



North America
Sustainability Report
2013/2014



Sustainable Partners

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About this report

Sustainability is a subject that has been close to our hearts for many years. We may not have always used the word, but the very nature of our business means we have always needed to consider the future. This is not a new idea for us. We have always worked hard to ensure we are a responsible company; one that cares for its people, its customers, its community, society at large and the environment.

To demonstrate this commitment to sustainability, we have been working on advancing and reporting on these efforts around the world. In this document, we have drawn together all the work we have been doing across our North America operations into a unified sustainability report.

This report acts as an overview of our efforts specifically in North America and highlights our achievements and goals in three key areas:

- 1 Social Responsibility
- 2 Environmental Responsibility
- 3 Economic (Supply Chain) Responsibility

We have chosen these three areas because they reflect the nature of our business and our activities. These are the places where the issue of sustainability is most relevant to our operations.

Foreword

At OSI, we believe that conducting business in a corporately responsible manner is aligned with the core values guiding our business conduct.



Being corporately responsible means that we will act to reduce our CO₂ footprint, increase the sustainability of our supply chain and enhance the local and global communities in which we operate. In our first North America Sustainability Report, we communicate our efforts in these three priority areas.

- Social Responsibility
- Environmental Responsibility
- Economic (Supply Chain) Responsibility

By establishing goals for each main area, we are able to approach our efforts with energy, dedication and focus enabling us to responsibly manage our business and create the greatest positive impact on our society.

Our customers ask us what we are doing to operate in a sustainable manner, and we are proud to respond with this report as evidence of our behavior. It outlines our progress to date and details our future targets. We are proud of what we have achieved and we are looking forward to building upon our success in all three areas.

David G. McDonald
President and Chief Operating Officer
OSI Group, LLC

I am pleased to share with you the first OSI North America Sustainability Report which highlights recent progress against our Sustainability Plan objectives. Sustainability is and will continue to be an important component of our OSI North America business strategy.

As a responsible company, we understand the need to drive sustainable initiatives through all areas of our business and supply chain. We will actively support and ensure that the resources are in place to deliver those targeted business and supply chain system improvements. Working together, we will further advance sustainability within OSI North America as we are doing around the globe.

We will continue to act responsibly and:

- Protect the health, safety and welfare of our employees now and in the future
- Engage positively in the communities in which we operate
- Minimize our overall environmental impact
- Develop more economically sustainable supply chains in cooperation with our suppliers and customer partners



Kevin R. Scott
Executive Vice President, North America
OSI Group, LLC

The company

OSI North America

In North America, OSI owns and operates seven plants in the United States. Additionally, OSI has a majority ownership in Amick Farms which operates another two plants in Maryland and South Carolina.

OSI North America Plant Locations:

- Riverside, CA*
- Oakland, IA
- Chicago, IL
- Geneva, IL
- West Chicago, IL
- Fort Atkinson, WI
- West Jordan, UT

*opening Q4 2013

Amick Farms:

- Hurlock, MD
- Batesburg, SC

Our parent company

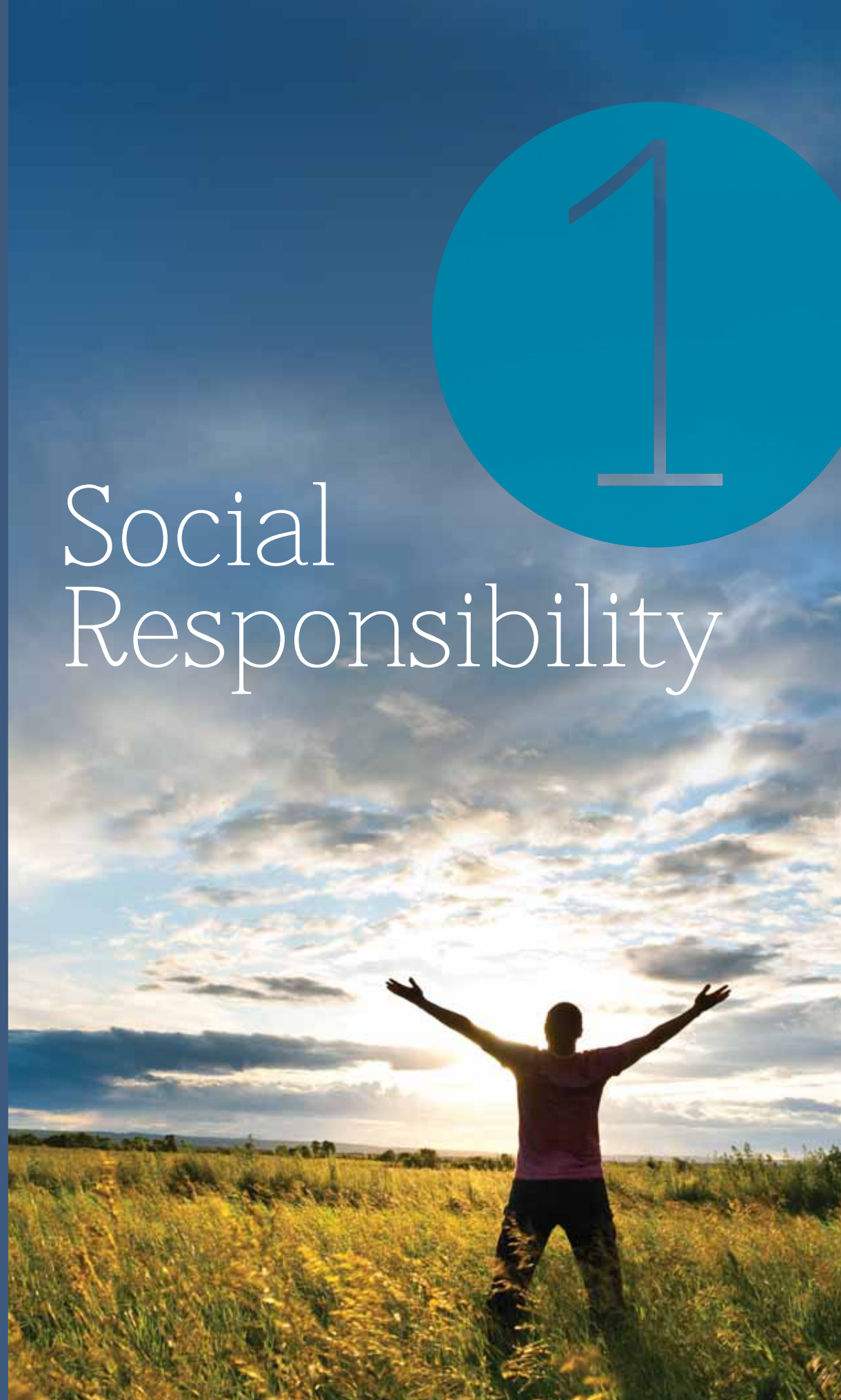
OSI Group, LLC is the parent company to a global network of operations in seventeen countries worldwide with more than fifty processing facilities. The company employs nearly 20,000 people dedicated to providing food solutions for some of the world's leading companies. OSI's worldwide corporate headquarters is located in the United States, in Aurora, Illinois, a western suburb of Chicago.

☆ OSI Corporate Headquarters, Aurora, IL





Social Responsibility



OSI's goal is to provide a safe and diverse workplace for its employees, one in which they can thrive, develop and grow. This goal is founded on three core principles:

01

OSI is committed to employee development at all levels of its business. This reflects the strong belief in the capabilities of our people and the belief in providing our employees with opportunities to progress to their fullest potential.

02

OSI is committed to protecting and ensuring the health and safety of all employees, suppliers, colleagues and customers and anyone who comes into contact with the company's activities. This commitment is reflected in the many awards for health and safety OSI has received over the years.

03

OSI is committed to making a positive contribution to the communities we serve. We understand our role as a community leader and encourage all employees to take part in charitable activities.

Working in partnership

One of OSI's core principles is partnership. OSI is committed to friendly, professional cooperation with its customers, employees and suppliers. This is the only way to achieve a long-term and mutual benefit for

all. In this spirit, OSI has also committed to ensuring a safe, healthy work environment. This includes workplace safety, compliance with all statutory regulations, as well as fair and respectful treatment of employees.

Leadership Training

OSI is committed to the development of our employees at all levels of the business. We know that results come from people equipped with the appropriate skills who are energized to do the right things at the right time. Because of that, we have strong programs in place to grow the next generation of leaders.

Since 2005, OSI has engaged in a formal Leadership Development Program that has its foundation built upon seven leadership competencies:

- Interpersonal Skills
- Performance Management
- Problem Solving & Decision Making
- Communicating Effectively
- Change Management
- Conflict Management
- Coaching Others for Top Performance

The program's objective is to enhance and improve the leadership skills of our managers and supervisors which helps OSI grow in breadth and depth and retain knowledge capital for future growth.

Training Technology Investments

In our industry, we must meet strict regulatory requirements. In order for our business to remain competitive in the marketplace, our execution and management practices must continuously improve.

OSI uses a collaborative compliance learning management system that delivers engaging, multilingual computer-based training. With this system, users throughout the organization can schedule, deliver, test, and record employees' learning events as they occur. All of this provides OSI with rich training data which can be used for further analysis and employee development.

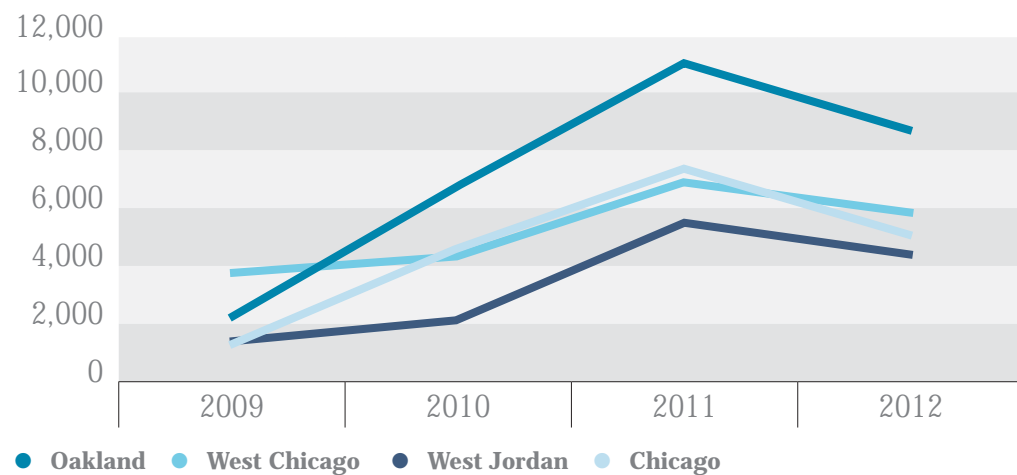
Because of the comprehensive learning management system, OSI is confident about meeting our training compliance objectives in the areas of food quality and workplace safety training and in delivering quality, timely and relevant employee skills. Our compliance achievement is reflected in the positive scores we have attained in Workforce Development Audits by creating tangible and intangible benefits.



The following charts represent the progress of our facilities in providing consistent training by developing company-specific courses that support OSI's initiatives in food and workplace safety.

NOTE: This data reflects only the training delivered through the learning management system. External training and/or informal learning events are not included.

Training Occurrences



Training Completion Rate - % of Workforce



The following are some tangible and intangible benefits that OSI has received through use of this system:

- 2008**
 - Since 2008, we have received grant reimbursements through the Illinois Manufacturers' Association (IMA) as recognition of OSI's efforts in workforce training and development initiatives.
- 2009**
 - We attained more than 90% completion of food safety required training.
 - We met 100% of a major customer's requirements relating to training in Workforce Development Audits.
 - We received a perfect score with no training deficiencies on three different external audits - Silliker GMP/Food Safety Audit, Guardian Food Group, and BRC Grade A Certification in 7 of 7 facilities.
- 2010**
 - In April, both an Illinois State Senator and Illinois State Representative met with OSI President and COO, Dave McDonald, to recognize OSI's efforts in workforce training and development initiatives.
 - 100% of workplace safety required training was completed.
 - We again achieved 100% of a major customer's requirements relating to training in Workforce Development Audits.
 - More perfect scores with no training deficiencies on three different external audits - Silliker GMP/Food Safety Audit, Guardian Food Group, and BRC Grade A Certification in 7 of 7 facilities.
- 2011**
 - OSI offered a total of 171 company-specific courses tailored to the needs of its associates on Food Safety, Workplace Safety and Leadership Development among others.
 - OSI's Subject Matter Experts (SME's), located around the world, are involved in the review and approval process to develop and deliver consistent information and training.
 - We have decreased the lead time by 30% for creating and delivering training courses as a result of consistent application of a company-wide process designed for this purpose.
 - OSI continued to use technology to design training and deliver it more efficiently while simultaneously reducing the travel costs of participants and trainers.
- 2012**
 - We continued to achieve a major customer's requirements for training in Workforce Development Audits.
 - The online training technology has been maintained for core programs such as Food Safety, Workplace Safety and Leadership Development, and is now utilized for SOP-based training and tracking.
 - The training system has been expanded to include learning plans for employees in our production facilities.
 - Safety training resulted in a decrease in overall safety incidents in 2012.

Diversity

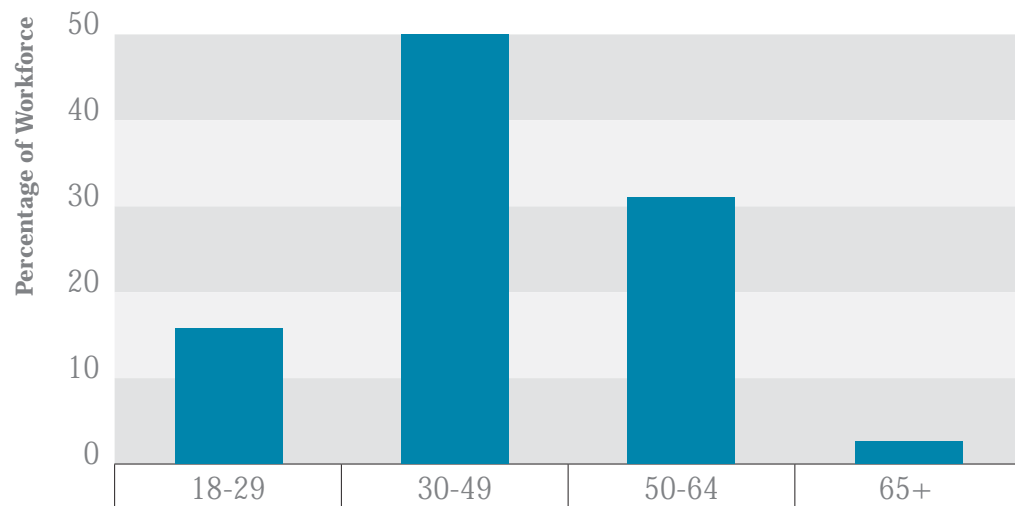
OSI believes that diversity enriches our performance, our products, the communities where we live and work, and the lives of our employees. We understand that diversity is about who we are as individuals, both differences and similarities. OSI recognizes that the company's strength comes from the dedication, experience, and diversity of our employees and believes that, given the opportunity, each employee can make a difference. We are committed to promoting and supporting an inclusive environment that provides all employees, individually and collectively, the chance to work to their full potential in pursuit of the company's mission.

OSI is committed to sustaining a work environment that recognizes and appreciates all employees' perspectives and talents, allows employees opportunities to reach their

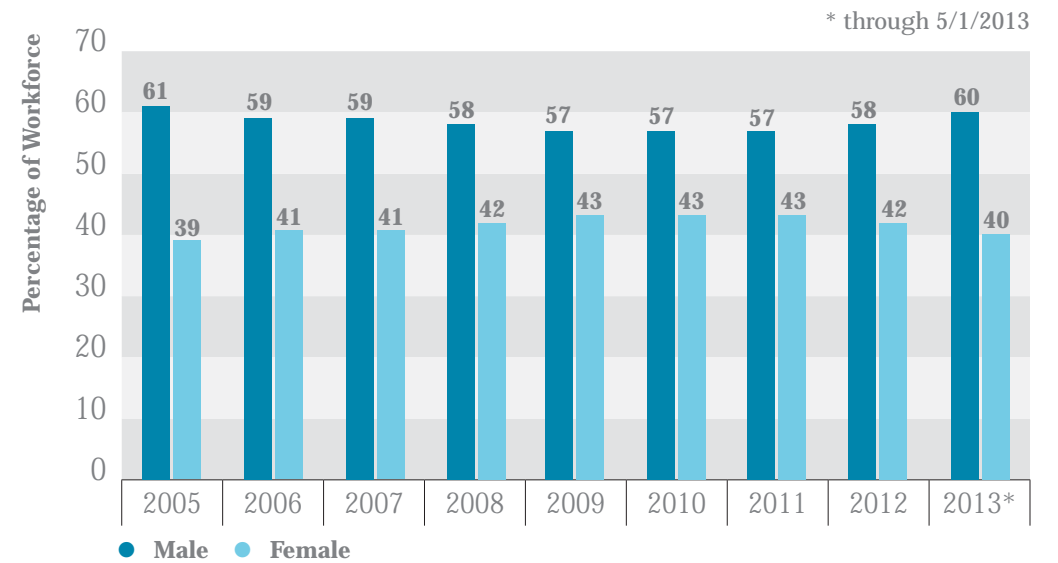
highest potential, and attracts and retains the most talented individuals. As an industry leader, OSI is committed to sustaining a work environment where employees respect each other and work cooperatively and effectively with one another to achieve our goals.

Initiatives such as OSI sponsorship of the Women's Leadership Webinar Series, partnership with the Women's Foodservice Forum (WFF), and sponsorship of the Annual Minorities in Agriculture, Natural Resources and Related Sciences (MANRRS) Conference support our commitment to the recruitment and development of a diverse workforce. Employee participation in programs such as these is voluntary, but highly encouraged, and has increased annually since inception.

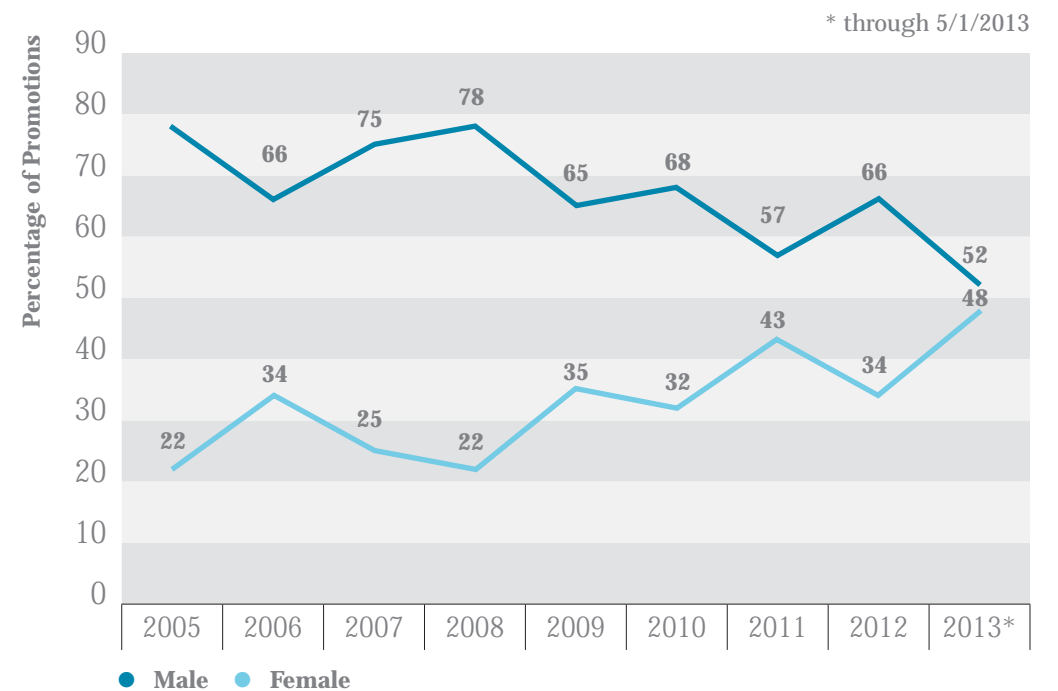
Age Diversity 2012



Gender Diversity 2005 - 2013*



Gender Diversity Promotions 2005 - 2013*



Investing in Diversity

Our 2012 goal for diversity spending was to increase purchases of non-direct materials by 20% from 2011 levels. We are proud to report we increased it by 27%. By 2020, our goal is to increase it by 100% from 2011 levels.

OSI supports and encourages the support of diversified and minority spend whenever possible and where it makes sense. Oftentimes, the largest challenge is in supply chain and distribution where the vendor's ability to be competitive is lost because of inefficient distribution channels or higher tiered pricing.

Recognizing this challenge, we strive to encourage and support diversity vendors through our distributors. For example, in 2011, we added four diversity vendors to our supplier list.

By 2020, our goal is to increase diversity spending by

100%

- In West Jordan, Utah, we utilize a minority vendor to supply our dry sausage facility with cooking wine. This vendor's core business centers around vinegar, marinades and condiments.
- OSI sources recognition and award materials through a certified member of the Women's Business Enterprise.
- A female-owned enterprise is under contract as our corporate travel agency.
- For office supplies, almost 8% of OSI's total spend is channeled through minority suppliers.



Women's Foodservice Forum

OSI became a proud partner of the Women's Foodservice Forum (WFF) in North America in 2012. WFF was founded in Chicago in 1989, to advance women leaders and promote gender diversity in the foodservice industry. It has grown from fourteen founding members in 1989 to several thousand members today.

WFF is the foodservice industry's premier leadership development resource. For more than 20 years, WFF has empowered individuals (both men and women) to build skills, expand knowledge and broaden perspectives through meaningful connections so they can reach their full potential and accelerate their career growth.

WFF is committed to engaging the foodservice industry to develop leadership talent and ensure career advancement for women. It is focused on providing the professional development tools and educational opportunities for its members to take charge of their future. WFF offers local, regional and national events every year to help women build their networking abilities and enhance critical leadership skills that make a difference for each woman's career.

By partnering with WFF, OSI has joined more than 175 other companies to support women leaders. OSI employees that are members of WFF can take advantage of WFF programming which connects its members to the people, tools, and resources needed to help position both individuals and the OSI organization for success. OSI's Company Ambassador for the WFF is Alison Kovaleski, Director, Communications & Marketing in the Aurora headquarters office.





Women's Leadership Webinars

As part of our diversity initiative, OSI is committed to the advancement of women into leadership positions. Since August 2009, OSI has participated as a sponsor of the Women's Leadership Coaching Webinar series.

This webinar series is offered every other month to women in the OSI corporate office at no cost. Each webinar features an accomplished woman leader as guest speaker to share her experiences and weigh in with real world leadership advice.

Topics include Succeeding as an Agent of Change, Purposeful Risk-Taking, Transitioning from Employee to Manager, Becoming a Person of Influence and Creating Your Leadership Brand, along with many other powerful topics.

In every webinar, participants hear firsthand what it means to be a leader and gain insight into techniques and tools to make a greater impact in business.

OSI Oakland Women's Leadership Team

The OSI Oakland facility in Oakland, Iowa developed a leadership group in 2011 for women at this location. All departments in operations are represented including production, quality, purchasing, safety and health services, and shipping and receiving. The Oakland team offers encouragement, support and mentoring to the female employees to help them successfully participate in plant management. Monthly webinars or other planned meetings are offered for the leadership team members on various topics pertinent to women who aspire to be managers and leaders within the organization. Senior team members that have been in leadership roles have stepped up to help mentor some of the newly promoted employees at all levels. OSI Oakland encourages and welcomes diversity as it strengthens the organization to continue with its record of high performance. Retaining the members of this group is one of the key goals for this program.

Cheryl Goff, Division Manager, has taken a very prominent role in getting this program up and running with the help of Oakland's Human Resources Department. RoxAnn Nilan, Operations Assistant, also helps to support the group from an administration and logistics perspective.

“The women's leadership program at OSI Oakland is an emerging and energizing program. Our core management team started with four members in the spring of 2011 and grew to fourteen. While gaining and expanding from 4 to 14, the team recognized potential leaders in various departments and there are now 48 members in all! I am extremely proud of this team and the strength they bring to our operation. We have a variety of projects planned for 2013 and beyond.”

– Cheryl Goff, Division Manager, OSI Oakland

OSI Oakland is proud to have these women in a leadership role in that facility. Women at all levels contribute greatly to the overall results that OSI achieves.

Community Involvement

Giving back to the community has been a long-standing and founding principle at OSI. Since the introduction of the first Ronald McDonald House in Philadelphia in 1975, OSI has been a charter supporter of the cause to help families stay together while their child receives care at a nearby hospital. Today, the mission of Ronald McDonald House Charities (RMHC) has grown to find and support programs that directly improve the health and wellbeing of children.

Sheldon Lavin, Chairman and CEO of OSI Group, LLC, continues to be a proud supporter of RMHC and is a member of the Board of Trustees. He inspires employees to take a stand and give back to those less for-

tunate. The OSI Community Outreach Team was created to facilitate and coordinate the energies of employees, allowing them to participate in the good work of helping others.

In 2012, the OSI Community Outreach Team partnered with the national organization, Feeding America, to support its mission of feeding America's hungry through donations of wholesome products from our factories. In 2013, the OSI Community Outreach Team expects to participate in at least four support drives, including our holiday drive, to gather and distribute needed supplies within our communities.



Health & Safety

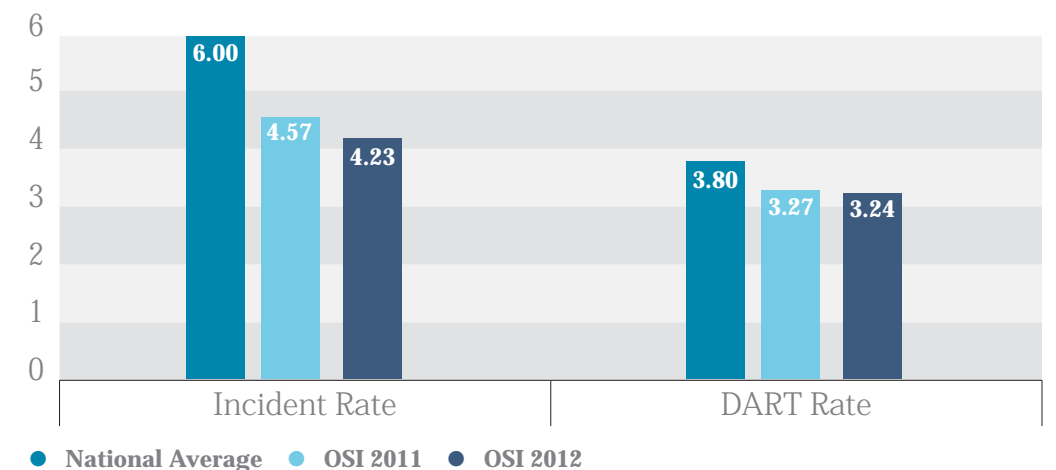
OSI is committed to protecting and ensuring the health and safety of its employees. We work to comply with all Occupational Safety and Health Administration (OSHA) standards.

KPI	2011 Result	2012 Goal	2012 Result	% Decrease
*OSHA Incident Rate	4.57	Decrease 5% from 2011 Rate to 4.34	4.23	-7.4%
**D.A.R.T. Rate (Days Away, Restricted, Transferred)	3.27	Decrease 2% from 2011 Rate to 3.20	3.24	-1%

*OSHA Incident Rate: According to the Bureau of Labor Statistics, the national industry average for meat processors is 6.0 recordable injuries per 100 employees.

**DART Rate (Days Away, Restricted, Transferred): Calculation that describes the number of recordable injuries and illnesses per 100 full-time employees that resulted in days away from work, restricted work activity and/or job transfer that a company has experienced in any given time frame. This is a way to measure severity of accidents. The national industry average for meat processors is 3.8 per 100 employees.

OSHA Incident Rate and DART Rate





◀ **OSI Safety Professionals**

Front row (L to R): Mirta Prado - Nation Pizza and Foods; Mayra Seda - OSI West Chicago; Jerry Everidge - OSI Corporate Safety Manager; Sylvia Alcozer - HR Manager OSI Chicago & West Chicago; Charles Browder - Amick Farms - Batesburg

Back row (L to R): Jeff Anderson - OSI West Jordan; Ernie Rodriguez - HR/Safety OSI Oakland; Jose Cabada - OSI Chicago; Brett Loeffler - Fair Oaks Farms; Jake Lowell - OSI Fort Atkinson; Terrill Anderson - HR/Safety OSI West Jordan

Current Safety Initiatives

Safety Committees: OSI has a comprehensive Safety Committee in each facility. These committees have a better view of what works and what does not work as it relates to safety at the specific locations. Meetings are held on a monthly basis to review all incidents, evaluate hazards and supply input to supervisors on ways to improve workplace safety. The goal is to improve the conditions for a safe and healthy environment for all employees.

Corporate Compliance Program (Safety): This program was designed to improve safety in all OSI facilities and maintain compliance with all Federal, State, and Local standards and regulations.

Corporate Compliance Program (Environmental): This program mirrors the Corporate Compliance Program for safety except the focus is on Federal, State, and Local standards and regulations for environmental compliance.

Annual Safety and Risk Management

Conference: This conference is designed to address the ever-changing climate of the safety field and support the continuous improvement of OSI safety supervisors. Guest speakers from a variety of disciplines are key to the success of this conference.

A group of OSI safety professionals attended the American Society of Safety Engineers (ASSE) annual conference in Denver, Colorado in June 2012. This conference is recognized as the premier safety training conference in the United States. Attendance at this conference gave OSI safety professionals an opportunity to gain knowledge and learn invaluable skills from some of the best safety training professionals in the nation. It also offered the opportunity to network with safety professionals from all over the world.

Following the ASSE Conference, OSI's Risk Management Department hosted a one day conference to discuss safety and risk management topics specifically relevant to OSI.

Computer-based Training: Twelve segments of the New Hire Orientation Safety Training Program were developed for a computer-based system to be used at orientations as well as for individual annual training.

Claim Reviews: A structured workers' compensation claim review process has been developed with OSI's insurance carrier for participation by all facilities to develop strategies to bring claims to closure in a cost-effective manner.

Drug and Alcohol Policy and Procedure: A Drug and Alcohol Policy and Procedure is in the final review stages for implementation in all facilities for post offer pre-employment, OSHA reportable incidents, reasonable suspension, property damage, and random testing in specific facilities.

Disciplinary Action Policy: A consistent disciplinary action policy is in force at all facilities and focuses on the severity of safety violations with the ultimate goal of reducing at-risk behavior of employees.

Job Hazard Analysis: (JHA) is a method used by OSI Plant Safety Supervisors to identify, analyze and record:

- 1) Steps involved in performing a specific job
- 2) Existing or potential safety and health hazards associated with each step
- 3) Recommended actions and/or procedures that will eliminate or reduce these hazards and the risk of a workplace injury or illness



Safety Recognition Awards from The American Meat Institute (AMI)

2012

Award of Merit

OSI Oakland

Award of Commendation

Amick Farms - Hurlock

Certificate of Recognition

OSI Chicago

OSI West Chicago

2011

Award of Merit

OSI Oakland

Certificate of Recognition

OSI Chicago

2010

Award of Honor

OSI Oakland

National Safety Council Awards

Achieved Annually 2000-2012

Award of Honor with Platinum Distinction

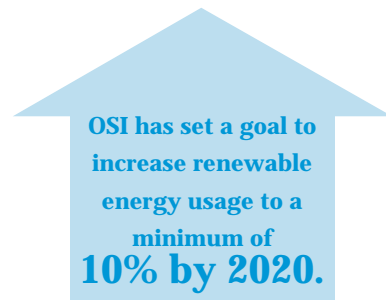
OSI Oakland

Key Performance Indicator (KPI) Scorecard (based on 2011 rates)

	2015 Milestone	2020 Goal
D.A.R.T. Rate (Days Away, Restricted Transferred)	10%	20%
Recordable Incident Frequency Rate	10%	20%
Diversity Spend Increase (% of total non-direct materials dollars)	30%	100%
Total % of Employee Workforce Trained	95%	98%
Number of Women & Minorities in Leadership Positions	3%	15%



Environmental Responsibility



OSI complies with or exceeds all relevant environmental laws while also finding ways to reduce the overall environmental impact of operations.

Setting our Environmental Goals

OSI has set a series of challenging but achievable environmental goals. To achieve these goals, OSI continuously improves its use of resources and reduces waste. The company has also adopted Industrial Environmental Protection Guidelines designed to ensure that we have minimal impact on the environment through air and water based emissions and noise pollution.

Part of this process includes the introduction of an externally accredited management system. In 2011, OSI enlisted the services of Hara Environmental and Energy Management (EEM) based on its best-in-class systems.

Environmental goals are set on an annual basis at all of our plants around the world. Each site is responsible for monitoring its environmental performance and is encouraged to introduce challenging targets each year.

OSI strongly encourages its service providers and suppliers to share our values and set high standards for their own performance.

Minimization of Environmental Impact

OSI understands the importance of identifying and evaluating the impact of our business on the environment. While we have a number of initiatives in place within our plants, we also need to consider all aspects of our business.

OSI's strategy is to continually reduce energy use and waste by employing the best possible technologies and practices.

Ongoing initiatives and projects in this area include large-scale investments in energy monitoring and management through the Hara EEM system. Using this system, OSI regularly measures the use of natural gas, water, and electricity to find ways to achieve more efficient energy use.

A full and in-depth comparison of plant performance across OSI's North America operations is being carried out through use of the Hara EEM system to ensure best practices are spread throughout the company.

OSI has also introduced environmental training for all new employees and refresher training for existing employees to support its efforts.

Air quality is another high priority in our facilities. Cooking produces Volatile Organic Compounds (VOC's) and other particles that are carried up and out of the factory with the heat. All of our systems meet or exceed the local Environmental Protection Agency (EPA) standard for air emissions based on our ongoing monitoring and governmental verifications.

Management meetings regularly include a comprehensive review of environmental performance against targets, so we can take any appropriate action and continually monitor achievements.

Through its corporate engineering group, OSI is adopting construction and retrofit standards that include applying the most up-to-date technology in lighting fixtures, cooler/freezer doors, water dispensing systems, equipment cooling systems, and the like.

Environmental Impacts

01

Direct impacts on the environment

These impacts come from OSI's own activities and can be influenced directly. This includes:

- Recycling
- Emissions in wastewater and air
- Resource consumption
- Energy use

02

Indirect impacts on the environment

OSI can influence improved environmental performance through interaction with customers and suppliers. This includes:

- Assessing environmental scorecards
- Behavior of contractors and suppliers



Green power is renewable energy from resources and technologies that provide the highest environmental benefit. The Environmental Protection Agency (EPA) defines Green Power as electricity that is generated from solar, wind, geothermal, biogas, biomass, or low-impact small hydroelectric sources. These sources are considered “green” in comparison to traditional sources, such as the burning of fossil fuels like coal and oil, which, according to the EPA, is the nation’s single largest industrial source of air pollution. Green Power purchases also support the development of new renewable energy generation sources nationwide.

OSI Corporate Office Powered by Renewable Energy

In December 2010, Aurora became the first town in Illinois to become an EPA Green Power Community. The OSI corporate office met their 2011 goal of 2% renewable energy usage through use of this Green Power by purchasing Renewable Energy Certificates (RECs).

Renewable electricity is often generated from wind power – a renewable resource that helps to protect the environment. By purchasing renewable energy, OSI is helping

to conserve natural resources by reducing our carbon footprint.

According to the EPA, the RECs that OSI purchased will reduce pollution by avoiding 225,061 pounds of carbon dioxide greenhouse gas on an annual basis. From a conservation standpoint, the RECs purchased are equivalent to 20 cars being off the road for one year or 2,618 trees absorbing pollution for 10 years.

OSI's targets for improved impact on the environment include the following:

Environmental Factor	2011 Actual	2020 Target	% Change
Energy Factor (MJ/Metric Ton Produced)	1000	900	10%
Water Usage (Kiloliters/Metric Ton Produced)	2.0	1.66	20%
Wastewater Discharge (Kiloliters/Metric Ton Produced)	1.8	1.4	20%
Solid Waste Produced (Kilograms/Metric Ton Produced)	19.0	15.0	20%
Solid Waste Recycled (Kilograms/Metric Ton Produced)	9.75	10.75	10%

This chart represents information for OSI West Chicago only. We are collecting the information for the other facilities and will include it in our next report.

AMI Environmental Recognition Awards Program

Environmental Recognition Awards were developed to provide recognition of a company's dedication to continuous environmental improvement as witnessed by the development and implementation of Environmental Management Systems (EMS).

2012 Environmental Award

OSI Chicago, OSI West Chicago and OSI West Jordan

2010 Environmental Award

OSI Oakland and OSI Fort Atkinson



Waste to Landfill Initiative

OSI understands that the environmental impact of waste to landfills is at a critical crossroad. This is why each of the facilities has a goal to recycle more and waste less. Paper and corrugated recycling has been implemented in each facility. Re-purposing waste protein is another common program in which each facility participates.

In 2012, all OSI North America facilities implemented a certified dry cell battery and fluorescent bulb recycling program. Every year, billions of dry cell batteries and fluorescent bulbs are disposed of in landfills, adding not only non-degradable volume, but a myriad of chemicals that can blend and seep into local water systems. The certified recycling professionals we use provide us with both the breakdown and the disposal method as part of the documentation we receive.

Plastics are another part of the waste stream that is not bio-degradable and causes landfills to grow. Dirty and wet plastics, especially those which have been exposed to meat and juices, are less attractive to recyclers because of the additional labor and handling required to process them. Through pooling our resources, we have found a company willing to take our plastics as they are and remove them from OSI's waste stream.



Use of Recycled Corrugate

As of January 1, 2011, OSI had converted their corrugated supply in all U.S. plants to boxes comprised of 48% recycled cardboard. Previously, the recycled content was only 30%.

OSI now purchases all of its corrugated cardboard from a vendor that sells boxes as part of the Sustainable Forestry Initiative (SFI). SFI is a certification agency that performs rigorous third-party certification audits. These audits confirm the stated source of the raw materials and verify the declared recycled content.





Logistics Consolidation/Intermodal Initiative

Logistics management has been a focus for OSI over the past few years. Like many corporations in today's business environment, OSI recognized that logistics was an area of opportunity with significant impact on the environmental and financial health of the company.

By matching the opportunity with a solution, our logistics team rose to the task and made several meaningful improvements that have resulted in a reduction in our annual carbon footprint of 7,849 metric tons.

- All LTL (less than truckload) product shipments destined to all 48 states were converted into full truckloads. A reduction of weekly trucks from 123 to 41 was realized. This has reduced annual CO₂ emissions by 15,316,655 lbs. or 6,948 metric tons. This equals removing 296 cars from the road for one year or saving 14,611 barrels of imported oil.

- Downsizing equipment was another way to reduce environmental impact. By converting from sleeper cabs to day cabs to shuttle tractors in a major transportation lane, we improved fuel economy from 5.5 mpg to 6.8 mpg, a 23% increase. This reduced the annual CO₂ emissions by more than 107 metric tons.
- Conversion of just one shipping lane from over-the-road to intermodal (which uses multiple modes of transportation such as rail, ship, and truck) created an annual CO₂ emission savings of 166.7 metric tons. This generated a cost savings to the company, as it is less expensive to use trains than to use trucks.

With the success of these new intermodal shipments, the logistics team found other applications for this type of transportation. One project involved a shipment of 40 loads of new stainless steel racks and doors from Wisconsin to Utah for a new project. The mode of transportation was converted from over-the-road to intermodal, reducing CO₂ emissions by 282.2 metric tons.



Eco-lighting Program for OSI West Chicago

The OSI plant in West Chicago, Illinois has replaced its old light fixtures with similar, high-efficiency light fixtures that use about 50% less energy than the 250-400 watt lamps. These new fluorescent fixtures conserve energy in several ways:

- More economical t8 or t5 bulbs with electronic ballasts are used.
- Light levels are maximized and energy usage is reduced by utilizing high reflectance aluminum reflectors.
- These bulbs generate more lumens per watt, so fewer fixtures are needed.
- The new bulbs last longer, so they are replaced/recycled less often.
- These bulbs generate less heat, enabling refrigeration to work more efficiently.

This project has an estimated eco-savings of 735,000 kwh or 469 metric tons (1,033,209 lbs.) of CO₂ greenhouse gas. This is equal to 137 cars off the road for one year or saving 1,469 barrels of imported oil. It can also be compared to saving the electric usage of eighty-one households for one year.

OSI continues to look for additional opportunities to save the environment as well as reduce costs through improved logistics solutions. These solutions include partnering with trucking companies with a system-wide fuel economy of 6.5 mpg or better and those that use low emission refrigerated trailers.

“By relocating our entrée production and assembly facility from downtown Chicago to a new plant attached to a suburban distribution center, OSI eliminated 2,360 annual truckload shipments. The corresponding CO₂ emission savings is more than 345 metric tons per year.”

Pat Unkrur, Corporate Logistics Manager



Slip Sheet Recycling Program for OSI West Chicago

In April 2011, OSI West Chicago's beef processing facility began recycling slip sheets. The plant is working with the Illinois Tool Works (ITW) National Recapture Program to reduce disposal waste and have it recycled instead of thrown away. Previously, the slip sheets would have been discarded and taken up space in area landfills.

The slip sheets are made free of any solid material (such as residue meat) and are banded to a wooden pallet. A truck from ITW picks up the slip sheets every two weeks. Currently, OSI West Chicago recycles about 150 slip sheets, or 300 pounds, per day. As an added bonus, ITW provides a rebate check of approximately \$450 per month against waste disposal costs as a result of this effort.

The annual amount of solid waste expected to be recycled – and not headed for landfills – is about 80,000 pounds. This will result in 41 metric tons less of CO₂ gas being released into the environment or the amount of carbon 30 acres of forest can process in a year. It also comes with an annual financial savings of approximately \$5600.

OSI Oakland Water Reduction Project

The OSI plant in Oakland, Iowa undertook an effort to improve the water quality results of their wastewater treatment system by reducing demand and usage of fresh water and improving the efficiency of their treatment system.

A cross-functional team was organized to analyze the plant and determine what quick fixes could be implemented (such as repairs of leaks and faulty nozzles and regulators), as well as what larger projects could be undertaken to reduce water usage and decrease the amount of wastewater produced. Opportunities to recycle water were evaluated for non-potable applications like watering plants and cleaning outdoor driveways.

Improving the efficacy of the water treatment required new technology since expansion of the old lagoon system would not meet long term needs and did not address the issues of seasonal performance and inconsistent flow rates.

A Sequential Batch Reactor (SBR), which is a state-of-the-art unit designed specifically to control BOD, TSS, ammonia, oil and grease,



Before

After



was installed in the plant. The system consists of a series of large tanks that treat batches of water utilizing jet aerators to provide the oxygen transfer. With significantly larger values of oxygen, the system is more efficient and effective.

The SBR System also has a disinfection process to treat chemicals associated with the sanitation process providing the highest quality effluent possible. Once water passes through the SBR system, it is ready for discharge in accordance with the state water limits and regulations.

As a result:

- Water usage as a ratio of production dropped 7.2% from 15.2 kl/MT in 2009 to 13.8 kl/MT in 2011.
- This equates to approximately 15.26 million liters of reduced water consumption and water treatment demand.
- The overall fresh water savings for the program was \$48,000 at \$0.53 per kiloliter. This does not include the energy costs of heating, cooling or pumping the water.
- Additional savings for related labor, chemicals, energy and other components are projected at approximately \$120,500 assuming a rate of \$1.32 per kiloliter treated.

Horizontal Air Doors

Doors utilizing horizontal air vestibule technology have been installed in some OSI facilities. These doors replaced the traditional solid cold storage doors that are normally used in freezers and coolers. The horizontal air flow door (HCR) is derived from a working principle meaning “a horizontally directed air stream that travels in a curvilinear path and is recirculatory.” HCR's utilize a conditioned stream of air running horizontally across the freezer/cooler doorway to control air and moisture flows between two different environments. There is no physical door to open and close, to wait for clearance, to hit with a fork lift or to repair when it won't open. Employees can see into the cooler with no obstructions and there is no ice on which to slip when they step inside. Most importantly, HCR's reduce the migration of warm air and moisture by 95% vs. an open door. This eliminates frost buildup around doors, evaporators, and on products while reducing labor for cleaning.

Energy savings on an annual basis were approximately \$62,000 or 118,000 kwh based on the West Chicago application (other results may vary). This can be translated into 81.4 metric tons of CO₂ avoided.

Many local utility companies and government entities offer incentives for energy saving projects in industry. On one installation, we received an incentive 50% credit on the equipment investment reducing our capital investment and improving our ROI.



Regenerative Thermal Oxidizer

OSI's Fort Atkinson, Wisconsin facility produces a wide range of fully cooked beef, pork, and chicken products for retail and foodservice customers. To reduce Volatile Organic Compounds (VOC's) and other particulates from the exhaust air of the factory, OSI selected Regenerative Thermal Oxidation (RTO) technology to meet the requirements by the EPA of 85% destructive efficiency for VOC's monitored daily.

Today, OSI Fort Atkinson has two oxidizers in place. The first one reduces VOC emissions by 90%, and other particulates are reduced by 79% over untreated exhaust. This is well within current requirements.

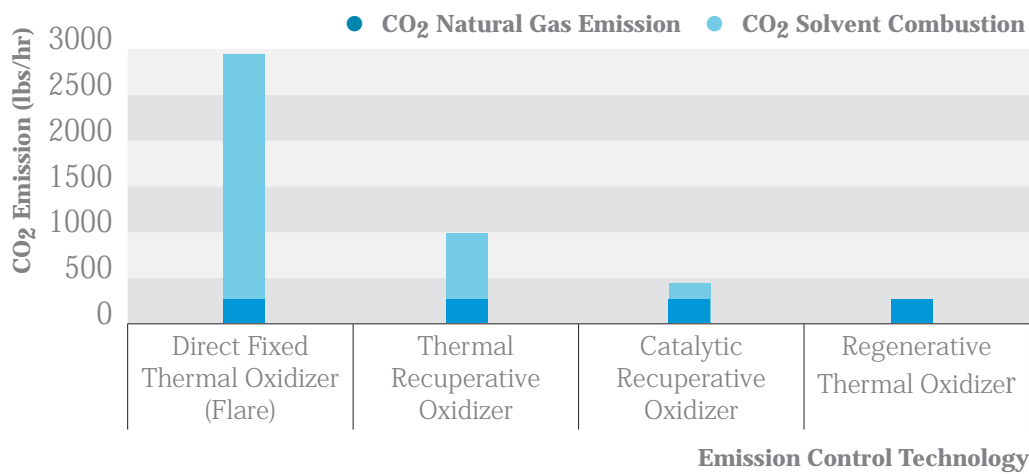
The newest RTO unit has increased the destructive efficiency to 98% of VOC's and 80%

of other particulates while reducing natural gas consumption in the process by 66%. In addition, the CO₂ emissions of the RTO system are the lowest by far of similar oxidation technologies (see chart below).

A future add-on to the system is Supplemental Fuel Injection which will provide for an additional 30% reduction in natural gas usage to operate the unit. We anticipate this upgrade will be possible within the next two years.

The efforts of the OSI Fort Atkinson facility have been verbally recognized by the Wisconsin Department of Natural Resources as the practical "Gold Standard" for this type of emission management.

CO₂ Emission from Different Equipment



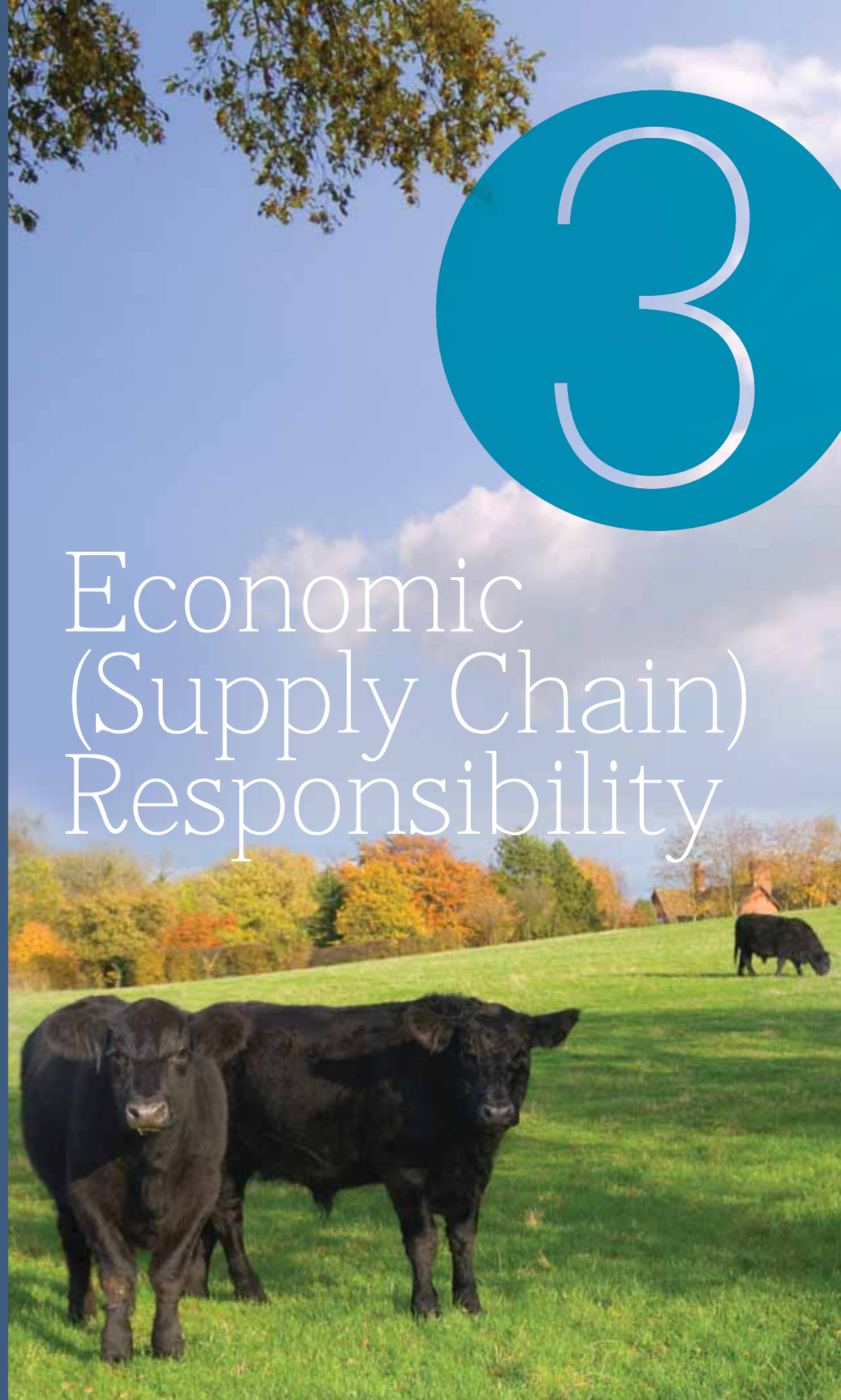
Other Sustainability achievements:

- Reduction of polystyrene cups used by employees
- Dry cell battery and fluorescent light recycling programs
- Occupancy sensors installed in low traffic areas to control lighting
- The elimination of CO₂ for cooling product
- Electronics recycling events

Key Performance Indicator (KPI) Scorecard (all OSI facilities)	2015 Milestone	2020 Goal
GHG Emissions – MMT CO ₂ Equivalent per Metric Ton Produced	Reduce 2% from 2011 rate	Reduce 5% from 2011 rate
Energy Factor (MJ/Metric Ton Produced)	Reduce 5% from 2011 rate	Reduce 10% from 2011 rate
Renewable Energy Usage (% of Total Usage)	2%	4%
Water Usage (Kiloliters/Metric Ton Produced)	Reduce 5% from 2011 rate	Reduce 10% from 2011 rate
Wastewater Discharge (Kiloliters/Metric Ton Produced)	Reduce 5% from 2011 rate	Reduce 10% from 2011 rate
Solid Waste Produced (Kilograms/Metric Ton Produced)	Reduce 5% from 2011 rate	Reduce 10% from 2011 rate
Solid Waste Recycled (Kilograms/Metric Ton Produced)	Increase 5% from 2011 rate	Increase 10% from 2011 rate

3

Economic (Supply Chain) Responsibility





Setting high standards of traceability, animal welfare and quality of raw materials

OSI's goal is to establish standards of excellence in its supply chain by being an economically responsible partner. OSI can protect and enhance its own business and the brands of its customers by driving innovation and ensuring sustainability.

OSI's work in this area is founded on three core principles:

01

Independent quality standards are essential to ensuring quality, food safety and sustainability.

02

Animal welfare programs and practices are enforced within our facilities and those of our suppliers. We strive for continuous improvements and to raise awareness of this key issue.

03

Traceability and transparency in the supply chain increase consumer confidence. We have established standards of excellence for both our internal sources and those of our partners and suppliers.

OSI ensures food safety and quality by supporting a system of complete traceability, animal welfare and environmental protection. We have a leading role to play in many markets in promoting the issues of animal welfare and sustainability.

As OSI is producing food, we care about our products, where they come from and how they are produced. We care about how animals are treated and also about the traceability of raw materials. Quality has to be maintained at every step in the food supply chain. At every stage, sustainability, food safety and quality are top priorities.

Quality, Food Safety and Sustainable Practices

All suppliers are thoroughly checked

Any harvesting company or plant which delivers any food item to OSI has to undergo a third party audit every year. Each audit is conducted by one of several trained, certified, independent audit companies and is reviewed by OSI's own team of experts.

The auditors review:

Good Manufacturing Practices (GMP) / Food Safety & Quality Systems

The plant's manufacturing processes are thoroughly examined to ensure product safety of the highest level at every stage. This includes plant, process, personal hygiene, and condition of the building.

Documentation

Based on HACCP (Hazard Analysis Critical Control Point) principles, the plant must have documented monitoring in place to ensure food safety programs have been implemented. Relevant parts are microbiological analysis for meat, equipment surfaces and water; cleaning schedules; pest control; foreign material control; temperature control; waste management; and training of employees. The plant's traceability system is also part of the assessment.

Sustainable practices

During supplier visits, OSI evaluates whether the supplier participates in recognized good sustainable practices. The supplier's programs and results are reviewed through data analysis or physical observation. Any gaps are identified and programs are suggested for implementation to fill these gaps. OSI is working on identifying a rating system for suppliers' sustainable practices.

Animal welfare

Above the standard

Animal welfare is one of OSI's key priorities. OSI sets expectations that are above industry standards and shares best practices with its suppliers for continuous improvements in this area.

OSI plays a leading role in many markets by promoting animal welfare and sustainability. OSI shares experience and know-how through membership in many different associations and advisory panels.

Certified auditors

We also believe that the right training and education is required to provide the best knowledge base to animal welfare auditors. That is why OSI supports the Professional Animal Auditor Certification Organization (PAACO) and the TQA (Transport Quality Assurance®) programs.

Through the PAACO Animal Welfare Auditor Certification program, auditors go through formal training and have hands-on experience in performing animal welfare audits. OSI employs two certified auditors in our Quality Assurance department with plans to support more. Each year we sponsor two PAACO auditor training events.

The mission of PAACO is to promote the humane treatment of animals through education and certification of animal auditors, as well as the review and certification of animal audit instruments, assessments and programs.

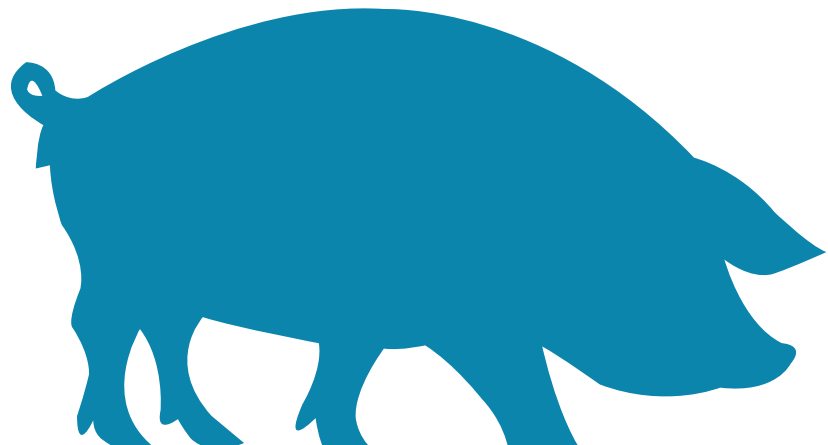
TQA (Transport Quality Assurance®) is a voluntary program hosted by the National Pork Board that outlines the best practices for transporting live animals. Certification is provided through the TQA program to two types of individuals: handlers and advisors. A handler is an individual who receives TQA certification to move, handle and transport pigs. An advisor is an individual who is trained to offer certification training and administer exams to those handlers.

The TQA program helps swine transporters, producers and handlers understand how to handle, move and transport pigs and the potential impacts of those actions on pig well-being and/or pork quality.

All of OSI's large pork raw material suppliers require truck drivers, who transport live animals to their plants, to be certified in TQA. Being knowledgeable and certified according to the TQA program assists OSI's Quality Team when completing animal handling reviews at supplier plant locations. They are able to truly verify that our pork raw material suppliers are meeting all requirements and promoting proper animal handling procedures.

OSI became an ongoing sponsor to the AMIF Animal Care & Handling Conference in 2013. This annual conference is the leading animal welfare education opportunity for companies in the meat industry and includes three focused tracks: Management and Policy, Applied Pig Handling, and Applied Cattle Handling. At this conference leading academic experts in the field offer instruction at a range of levels, from beginner to advanced, and their presentations are complemented by practical insights from industry experts.

In 2013 OSI also became a corporate member of the Professional Dairy Producers of Wisconsin (PDPW). Formed in 1992, PDPW has grown into a network of 1,600 members from 18 states across the country. The PDPW members represent every type and size of dairy operation, and are joined by members from other businesses associated with the industry. As the largest producer-led organization in the nation, thousands of dairy producers rely on PDPW for continuing education and news that affects them. OSI chose to become a member of a dairy producer organization in an effort to connect and interact on animal care, handling and other sustainability challenges that dairy producers face. Through a greater understanding of actions all the way from "farm to fork," all segments of the food production industry will be able to work together towards continuous improvement.



Animal Welfare Audits

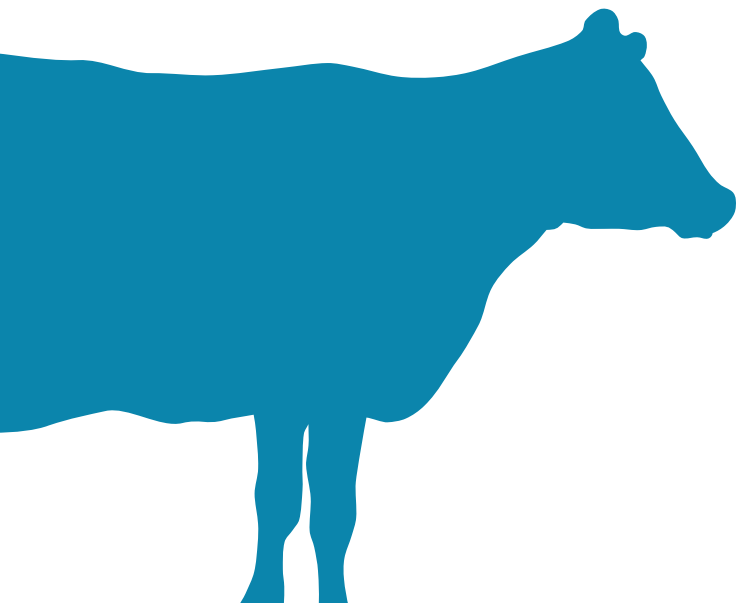
OSI has been using a protocol for carrying out animal welfare audits at the harvest stage since the practice began in the US meat industry in 1998. The aim is to objectively assess and monitor important animal welfare criteria such as slipping and possible falling of cattle during unloading and driving to the harvest area. This audit follows the industry's best practice guidelines and has allowed OSI to assure that the industry is working to improve handling, use of equipment and construction of animal handling areas. This has been achieved by promoting the sensitive issue of animal welfare to workers, sharing best practices and initiating new research.

Animal welfare criteria are rigorously checked. For the sites dealing with cattle, anywhere from 50 to 200 of these animals will be examined as part of the audit. This covers the condition of the holding area (any injury risk for the animals); the employees handling of the animals, especially when guiding the animals; use of driving aids (electrical prods); and the effectiveness of the stunning process. Auditors use a special checklist to ensure all criteria are thoroughly examined.

Plants are rated according to conformity with all the integrated criteria. Each criterion is rated to be either satisfactory, minor non-conformance, major non-conformance or critical. All non-conformances (based on defined factors) are summarized and the final result will lead to a certain rating.

Any plant that fails the audit must stop supplying OSI immediately. Any food already in the OSI system from that plant undergoes a risk assessment and, if necessary, is rejected. If adequate corrective actions have been carried out, the re-approval of the plant depends on the result of a re-audit.

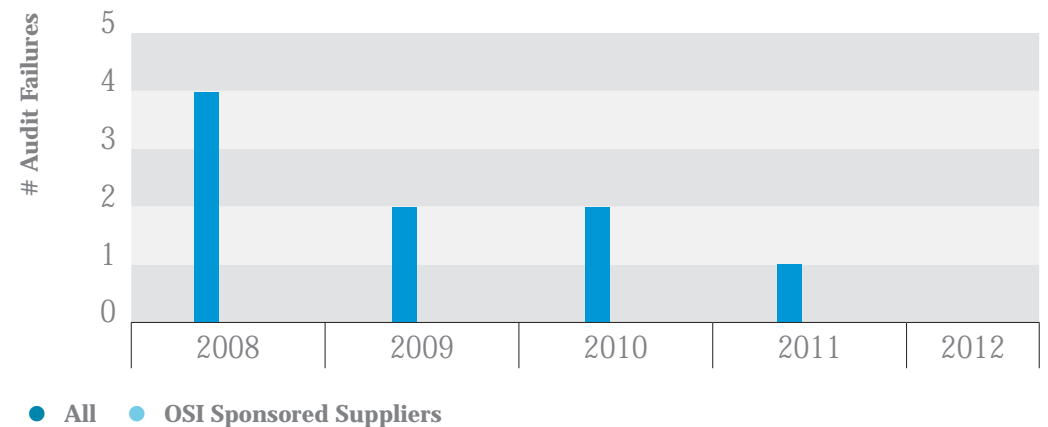
OSI's audit teams do not simply act as rule enforcers. Their role is to help OSI's suppliers maintain the highest standards and provide advice and guidance. They work with the suppliers to assure that whatever improvements are necessary are completed and effectively maintained. OSI also provides periodic communication to all its suppliers on relevant changes in regulations as well as on customer requirements.



Animal Welfare Plant Audits Conducted on U.S. Beef Raw Material Vendors Average Audit Score 2008-2012



Animal Welfare Plant Audits Conducted on U.S. Beef Raw Material Vendors Audit Failures 2008-2012



Continuous improvement and ongoing cooperation

OSI's customers and suppliers are committed to continuous improvement in animal welfare. This includes ensuring that:

- Animals are treated with respect
- Suppliers meet or exceed relevant regulations

OSI has enjoyed excellent cooperation from its suppliers in this area of key concern since our business started. We keep them informed about issues and requirements, and OSI also initiates technical meetings and provides training to help these suppliers meet high standards.

Additionally, OSI maintains a close monitoring and audit system in animal harvest facilities. Both OSI and third party auditing agencies check the entire harvest process on an annual basis. For example, in 2012 OSI and its animal welfare auditing partners carried out 91 animal welfare audits in the approved beef and pork harvest plants.

OSI's minimum requirement is in compliance with all relevant regulations and guidelines at every stage of the food production process.

Outreach to the industry

OSI periodically participates in intensive specialized animal welfare auditing activities with industry experts in order to calibrate on audit observations, understand industry challenges, and strive to improve best practices. These training and education efforts help to optimize the support and training of harvesting operation employees to meet animal welfare criteria.

OSI takes every opportunity available to reiterate the importance of animal welfare in every segment of the supply chain, from farmers and ranchers, to feedlot operators, to processors. We believe it is important to continue to remind the supply chain of the need for continuous improvement in animal handling for all sectors of the industry. This provides credibility to the supply chain, its people and our products. We continue to seek opportunities to host national producers' meetings at our processing facilities and also work with our strategic partners in carrying the important animal welfare message to the local farmers.

“I know that OSI's suppliers provide the safest, highest quality raw materials cultivated under the strictest standards industry-wide. Each person who plays a part in raising, harvesting, and processing our raw materials strives to maintain the best animal care, food safety and quality throughout the entire process until it reaches our customers. OSI will continue to invest resources to ensure we only use raw materials that align with the best practices in animal welfare, food safety and quality systems.”

- Jennifer Raspaldo, Manager, Raw Material Quality Systems, OSI Group
PAACO Certified Meat Plant Animal Welfare Auditor
Certified Advisor for Pork TQA Program

Traceability and Transparency

Tracking food from farm to fork

OSI's customers expect consistently high quality products. To ensure this quality level, OSI aims to be able to trace all raw materials back to the farm of origin.

There are legal requirements surrounding food traceability and OSI complies with or exceeds all of these. Legal requirements and labeling laws are the basis for OSI's traceability system and for reporting the country of origin for beef, pork and chicken products. This is something that OSI regularly checks via traceability exercises and external controls.

This is one example of our traceability system:

- When a consumer buys a hamburger and wants to know where the meat is from, OSI can trace the patty to a particular plant and a particular production date based on the information on the packaging.
- This information, when combined with the processing time, forms the batch number. This can be used to go back to the grinding area at OSI where documentation shows clearly which meat from which supplier was processed at this time.

- When meat is delivered to OSI, it comes with identification codes on each bin. These codes contain information on the specific set of carcasses that were used.
- Using the internal traceability system of its meat suppliers, OSI can trace the patty to a limited pool of animals and farmers.

Transparency about all that we do

OSI can demonstrate the transparent traceability system in action, and we do this for our customers and others in the supply chain.

OSI regularly gives insight into patty production to meat industry members and supplier partners. In this way, we provide transparency about our operations and our supply chain by allowing supplier partners and customers to see OSI's commitments in action.



Key Performance Indicator (KPI) Scorecard	2015 Milestone	2020 Goal
Pork Raw Material Sourced from Group-Housed Production Systems	50%	100%
Employ 4 PAACO Certified Animal Welfare Auditors Covering All Species (Beef, Pork, Poultry)	50%	100%
Raw Material Vendors Compliance to Industry Third Party Animal Welfare Audits Scoring > 90%	65%	100%
SFI (Sustainable Forestry Initiative) Recycled Content in Bulk Packaging	80%	100%
Suppliers Audited for Sustainable Practices (per year)	50%	100%

Where to get more information

If you would like to know more about the work OSI is doing around sustainability, we would be delighted to hear from you.

We intend to keep this report regularly updated. If you would like to discuss anything contained within this document, please contact Alison Kovaleski.

Alison Kovaleski

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