

North Side
Foods Corp.

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FACILITY LEVEL SUSTAINABILITY REPORT
North Side Foods Corp.
Cumming, Georgia Division



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ABOUT THIS REPORT

This report addresses key indicators related to Social, Environmental, and other areas regarding the performance of North Side Foods Corp.'s, operations and facilities in Cumming, Georgia (the "Georgia Division") during the year 2005. This is the first facility level sustainability report submitted by North Side Foods Corp.

Throughout the report, we discuss the management systems used to monitor and collect our data and indicators. Environmental, Health and Safety (EHS) data is presented in widely accepted parameters and units.

Reasonable time and effort has been devoted to the preparation of this report. Should you have any questions or comments regarding the contents of this report, you may contact us at the following address:

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3660 North Parkway
Cumming, GA 30040-5872
Telephone (770) 844-6064
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E-mail: eduardo.torres@northsidefoods.com

EXECUTIVE MESSAGE

Dear Stakeholder:

In this Facility Level Sustainability Report, we provide information summarizing the performance and contributions made by North Side Foods Corp.'s Cumming, Georgia Division to our community during 2005. The year 2005 was a great year for our company. We strongly believe that the success of our operations is closely related to the success of our community. Becoming involved with the community as a responsible corporate citizen helps demonstrate that North Side Foods is a highly responsible, concerned citizen committed to improving both the quality in our employees and the community where we live and work. As a Smithfield Foods, Inc. subsidiary, we also take our corporate responsibilities seriously.

Our Georgia Division's operations are faced with new challenges for the upcoming year. We continue to focus our energies on improving our environmental and safety performance. While we have achieved notable successes in several areas such as accident prevention and safety training, challenges remain in sustaining such successes as our operations grow. Additional challenges exist in areas such as energy use and waste reduction. Our vision is to be recognized as the industry leader for safety, environmental and social stewardship. As such, we are committed to protecting our employees from occupational hazards through a world class, structured safety program; continue the protection of the environment through pollution prevention and continued involvement in community activities. Our operations have already been recognized by renowned organizations such as the American Meat Institute and America's Clean Water Foundation for our environmental stewardship and for our involvement with our community. Sustainable growth of new business opportunities and continuity of our excellent safety record are just a few of the challenges that we will be facing this year. In the environmental area, while notable successes in water use, waste recycling, employee awareness and other areas have been achieved, we constantly continue to seek new challenges to further improve the quality of our operations.

This is North Side Foods Corp.'s first Facility Level Sustainability Report. To make this Report more useful to you, we have tried to prioritize its content based on the impact that these issues have on our society and the community in which we operate. We hope that in future reports you will sense a progression, based on our previous successes and our expectation on future successes.

We welcome your interest in our efforts and achievements and hope that you are satisfied with the contents of this report.

Sincerely,

[SIGNED]
Robert G. Hofmann II
President
North Side Foods Corp.

[SIGNED]
Kenneth W. Schneider
Assistant Vice President, Operations
North Side Foods Corp., Georgia Division

FACILITY OVERVIEW

North Side Foods Corp. History

North Side Foods Corp. was established in 1909 in Pittsburgh, Pennsylvania when Christian Hofmann and his family opened a butcher shop that quickly flourished. Joining forces with the Mall family - friends from Stuttgart - they incorporated the North Side Packing Company.

During the 1920's the North Side Packing Company enjoyed a period of growth and prosperity, securing the company's well-known "Victory Brand" trademark. Second-generation family members took up the mantle of running the company through the difficult years of the Depression.

During the 1940's, the company thrived through the war years, producing millions of pounds of sausage products. Sharp business decisions kept North Side in the black throughout the 40's, allowing for significant expansion and relationships with nationally recognized food companies. Associations with supermarket chains and a specialized, focused product line helped the company grow throughout the decade.

By the 1970's, North Side Foods patented a ground-breaking cooking process that enabled them to deliver fully-cooked, fully-browned, 100% pork sausage product. This pioneering innovation led to increased product demand in the restaurant industry, as well as the creation of the Ember Farms brand name.

North Side Foods currently produces precooked sausage patties, links, and crumbles for the foodservice industry under the Ember Farms brand. North Side Foods also packs fully cooked pork sausage patties under the Smithfield Premium and Gwaltney brands for retail sales. It was the first provider of fully cooked sausage to McDonald's Corporation and today remains a major supplier.

North Side Foods Corp. had been privately owned and operated by the Hofmann family for five generations until September 1998, when the company was acquired by Smithfield Foods, Inc.

North Side Foods, Georgia Operations

By the 1990's, fast-service restaurant customers around the world made North Side Foods sausage products their number one sausage choice every morning. With a new facility built in Cumming, Georgia, North Side Foods dramatically increased its production capabilities.

North Side Foods Corp.'s Georgia Division opened for business in 1990. The facility is located at 3660 North Parkway, in the City of Cumming, Forsyth County, just north of Atlanta. The company owns about 5 acres of land in an industrial park setting, with quick access to main roads. The facility is also located about 5 miles from Lake Sidney Lanier, a multi-purpose lake that provides for regional flood protection, power production, water supply, navigation, recreation and fish and wildlife management. North Side's Georgia facilities consist of a main manufacturing building and secondary buildings to accommodate its wastewater treatment plant system and other support functions.

By 1992, an expansion of the production facilities was completed to accommodate additional food businesses.

In 2005, North Side Foods began the design and construction of a 40,000 square feet building and support space expansion to its Georgia facility to provide additional capacity for additional sausage and future sausage products. Completion of the first phase of this project is scheduled for fall 2006.

By the end of 2005, North Side Foods' Georgia workforce was composed of 117 full-time, temporary and contract employees, plus United States Department of Agriculture ("USDA") inspectors who verify compliance of our operations at all times.

About Smithfield Foods, Inc.

Headquartered in Smithfield, Virginia, United States, Smithfield Foods, Inc., is a global company that produces hogs and turkeys, and processes pork, beef, turkey and specialty products. Smithfield Foods, Inc. is also the world's largest pork processor and hog producer. Smithfield Foods processes about 27 million hogs and raises 14 million annually. Smithfield's collection of well-known brands includes Smithfield, Smithfield Lean Generation, John Morrell, Gwaltney, Patrick Cudahy, Krakus, Farmland, North Side Foods' Ember Farms and Stefano's, to name just a few. Smithfield sales for fiscal year 2004 reached \$9 billion compared with \$7 billion in fiscal year 2003. Smithfield sales for fiscal year 2005 reached \$11 billion.

For more information about North Side Foods, you may also visit our web page at www.emberfarms.com. More details about Smithfield Foods are also available at Smithfield Foods' corporate web page at www.smithfieldfoods.com.

Management Structure

North Side Foods' Cumming, Georgia Division is organized into two integrated management groups to drive the diverse and growing challenges of our business. The Operations Group is headed by its Assistant Vice President of Operations, who oversees all operations aspects such as Production, Quality Management, Shipping and Receiving, and other administrative responsibilities. The Engineering and Maintenance Group is headed by the Assistant Vice President, Engineering and Maintenance, based in Arnold, Pennsylvania. The Engineering Group's main responsibilities include Maintenance, Process Control Improvements, Safety, Environmental and Facility Project Management.

Both Assistant Vice Presidents report directly to North Side Foods' Vice President, Operations, based in Arnold, Pennsylvania.

North Side Foods' Georgia staff also includes a Human Resources Coordinator that reports to the Director of Human Resources, whose responsibilities include supporting employees in matters related to human resources, labor relations, recruitment and employee welfare.

As a standard regulatory procedure, U.S. Department of Agriculture inspectors are present at the facility to verify that the facility meets all USDA requirements applicable to our operations. All North Side Foods products are produced under careful quality and sanitation guidelines. North Side Foods follows a documented Hazard Analysis & Critical Control Points (HACCP) program that ensures the food safety of our sausage. All of our natural raw materials are USDA inspected domestic products.

All North Side Foods employees are expected to conduct themselves in accordance with Smithfield's Code of Business Conduct and Ethics, which encompasses Smithfield's

expectations for stewardship-related responsibilities. Through this code, North Side Foods emphasize every employee's responsibility to comply with all applicable environmental, health and safety laws and regulations. These laws and regulations are administered by federal, state and other governmental entities, and include the U.S. Environmental Protection Agency (EPA) and corresponding state agencies, as well as the U.S. Department of Agriculture, the U.S. Food and Drug Administration (FDA) and the U.S. Occupational Safety and Health Administration (OSHA).

Stakeholder Relationships

A stakeholder is anyone who is impacted or believes they are impacted by the operations or practices of the Company, including customers, employees, business partners, shareholders, governments, communities and non-governmental organizations. Stakeholders can be internal, such as company employees, facility management, and corporate management, among others.

External stakeholders include our customers and suppliers with whom we do business, community groups, federal, state and local regulatory entities, and our surrounding community in which people live and work. Interaction with diverse stakeholders allows us to engage with, monitor and learn from these groups. North Side Foods recognizes that through the course of our operations we contribute to the economic and social well-being of a range of our stakeholders. Effective communication with these groups promotes stronger policy-based relationships.

North Side Foods has identified several internal and external stakeholder groups, some of which are indicated below:

Stakeholders	Engagement Methods
Employees	Diverse engagement processes such as the company's newsletter, crew meetings, state of the business meetings, and others support communication across the organization and promote an environment of diversity and inclusion.
Customers	Periodic and objective customer feedback promotes improvements in customer satisfaction and compliance with customer's own Codes of Conduct.
Suppliers	Constant interaction with suppliers regarding operational priorities allow improved interaction and promotes the effective use of tracking tools to ensure quality of our products.
Community	Interaction with local groups and local educational institutions foster effective community relationships. Interaction with this group generally occurs through community activities.
Government	Engagement with governmental authorities builds credible and trustworthy relationships and governmental regards towards our operations as a credible corporate citizen. Typical interaction with this group occurs through official communications and reporting to ensure that our operations meet applicable criteria.
Non-governmental organizations	Engagement occurs in diverse methods through participation in non-profit organizations whose main mission is the protection and preservation of the environment.

Stakeholder Communications and Engagement Efforts

The following is a representative sample of North Side Foods' communications efforts with various external stakeholders in 2005. Some efforts were undertaken by facility representatives, while Smithfield lead others.

Customers

Retail and foodservice customers are requesting detailed and verifiable environmental, safety and human rights information from supplier companies like ours as part of their supplier qualification process.

Governmental Agencies

Governmental agencies provided valuable input for performance improvement during our reporting period. In particular, consultation with City of Cumming officers was conducted to ensure that the company met the city's requirements regarding the operation and upgrade of our wastewater treatment system.

The Media

North Side Foods' management actively engaged the press in 2005 regarding some of our activities, such as the World Water Monitoring Day and upcoming site expansion.

Policies and Management Systems

North Side Foods has in place a series of policies and management systems that reflect our current guidance in our operations, some of which are indicated below and others further explained within this report.

ECONOMIC PERFORMANCE

Capital Investments

The Georgia Division is undertaking a \$20 million expansion of its facility to increase its manufacturing capacity for current and new sausage products. Completion of this phase of the expansion is expected by fall 2006.

Donations

North Side Foods and employees have a solid history of contributing time and money to good causes. North Side Foods employees provided support via donations to Katrina Relief efforts sponsored by Smithfield Foods. North Side Foods also provided charitable support to non-profit organizations such as the Fraternal Order of Police, food banks other local charities. Since 1972, North Side Foods Corp. has also been supportive of Ronald McDonald House Charities' (RMHC's) mission to provide a "home away from home" for families with seriously ill children who are receiving treatment in nearby hospitals. In 2004, North Side Foods contributed more than \$80,000 to RMHC's through its support of local and national fundraising events, including golf outings, auctions and award dinners. Employee volunteers also provided accounting and information systems support for the RMHC house. In 2005, North Side Foods Corp. contributed to Ronald McDonald's Charities more than \$78,000.

ENVIRONMENTAL PERFORMANCE

Environment and Policy

North Side Foods has in place an environmental policy that covers those activities outlined in the scope of the Facility's Environmental Management Systems ("EMS") which relate to or have an impact on the environment. The policy includes a commitment to continual improvement and prevention of pollution, as well as a commitment to comply with relevant environmental legislation, regulations and other requirements. The policy is reviewed annually by top management, communicated to all employees within the scope of the EMS, and made available to the public in accordance with ISO 14001 standards. The gold standard for environmental excellence, ISO 14001 signifies that a company's EMS has been audited independently to ensure its effectiveness, ongoing viability and conformance to the rigorous standards of the Geneva-based International Organization for Standardization. North Side Foods Environmental policy is endorsed by top management at the organization.

North Side Foods' EMS program is a significant tool for not only ensuring compliance, but for going beyond compliance and reducing our environmental footprint. The EMS process requires that an organization identify all of its environmental aspects. EMS's also help us better understand potential impacts, such as natural resource depletion, and soil or water contamination. This, in turn, promotes informed decision making, realistic target setting and accurate reporting to our internal and external stakeholders.

ISO 14001

As part of our ISO14001 registration, North Side Foods undergoes both internal and independent third party audits of our EMS program. During our first full year of ISO 14001 registration, we are proud not to have received any "major findings", reflecting our commitment to our environmental policy.

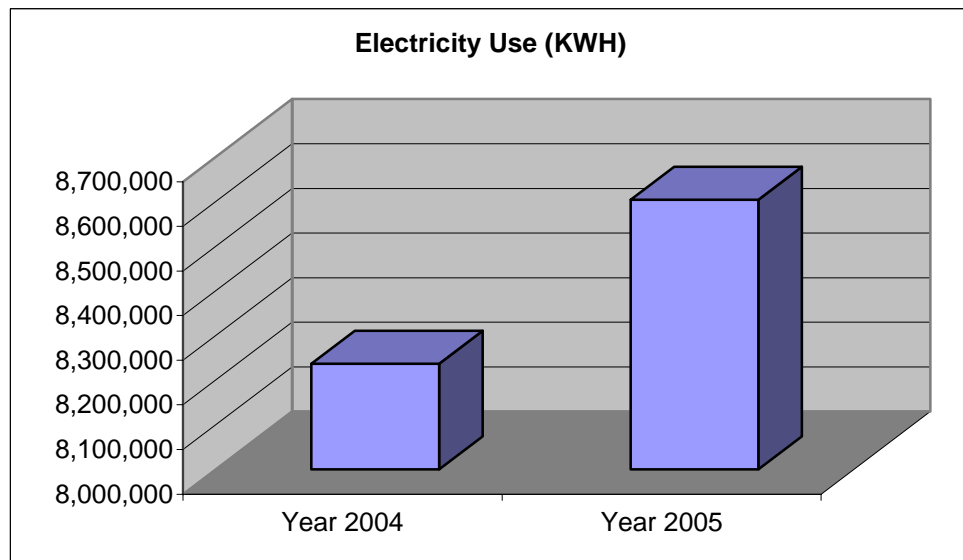
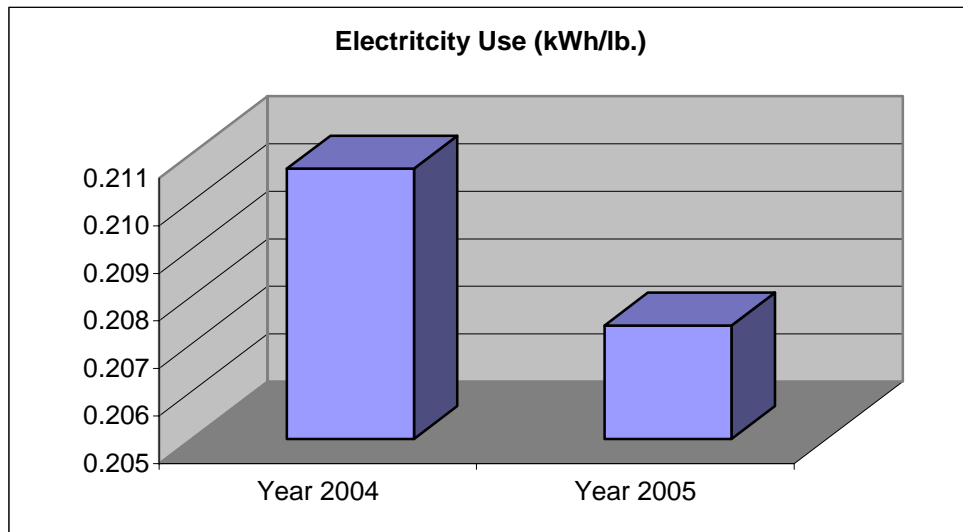
Environmental and Safety Performance Indicators

The following graphs show some of the key indicators we use to manage our environmental and safety performance. The normalization factors are based on the use of resources per pounds of meat and are summarized below. With this direct correlation to our manufacturing throughput, normalization will enable more accurate year-to-year comparisons and easier analysis of overall environmental performance in future reports across our organization. Production at our facility is measured in pounds because the primary input for these facilities is pounds of raw meat.

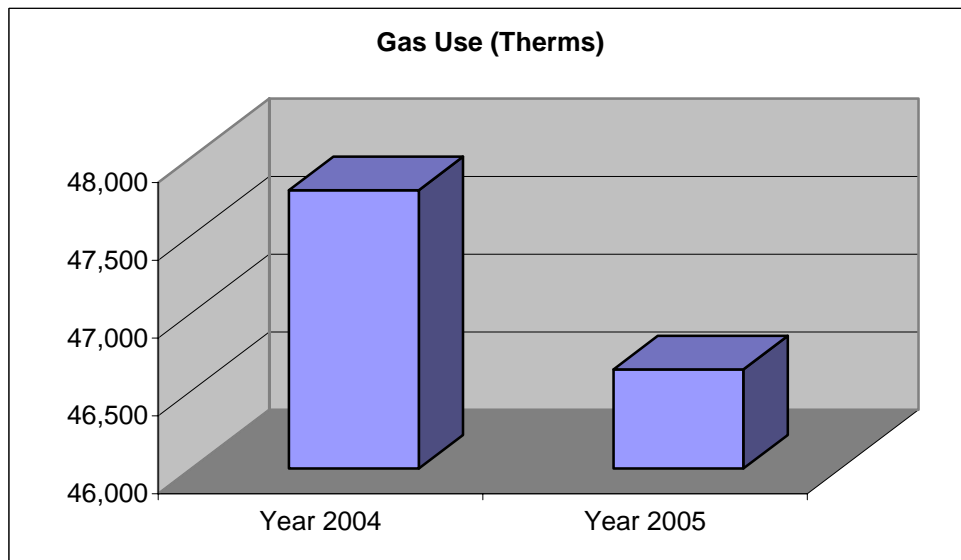
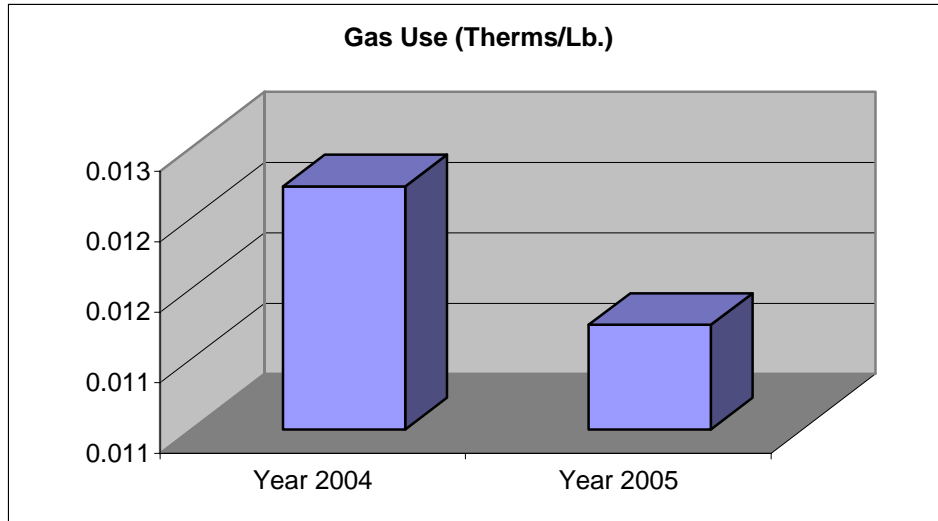
North Side Foods' EMS allows the company to collect performance metrics that go beyond the disclosure associated with regulatory requirements and permitting information. These metrics include water and electricity usage, and solid waste metrics for a large number of our production and processing operations and farms.

Energy Usage

Electricity metrics represent electricity usage at our Cumming, Georgia facility. Lower production levels at our facility resulted in an increase in our normalized electrical usage. A lower production level results in decreased efficiency because our facility must maintain a minimum level of operation regardless of the amount of pounds of meat being processed. Higher production levels result in increased efficiency because of increased utilization of plant resources and equipment.



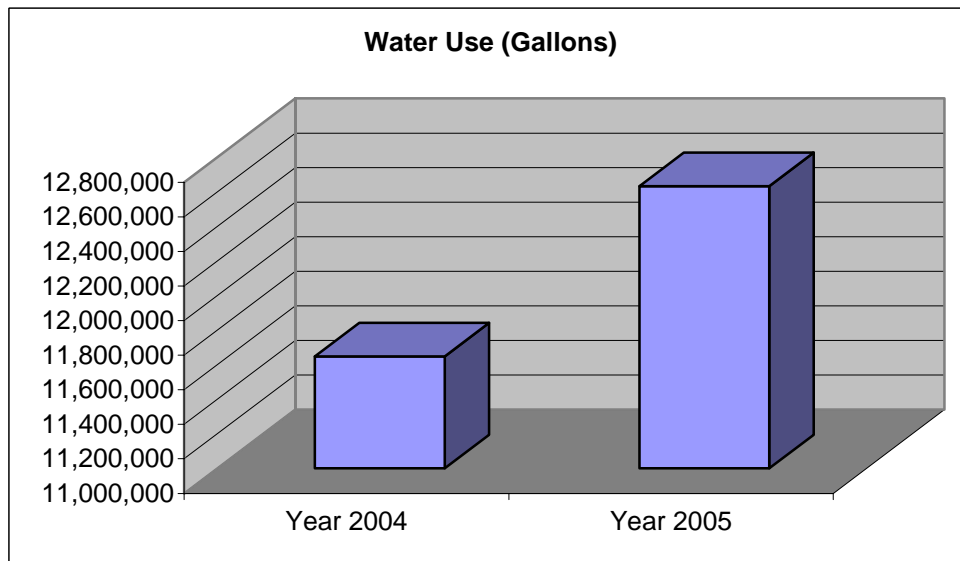
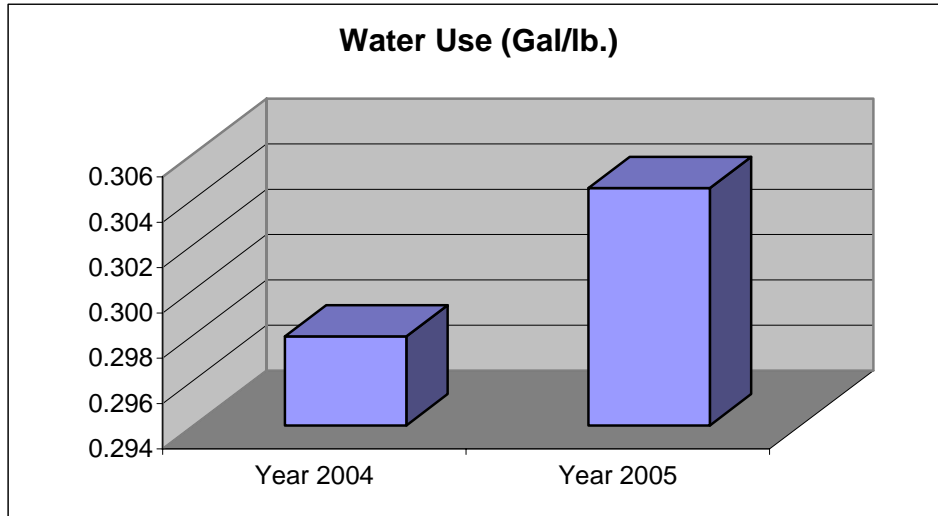
Total energy use in 2005 increased slightly (4%) due the addition of new processes. However, normalized energy use decreased by 11% due to increased utilization of existing facilities. North Side Foods continues to pursue new energy reduction initiatives and remains focused to reduce normalized electrical consumption. It is expected that the amount of normalized electrical consumption will continue to decline in the following years as utilization of the facility increases and further results are obtained by the implementation of electrical consumption programs.



Our natural gas metrics represent the natural gas used at our Cumming, Georgia facility for all purposes, including comfort heating, and process heating. Total gas consumption at our facility during 2005 decreased by 2% compared to 2004. In normalized terms, gas consumption decreased by 8%. Opportunities to further minimize consumption per pound of product are being sought and we continue to look forward for improvements in these areas.

Water Usage

The water consumption data represent the potable water entering our facility for all purposes, including processing, cooling and sanitation requirements; restrooms; truck washing; and use in our products.

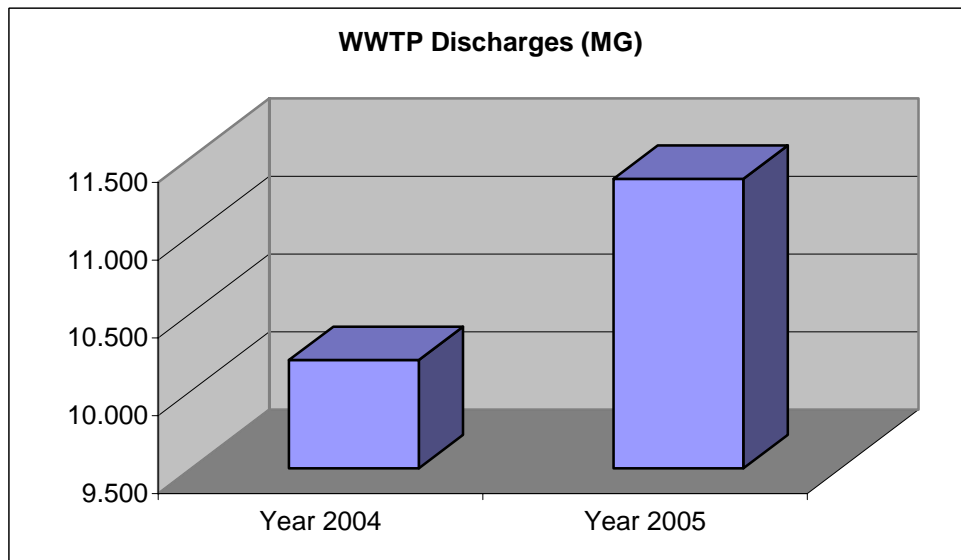
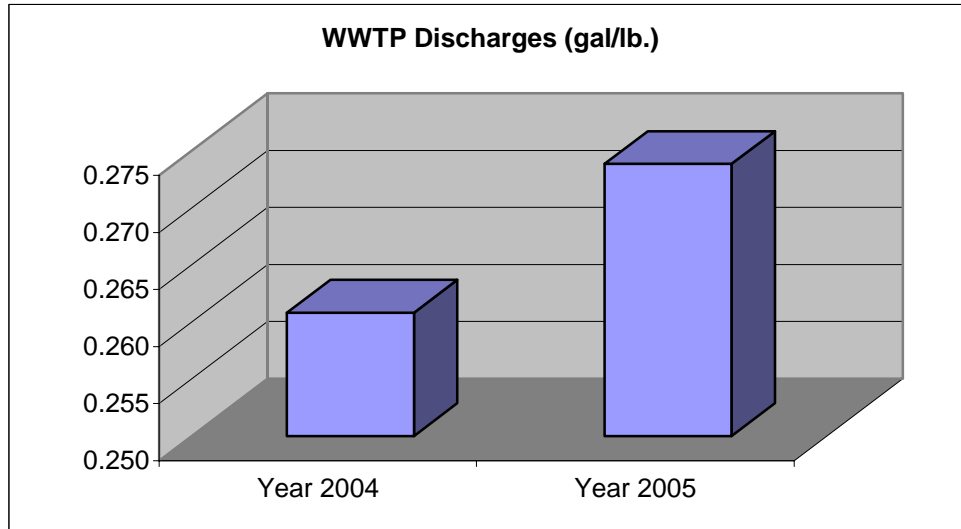


Overall water use increased 8%, mainly due to the addition of new processes at the facility. We are turning our focus to these processes in an effort to address this trend. However, it should be noted that water consumption on a normalized basis increased only 3% through the implementation of water conservation programs and by increased utilization of existing facilities. North Side Foods engineers continue to pursue opportunities to reduce water consumption due to its operations. Opportunities for reduction in water consumption have been identified in our production processes to reduce both total and normalized water consumption as our operations grow. Improvements in our wastewater treatment systems are also being performed to increase the efficiency of our operations ahead of our upcoming growth.

To ensure sustainable growth of our operations, we are looking for new initiatives to benchmark and share the knowledge we have gained in water conservation with other Smithfield subsidiaries. In view of rapid urbanization of our community, it is clear that we must continue our efforts so that the facility's do its part through internal conservation

programs, therefore contributing to our community's efforts to maintain sustainable growth.

Water Discharges



The facility's wastewater discharges are made in accordance to an operating permit issued by the City of Cumming under the authority of the National Pollutant Discharge Elimination System ("NPDES") Program.

Under the terms of the permit, the facility is authorized to discharge pretreated industrial wastewater from the Facility and through the city's outfall, as identified on the permit, into the City of Cumming sewerage system, in accordance to the conditions set forth in the permit. Laboratory analyses of all wastewaters are made by an independent laboratory and the results of such sampling are submitted to the City of Cumming through Monthly Monitoring Reports filed by the facility as permittee.

Total wastewater discharges during 2005 increased 11% due to the addition of new processes at the site and increased production of current products. However, normalized wastewater discharges increased only by 5% due to increased utilization of existing facilities.

A wastewater pretreatment plant system, staffed by qualified licensed operators, is in place to ensure proper operation, maintenance, monitoring and compliance per the terms of the Discharge Permit. An engineering study regarding the wastewater treatment plant was completed to study the ability of the site's treatment system to handle current and projected wastewater.

Biodiversity Data

The facility is located in an industrial park setting in northern Georgia. It is surrounded by industrial, commercial and residential developments. The facility is located in a low density populated area. The nearest known natural resource is Lake Sidney Lanier, located 5 miles from the facility. North Side Foods, as a corporate member of the Lake Lanier Association, supports activities related to the preservation of this regional water resource.

North Side Foods' property is composed of manufacturing and support buildings, green and paved areas to allow for parking, vehicular and pedestrian access and loading and unloading operations.

Regarding building structures, the facility has a 37,000 square feet structure dedicated to manufacturing and office facilities and a 12,000 square feet enclosed structure dedicated to shelter the plant's wastewater treatment plant system. The main building will be increased an additional 40,000 square feet by the end of 2006 to accommodate additional businesses.

All water utilized by the facility is supplied by the City of Cumming; therefore, the facility does not withdraw ground and/or surface water for its operations.

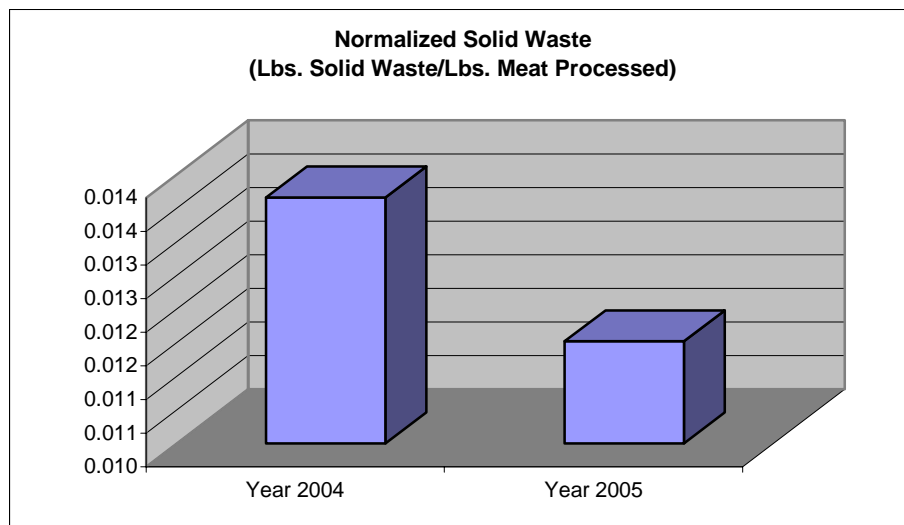
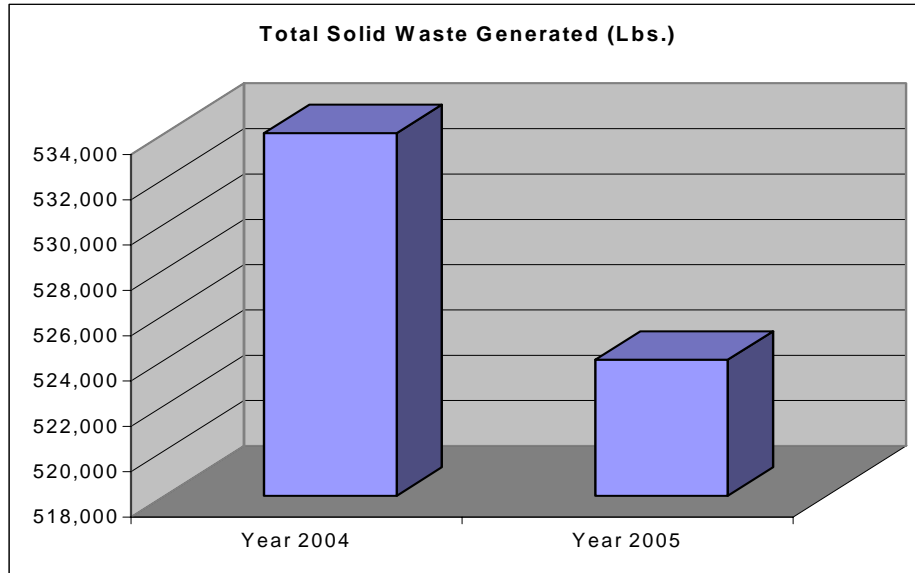
Air Emissions and Waste

CO₂ Emissions

North Side Foods operations are not a significant source of CO₂ emissions. The facility is not considered as a major source of NO_x or CO emissions, as defined by the U.S. Environmental Protection Agency.

Solid Waste

Solid waste metrics represent all waste sent to a landfill, including general trash, packaging materials (plastic film, unrecyclable cardboard, etc.), paper and strapping material. Total waste generated during 2005 decreased by 2% due to efforts to reduce and recycle solid waste materials. Normalized waste generation was reduced by 8% due to increased utilization of existing plant resources.



Recycling

Oil Recycling

The facility has in place a used oil recycling program, where oil used on the site utilities is collected and recycled through a local vendor. During 2005, the facility recycled about 3,980 pounds of used oil.

Cardboard Recycling

The plant also has in place a cardboard recycling program. As part of the program, used cardboard is collected and recycled through a local vendor. During 2005 the amount of cardboard recycled averaged 3 tons per month..

Sanitation Chemicals Usage

The company's 2005 usage of materials was 11,187 Pounds.

Other Quality-of-Life Indicators

Odor

Our manufacturing processes do not emit significant odors to our surroundings. All manufacturing processes are contained inside the production structures. In the same manner, no significant impact from odors resulting from construction related activities are expected to be produced.

Noise

The facility has in place a documented hearing conservation program, where employees working at production areas or in areas with known exposure to noise levels in excess of those levels established by OSHA are required to use approved hearing protection devices and are subject to annual audiometric examinations. Such noise levels are limited to our production areas; therefore external noise levels generated by manufacturing operations at our facility are within acceptable parameters in relation to applicable noise regulations for the industry. During calendar year 2005 there were no significant construction activities that may have a significant noise impact on our surrounding community. In view of the upcoming plant expansion the plant has emphasized the implementation of control measures to ensure that any construction noise produced is contained within acceptable levels per the best standards of the trade.

Dust

Our meat processing operations do not release significant dust emissions, either internally or externally. All air conditioning systems are provided with standard filtering and the equipment is maintained according to manufacturer's specifications.

During calendar year 2005 there were no significant construction activities that may have a significant noise impact on our surrounding community. However, in view of the upcoming plant expansion this will be an area of focus. As is requirement for all construction activities, the plant will provide all necessary measures regarding the control of dust per the best standards of the trade.

Congestion (Traffic)

Facility operations are spread into three shifts around the clock, therefore vehicular congestion is not a significant issue. Vehicular activity for nighttime shifts is reduced to employee traffic. An area of focus for the upcoming year is the improved flow of shipping and receiving deliveries to minimize the interaction time between the facility and truck traffic. This will reduce interaction with the shipping and receiving portions of the facility, minimizing the potential impact that such traffic may have on the surrounding community.

Lighting

The facility's night activities are limited to the interior of our buildings. Therefore, exterior lighting is limited to general security and illumination of the parking areas. All exterior illumination conforms to applicable code requirements and is maintained according to the plant's maintenance schedules. Construction activities are limited to daylight hours, therefore, there are no known issues related to the plant's illumination.

Vibration

There are no known vibration issues resulting from the plant manufacturing operation. All plant equipment has been installed following manufacturer's recommendations and

maintained per the best standard practices of the industry. Potential vibration produced by upcoming construction activities are to be closely monitored to ensure that no issues arise from such activities.

Use of Ozone depleting substances

The use of Ozone depleting substances is limited to certain refrigeration and air conditioning equipment. Such equipment is maintained only by trained personnel and under the supervision of the facility's maintenance group.

Stormwater

Stormwater runoffs are managed according to a federally mandated Storm Water Pollution Prevention Plan, which has been prepared and maintained at our facility. Construction requirements dictated the implementation of a monitoring plant to ensure that stormwater runoffs meet applicable laws and regulations. Additional measures have been taken to ensure that no stormwater issues occur as a result of the plant's expansion.

ENVIRONMENTAL COMPLIANCE

North Side Foods operations and properties are subject to extensive and increasingly stringent environmental laws and regulations. As part of our EMS program, the company regularly performs a review of those applicable environmental laws and regulations.

The following table summarizes those instances during the reporting period where excursions from permit related activities occurred at the Cumming site:

Description	Fine/Surcharges	Corrective action
Wastewater output exceeded daily maximum on one occasion in July 2005, as established on discharge permit.	No surcharges or penalties have been imposed to the facility as of the date of this report.	Wastewater pump controls were corrected immediately to prevent further recurrence. The facility will also request an increase in its discharge capacity to accommodate business growth.
Payment of surcharge for wastewater discharges occurring during calendar year 2004.	Surcharges were paid to the City of Cumming per established surcharge rates.	Monitoring systems upgraded at wastewater treatment plant.

Environmental Complaints

North Side Foods continues to refine, develop and implement practical and innovative environmental performance improvement programs to assist the company in our compliance and overall improvement goals. During 2005 there were no known environmental proceedings; administrative or judicial, in which North Side Foods' Cumming Operations was a party.

There were no known spills at the facility during 2005.

SOCIAL PERFORMANCE

Employment

At the close of 2005, the plant's workforce was composed of 117 full time, contract and temporary employees to support its operations. Its employees are compensated according to industry guidelines and their employment meet local, state and federal

employment law requirements. The Company meets all required practices related to the notification of occupational accidents and diseases, as mandated by law.

All full time employees have a standard work schedule of 40 hours per week. The company follows both state and federal guidelines regarding overtime work.

The plant also has in place diverse programs to support the continued employability of employees.

The Company has implemented a comprehensive emergency response program and federally mandated food safety programs to ensure proper response in the event of an emergency and to ensure the safety of its employees and products in the event of such an emergency. The company's food safety program has been prepared and tailored to meet United States Department of Agriculture Homeland Security Guidelines pertaining to the food processing industry. Annual drills are conducted to ensure the adequacy and sustainability of the emergency response plan.

All regular employees are provided with benefits such as 401(k), health care plan options, life and disability insurance, maternity, and retirement benefits. In addition to the above, employees are offered other benefits such as Health Savings Accounts, and the option to purchase McDonald's Corporation stock through payroll discounts, among other benefits.

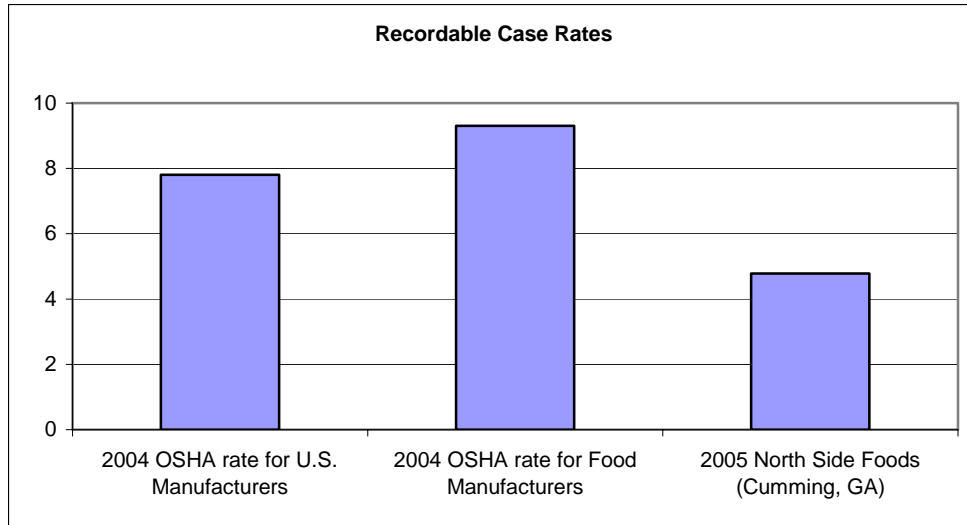
Average employee turnover for 2005 was less than 2%.

Labor/Management Relations

About 75% of its hourly workforce voluntarily affiliated to Local 1996 of the United Food and Commercial Workers Union. The relationship with the union is guided by the terms of an agreement in effect between the Company and the Union.

To keep employees informed about the facility's performance, regular crew meetings are held, where key business aspects of the company are directly discussed with employees. Additionally, North Side Foods management celebrates an annual State of the Business meetings to provide employees with context and further insight into the company's performance and to keep up to date our employee's understanding of the business strategies and environment.

Health and Safety



In 2005, the facility maintained its historically low injury rate, achieving a U.S. Occupational Safety and Health Administration (OSHA) recordable injury rate of 4.7. In relation to the latest available data for all U.S. Manufacturers and Food Manufacturing industries, the safety performance of the Georgia Division is world-class. (Source: U.S. Department of Labor, Bureau of Labor Statistics, Incidence rates of total recordable cases on nonfatal occupational injuries and illnesses, by quartile distribution and employment size, private industry, 2004.; Table Q1.)

The company has in place an Occupational Safety Program to ensure a safe place for its employees and its staff includes a bilingual Safety Coordinator to oversee and monitor the safety program. One of the components of the safety program is the establishment of Safety Committees and other forums, where management and non-management employees participate in the process of attending those issues that may result in overall improvements to the site's safety program. Employee positive reinforcement incentives are used from time to time to further promote safety awareness within the facility.

All employees are required to participate in a structured safety training program to ensure a safe working place for all its employees. All safety training is based upon established documented procedures, taking into consideration the particular occupational hazards associated with each position and regulatory compliance requirements pertaining employee safety.

The Georgia Facility has one of the best safety records within the food processing industry. North Side Foods has met our internal targets for reducing lost time injuries. The company follows federally mandated recordkeeping and notification requirements regarding occupational accidents and diseases. This outstanding performance has been recognized both internally and externally as we will discuss in this report.

The facility has in place diverse positive reinforcement systems to reward safety performance and a continuous environmental and safety audit system to ensure that any causes of concern are addressed in a timely manner.

Through all of 2005, there were only four recordable cases, two of them involved temporary employees. None of the cases involved lost time. All incidents were treated immediately and there were no lost workdays resulting from these incidents. A thorough

investigation of the root causes of such incidents was completed and corrective action taken in all cases to prevent further recurrence. These incidents further strengthened our resolve to make our workplace incident- and injury-free.

The company follows all occupational safety recordkeeping and reporting requirements provided by the Occupational Safety and Health Act.

The plant had no incidents that resulted in fines due to non compliance with OSHA safety requirements.

To further promote improvements in our safety program, the site performed a Safety Culture Evaluation, developed by Smithfield's Corporate Risk Management Department Safety Culture Evaluation guidelines, designed to provide subsidiaries with additional guidance for continually enhancing their safety programs. From the results of such assessment, structured opportunities for improvement that are aligned with Smithfield's safety vision are identified and courses of action were developed to further promote a safer working environment.

Training and Education

All new employees, temporary and permanent, are required to attend training according to North Side Foods' New Employee Orientation Program. The New Employee Orientation program covers areas such as Human Resources, Quality Assurance, Safety and Environmental and Job-Specific Skills. After their initial employment period, all temporary and permanent employees are required to attend monthly Safety, Environmental, and other job-specific training. Such training is documented per company policies and the training policies are reviewed on an annual basis to ensure their adequacy and sustainability. Annual refresher courses are required to ensure employee retention of key basic concepts.

Additionally, on-site job-specific training and technical training classes are performed to ensure that employees have developed the essential skills needed for their jobs.

Equal Opportunity Programs

North Side Foods has in place federally mandated equal opportunity programs. In particular, it is North Side Foods policy to 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 recruiting, hiring, training, promotion, and other terms and conditions of employment. Discrimination against any employee or applicant for employment is a serious violation of equal opportunity laws and of North Side Foods corporate policy. It is the responsibility of every employee to ensure that discrimination does not occur in the workplace.

North Side Foods' staff includes a Human Resources Coordinator whose key responsibilities include monitoring the implementation of corporate policies dealing with all aspects of human rights relevant to its operations. All North Side Foods employees receive training related to the Company's harassment and diversity policy during their very first day at the company and compliance with such policy is an essential condition of employment.

Background checks are performed on all employees to ensure that they meet employment criteria as required by law.

WORKER'S RIGHTS INDICATORS

It is essential to our concept of sustainability that we ensure that our products are manufactured under conditions that demonstrate respect for the people who make them.

North Side Foods has in place diverse policies and monitoring mechanisms that go beyond compliance with those laws related to workers rights. All employees are trained on workers rights before commencement of their duties at the company. Affiliation to a local union is voluntary. Grievance appeals procedures are in place to attend in a fair manner those employees who may wish to execute those. In addition, the Company has established and follows Equal Opportunity Policies, in accordance to applicable laws.

As a supplier to McDonald's, North Side Foods is continuously working to meet McDonald's supplier social accountability program, which protects the health, safety, and workers rights of workers throughout their supply chain. North Side Foods is subject to periodic audits regarding workers rights as well as to the standards set forth in McDonald's Supplier Code of Conduct. A copy of McDonald's Supplier Code of Conduct can be obtained through McDonald's corporate webpage, http://www.mcdonalds.com/corp/values/socialrespons/market/accountability/code_of_conduct_for.html.

SOCIETY & COMMUNITY INVOLVEMENT

North Side Foods participated in several activities involving the community. Below is a representative example of those activities.

World Water Monitoring Day

On October 2005, North Side Foods along other Smithfield subsidiaries joined thousands of people from around the world to participate in World Water Monitoring Day for the second consecutive year. In 2002, America's Clean Water Foundation spearheaded the initiative to engage the public, governments and corporate leaders in global efforts to protect and enhance worldwide water quality. Smithfield provided corporate sponsorship for this event, which aligns with our commitment to improving water quality in the communities where we live and work. For this activity, Smithfield provided 77 water-monitoring kits to Smithfield employees at 39 locations in 17 states. The water samples were tested for pH factor (a measure of the acidity or alkalinity of water), dissolved oxygen, temperature and turbidity. The results of the sampling were entered into a database. Over time, the data will be used to compare worldwide water quality from year to year. North Side Foods participation involved science class students from Otwell Middle School in Cumming, Georgia. In this activity, North Side Foods employees went to Otwell Middle School Science Class and provided students with an orientation regarding the scope and purpose of the World Water Monitoring Day. The students went to Lake Sidney Lanier in Cumming, Georgia to take water samples and to test several water quality parameters. The event, covered by the local media, allowed students to experience first hand the importance of identifying the different quality parameters in our drinking water and increased our stakeholder awareness in the preservation of our water resources. More information regarding World Water Monitoring Day, you may access America's Clean Water Foundation's web page at www.worldwatermonitoringday.com.

Lake Lanier Association's Annual Shore Sweep

As a member of the Lake Lanier Association, North Side Foods regularly participates in activities such as Lake Lanier's annual Shore Sweep.

American Meat Institute's TIER IV Award

Each year, the American Meat Institute (AMI) Environmental committee hosts an awards ceremony to recognize the achievements of AMI members participating in the Environmental MAPS program. Environmental MAPS is a four-tier, voluntary environmental management system toolbox, coupled with an awards program that ranges from simple to complex. Specific Tier Criteria must be met in order to be recognized for the awards. The program begins in a Tier I with a basic package of environmental policy statement and environmental compliance criteria, advances through more comprehensive requirements in Tier II, incorporates a complete EMS model developed in cooperation with EPA as Tier III, and culminated with an ISO14001 EMS as the final tier (Tier IV). Each tier is identified as Environmental **M**aster, **A**chiever, **P**ioneer and **S**tar (MAPS). In 2005, North Side Foods, Cumming, Georgia Division was recognized by the American Meat Institute for the TIER IV Environmental MAPS awards for its environmental stewardship.

Political Contributions

As a Smithfield Foods subsidiary, North Side Foods follows Smithfield's Code of Business Conduct and Ethics, prohibiting political contributions to any candidate for U.S. federal office on behalf of Smithfield Foods, Inc., or any of its subsidiaries. Smithfield Employees are allowed to make contributions on their own behalf to the Smithfield Foods, Inc. Political Action Committee, a Political Action Committee registered with the Federal Election Commission.

At a state and local level, no employee is authorized to make any political contribution, including the sale of tickets to raise political funds and the furnishing of any goods or services, for or on behalf of North Side Foods Corp. or Smithfield Foods, Inc. unless it has been cleared in accordance with established company procedures and only if such contributions are allowed by law.

Smithfield Foods encourages all its employees to exercise their right of citizenship by voting, being clearly understood that any political activity made by an employee must be performed strictly in their individual and private capacity as responsible citizens and not on behalf of Smithfield Foods, Inc. or any of its subsidiaries. Additionally, North Side Foods employees are not allowed to receive direct or indirect reimbursement of offsetting refund of any nature whatsoever with respect to political contributions made by them in any form. A full copy of Smithfield's Code of Conduct and Business Ethics is available through the internet at <http://www.smithfieldfoods.com/Governance/BusinessConduct/>.

The use of corporate governance guidelines are intended to help each North Side Foods employee understand their responsibilities and make the right choices. They are also meant to stimulate awareness of ethical issues that employees may encounter in the Company's daily business activities. Doing the right thing begins with basic honesty and integrity. More than ever, it also depends on our good judgment and sensitivity to the way others see us and how they may interpret our actions. Smithfield's Corporate Code of Conduct and Business Ethics require us to conduct our business consistent with Smithfield values and in accordance with applicable laws. It requires that all employees be responsive to the concerns of the communities in which we operate and exercise the highest degree of honesty and integrity in our dealings with others.

Memberships and Affiliations

North Side Foods Corp. is a member of the Cumming-Forsyth County Chamber of Commerce and a corporate member of Lake Lanier Association, Inc., an association dedicated to the protection and preservation of Georgia's Lake Sidney Lanier. As a Smithfield subsidiary, North Side Foods is also a member of the American Meat Institute. The American Meat Institute (AMI) is the nation's oldest and largest meat and poultry trade association. AMI is dedicated to increasing the efficiency, profitability and safety of meat and poultry trade worldwide. For more information regarding the American Meat Institute, you may access their web page at <http://www.meatami.com>.

Smithfield Foods is a corporate sponsor of America's Clean Water Foundation and North Side Foods participates in the Foundation's annual World Water Monitoring Day. America's Clean Water Foundation (ACWF) is a not-for-profit organization based in Washington, DC, that promotes youth education, public involvement, and technical program exchange for clean water. Created in 1989, ACWF has organized numerous national and international events and programs for the improvement of water quality. As a Smithfield subsidiary, North Side Foods participates and sponsor this event locally. For more information regarding America's Clean Water Foundation, you may access their web page at <http://www.acwf.org>.

Awards and Recognitions

Smithfield's internal safety programs and performance measures indicate how well we are protecting our employees in the workplace. Recognition by external sources further validates these efforts. In 2005, Smithfield subsidiaries were recognized for their performance by a number of organizations. In particular, North Side Foods' Cumming, Georgia operations received internal and external recognition for its environmental work and its community contributions. To highlight a few:

- North Side Foods, Cumming, Georgia was awarded the Tier IV American Meat Institute Award for Environmental Excellence.
- North Side Foods has been recognized by America's Clean Water Foundation for its participation in the World Water Monitoring Day campaign.
- North Side Foods was recognized by Smithfield Foods as one of the best subsidiaries in terms of lowest total workmen's compensation costs per employee.
- North Side Foods was recognized as the 2005 *Small Business Member of the Year* by the Cumming-Forsyth County Chamber of Commerce.
- North Side Foods' Georgia Division received the Award of Merit by the American Meat Institute's 2005 Safety Awards.