers help further our hunger relief efforts.

# Total Food Donations

(servings in millions)



Prior to fiscal 2010, we counted any food donation as a charitable contribution. Beginning in fiscal 2011, we began to count only those food donations that went to feed people in need. A serving is equal to a quarter pound. Beginning with 2014, we are reporting donations by calendar year; previous years remain reported by fiscal year.

## How a Food Bank Deals with 25,000 Pounds of Fresh Protein

Each year, Smithfield donates millions of pounds of high-quality fresh and processed pork to food banks to help address their persistent need for fresh protein.

The average size of a Smithfield donation of fresh pork is about 25,000 pounds—or 100,000 servings of meat. If that seems like a lot for one food bank to handle, you might be surprised.

Karen Joyner, the CEO of the Virginia Peninsula Foodbank, says that her organization distributes about 33,000 pounds of food per day, about 20 percent of which is protein. A 25,000-pound meat donation won't even last a week. Located close to our headquarters, Joyner's facility relies on Smithfield Foods' donations for much of its fresh protein.

"If we didn't have the Smithfield donations, we would have very few protein donations," Joyner says. "Smithfield fills a very critical need."

When the food bank receives a call from our company that we have a donation to send over, the staff springs into action. Depending on what kind of products they'll be receiving—donations range from cases of bacon and hot dogs to large, whole cuts, Joyner says, although most often they receive packaged meats—the food bank notifies its 200 partner agencies that a donation is on the way. Agencies with larger facilities or soup kitchens can take some of the less-conventional donations—such as the whole cuts. The other partners, such as food pantries, church ministries, and homeless shelters—as well as the Foodbank's own mobile pantry program—take the rest.

There is often a perception that the food donated to food banks is of lesser quality than what one might find in the supermarket. This is far from the reality. The food we provide to our partners is identical to what we provide to retail customers. From an ethical standpoint as a responsible business, we will not donate any items that don't meet our high standards of food safety and quality. Every donation requires a signature from a food bank designee affirming that the agency will adhere to our food safety and quality standards once they take our food onto their premises for distribution. The bottom line is that if someone is going to eat our product, regardless of how they came by it, we want them to enjoy it, be nourished by it, and eat it with confidence.

Providing protein donations to food banks helps us address chronic hunger in our communities, and it helps fulfill the mission of the Virginia Peninsula Foodbank and other recipients of our food contributions.

"We are always in need of high-quality protein at our food bank," Joyner says. "Because we rely so heavily on donations, we receive a lot of canned goods and other items that don't always meet the body's full nutritional needs. Having these protein donations from Smithfield is very important to us and our partners because we'd all prefer to give out more-nourishing food items like protein."



## Addressing Hunger in Our Communities

As a global food leader whose products feed millions of people every year, Smithfield is sharply aware of the persistent hunger that so many communities face. For many years, hunger relief has been our signature cause. We make donations of nutritious foods to hunger relief agencies nationwide and work to raise awareness of hunger through high-profile partnerships.

In 2014, we continued our efforts through projects with well-established partners, as well as through new initiatives that work at every level from statewide policy to individual support. Partnerships like these are a keystone of our cause-marketing strategy, which allows us to raise the profile of the hunger relief organizations we work with, while also inspiring people to act and help people in their own communities who face food insecurity. These partnerships extend to our charitable giving beyond hunger relief as well, and, in 2014, our cause-marketing programs contributed more than \$2.2 million to these partners and issues.

On the national level, we launched a partnership in 2014 with the hunger relief organization Share Our Strength to focus on eliminating childhood

hunger in America. Smithfield supports the organization's "No Kid Hungry" network, which consists of private citizens, public officials, nonprofit organizations, and business leaders providing innovative hunger solutions in their communities. No Kid Hungry is working to ensure all children get the healthy food they need, every day.

In our headquarters state of Virginia, meanwhile, we're actively involved with policy efforts to address at a high level the challenges associated with food insecurity. We are pleased to announce that, early in 2015, Virginia Governor Terry McAuliffe named Smithfield Foods' senior vice president of corporate affairs, Keira Lombardo, to the Commonwealth Council on Bridging the Nutritional Divide. The council, which is chaired by Virginia First Lady Dorothy McAuliffe, has the ambitious goal of eliminating food insecurity while growing the state's agricultural industry by increasing participation in nutrition assistance programs; expanding access to affordable, healthy, and local foods; and supporting the growth of local and regional initiatives that provide food to those in need.

"Food insecurity is a chronic problem that communities across Virginia face—and one that can be solved with the right approach and sufficient resources," Lombardo says. "It won't be easy, but I am honored to be part of this project to find ways to ensure that all of Virginia's children and families have access to nutritional food and healthy lifestyles."

In an effort to raise awareness about hunger during the holidays, in November 2014, the Farmland brand launched a "Bacon for Santa" campaign, encouraging people to leave bacon out on Christmas Eve instead of the traditional cookies. For each person who pledged to make the switch to bacon, we donated 10 meals to Feeding America to fight hunger during the holiday season. To promote the campaign, we dressed 100 people in Santa Claus outfits and had them picket outside Macy's Herald Square in Manhattan—which is billed as Santa's "home away from home"—demanding they get bacon instead of cookies this Christmas. We also enlisted actor and self-professed bacon enthusiast Dean Cain to spread the word. Through December 2014, we donated \$50,000 and a total of 480,000 meals to Feeding America as part of this campaign.

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## Helping Hungry Homes®

Helping Hungry Homes® is Smithfield Foods' corporate initiative to help address the growing problem of food insecurity, particularly the need for protein, in the United States. Pork is an excellent source of protein, as well as zinc, vitamins B12 and B5, thiamine, and iron. Since the 2008 launch of Helping Hungry Homes, we have donated more than 69 million servings of pork to food banks and other organizations that provide food for people in need. Smithfield delivers the products in refrigerated trucks directly to food banks and organizations that serve the hungry, greatly reducing the cost of transportation and storage.

In 2014, we made donations that contributed approximately 13.7 million servings of fresh protein to those in need. Smithfield's retail partners in the Helping Hungry Homes initiative have also made generous donations to local and regional food banks to help support this important effort.

Some of our biggest donations through the Helping Hungry Homes program in 2014 included 25,000 pounds of protein to the Dare to Care Food Bank in Louisville, Kentucky; 30,000 pounds to the Food Bank For New York City; 25,000 pounds to the Second Harvest Heartland Food Bank in Maplewood, Minnesota; and 39,000 pounds to the Food Bank of Central & Eastern North Carolina in Wilmington. For each of these donations, we also arranged a high-profile media event to help spread the word about hunger in these communities.

For more information, visit the [Helping Hungry Homes](#) section of this site.

## Lend a Ham

In the run-up to Thanksgiving and Christmas 2014, we launched our “Lend a Ham” initiative as part of Helping Hungry Homes® to help address the high demand for protein and raise awareness for those in need.

We teamed up with Kimberly Schlapman of the award-winning country music band Little Big Town to promote the donation through social media with the hashtag #LendAHam. For each tweet or Facebook post using the hashtag and showing how people are “paying forward” an act of goodwill, Smithfield pledged to donate one serving of protein to one of the nation’s food banks.

As part of the campaign, we sent Schlapman undercover at a grocery store to surprise shoppers with holiday hams. Dressed in a cashier’s outfit, she handed out \$10,000 worth of gift cards to encourage shoppers to pay goodwill forward during the holidays. During the months of November and December, we donated more than 240,000 servings of fresh protein to food banks through the campaign, including a 30,000-pound donation to The Food Bank for New York City just before Christmas.



## Shining a Light on Hunger with NASCAR

A key aspect of our Helping Hungry Homes® initiative is our partnership with Richard Petty Motorsports to engage with fans of the nation’s No. 1 spectator sport during the 2014 NASCAR Sprint Cup Series season. We are the proud primary sponsor of the legendary No. 43 Ford, driven by Aric Almirola, which displays the Helping Hungry Homes logo prominently on the hood of the car. In 2014, we extended our support for Almirola and NASCAR icon Richard Petty through 2016, working to help raise awareness about, and donations for, hunger relief at 29 races per year across the country.

All told, between 2012 and 2014, we provided more than 3 million servings of food to be distributed to food banks during more than 20 NASCAR-related events, including two larger-than-usual donations in Charlotte and Winston-Salem, North Carolina.

## Education

At Smithfield, we believe that supporting education can dramatically strengthen communities. Helping to provide learning opportunities in the communities where our employees live, work, and raise their families has long been a priority for our company.

One of our core values is helping to extend educational opportunities to young people who will be tomorrow's leaders in our communities. We seek opportunities to engage with local educators and students, contributing to vibrant and dynamic neighborhoods where individuals and businesses can thrive.

Our Smithfield Foundation helps to provide an educational foundation for those who need it through educational scholarships for our employees' children and grandchildren at select universities.

Our **Learners to Leaders®** program, meanwhile, focuses on students from disadvantaged backgrounds who have the desire to succeed but don't yet have the skills to overcome their challenges—whether academic, social, or economic. We fund six different Learners to Leaders programs, providing more than \$390,000 in funding in 2014.

### Smithfield Foundation

The Smithfield Foundation, a nonprofit organization that acts as our company's philanthropic wing, was founded in 2002 to provide educational scholarships for our employees' children and grandchildren at select universities. Over the years, the Smithfield Foundation has grown to fund educational partnerships in the communities where our employees live and work.

In 2014, the Smithfield Foundation awarded 65 scholarships totaling over \$320,000. To be eligible, a student must be a dependent of a Smithfield employee, demonstrate financial need, and be accepted by one of eight schools we have named as partners. Since the inception of this program, we have awarded 393 annual scholarships worth more than \$3 million.

The Smithfield Foundation has also supported student scholarships at Christopher Newport University in Newport News, Virginia. The program, which began in 2005, has provided over \$900,000 in grant money for CNU's scholarships. In addition to funding those scholarships, Smithfield's donations help support the university's Leadership Program, the Luter School of Business, and other programs.

For more information, visit the [Smithfield Foundation](#) section of this site.

### Learners to Leaders®

Launched in 2006, Learners to Leaders® is a national education alliance funded by the Smithfield Foundation. With support and expertise from local educational partners, the program works to close the education gap for underprivileged students in our employees' communities. Often these are a family's first generation of college-bound students or low-income or minority individuals. In 2014, we provided more than \$390,000 in contributions to the six Learners to Leaders programs.

The first Learners to Leaders program began in Sioux Falls, South Dakota. Today, we also sponsor programs in the following communities: Cicero, Illinois; Lumberton, North Carolina; Newport News, Virginia; Denison, Iowa; and Crete, Nebraska.

For more information, visit the [Learners to Leaders](#) section of this site.

### Additional Educational Support

Smithfield offers broad support of educational programs across all of our areas of operation, particularly for programs that champion student achievement amidst difficult circumstances.

One program we support extensively is An Achievable Dream (AAD), a Virginia-based organization with the mission to provide economically disadvantaged students with the tools and resources they need to succeed in life and become successful, productive citizens. Smithfield has sponsored the college scholarships of two classes of AAD's graduates in 2006 and in 2015. In addition to sponsoring these college scholarships, we contribute to AAD's Annual Fund, which ensures that the K–12 students AAD serves receive a high-quality education through the organization's social, academic, and values-based curriculum. In addition to its financial support, our employees regularly volunteer at AAD's middle school and high school in Newport News to share with students real-world and work lessons—such as teamwork, punctuality, work ethic, and other big-picture topics—that teach them skills to help them become productive employees in the future. The Smithfield team of employees is dedicated to sharing their work and life experiences to prepare AAD students to be college-, career-, and citizen-ready while also exposing students to career opportunities that they may otherwise not know exist.

In addition to our support for AAD, in 2014, we worked with educators in Duplin County, North Carolina, to get "Producers, Pigs & Pork, A Teacher's Resource Guide" accepted as part of the county's fourth-grade curriculum. The guide is a set of five lessons that address America's food supply system, focusing on pork production. It uses multiple teaching techniques and educational best practices, as well as a variety of lessons and activities, to enhance standards and skills while providing a meaningful learning experience for students as they learn about pork and our food supply.

We also donated 50 school supply bags to the fifth annual "Stuff the Bus" drive in Richmond County, North Carolina. The bags contained school supplies for K–5 students, as well as North Carolina Pork Council coloring books, puzzle sheets, and water bottles. The "Stuff the Bus" drive gives community members the chance to help a student in need by donating school supplies to area schools.

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## Supporting the Next Generation of Farmers

We are proud to support the development of the next generation of farmers. We partner with Future Farmers of America (FFA) and 4-H to create a future where students of agriculture will discover their passion in life and build on that insight to chart the course for their educations, careers, and personal futures.

In 2014, Smithfield companies participated in a total of 92 FFA and 4-H events, including offering donations of \$10,800 to support the North Carolina FFA Foundation and \$5,000 to support the 4-H Revolution of Responsibility Youth Development Program. All told, Smithfield companies contributed more than \$50,000 to FFA and 4-H programs in 2014.

In addition to participating in these groups' events, Smithfield companies also regularly host student tours and other hands-on learning events for 4-H and FFA groups. The Sioux Falls, South Dakota, facility hosted 24 FFA students for a daylong tour, exploring the day-to-day operations, as well as the sustainability practices, in place at the facility. And the Tar Heel, North Carolina, facility invited three FFA students for a daylong mentorship program at our water and wastewater operations. The students toured all of the facilities and at the end of the day were given the opportunity to start up the water plant on their own (with staff supervision, of course).

## Health & Wellness

Smithfield works to support health and wellness among all of our employees for the many positive business benefits it offers, including greater productivity, improved job satisfaction, and higher quality of life.

In recent years we have also increased our support for health and wellness initiatives in the communities where we work. Among them is a partnership with the American Heart Association (AHA) to help improve the cardiovascular health of our communities. We sponsored the Jump Rope for Hearts initiative with a donation of \$20,000, which helped place heart-healthy educational kits in the hands of every third- and fourth-grade student in Duplin, Sampson, and Bladen counties in southeastern North Carolina. These kits included educational materials to teach children how their hearts work, letters to parents, and jump ropes that are used not only for teaching the benefits of cardiovascular exercise, but also for the AHA's fundraising activities.

We also teamed up with the American Red Cross and the Sampson County Fire Marshal to install smoke detectors and give fire prevention training to residents in hundreds of homes in Sampson County. A total of 25 employees participated in this daylong event.



## Environmental Stewardship & Community Beautification

Smithfield's approach to environmental sustainability covers not only our own operations, but also extends to preserving and protecting the ecosystems upon which we all depend.

Across our company, we work to raise awareness about critical environmental issues among our employees and our communities through on-the-job and community service activities. Smithfield employees also regularly volunteer in local cleanups and beautification projects to encourage responsible stewardship of the land.

### "Super Sustainability" Season

Since 2011, the Rocky Mountain region of our Hog Production Division has engaged employees in a "Super Sustainability Season" during April and May. During those weeks, we highlight every aspect of sustainability at Smithfield, from animal care to environmental performance to community giving. In 2014, employees and their families donated more than 700 hours of service to their communities. Activities included tree plantings, a highway cleanup that netted more than 3,200 pounds of trash, and a 5K fun-run we hosted with community members.

### Community Improvement and Beautification Projects

Each year, employees from across our company donate their time generously to help clean up our neighborhoods. In 2014, employees committed more than 2,700 hours of volunteer time in 105 community beautification projects.

Among the many community cleanup efforts and neighborhood beautification efforts we participated in during 2014 was a big effort at the Minersville Reservoir in Beaver County, Utah, led by the team at our Circle Four Farms location. Because the reservoir is the only lake of its size in the area and a popular destination for camping, boating, fishing and more—and one that many of our employees frequently visit—we organized a two-day event to improve the area for the community's benefit. A total of 97 volunteers—including 63 employees—worked to plant new trees, lay fresh sod, paint and rebuild cabanas, and pick up trash and debris throughout the reservoir.

We also supported these community cleanup efforts in 2014:

- The accounting department in our Algona, Iowa, location took part in a community cleanup in partnership with students at Algona High School and Kossuth Connections, a local youth development nonprofit that works to make Kossuth County a safe and healthy place to work, live, and raise a family. Employees spent a day cleaning up the Algona miniature golf course, removing eight pickup loads of leaves and garbage from the nine-hole golf course.
- In Ilawa, Poland, one of the employees from the International Division prepared and presented a lesson on how to cut waste to the local middle school. The presentation covered the types of materials that should be recycled, how to properly dispose of hazardous wastes, and ideas for reusing materials whenever possible. After the presentation, the students took a quiz to test their knowledge, with the highest-scoring students winning fleece jackets.
- In October 2014, employees volunteered to help clean up the Salt Creek Levee trail in Lincoln, Nebraska. This popular, four-mile-long trail is used by walkers, runners, and cyclists. We encouraged employees to participate by offering a chance to win a \$100 Visa gift card for helping clean up the trail.

## Charitable Giving and Volunteerism

We have long been firm believers that financial and in-person support of critical community organizations and programs is a key part of our company's mission to be the most trusted food company.

We help create strong communities, in part, through charitable giving and employee volunteer efforts. In 2014, we launched a company-wide employee-matching charitable giving program. This new program directs up to \$1 million per year from our company to help support the causes that are important to our employees. Through this new program, we match all eligible donations from our domestic employees on a one-to-one basis, from \$100 up to \$5,000. And for our employees who serve on the board of directors of an approved charitable donation, we will match those gifts on a two-to-one basis, up to \$10,000 per year per employee.

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**In 2014, employees volunteered a collective 11,667 hours of time to important causes, including hunger relief and disaster preparedness.**

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In addition to financial support, each year our employees dedicate their time to projects in their communities. In 2014, employees volunteered a collective 11,667 hours of time to these important causes, including hunger relief, disaster preparedness, preventing bullying, collecting toys for children in need, and much more.

- **Disaster Relief.** In 2013, we formed a partnership with the American Red Cross to take part in that organization's "Ready When the Time Comes" program. After completing the Red Cross-led training, our volunteers serve as an extension of the Red Cross in the community, learning how best to respond in the event of a disaster. And on Friday, February 14, we received a call from the Red Cross asking for help. That Valentine's Day, Columbus County, North Carolina, had just endured the worst ice and snowstorm in decades, and even four days later there were 12,000 homes in the county without power. The Red Cross asked us to help distribute 20,000 meal rations, or Meals Ready to Eat, from the Food Bank in Greenville, North Carolina, to the affected homes. Three employees were ready when the time came and volunteered to pick up and deliver the meals to the distribution area in Whiteville, North Carolina.
- **STOMP Out Bullying.** October is National Bullying Prevention Month, and our Packaged Meats Division teamed up with STOMP Out Bullying to spread awareness about, and show support for, the cause during the annual Blue Shirt Day® World Day of Bullying Prevention. Smithfield donated \$75,000 to the organization and created specially marked packages of top-selling Armour LunchMakers and BreakfastMakers varieties, in-store signage, and social media. We also brought in television star Mario Lopez to lead a pep rally for more than 1,200 middle school students at Albert Leonard Middle School in New Rochelle, New York. Albert Leonard Middle School has been recognized as a leader in anti-bullying efforts. Lopez handed out the official STOMP Out Bullying blue shirts, wristbands, and lunchboxes, and he spoke to the students about how to create a bully-free environment and the dangers of bullying and cyberbullying.
- **Red Springs Toy Run.** The annual Toy Run in Laurinburg, North Carolina, is a large-scale motorcycle ride that has become a community tradition since it began 15 years ago as a fundraiser to provide needy kids in southeastern North Carolina with toys for Christmas. We had about 70 riders participate in the 2014 Toy Run, and we hosted the starting point of the ride at the Hog Production Division's Laurinburg office. While the riders covered the 65-mile route, we conducted a barbecue cook-off, so that when the riders returned, we were able to offer them fresh-cooked barbecue, baked beans, and slaw. Through our support for the ride, cook-off, and an on-site auction, we raised \$7,000 for the program.
- **Sampson County Special Olympics.** We sponsored lunch for 800 students and volunteers during the 2014 Sampson County Special Olympics in April 2014. A total of 26 employees volunteered at the event.
- **Graz'n Acres Therapeutic Riding Center.** Over the course of three days, Smithfield volunteers contributed 112 hours of volunteer service to construct a new horse shelter, repaint fences, and perform other maintenance work at this facility in Sedley, Virginia, that provides emotional, health, and wellness support for children with special needs.
- **Christmas Dinner for Veterans and Their Families.** In December, two employees spent an evening preparing and serving a nutritious dinner at the Fisher House in Salt Lake City, Utah. Part of the Veteran's Administration (VA), the Fisher House provides a home away from home for families of veterans who are undergoing medical treatment at the nearby VA hospital. In addition to preparing the meal, our employees organized entertainment for the guests, including a Christmas video and singing carols.

## Support for Military Families

Smithfield salutes the members of our nation's military, who often must live apart from their families, at personal cost, while fulfilling their commitment to service. Across our operations, we sponsor numerous events and projects to recognize these individuals and their families—and to say thank you.

2014 marked the third year of our "Operation Inspiration" campaign, created in partnership with Operation Homefront, an organization founded after the September 11, 2001, attacks to provide financial support to military families in need. Since the inception of the partnership, we have donated over \$890,000 to support the families of service members and wounded warriors.

In addition to financial donations, Operation Inspiration has awarded military families with new homes, new cars, and once-in-a-lifetime experiences through our partnerships with the NASCAR Sprint Cup Series and Richard Petty Motorsports, Emmy-winning college football analyst Kirk Herbstreit, and others.

In September 2014, we celebrated the 120th anniversary of our Eckrich brand by hosting 120 military families at the NASCAR Sprint Cup Series race in Chicago, Illinois, highlighting all of those families' names on the Richard Petty Motorsports No. 43 Ford, driven by Aric Almirola, and providing each family with a \$120 gift card to Jewel-Osco. Smithfield and Richard Petty Motorsports also surprised the family of one retired Army veteran with the gift of a brand-new 2014 Ford Fusion and free groceries at Jewel-Osco for a year.

As part of our NASCAR efforts, during the 2014 season, we partnered with the Folds of Honor Foundation, which provides support to families of fallen or disabled members of the armed forces members. Between Memorial Day and Labor Day, we asked race fans to vote on a custom paint scheme for the No. 43 Ford, with the winning paint scheme to be used during the Veterans Day race in Phoenix, Arizona. And for each top 10 finish and every race lap led by the No. 43 Ford during the Sprint Cup season, we donated \$5,000 to the Folds of Honor Foundation. As a result of this partnership, we donated \$100,000 to Folds of Honor, which will provide scholarships to families of fallen or disabled armed forces members.

Another new Operation Inspiration project in 2014 brought the campaign directly into millions of homes nationwide through a partnership with Hot 20 Countdown on country music television station CMT. Over the course of the summer, we worked with the Countdown to highlight and show appreciation for our military families during three special Operation Inspiration-themed episodes that included special guest appearances and stories of military families and their sacrifices.

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**A MAD event is a day for volunteers to take active-duty troops out for a full day of offshore fishing and other sporting activities, followed by a huge southern-style cookout.**

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In North Carolina, the Hog Production Division donated and prepared 250 pounds of boneless pork chops for Military Appreciation Day (MAD) at Harker's Island, North Carolina. A MAD event is a day for volunteers to take active-duty troops out for a full day of offshore fishing and other sporting activities, followed by a huge southern-style cookout. With support from the Hog Production Division and other local businesses, service members were treated to a delicious meal with pork chops donated by the company and prepared by a volunteer team of our expert cooks. In a separate event in North Carolina, the Hog Production Division sponsored and participated in the Annual Warrior Ride Challenge at Oak Island in October. The division supported the purchase of uniforms and helped prepared a delicious pork chop lunch during the three-and-a-half-day bicycling event that hosts a number of wounded military men and women.



## Our Commitment to International Sustainability

Smithfield Foods' wholly owned investments in Europe make up the majority of the International Division. In Poland, the division raises hogs and ranks among the country's largest processors of pork and poultry.

Nearly all poultry is sourced from independent growers. The division also operates two poultry-growing farms, one egg-laying farm, and four hatcheries to supply chicks to independent poultry producers. In Romania, the pork processing plant is the country's largest and receives all of its market hogs from the division's Romanian farms.

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**Our international operations raised approximately 2.5 million market hogs and produced more than 1.2 billion pounds of fresh pork and packaged poultry and pork products in 2014.**

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Our international operations<sup>1</sup> follow Smithfield's corporate animal care, environmental management, and food safety protocols, and they have been implementing our corporate employee health and safety standards. In 2013, we began moving toward sustainability goals and targets in our European operations and have been making slow but steady progress as we continue to drive improvements across all of our global operations.

Some highlights from 2014 include the following:

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- Improved overall water use efficiency by 39.9 percent since 2008;
- Donated nearly 98,000 servings of meat and protein products to those in need;
- Provided over \$198,000 for over 300 scholarships to Polish students;
- Planted 1,560 trees in 17 Romanian villages; and
- Donated school supplies to 6,600 rural students in Romania.

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<sup>1</sup> "International operations" refer to wholly owned Polish and Romanian operations specified in this section.

## Value Creation

As one of the largest U.S. agricultural and food processing companies in Poland and Romania, our International Division is demonstrating that cooperation between Eastern European and U.S. professionals can bring substantial value to the local agricultural, animal husbandry, and food production industries.

One good example of this is purchases of locally grown grains to feed the pigs. Buying locally reduces transportation costs and infuses millions of dollars into the regional economy each year.

By the Numbers	Romania	Poland
Number of local grain suppliers	150+	2,400+
Local grain spending	\$47 million	\$98 million
Annual crop purchases (tons)	268,500	492,000
Percent purchased locally	100%	100%

All values for 2014. Local grain spending fell in 2014 due to decreased crop prices.

The international operations also put significant resources into helping local hog farmers develop their facilities and improve grain crop yields.

Poland used roughly 870 contract farmers that operate approximately 1,400 farms to supply about half of the hogs processed in 2014. These agreements provide multiple economic benefits to rural communities, including employment, steady income, and modernized agriculture. In total, the Polish operations contribute \$275.7 million in contract payments into the Polish economy each year.

**“Smithfield is always a reliable partner. Improving our yields in a natural manner is the best solution for modern agriculture.”**

—Andrei Zemora, a corn farmer in Romania

Our international division has been helping Romanian farmers build new hog production facilities since 2009. To date, this initiative has created eight contract wean-to-finish farms, which produce market hogs for processing operations.

### Improving Local Corn Production in Romania

Smithfield has promoted cutting-edge agricultural practices alongside seed developer Pioneer Hi-Bred International, Inc. for several years. In November 2014, the Romanian division hosted its seventh annual public harvest on a 2.15-hectare lot of Pioneer hybrid corn fertilized with manure from farms. The harvest produced nearly 15 tons of corn per hectare, triple the average output on most Romanian farms.

Andrei Zemora, a corn farmer in Jimbolia, Romania, has been using manure to fertilize his crops since 2009. “Smithfield is always a reliable partner,” he says. “Improving our yields in a natural manner is the best solution for modern agriculture.”

## Animal Care

We make every effort to make sure pigs are healthy, safe, and comfortable.

Neglect or abuse of animals in any form is not tolerated and is grounds for employee or contract grower termination. Offenders may also be subject to criminal prosecution under applicable local laws.

### Our Animal Care Goal

- Keep animals safe, comfortable, and healthy

### Our Animal Care Targets

- Provide group housing for pregnant sows and housing for laying hens per European Union (EU) requirements
- Provide pigs and poultry with the floor area and surface required by the EU
- Train relevant farm and plant employees in animal handling procedures
- Implement a written program for animal welfare at plants

The EU has adopted specific rules and regulations for the welfare of pigs and poultry on farms, during transport, and at processing facilities. European operations are regularly audited to ensure compliance. All European operations maintain a formal Animal Care Policy that is consistent with U.S. operations.

## Animal Handling

Every new employee receives animal care training upon hire. All processing plant employees who work with live animals are also trained and supervised by state veterinarians. Each fresh pork plant has a designated person responsible for animal care. These individuals undergo specialized training and report directly to the facility's managing director. Government veterinary authorities provide ongoing training and support.

European pork operations use a slaughter procedure known as carbon dioxide (CO<sub>2</sub>) anesthetizing, which stuns animals. Poultry slaughter operations use an electrical-water stunning process.

## Audits

Government veterinarians work with local animal care and food safety authorities to regularly inspect farms and plants. These external audits verify compliance with national animal care laws and biosecurity measures to reduce the risk of diseases. Further random inspections also take place throughout the year.

Specially trained internal auditors conduct twice-yearly audits of farming operations to verify compliance with animal care procedures, biosecurity and traceability, employee training programs, and transportation systems. Nonconformance is addressed with swift corrective action, and we give support and technical assistance to help each facility with compliance.

In 2014, there were no penalties for animal welfare noncompliance at European farms or processing plants. One Polish poultry facility received a finding related to turkey slaughter in November 2014.

## Animal Housing

### Housing Pregnant Sows

In 2001, the European Union (EU) Agriculture Council issued a directive on the health of pregnant sows in gestation stalls designed to achieve these aims:

- Ban individual stalls for pregnant sows during most of the gestation period;
- Improve the quality of the flooring surfaces;
- Increase the living space available for sows; and
- Introduce higher levels of training for personnel in charge of the animals.

Both company-owned farms and contract sow farms in Europe meet these requirements. Processing facilities only source pigs from farms that meet the sow housing requirements. We communicate this to suppliers and regularly monitor their performance.

In Romania, several new projects were implemented to improve the facilities for the animals, including the following:

- All company-owned sow farms installed a monitoring system to manage microclimates. The system creates an audible warning whenever the housing does not meet strict limits for humidity, temperature, airflow, and other environmental aspects.
- Fifteen company-owned farms installed new disinfection areas to protect herd health and bolster biosecurity measures.

### Housing Poultry

In Poland, our international division operates egg-laying farms and hatcheries to supply chicks to independent poultry producers. The poultry-growing farms use non-cage housing according to EU and Polish animal welfare requirements.

## Antibiotics Use

For nearly a decade, the European Union (EU) has banned feeding antibiotics and related drugs to livestock for growth promotion purposes. Farms in our international division follow these strict guidelines and comply with all antibiotic withdrawal timelines.

Antibiotics are only given when they are sick, injured, vulnerable, or exposed to illnesses. Our international operations only use water-based and injected antibiotics to treat individual hogs or poultry. Authorized veterinarians supervise antibiotic usage on company-owned and contract farms, monitoring them weekly. The antibiotic administration process is overseen and controlled by each country's respective regulatory agencies.

In 2013, Smithfield refined the way it tracks and reports antibiotic administration to provide a more meaningful, accurate measurement based on the total active ingredient given to the pigs via water-soluble and injected products. During 2014, the total was 222 milligrams per pound.



## Safe Transportation

Our operations devote considerable resources to making our live-haul accident-response procedures consistent with our domestic operations and also conduct extensive training for all employees who work in processing, security, and transportation. In 2014, our European operations had six transportation accidents involving hogs carried from company-owned and contract farms.

<b>Market Hog Transportation Accidents</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Number of accidents	2	3	1	0	6
Market hogs involved	700	2,290	460	0	874
Market hog transportation fatalities	77	180	87	0	76

Following our 2013 acquisition by WH Group Limited, we changed our reporting timeframe from a fiscal year (May 1–April 30) to a calendar year. 2010–2013 data are reported by fiscal year and 2014 data are reported by calendar year.

## Employees

Our International Division offers good jobs in rural areas with high unemployment rates and is one of the largest employers in many regions.

### Workforce Composition

In 2014, Polish employees were almost uniformly Polish nationals. Of approximately 8,750 employees, 51 percent were women. Women made up 39 percent of senior management.

In Romania, roughly 2,030 employees were almost uniformly Romanian nationals, and 32 percent were women. Women made up 28 percent of the management team.

European Workforce Composition	2014
Employees	10,798
Women	5,200
Men	5,598
Women in management	213
Total managers	577
Percent of women in management	37%
Nationals*	10,723
Internationals	61
Percent nationals	99.4%
Age under 30	2,096
Ages 30–50	6,090
Age over 50	2,598

\*Citizen of country where facility is located.

### Employee Development

We want employees to have ample opportunities for growth. To this end, our European operations focus on recruitment, training, and succession planning to develop the workforce and to increase employee retention.

For example, all farming operations in Europe began participating in centralized job posting programs like we have in the United States, giving mid-

level managers the ability to apply for positions of interest in any location. Our international businesses work closely with agricultural universities in Europe to connect with graduates who may be interested in careers both in our European and U.S. facilities. A decade-long partnership with Banat University of Agricultural Sciences and Veterinary Medicine offers a six-week internship program to help students gain knowledge and skills related to large-scale animal agriculture.

Our Romanian operations recently began offering professional development opportunities to Feed Production Department employees through an internal certification program that included 30 hours of theoretical training and 50 hours of practical training.

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## Employee Health & Safety

### Our Health & Safety Goal

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- Reduce employee injury rates

### Our Health & Safety Targets

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- Meet or beat general manufacturing industry national average for injuries
- All safety leadership trained to 10-hour General Industry training programs
- Increase formal employee engagement to 25% by 2015
- Score average of "B" on monthly safety scorecard

All of our safety policies align with national regulations and European Union (EU) directives, including those of the European Agency for Safety and Health at Work. In 2013, we implemented our U.S. [Employee Injury Prevention Management System \(EIPMS\)](#) at all of our Polish and Romanian operations while giving them the flexibility to adapt the program to their specific locations. We believe this will foster better program management and yield measureable results moving forward.

All international operations can access the EIPMS website to review safety standards, study compliance policies and procedures, and upload safety metrics and program details into our company-wide database. The consistent reporting framework allows us to make comparisons among facilities and will be critical in encouraging continuous improvement as the program matures.

We intended to begin reporting baseline health and safety metrics for our European operations in 2014. However, because on-site staff and management are still adjusting to our internal reporting requirements, we do not yet believe the data to be fully comprehensive. Our focus at this time is to adapt our policies to specific facility needs so we can ensure effective implementation. Our corporate safety office is also working closely with international management to ensure that data are accurately recorded and tracked moving forward.

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**The Romanian farming operations won the 2014 International Safety Award for its outstanding performance in health and safety management.**

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Projects: P.O.R.C. program

For the past two years, our Romanian operations have invested significant resources to increase employee involvement in identifying risks in several areas, including health and safety, biosecurity, animal welfare, environment, and food safety and quality. The program aims to leverage this increased vigilance in risk management into other aspects as well, such as finding new business opportunities or process improvements. This greater level of engagement will empower employees to give valuable insights, and, as a result, improve compliance, facilitate certification and standardization, optimize internal management procedures, and grow profits.

### P.O.R.C stands for the following:

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- “Prevenire” (Preventing accidents)
- “Observare” (Observing risks in all areas)
- “Reportare” (Reporting by all employees)
- “Corectare” (Correcting by the management system)

Since 2012, the program has improved health and safety performance through 1,700 reported observations from employees and 250 employee-developed protocols, helping us to earn third place in the Employees category at the 2014 Romanian Corporate Social Responsibility (CSR) Awards.

## Environment

European facilities seek to reduce the environmental impacts identified by our environmental management systems (EMS) through innovative programs.

### Our Environmental Goals

- Reduce natural resource demand
- Eliminate notices of violation (NOVs)
- 100% compliance, 100% of the time

### Our Environmental Targets and Progress

	2015 Target (vs. 2008 baseline)	2014 Progress
Water Use	↓ 10%	↓ 39.9%
Energy Use	↓ 10%	↓ 35.5%
Greenhouse Gas (GHG) Emissions	↓ 10%	↓ 38.2%
Solid Waste to Landfill	↓ 10%	↓ 48.6%

All water, energy, GHG, and solid waste targets are normalized by production levels.

At processing plants, managers track each project and keep management informed of progress. Most European facilities enter these projects for Smithfield's [Environmental Excellence Awards](#).

**All hog farms, feed mills, and processing plants in Europe are ISO 14001 certified.**

Some recent efforts include the following:

- Processing plants in Elk, and Starachowice, Poland, upgraded their boilers, cutting coal use and air emissions by 10 percent.
- A plant in Morliny, Poland, updated its waste management process, diverting 80 percent of its waste from landfills.
- A farm in Parta, Romania, updated its water supply system's seals, eliminating leaks and reducing daily water use by 15,400 gallons annually.
- A plant in Suwalki, Poland, installed a closed-circuit cooling system for packaged meats. The project reduces water consumption by nearly 1.6 million gallons per year.
- A hatchery in Sokolka, Poland, installed a solar water-heating system to keep hatchlings warm, cutting electricity use by 10 percent.

Projects like this, combined with effective use of our EMS, have helped us realize enormous reductions in resource intensity. For more, please view

our Environmental Performance page.

## Environmental Performance

Since 2008, European farms and processing plants have produced 74 percent more fresh and packaged meats while minimizing the use of resources and creating less waste.

We are very proud of the following impressive efficiency improvements we realized across our operations, far exceeding our goals:

- Water use: 39.9 percent reduction
- Energy use: 35.5 percent reduction
- Greenhouse gas (GHG) emissions: 38.2 percent reduction
- Waste sent to landfills: 48.6 percent reduction.

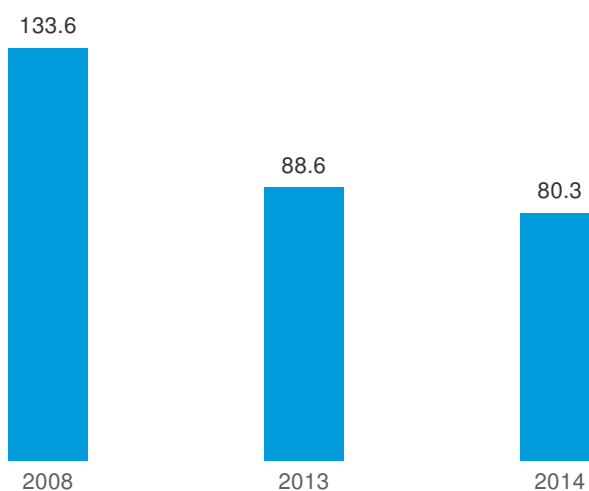
## Data Collection and Management

The data in this section account for operations in Romania and Poland. We now collect and report these data the same way as domestic counterparts. This enables comparisons among facilities and helps our international operations meet our company-wide sustainability goals.

### Water Intensity

(gallons/cwt)

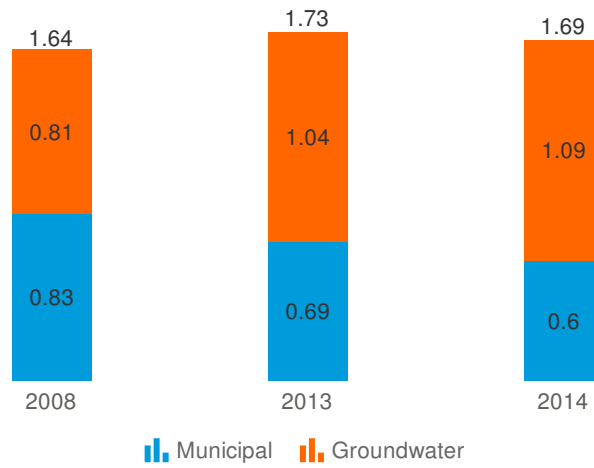
08–14 Change: -39.9%



CWT equals 100 pounds of product.

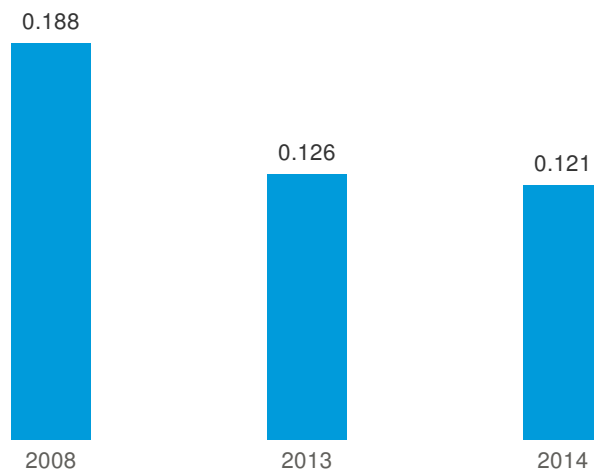
## Water Use

(billions of gallons)  
08–14 Change: 3.6%



## Energy Intensity

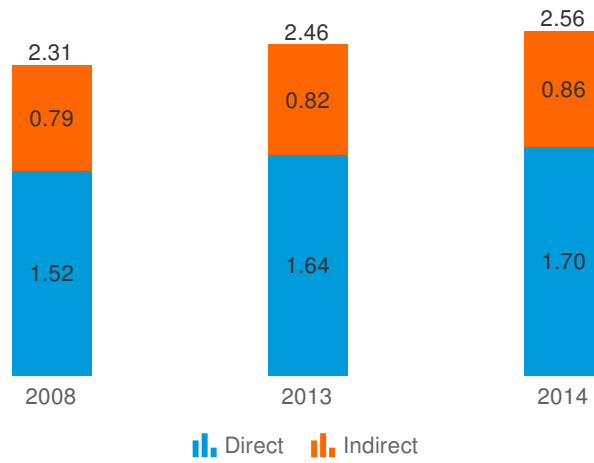
(gigajoules/cwt)  
08–14 Change: -35.5%



CWT equals 100 pounds of product.

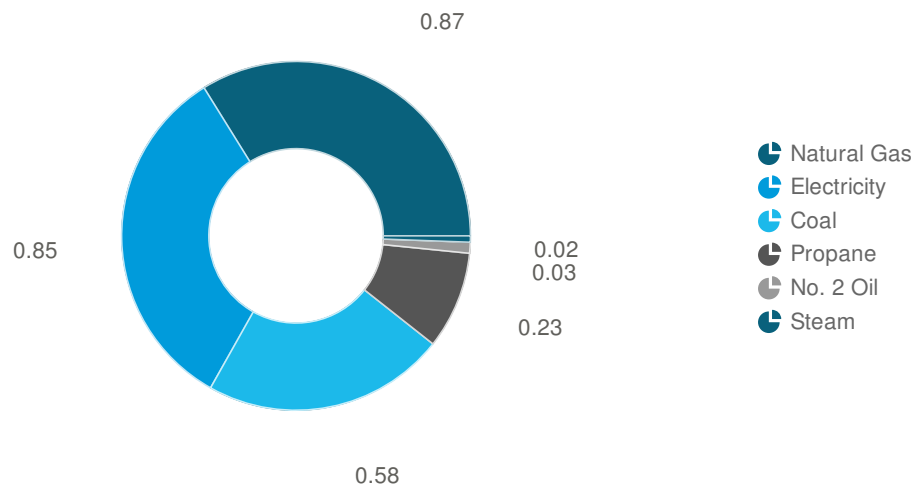
## Direct and Indirect Energy Use

(gigajoules in millions)  
08-14 Change: 11.2%



## 2014 Energy Use by Fuel Type

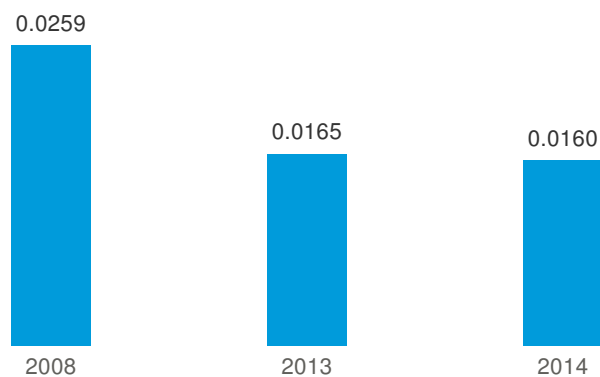
(gigajoules in millions)





## GHG Intensity

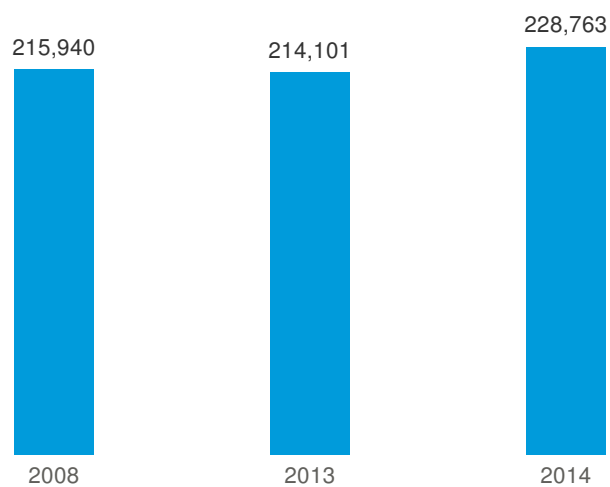
(metric tons CO<sub>2</sub>e/cwt)  
08–14 Change: -38.2%



CWT equals 100 pounds of product.

## Direct and Indirect GHG Emissions

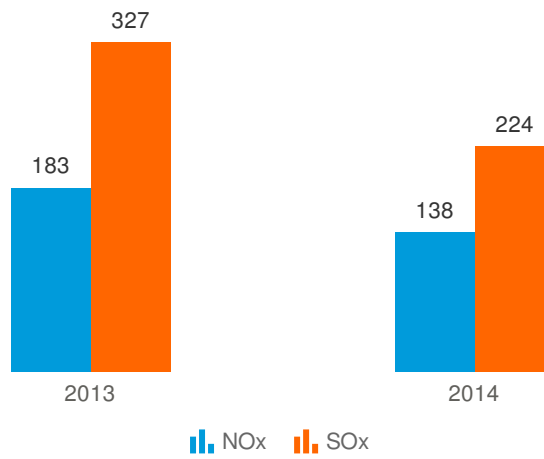
(metric tons CO<sub>2</sub>e/cwt)  
08–14 Change: 5.9%



CO<sub>2</sub>e stands for carbon dioxide equivalent. CWT equals 100 pounds of product. GHG emissions do not include farming operations. Smithfield reports GHG emissions using [The Greenhouse Gas Protocol Initiative](#) developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). Publicly available emissions figures are used where no reliable data are available from energy providers. We report on scope 1 emissions (direct) and scope 2 emissions, which include indirect emissions associated with the use of purchased electricity and steam.

## Nitrogen Oxides (NO<sub>x</sub>) and Sulfur Oxides (SO<sub>x</sub>) Emissions

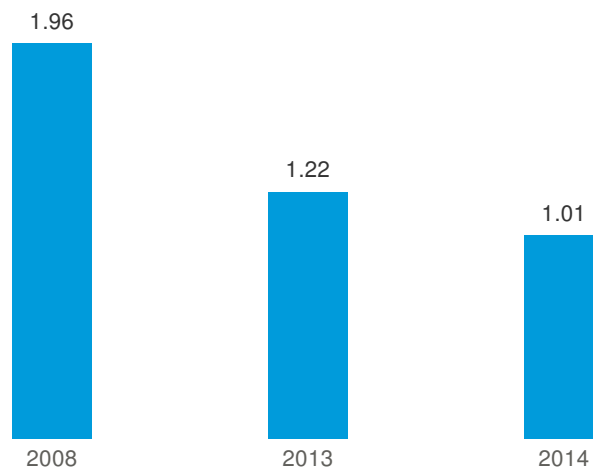
(short tons)



Only Polish processing facilities report nitrogen oxides (NO<sub>x</sub>) and sulfur oxides (SO<sub>x</sub>) emissions.

## Normalized Solid Waste to Landfill

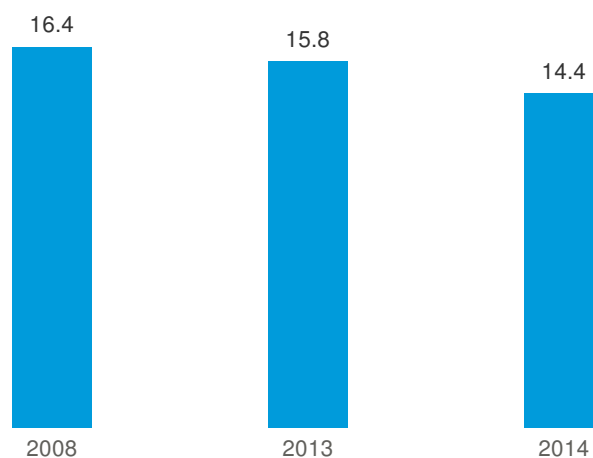
(pounds/cwt)  
08-14 Change: -48.6%



CWT equals 100 pounds of product.

## Solid Waste to Landfill

(pounds in millions)  
08–14 Change: -11.8%



## Environmental Compliance

In 2014, our Romanian operations did not receive any environmental notices of violation (NOVs) or penalties. Our Polish operations had five NOVs. The decrease in NOVs and penalties since 2008 can be attributed primarily to improved internal auditing and employee training.

Compliance	2012	2013	2014
Notices of violation (NOVs)	8	8	5
Fines (\$U.S.)	\$0	\$2,030	\$6,155

We take any NOV or fine seriously and work quickly to determine how our management systems can be improved, while we are making corrective actions. We also work with regulators to resolve all environmental issues as they arise.

## Animal Manure Management Systems

The hog production operations handle and treat manure in ways designed to protect local water sources and effectively utilize a potentially valuable resource. Farms have dedicated environmental and manure management staff at the supervisory and field technician levels. The former coordinate permitting and compliance activities; the latter develop and implement nutrient management plans.

Most international facilities either use storage tanks or combine manure with straw bedding before fertilizing crops, while the remaining farms use storage lagoons. Treatments and storage processes vary, depending on the facility.

Every year, European farms fertilize tens of thousands of hectares with organic fertilizer, using the safest and most modern technologies. Using manure as an organic fertilizer provides nutrients and promotes soil health while also providing financial benefits to local farmers. Each European

farm uses a comprehensive nutrient management plan when applying manure as organic fertilizer to local farmland. In Poland, each plan is approved by local authorities. In Romania, the local authorities prepare detailed plans, which include crop descriptions and projected yields, soil and manure test information, and rates of application to balance with the crops' fertilization needs.

## Producing Renewable Energy

Polish farming operations have manure supply agreements with biogas project developers who designed, financed, and constructed three biogas plants located in nearby villages. These plants produce approximately 5.8 megawatts (MW) of electricity and heat energy.

## Food Safety & Quality

Our international operations work with industry, government, and independent experts to provide safe, high-quality foods that meet increasingly strict regulatory requirements and customers' evolving expectations.

### Our Food Safety & Quality Goals

- Deliver safe, high-quality meat products and eliminate recalls.
- 100% compliance, 100% of the time

### Our Food Safety & Quality Targets

- Obtain 100% Global Food Safety Initiative (GFSI) certification for all relevant facilities (those producing meat for human consumption)
- Assure a wide variety for different diets and needs, and include products designed to address health and wellness in accordance with accepted standards

We focus our resources to develop and implement our rigorous food safety practices in all facilities, manufacturing processes, and distribution networks. We also inform consumers about nutrition and safe food handling through our product labels and additional outreach efforts.

**Smithfield's international food safety systems are reviewed and validated annually by qualified third parties.**

We use several food safety processes and programs throughout our supply chain to meet a variety of requirements, including Hazard Analysis and Critical Control Points (HACCP), ISO 22000, British Retail Consortium, IFS Food, and the Global Food Safety Initiative (GFSI). Our operations also have cross-functional food safety teams to develop and implement food safety goals and evaluate the efficacy of our food safety practices. Team members regularly discuss current scientific and technical food safety information and consult with each other on specific efforts. We also closely monitor all relevant European Union (EU) food regulatory changes, which allows us to adapt to the changing legal landscape and effectively communicate with suppliers.

To ensure quality control throughout the supply chain, all European hog production, food processing, and distribution facilities maintain an HACCP-based food safety policy. HACCP is a comprehensive food safety control system required in all EU countries that addresses all reasonably occurring physical, chemical, and biological hazards. Smithfield's international food safety systems are reviewed and validated annually by qualified third parties.

## Training

Giving customers safe food means employees must meet our strict food safety requirements and learn industry-leading practices. To this end, they undergo extensive training in food safety policies and procedures—tailored to company—to keep food safe. Each worker is trained upon hiring and is

retrained on a regular basis, depending on his or her job requirements.

In order to foster continuous improvement in food safety and quality, the food safety teams constantly look for new ways to incorporate emerging food safety innovations into products and processes. The teams also regularly present scientific papers at national conferences and attend educational seminars, professional meetings, and regulatory meetings. They use the latest techniques they've learned to train other employees.

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## Our Products

### Nutrition

Our European operations offer fresh meats and packaged foods that satisfy a wide variety of consumer needs and tastes while meeting all European Union (EU) nutrition and labeling standards.

Our Romanian operations have historically only produced fresh meat, which is not processed with sodium or other additives. They recently started to produce a range of semi-processed products (such as fresh sausages and minced meat). In Poland, our division offers low-sodium products.

### Addressing Children's Health and Diabetes Care

Our Morlinki brand offers the only deli meat in Poland certified and recommended by the National Institute of Mother and Child, a widely respected authority on protecting child safety. Certification verifies that our products meet all the latest nutritional and food safety requirements. It also ensures our products meet the following criteria:

- Reduced fat and sodium content relative to comparable meat products;
- Made with limited additives;
- Made with strictly controlled manufacturing processes;
- Packaged to allow easy use and ensure microbiological safety; and
- Developed with consideration of children's nutritional needs.

### Compliance

Approximately 70,801 pounds of fresh and packaged meat products from Polish processing plants were recalled in 2014, resulting in approximately \$166 in fines. The Romanian processor recalled 3,900 pounds of products. No other significant penalties or fines associated with food safety were assessed.

## Helping Communities

Our European operations maintain a wide range of programs that are important to the people who live in and around our operations and that contribute to local economic development.

### Our Community Goal

- Provide food to those in need and enhance education in our communities

### Our Community Targets

- Provide food related assistance (food or funding) to those in need
- Interact with schools or students to provide help with supplies, facilities, or scholarship assistance
- Each facility/farm division to participate in two events involving agricultural education for local students
- Each facility/farm division to participate in at least one community cleanup day
- Each facility/farm division to participate in World Water Monitoring Challenge

We prioritize funding for hunger relief efforts, environmental outreach, and education for local students. We also support cultural awareness programs that honor the rich heritages of the communities in which we operate. Other volunteer projects include playing in charity soccer games for families in need and sponsoring local children's hospitals.

### By the Numbers

2014

Cash donations	\$56,884
Food donations (cash value)	\$73,408
Food donations (servings)	97,434
Total amount of donations	\$149,416

Food donations are valued at production cost of the donated meat and finished product. Other donations, which include school supplies, are valued at cost.

## Hunger Relief

As a food company, we believe it's important to provide much-needed sources of protein to individuals in need. Some of the hunger relief highlights from 2014 include the following:

- Romanian operations' "Food for Souls" program provides fresh meats and hot meals to disadvantaged citizens of Timisoara and the surrounding area through more than 30 local partner organizations. In 2014, the Romanian operations provided roughly 20,100 pounds (80,380 servings) of meat and protein products to daycare centers, hospitals, orphanages, and other locations.
- In Poland, we support school lunch campaigns in a number of districts and donate meat products to help our communities. In 2014, processing plants delivered roughly 1,600 pounds (6,400 servings) of food products worth \$3,150 to provide for local people in need.
- Polish operations donated over \$21,000 to provide food through local schools to children in need.

## Environmental Outreach

Some of the environmental outreach highlights from 2014 include the following:

- The Romanian farming division organized its first "Adopt a River" day in 2014 to support Lunca Muresului Natural Park. Several volunteers and 60 children and teachers from two local schools picked up over 3 tons of wastes in one day.
- In April 2014, the Polish operations held their second annual environmental cleanup day in Wierzchowo, where they have a sow farm and crop production offices. Local employees cleaned up 1,800 kilograms (over 3,960 pounds) of trash.
- In 2014, employees planted more than 1,560 trees near our facilities.

## Education

Our European operations focus on supporting early education: helping students attend school, funding rural libraries, providing students with school supplies, and celebrating academic achievements in our local communities. We also develop long-term educational projects with local universities to help promising students come work for us. Since 2006, the Polish farming group has worked with local universities that teach veterinary medicine to offer students focused in animal care and management real-world learning opportunities. For example, we were able to send several veterinary students to our farms in the United States to learn modern production practices.

Some of the highlights from 2014 include the following:

- Over the past eight years, Romanian operations have supported several thousand students in local villages through the "Back to School" educational program, which supplies backpacks, pencil cases, and other essentials to preschool and primary school children. In 2014, 73 volunteers provided 6,600 students in 56 villages with backpacks, school supplies, and sports equipment for the school year.
- Polish operations gave about \$198,000 for more than 300 scholarships for children of employees and farmers from rural areas. Our hope is that some of them will work with us after finishing their studies. In 2014, the employees' Christmas party raised almost \$15,000 that will go into scholarships for the 2015/16 school year.
- Polish operations provided more than \$29,000 to help rural schools organize holiday trips and cultural events for students. The schools were also able to purchase much-needed supplies. In addition, we give significant assistance to local sports clubs and sporting events.
- On October 16, 2014, as part of International Food Day, we hosted a workshop on healthy dietary choices with Timisoara Automotive Technical High School for Romanian elementary students. The lesson highlighted the role of a balanced diet and lifestyle in healthy development and allowed students to prepare healthy food. Each student received certificates and books on the importance of a balanced diet.

## Other Community Outreach

We also participate in several programs that help local families in need, improve children's health services, and honor the rich heritages of the communities in which we operate.

Some of the highlights from 2014 include the following:



- Romania is culturally diverse, with traditions observed by communities originating from Romania, Bulgaria, Germany, Hungary, and Serbia. Smithfield is proud to support a variety of traditional festivals, including concerts, dance contests, craftsmanship fairs, and sporting events, such as horse cart racing. The "Be one of us!" community program has supported the unique local traditions of more than 30 rural villages in Romania for the past four years.
- We regularly fund organizations that support local community health, including voluntary fire brigades and medical rescue units. We also support local cultural festivals for several small communities. In 2014, we gave more than \$2,200 in Poland, and \$7,500 in Romania.
- On August 30, 2014, several Polish employees ran in the Tesco Charity Foundation for Children Race and helped raise \$36,000 for the Children's Hospital in Krakow. With the donations, the hospital was able to modernize its physiotherapy department's rehabilitation center. The renovated room opened in early 2015.
- Over the course of four days in late December 2014, Romanian volunteers visited the Timis Child Protection Agency, the Bocsig Children's Center and the Ineu Children's Center, where they gave toys, clothes, and food to over 80 children.



## Our Commitment to Creating Value

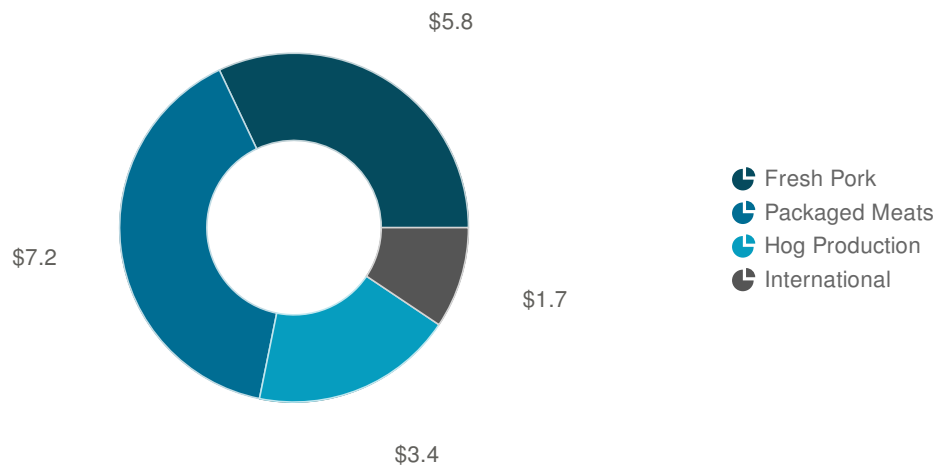
At Smithfield Foods, the concept of value creation underpins all that we do. We believe that financial stability and sustainability go hand in hand. Our sustainability strategies help us improve our company's performance.

We have systematically embedded sustainable practices and principles throughout our operations. Our sustainability management program includes corporate-level oversight committees, an executive-level position to lead our efforts, and a core team to drive further progress. We also have specific goals and targets relating to the pillars of our sustainability program: animal care, employees, environment, food safety and quality, and helping communities.

We seek to create value for our stakeholders, for our employees, and for our company as a whole. We work to better understand and identify the connections between the costs and benefits of our sustainability program and how they relate to our bottom line. We believe we can create greater value for each of our stakeholders by recognizing the intrinsic interconnections between our business objectives and our sustainability objectives.

## 2014 Sales

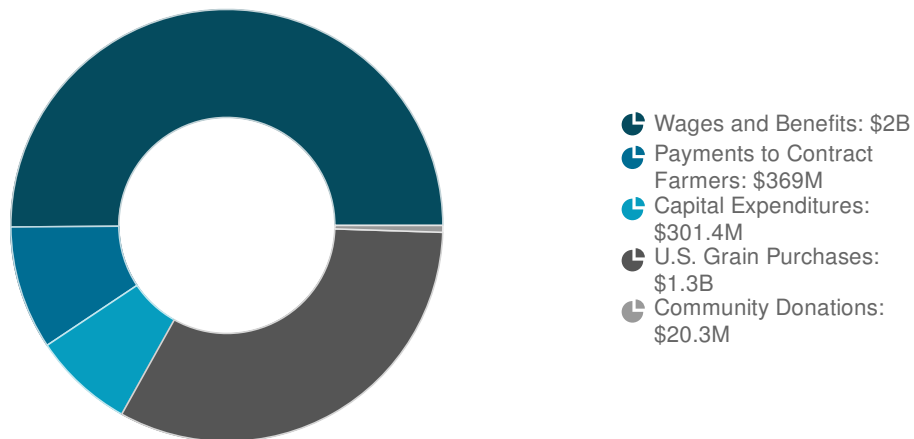
(in billions)



Intercompany sales are included.

## 2014 Expenditures to Communities

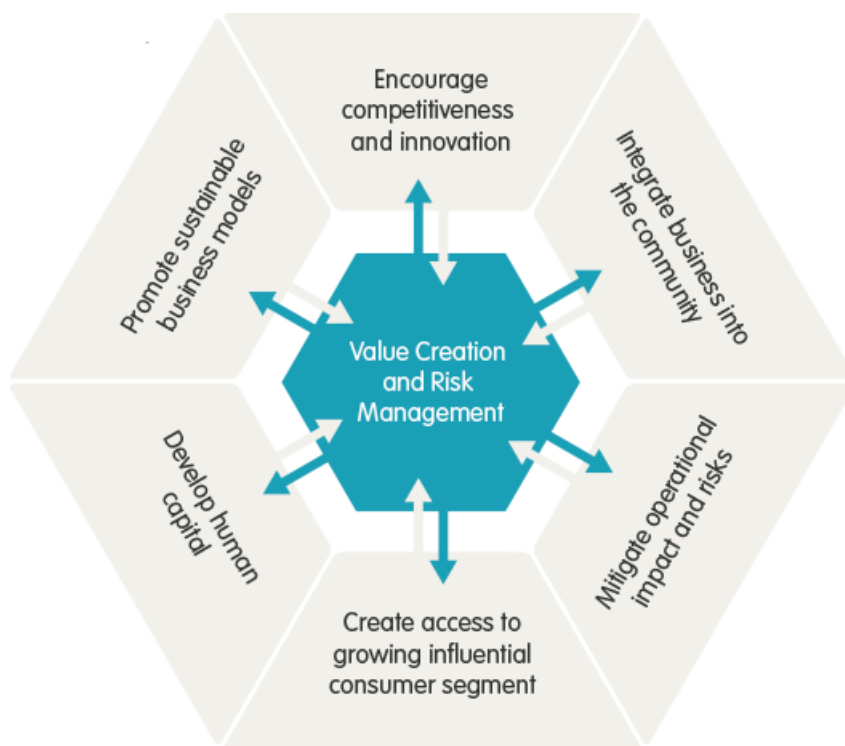
(\$3.99 billion)



# Value Creation & Risk Management

Our sustainability programs create substantial value for Smithfield Foods. These programs not only reflect our core values; they also help improve our company’s performance.

This table illustrates some of the ways in which our sustainability programs create value for a wide range of stakeholders while simultaneously improving Smithfield’s own financial performance. We use the term “value creation” broadly and think of it in ways that go beyond just our own company’s value. Our sustainability programs create substantial value for Smithfield Foods.



- Animal Care
- Environment
- Governance & Management
- International Operations
- Employees
- Food Safety & Quality
- Helping Communities
- Value Creation

## Encourage competitiveness and innovation

- Saved an estimated \$471.6 million in operating costs through environmental improvement awards projects since 2004.
- Introduced an innovation awards program designed to improve employee health and safety. More than 100 safety innovations have been nominated in the past three years.
- Worked with growers in North Carolina to encourage production of sorghum, which requires less water to grow than corn and helps insulate our operations from commodity price swings.
- Launched 200 new branded products in 2014, the most in our history.

## Integrate business into the community

- Donated 13.7 million servings of food across the U.S. and made \$6.6 million in overall cash donations in 2014.
- 85% of locations held at least one cleanup event in 2014.
- Provided \$390,000 in funding for six Learners to Leaders® programs, which aim to close the education gap for students in our communities.

## Mitigate operational impacts and risks

- Invested \$32 million in capital projects to improve food safety.
- Compliant with national standards and guidelines for animal care.
- More than 98% of company-owned locations worldwide are ISO 14001 certified.
- 100% of relevant facilities certified to Global Food Safety Initiative.

## Create access to growing influential consumer segment

- Increased consumer advertising spending in 2014.
- Published 14th sustainability report.
- Continued a multi-year, integrated partnership with NASCAR that broadens our consumer reach and supports hunger relief efforts.

## Develop human capital

- Reduced employee injury rate by nearly 48% since 2008.
- Contributed more than \$850,000 in education programs to benefit employees and their offspring.
- Paid \$2 billion in wages, salaries, and benefits in 2014.
- Provided more than \$198,000 for over 300 scholarships to Polish students.
- Created a new, executive-level position, Chief People Officer, dedicated to continually improving the work environment and meeting the needs of employees.
- Sent approximately 50 high-potential Smithfield employees through leadership development training.

## Promote sustainable business models

- Four facilities have been certified as zero waste to landfill by sending no solid waste to landfill for a 12-month period. Three more are expected to be certified in 2016.
- Our sustainability strategy, including a comprehensive set of goals and targets, applies to all facilities and encourages the sharing of more sustainable practices.
- Continued to convert housing for pregnant sows on company-owned farms in response to customer demand.
- Our partnership with the Environmental Defense Fund (EDF), which helps farmers optimize fertilizer use when growing grains for animal feed, aims to reduce water pollution and GHG emissions and protect soil health.
- Responding to customer interest, we had more than 100 reduced-sodium products in the marketplace at the end of 2014.
- Our Code of Conduct and Business Ethics applies to all employees and corporate officers.

## Across Our Operations

Value creation is integral to Smithfield's operations.

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### Animal Care

Treating animals with care isn't just the right thing to do; it's the right thing to do for our business. The healthier the animals, the more successful our company. Our animal care management systems, policies, and procedures are designed to ensure the proper treatment of the hogs within our Hog Production Division. The better we care for the pigs, the better our results as a whole. Our animal care performance can influence our reputation and the relationships we have with customers and consumers. It can also influence production levels: Healthy animals are more resistant to disease and gain weight faster, while healthy sows have larger litters.

[Read more](#)

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### Employees

We create value through the employment of 48,000 people, many of them in rural areas where there are limited job opportunities. Our operations also contribute to the economic stability and development of local communities, where we purchase goods and services and where employees reside.

[Read more](#)

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### Environment

Each day, farm and facility employees do their parts to improve resource efficiency in countless ways, whether finding new projects that increase recycling, eliminate leaks, or reduce packaging. Together, their efforts have saved more than \$471.6 million since 2004 when we started tracking cost savings as part of our Environmental Excellence Awards program.

[Read more](#)

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### Food Safety and Quality

Maintaining the highest food safety standards is critical for our business, building value not only for our own company but also for the customers that sell our products in food stores and restaurants.

[Read more](#)

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### Helping Communities

Smithfield creates value in the communities where we work in a number of ways. We provide jobs, pay taxes, and, in many places, underpin the economic vitality of the regions where facilities and farm divisions are located. We also create value through our initiatives related to hunger relief, education, and health and wellness.

[Read more](#)

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## International Operations

As one of the largest U.S. agricultural and food processing companies in Poland and Romania, our international division is demonstrating that cooperation between Eastern European and U.S. professionals can bring substantial value to the local agricultural, animal husbandry, and food production industries. One good example of this is purchases of locally grown grains to feed the pigs. Buying locally reduces transportation costs and infuses millions of dollars into the regional economy each year.

[Read more](#)





## Corporate reporting is evolving.

Below is a high-level mapping of this report to the content elements recommended in the International Integrated Reporting Council’s (IIRC) integrated reporting framework.

IIRC Content Elements	Major Report Sections Addressing
Organizational Overview and External Environment	<a href="#">Vertical Integration Graphic</a> <a href="#">CEO Letter</a> <a href="#">About Smithfield Foods</a>
Governance	<a href="#">Governance &amp; Management</a> <a href="#">Q&amp;A with Chief Sustainability Officer</a>
Business Model	<a href="#">CEO Letter</a> <a href="#">Governance &amp; Management</a> <a href="#">Vertical Integration Graphic</a>
Risks and Opportunities	<a href="#">CEO Letter</a> <a href="#">Q&amp;A with Chief Sustainability Officer</a> <a href="#">Governance &amp; Management</a> <a href="#">Value Creation &amp; Risk Management Graphic</a>
Strategy and Resource Allocation	<a href="#">Key Commitments Table</a> <a href="#">Value Creation &amp; Risk Management Graphic</a>

IIRC Content Elements	Major Report Sections Addressing
Performance	<a href="#">Key Data Summary</a> <a href="#">Key Commitments Table</a> <a href="#">Animal Care</a> <a href="#">Environment</a> <a href="#">Employees</a> <a href="#">Food Safety and Quality</a> <a href="#">Helping Communities</a> <a href="#">International</a> <a href="#">Value Creation</a>
Future Outlook	<a href="#">CEO Letter</a> <a href="#">Q&amp;A with Chief Sustainability Officer</a>