

AGROPUR
COOPERATIVE



Better dairy.
Better world.



ANNUAL REPORT 2017

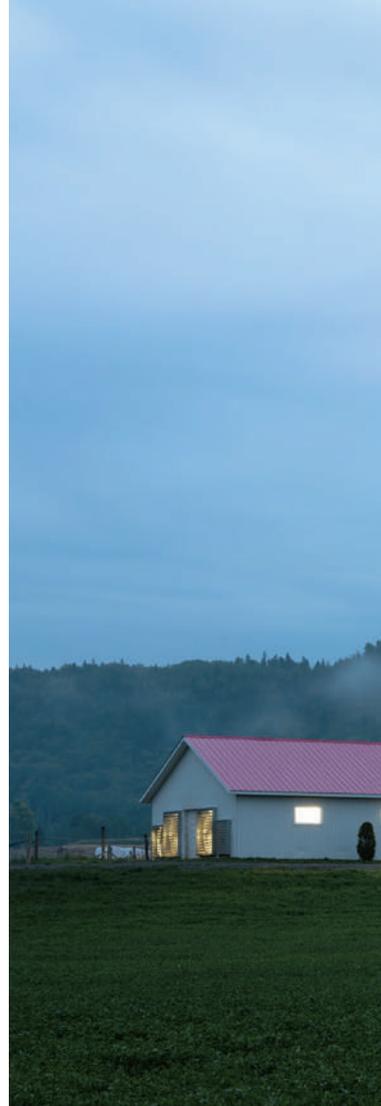


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Ferme Rodrigue et fils inc.

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Better dairy. Better world.

At a time when the sharing economy is meeting growing needs and is being embraced as a win-win solution, our cooperative model supports fair, structural wealth distribution and makes a difference for the community. Our model has been contributing to the social fabric, to local development and to the health of rural communities for nearly 80 years.

Agropur held its course and stepped up the pace of its transformation. Our strategy organized around five growth pillars was adopted in 2012 and remains appropriate today, as this report will show.

The year was punctuated by major changes. We followed up by introducing new structures that reflect our desire to take an even more customer- and consumer-focused approach.

Agropur is now the first dairy processing Cooperative in North America,* and the 20th largest dairy processor in the world for the second year in a row. It was ranked Canada's most trusted dairy brand by the University of Victoria's Gustavson Index for a third year in a row.

At a time when the sharing economy is meeting growing needs and is being

embraced as a win-win solution, our cooperative model supports fair, structural wealth distribution and makes a difference for the community. Our model has been contributing to the social fabric, to local development and the health of rural communities for nearly 80 years.

Agropur owes its sustainability to its members vision and its ability to adapt to the needs of its customers and consumers. The new generation of consumers has very different expectations than did previous generations. We need to incorporate the new demographic realities into our strategies. Our corporate positioning has therefore been redefined and we have articulated a new promise: "Better dairy. Better world." We are therefore committed to taking meaningful action and trying to change the world in our own way.

When consumers purchase Agropur products, they not only obtain products of the highest quality but they also contribute to better distribution of wealth across rural communities.

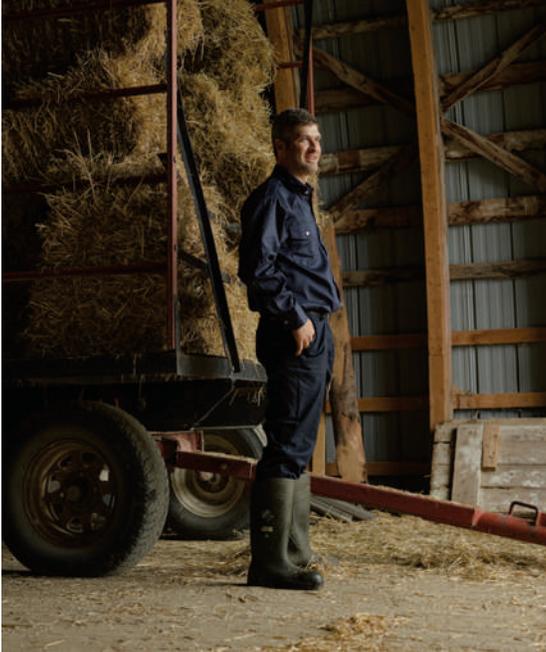
*Source: www.dairyfoods.com



Réjean Rodrigue, Ferme Rodrigue et fils inc.



Ferme Rodrigue et fils inc.



Jean-Philippe Rodrigue, Ferme Rodrigue et fils inc.

Together, our 3,290 dairy-producer members and 8,300 employees bring out the best in dairy.



We are 13,000 families strong seeking better dairy. Our quest for perfection leads us to innovate and improve constantly, on the farm and at the processing plant alike.

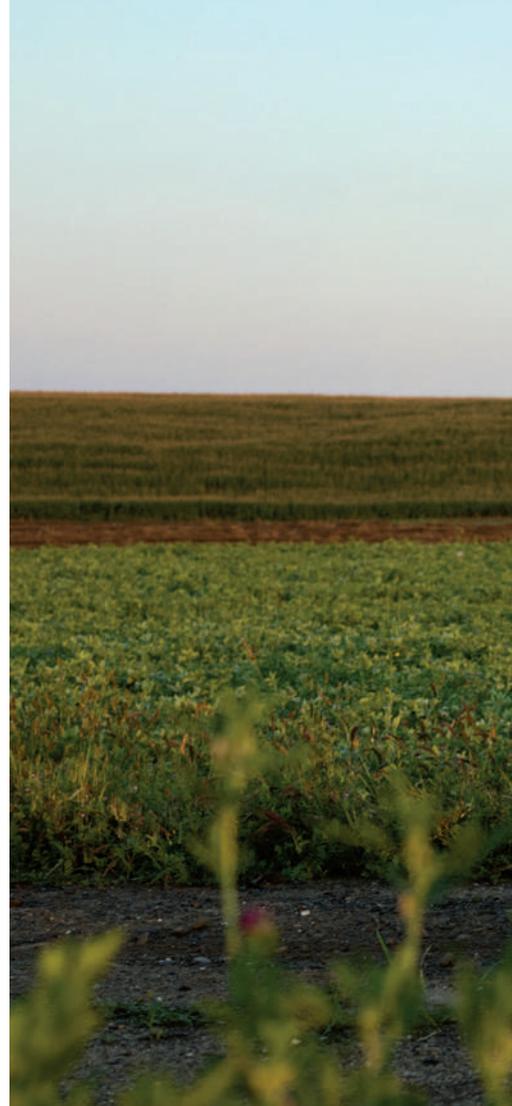


Réjean and his grandchildren, Justin and Mégane



BETTER FOR THE COMMUNITY

We are engaged with the community because, as a cooperative, we come from the community. We contribute to the vitality of rural communities.



Jacob and Justin



Anne Routhier, Élyse, Mégane, Justin and Caroline



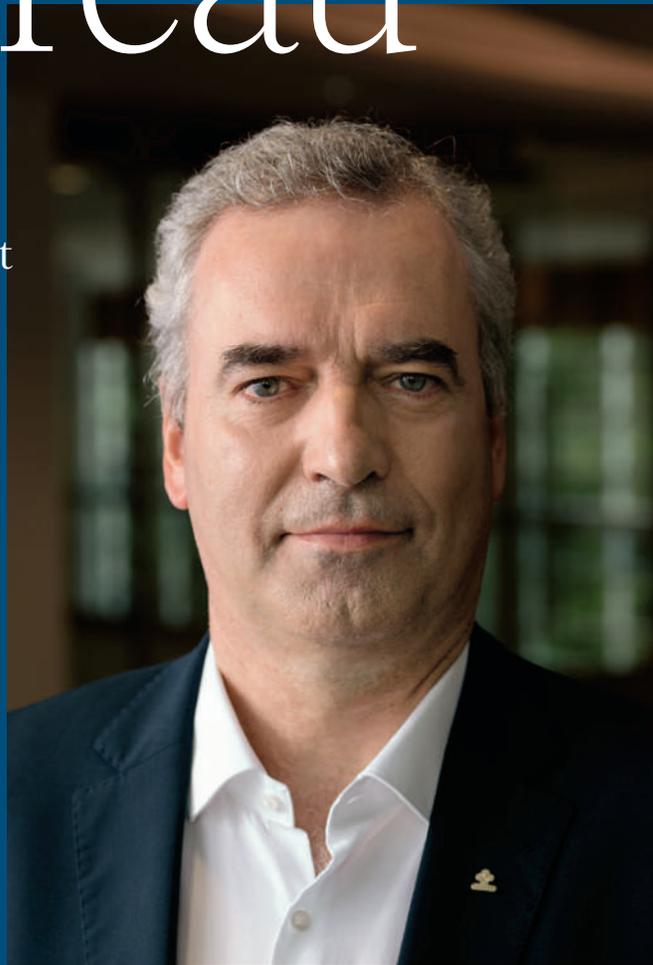
Our values spur us to pursue a shared mission: Better dairy. Better world.



Jacob

René Moreau

Message
from the President



CONTINUING OUR DEVELOPMENT

We posted a robust performance in fiscal 2017 in a persistent environment of strong competition in Canada and volatile prices in the United States. My first year as president of Agropur was a year of growth: the volume of milk processed rose to nearly 6.1 billion litres, a 2.0% increase from last year. Sales, earnings from operations and net earnings were also up significantly.

We continued our strategy of combining organic growth with mergers and acquisitions. During the year, Agropur acquired Scotsburn, consisting of two frozen dairy product plants in Truro, Nova Scotia and Lachute, Quebec, as well as the Scotsburn brand. After the end of the 2017 fiscal year, we became the owners of all shares of Ultima Foods by acquiring the interest that our partner Agrifoods held for 24 years.

During the year, we invested more than \$174 million in our facilities, including \$133 million in Canada. We also approved a US\$255 million investment in our Lake Norden, South Dakota plant. The project will triple the plant's capacity and accelerate our development in the US Midwest.

As a result of our financial results, our Cooperative was able to declare

a \$65.2 million patronage dividend in 2017 and will also make a redemption of members' capital and debt certificates in the amount of \$39.9 million, notwithstanding considerable upcoming capital expenditures.

THE COOPERATIVE MODEL: THE KEY TO EMPOWERMENT

Nearly 80 years ago, our founders joined together to face the challenges of a tough business environment. They chose the cooperative model and that was no trivial decision. A cooperative is more than a legal status; it is an instrument of empowerment, a way to take our future into our hands.

A cooperative is also imbued with values rooted in solidarity and sharing. Our business model contributes to the economic vitality of local communities. Cooperatives are by no means a thing of the past; they constitute a form of organization that resonates with young people who want their economic endeavours to be consistent with human values.

Agropur creates wealth and also redistributes it. Over the past five years, the Cooperative has declared nearly \$369 million in patronage dividends.

For employees, Agropur is an employer of choice that offers attractive job opportunities and career prospects. For suppliers, Agropur is not only a business opportunity but also an opportunity to build partnerships and grow their own business.

CHALLENGES AHEAD

Today, we must follow the example of our predecessors: we need to demonstrate leadership and boldness to secure our cooperative's future and rise to the challenges we face.

In the US as in Canada, our markets are changing fast. We must continue and indeed accelerate our transformation.

In Canada, the marketplace remains extremely competitive, and our competitors are multinationals that are up to four times our size. We have therefore stepped up the pace of our expansion in recent years. Today, nearly 50% of our sales are south of the border. We must grow with our customers and seize opportunities for profitable business development.

SUPPLY MANAGEMENT HAS STOOD THE TEST OF TIME

We are also concerned about the global environment, particularly the renegotiation of international trade agreements.

On the sidelines of the trade talks between Canada, Asia and particularly the US, we have heard voices challenging Canada's supply management system.

Since it was created nearly 50 years ago, this system has guaranteed farmers a fair and predictable income, while eliminating shortages and surpluses. It has been adapted and modernized to meet changing market needs. It has accomplished its mission by putting food on the tables of Canadian consumers at a reasonable price.

For decades the retail price of dairy products in Canada has been increasing in tandem with consumer goods generally – neither faster nor slower. Today, retail prices for Canadian dairy products compare favourably with those in most countries around the world.

All countries support their dairy industry. In most cases, they do it through large direct subsidies. In other cases, government intervention takes the form of regulatory support. Canada has chosen supply management, a system that has withstood the test of time, promotes competition and requires no subsidies.

In this critical time for you and your Cooperative, your Board of Directors continues to play a frontline role in informing stakeholders about the potential impacts of trade agreements that undermine our supply management system. At the same time, we are holding the strategic course charted several years ago.

Our results to date show those decisions were sound. I am grateful to my fellow directors for their dedication and engagement. I also want to thank you, the members of Agropur Cooperative, for your trust and support.

In conclusion, on behalf of all our members, I would also like to thank our CEO Robert Coallier, the entire management team and Agropur's 8,300 employees. Their skills and vision sustain our Cooperative's performance and success, day after day.



René Moreau
President

Robert Coallier

Message from the CEO



Our Cooperative registered another year of strong increases in sales, efficiency and profitability. Against a backdrop of fierce competition in Canada and wide market fluctuations in the US, we continued our development on the basis of our five strategic pillars.

Our sales and earnings hit record levels: sales were up 7.7% year-over-year to \$6.4 billion and

EBITDA increased 7.9% to \$444 million. During the year, we became the largest dairy processing cooperative in North America.

The increase in our earnings was due to, among other things, higher cheese prices and higher whey and cheese sales volumes in the US. In Canada, the volume added by the acquisition of Scotsburn's operations generated

growth in sales and earnings from operations, which was however tempered by lower sales of industrial cheese and fluid milk.

We had a productive year in terms of national and international development. The acquisition of Scotsburn has strengthened our presence in the ice cream space. Becoming the sole owner of Ultima Foods will support our

long-term development in the yogurt category. With these acquisitions, Agropur now offers customers and Canadian consumers a more complete product line than any other dairy processor.

On the investment front, we are studying major projects in the Atlantic region. In the US, we are investing to triple the dairy processing capacity of our facility in Lake Norden, South Dakota in order to take advantage of markets and the growing milk supply in the area.

We also continued our cost-cutting initiatives during the year and realized savings of more than \$48 million, contributing to the improvement in our earnings.

For the third year in a row, the University of Victoria's Gustavson Index rated Agropur as Canada's most trusted dairy brand. Our strong brands, Natrel, OKA and iögo, each achieved new levels of consumer appreciation. And Interbrand included Agropur on the list of 150 brands that make us authentically Canadian.

This recognition is a testament to the quality of our products. It also testifies to the relevance of our business model, which helps share the wealth and contributes to the economic vitality of many regions.

The trust we have earned also motivates us to continue listening to our customers and consumers. At the same time, our consumers are changing, and so are their needs. Today, millennials are coming into the market; they are our planet's new consumers, employees and citizens, and their expectations contrast with those of previous generations, both as consumers and as job-seekers.

It is therefore crucial that we factor these new realities into our strategy for reaching consumers. We need

to let them know about Agropur's positioning and its redefined promise: "Better dairy. Better world." Every day, we engage with the community by guaranteeing our customers and consumers top quality and compliance with the strictest regulatory requirements at our facilities. We offer our employees meaningful work and upholding corporate values. We treat animals with respect and we protect the environment. Agropur is changing the world in its own way.

More specifically, we have continued improving our structures to focus our organization on customers' and consumers' expectations.

It is clear that the linear manufacturer-distributor-retailer-consumer relationship is a thing of the past. Together, we must establish integrated relationships with consumers to serve them better.

The importance of millennials is spurring us to find new ways to reach out to consumers directly and to develop new products and business processes. We have therefore stepped up the pace of innovation.

Our moves to adapt to the rise of a new generation of consumers and employees extend to all sectors of the organization. In human capital management, it means a stronger push to attract and retain the best talent. We have introduced a series of training, succession planning and succession management initiatives for our employees, as well as a knowledge transfer program.

In conclusion, I would like to emphasize that every link in our supply chain needs to adapt and become consumer-centric. This applies to production and even to Agropur's dairy farmer members.

In view of the projects we have launched in recent years and the quickening pace of change, we need, more than ever, to actively manage change.

I thank the members of the Board and particularly our president, René Moreau. To all Agropur members, let me say that your support and solidarity are very much appreciated and are indeed essential to the success of our organization.

Lastly, I want to pay tribute to the work of the entire management team and of all Agropur employees. Day after day, they translate our strategy into reality and into success on the ground.



Robert Coallier
CEO

Board of Directors



- 1. **Jeannie van Dyk**
Vice-President
Atlantique 2013
- 2. **René Moreau**
President
Nicolet-Bois-Francis 1998
- 3. **Roger Massicotte**
Vice-President
Mauricie-Portneuf 2003
- 4. **Michel Boisvert**
Montérégie 2017
- 5. **Stéphanie Benoit**
Presented and elected
by universal suffrage 2015

1 / 2 / 3

- 6. **Michel Couture**
Second Member of the Executive
Chaudière-Appalaches 2001
- 7. **Céline Delhaes**
First Member of the Executive
Presented and elected
by universal suffrage 2011
- 8. **Jean-Pierre Lacombe**
Third Member of the Executive
Salaberry-Richelieu 2007



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9. **Claude Cressier**
Érable-Seigneuries 2015
10. **Valère Lieutenant**
Estrie-Granby 2012
11. **Roger Beaulieu**
Est du Québec 2014
12. **Alain Forget**
Laurentides-Lanaudière 2014

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11



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13. **Jim Walker**
Guest member of the Board 2014
14. **Ralph Ballam**
Guest member of the Board 2013
15. **Suzanne Blanchet**
Guest member of the Board 2015



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Senior Management Committee



- 1. Robert Coallier**
Chief Executive Officer
- 2. Jocelyn Lauzière**
Senior Vice-President
and Chief Financial Officer
- 3. Lorraine Bédard**
Senior Vice-President,
Legal Affairs, Member Relations
and Corporate Secretary

1 / 2 / 3



4

- 4. Émile Cordeau**
Senior Vice-President
and Chief Financial Officer
(as of February 2018)
- 5. Pierre Corriveau**
Senior Vice-President,
Human Capital
- 6. Dominique Benoit**
Senior Vice-President,
Institutional Affairs
and Communications



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7. Serge Paquette
President, Canada Operations
8. Doug Simon
President, US Operations

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11

9. Michael Aucoin
President, Canada Operations
(since September 2017)

10. Benoit Zolnai
Senior Vice-President,
Operational Excellence and Quality

11. Nicolas Marie
Senior Vice-President –
General Manager Ice Cream

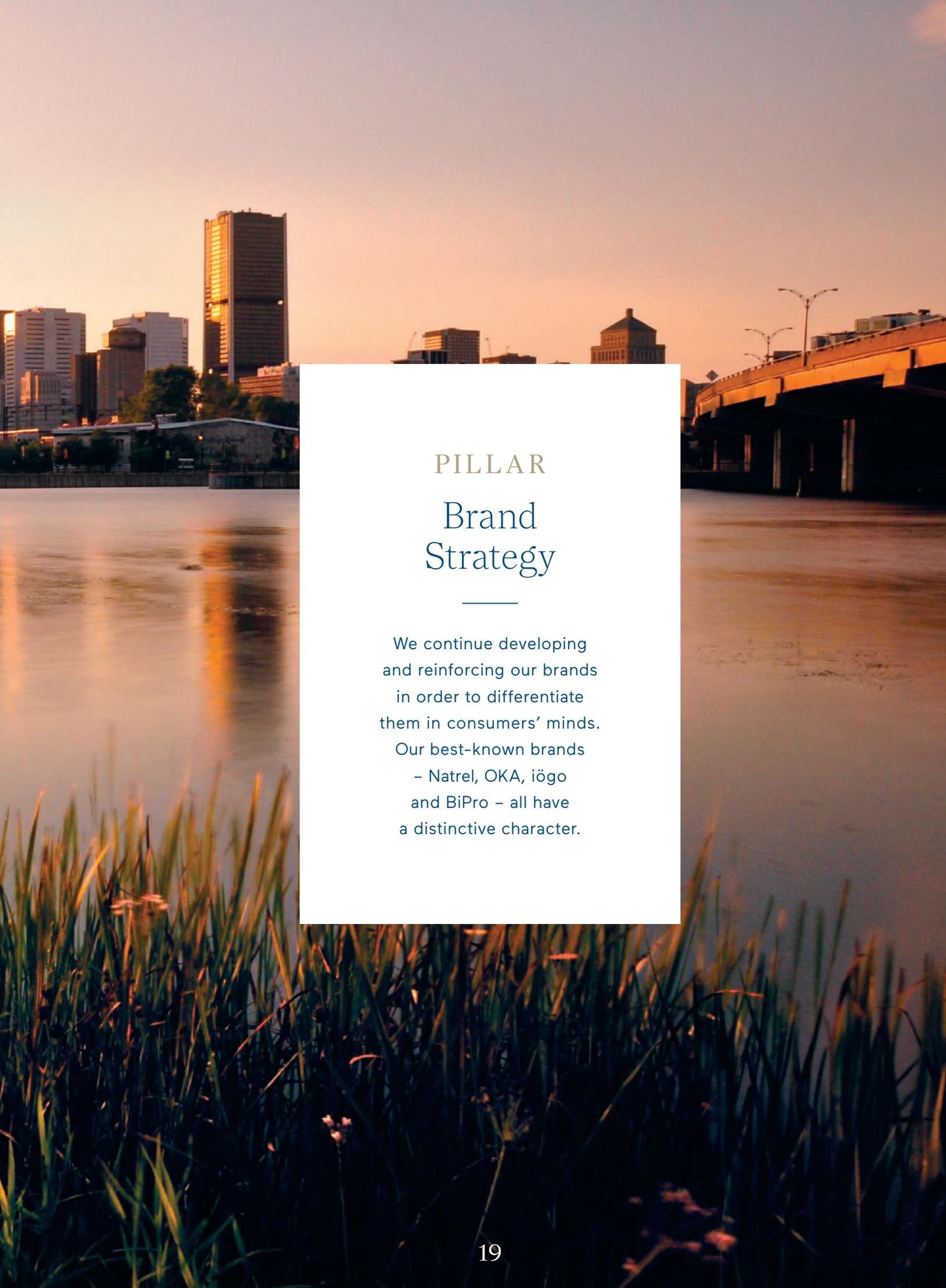
12. Serge Fortier
Senior Vice-President,
Information Technology

13. Simon Olivier
Senior Vice-President,
Strategy and Innovation



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PILLAR

Brand Strategy

We continue developing and reinforcing our brands in order to differentiate them in consumers' minds. Our best-known brands – Natrel, OKA, iögo and BiPro – all have a distinctive character.

Our brands position us as a leader in all our markets.

The campaign highlighting our pride in making products with 100% Canadian milk, launched at the beginning of fiscal 2017 in partnership with Dairy Farmers of Canada, was highly successful. It publicized our business model and increased Agropur's prompted awareness to 56% nationally in Canada. Packaging featuring the Dairy Farmers of Canada "Quality Milk" logo is being phased in.

NATREL, STILL NUMBER 1 IN THE HEARTS OF CANADIANS

The Natrel brand maintained its market dominance as Canada's most popular brand in the "fine filtered" (45% market share), "lactose free" (64% market share) and "organic" (40% market share) categories.

The brand was represented at numerous events during the year, including Montreal's YUL EAT festival and Osheaga music festival, where the *Bistro Natrel* traveling milk bar was launched. Brand ambassadors also visited many other gathering places and events across Canada, such as the Dragon Boat Festival

in Victoria, British Columbia and the Harbourfront Centre skating rink in Toronto, Ontario, sponsored by Natrel. From June to September, the Natrel brand conducted a vast sponsorship program on television and was associated with a number of cooking shows across Canada, including *Les Chefs*.

Also at the national level, a large-scale campaign was conducted for Natrel lactose free products across several platforms, including out of home, digital and social media. It also included a widely praised mockumentary about a lactose-intolerant giant whose life was changed by Natrel lactose free products.



OKA, FINE CHEESE FOR ALMOST 125 YEARS

OKA continues winning over Canadian consumers, who have made it the best-known cheese in Canada.

Backed by investments in modernized manufacturing facilities and significant marketing efforts, the brand continues to grow and meet expectations. Since 2013, sale volume has jumped 83%.

A Canada-wide television campaign was conducted for the OKA brand for the first time in its history. OKA was also present on the occasion of Canada's 150th birthday with its "OKANADA" campaign, aimed at strengthening OKA's image as the quintessential Canadian fine cheese.

The ultimate goal is to make OKA cheese to Canada what Brie is to France, Gouda to the Netherlands and Gruyère to Switzerland.

As an additional 17,700 metric tons of imported cheese will soon arrive on the Canadian market as a result of the Comprehensive Economic and Trade Agreement, it is critically important that we prepare by strengthening the relationship between our emblematic brand and consumers.

The OKA brand also moved into the single-serving space with the launch of OKA and OKA L'Artisan portion packs, small wedges that make an ideal snack. The numbers speak for themselves: OKA portion packs beat our net sales targets by 28% and the arrival of OKA L'Artisan in August 2017 boosted sales of OKA portion packs by 41%!

IÖGO, FIVE YEARS OF SUCCESS

In August 2017, the iögo yogurt brand celebrated five years of existence. In that short time, it has carved out a prominent place on Canada's dairy landscape.

iögo was launched in 2012, into a market where a number of players were already fighting for shelf space. It won over consumers of all ages with its boldness, diverse offerings and high-quality products. iögo has a more than 12% market share in Canada and is growing twice as fast as the category. Since it came on the Canadian market, iögo has helped drive the category's growth by embracing innovation, responding to consumers' expressed needs and adapting to their lifestyles.



THE QUALITY AND PURITY OF BIPRO PROTEIN PRODUCTS
HAVE EARNED THEM THE TRUST OF ATHLETES AND
CONSUMERS ALIKE.

BIPRO, A TRUSTED BRAND

The BiPro brand teamed up with several professional athletes in 2017, including Los Angeles Lakers basketball players Brandon Ingram and Larry Nance Jr., who appeared in a BiPro commercial that aired in California.

BiPro also added three varieties of flavoured protein drinks to its product line in 2017.

Natrel

iöGO

AGROPUR
Grand Cheddar.

OKA



Central Dairies

Allegro

OLYMPIC

biPro
HAUTE PERFORMANCE GANE RELEVATION
HAUTE PERFORMANCE GANE RELEVATION

Dairytown
"In the heart of the dairy country"

FROMAGES FINS
ANCO
FINE CHEESE

Québon

DAR

Farmers

Lucerne.
DEPUIS 1904

SCHROEDER

KEY

ICEBERG

Alasters
RESERVE

SCOTSBURN

CAP

island FARM



Sealtest



FOR THE THIRD CONSECUTIVE YEAR, THE GUSTAVSON INDEX, PUBLISHED BY THE UNIVERSITY OF VICTORIA IN BRITISH COLUMBIA, FOUND THAT AGROPUR WAS THE DAIRY BRAND MOST TRUSTED BY CANADIANS.





Peggy Ponce, Senior Scientist, Protein Applications Center, Eden Prairie

olate

BiPRO[®]
whey protein isolate

PILLAR

Innovation

Innovation has always been part of Agropur's DNA.

But today, innovation goes well beyond research and the introduction of new products.

Our new innovation process is demonstrating the immense potential for rethinking dairy more convincingly than ever.

BiPRO

olate

BiPRO[®] | w

isolate

Bi

We have one of the largest research and development teams dedicated to dairy products in North America, and we spend tens of millions of dollars on R&D per year.

A process, Inno Agropur, was introduced in October 2016, and is helping us differentiate ourselves by developing new products and business approaches, particularly for the new generations of consumers. It will enable us to be more responsive to their needs and offer them buying and consuming “experiences.” Inno Agropur consists of four main components: Inno Fabrik, Inno Challenge, Inno Expo and Inno Boutique.

INNO FABRIK

Inno Fabrik is an annual in-house process. Employees from different sectors and all age groups come together and brainstorm. About 60 employees took part in the last session, which yielded a hundred ideas. They were promptly submitted to consumers to measure their

attractiveness, relevance and uniqueness. Eliciting consumer feedback at the beginning of the process quickly identified the ideas with the greatest potential. The most promising ideas were then prioritized.

INNO CHALLENGE

Inno Challenge, our first crowd-sourced innovation initiative, was launched at the beginning of the financial year under the theme “Together, let’s rethink dairy!” Innovators from the world over were invited to submit projects designed to deliver new ways to experience dairy products and to meet consumers’ needs. A large number of innovators submitted ideas in response to this first call. Three were selected in February 2017 and subsequently presented at Inno Expo.

INNO EXPO

Some 50 Agropur employees from all sectors and both sides of the border attended this year the second edition of Inno Expo to assess the potential of numerous prototyped concepts generated by Inno Fabrik and the three Inno Challenge winners. A large contingent of consumers were also invited to test the products in person and give their opinions. Together, the two groups give us an optimal read on the potential of the products we are developing.

INNO BOUTIQUE

Inno Boutique is our internal incubator that moves the ideas to the small-scale production stage in a few months, as in a start-up. This year, a number of prototypes were quickly brought to the test market to assess consumer response.

GLYCOMACROPEPTIDE, A PROMISING INGREDIENT FOR THE FUTURE

A new breakthrough was made in the US with the development of a unique process for extracting a purified form of glycomacropeptide (GMP) with many potential applications. For now, this product that we are manufacturing in our Jerome plant, in Idaho, is being used exclusively to produce foods for people with phenylketonuria, a serious metabolic disorder. Once production capacity has been expanded, it will be possible to use our new discovery in the manufacture of products such as nutrition bars, oral care products, dietary supplements and so forth.

In that context, our glycomacropeptide placed first in the “innovative milk-derived or whey-derived dairy ingredient products” category in the Breakthrough Awards sponsored by the American Dairy Products Institute (ADPI), which were presented in Chicago in April 2017.



Lindsay Budin, Associate Applied Scientist, Protein Research Center, Le Sueur



Devan Wollenberg, Associate Scientist, Protein Applications Center, Eden Prairie

The background of the page is a close-up, high-angle photograph of industrial machinery, likely a large-scale manufacturing or processing plant. The scene is dominated by metallic surfaces, pipes, and structural components. A prominent feature is a large, circular, stainless steel door or hatch in the lower-left quadrant, which has a blue handle and a warning label that reads "DANGER" and "DO NOT ENTER". To the right, there's a circular opening with a red inner lining. The lighting is dramatic, with strong highlights and deep shadows, emphasizing the textures and metallic sheen of the equipment.

PILLAR

Cost Leadership

Profitability and efficiency go hand in hand, and cost reduction remains part of Agropur's strategy.

In February 2016, a target of \$100 million in savings over three years was announced. After two years, we are already at \$89 million, well on our way to achieving our goal next year.

Our cost structure pared by more than \$170 million in 5 years.

WORLD-CLASS FACILITIES SUPPORT GROWTH

Operational excellence is at the core of our process improvement initiatives. Agropur makes ongoing investments in its facilities to ensure they are world-class and to support corporate growth. Over the past 5 years, more than \$989 million has been injected into our plants and in many other projects in Canada and the US.

Most recently, Agropur has decided to invest on its plant in Lake Norden, South Dakota. This strategic investment will help Agropur better serve its customers. The plant will make cheese and whey-based products for various markets. Work began in October 2017 and the expanded plant should be fully operational in early 2019.

FIRST SUPPLIER AWARD CEREMONY A SUCCESS

The Strategic Sourcing & Development department continued working with suppliers to find the best ways to optimize costs. In March, it launched the Supplier Awards to recognize our suppliers' contributions to our cost-reduction efforts.

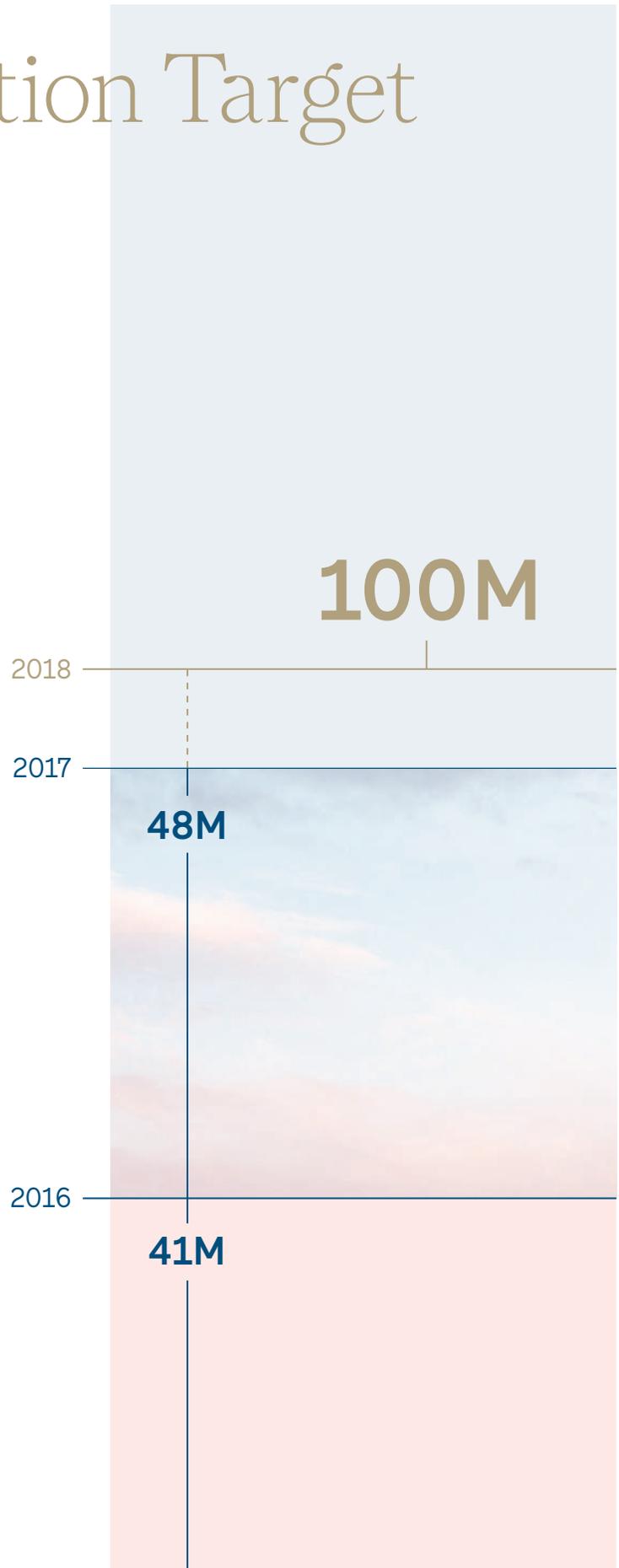
The Supplier Awards are aligned with Agropur's values and operational objectives. The competition stretched over 12 months and culminated in the Supplier Award gala in March 2017, where seven prizes were handed out to suppliers for outstanding collaboration on creative solutions.

ERP PROJECT WILL REDUCE COSTS IN THE MEDIUM TERM

The process of implementing Oracle ERP, Agropur's Enterprise Resource Planning system, is moving forward. This bold program will give the entire organization access to accurate, timely and detailed information and contribute to improved performance.

Cost Reduction Target

IN MILLIONS OF DOLLARS





Misti Delaney, Packer, Truro Plant

PILLAR

Human Capital

The more dynamic approach, initiated in 2015, is making us a more customer- and consumer-centric organization and increasing our agility as we change and innovate.



AGROPUR

Agropur is an employer of choice and devotes considerable effort to developing innovative programs.

In the wake of the creation of Canada Operations and US Operations, we continued evolving our structures. Among other things, we moved towards matrix management to flatten our organizational structure and promote agility and collaboration. The new structures are also more focused on supporting and responding to the needs of customers and consumers.

REVIEW OF ORGANIZATIONAL STRUCTURES FOLLOWING ULTIMA FOODS ACQUISITION

Following the acquisition of Ultima Foods at the beginning of fiscal year 2018, we also reviewed our Canadian operations with a view to optimizing the structures while preserving expertise and talent in the yogurt sector.

As part of the same process, new organizational structures have been put in place to intensify our customer focus. Multifunctional teams with a mix of areas of expertise will be assigned to major customers in order to identify their needs more accurately and respond with greater agility.

VIBE SURVEY

The VIBE survey was conducted in the fall of 2016 to measure the well-being of Agropur managers and office employees in Canada and the US. It had three goals: to measure employee buy-in to the transformation and the new corporate values, to determine the level of pride in working for Agropur and to ensure that employees had the support they needed to perform during the transformation.

The process concentrated mainly on the areas over which our managers have influence and on differentiating ourselves from other organizations by focusing our efforts on the quality of our leadership.

The survey results were published in February 2017. The engagement index for all Agropur salaried employees compares favourably with the North American consumer staples industry average.

Even with this positive result, specific action plans were established for each workplace in response to the feedback and the findings.

MODERNIZATION OF HUMAN CAPITAL MANAGEMENT

To achieve its ambitious business objectives and ensure its sustainability, Agropur is working to modernize its human capital management practices. The organization needs to set itself apart and institute modern management mechanisms to create a work environment that meets the expectations of new generations. It must also contend with virtually full employment, which means it must differentiate itself in order to attract the best candidates.

2017 was a banner year in this respect. Among other things, focus groups were used to pinpoint Agropur's strengths as an employer in both Canada and the US.

HARMONY PROJECT COLLABORATION TO SUPPORT GROWTH

Harmony project will transform Agropur's human capital service delivery model by implementing a human capital and payroll management system and updating the time management system. These new systems will support Agropur's growth. Upon completion, planned for 2019, the new payroll and human capital management system will be up and running, providing more effective management and a uniform experience for employees across the organization.



Sam Peters, Operator / Beth Sharpe, Floater / Jay-J Crowe, Packer
Truro Plant

VisionR SUCCESSION MANAGEMENT PROGRAM TAPS EMPLOYEES' FULL POTENTIAL

Through its VisionR program, Agropur has made the development of high-potential employees a priority. Among other things, this program identifies such employees through an evaluation grid and includes workshops in which managers work on Agropur's business challenges in multidisciplinary groups. The recommendations that emerge serve to review strategies and improve execution.

For employees, the program provides an excellent opportunity to raise their profile in the organization, make their career aspirations known and highlight their talents. Our ongoing succession management process, based on a comprehensive approach, enables us to adapt quickly to our environment and constitutes a clear

competitive advantage. We plan to expand the program to all employees.

EVOLUTION PROGRAM

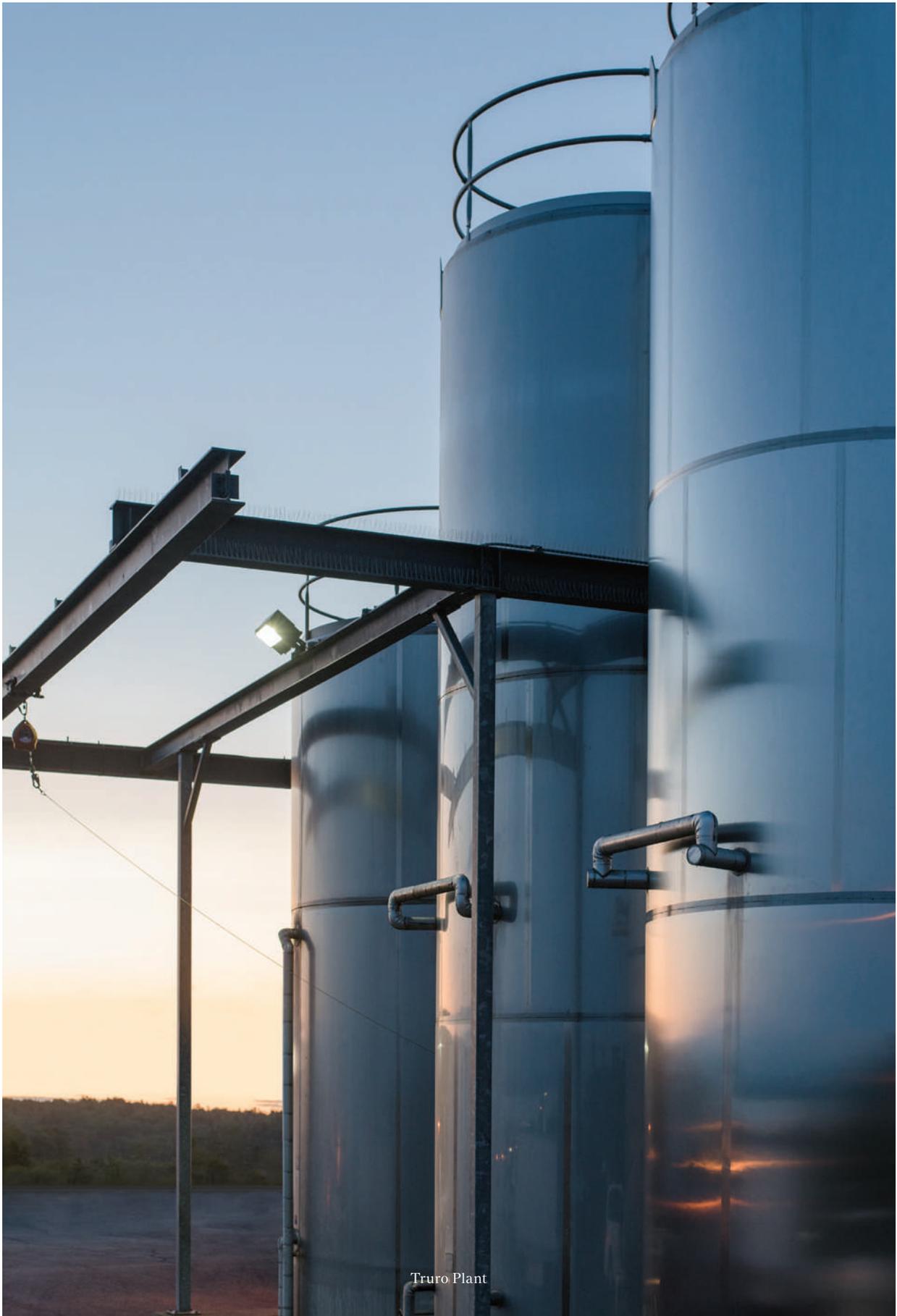
This program is helping to improve health and safety, enhance quality, reduce costs, cut lead time, protect the environment and motivate employees.

Although Agropur has seen major changes in recent years, our commitment to a culture of prevention in occupational health and safety (OHS) is unaltered. We continue to deploy our prevention program across the organization and maintain our zero-tolerance approach to accident risk. Our health and safety record improved in 2017. The frequency of accidents causing lost time or temporary reassignment decreased by 19% compared with 2016. Regarding the seriousness of the accidents, the number of days off work or on temporary reassignment decreased by 13%.

Agropur has OHS committees at all its sites and is committed to emphasizing their role and to including health and safety considerations and goals in its annual strategic planning process. As new risk management and OHS leadership standards are established, they are incorporated into the prevention program.

In the US, our "Power of ONE" approach has proven effective. Significant effort was devoted to a detailed assessment and analysis of each site in order to identify opportunities for improvement and synergy. Subsequently, a plan was developed for strengthening our best practices and improving our training approach at all levels of the organization.

We plan to continue along this path in 2018 to support continuous improvement of our health and safety programs and performance.



Truro Plant



PILLAR

National and International Development

Like our other pillars, national and international development saw accelerated growth and transformation in 2017. It was also a year of balanced development, driven by both organic growth and acquisitions.





Corporate Social Responsibility

Agropur takes a long,
multigenerational view.
As a responsible player in the
agri-food industry, we use
a structured approach to
track our operations' social
and environmental impacts.

Our cooperative values prompt us to make a difference for the community, our members, our employees, farm animals and the planet.

As a responsible player in the agri-food industry, we use a structured approach to track our operations' economic, social and environmental impacts. It covers five dimensions.

THE PRODUCT DIMENSION

Our first responsibility to our customers and consumers is to guarantee them a product that meets the strictest food safety and compliance standards.

During the past year, we maintained our Safe Quality Food (SQF) certification for all our plants in both Canada and the US. We also support the Global Food Safety Initiative.

THE MEMBER DIMENSION

Our development rests on solid foundations rooted in our history and

our cooperative DNA. One of the cornerstones of those foundations is our institutional life. In 2017, we held more than 80 meetings with our members producers across our territory, infusing our democratic structures with vigour throughout the year.

In a fast-changing business environment, we keep our members informed and educated about issues of the industry, milk quality, animal welfare and other matters of concern for them or the cooperative.

Special attention is paid to the young people who are the dairy farmers and Agropur members of the future. In 2017, the 10th edition of the Young Cooperative Leaders Program, which integrates them into our institutional life, was held. In October 2017, 20 former participants in the program went on a study tour of the Midwestern US.

THE HUMAN CAPITAL DIMENSION

Human capital is one of our five strategic pillars but also an important component of corporate social responsibility. We care about providing a healthy and safe work environment so that our employees can achieve their full potential. We also have a succession management program

that serves to identify and groom successors in all our areas of activity and for all types of positions, operational and administrative.

Agropur is committed to protecting the occupational health and safety of its employees. Our goal is to prevent any and all working accidents by applying a zero-tolerance approach.

THE ENVIRONMENTAL DIMENSION

To manage the environmental footprint of its operations in a responsible manner, Agropur has implemented an environmental management system. The priorities are comprehensive water management, reduction of greenhouse gas (GHG) emissions, and recovery of organic wastes. In 2017, Agropur reduced water usage at its plants in Canada and the US by 80,000 m³. The Cooperative also achieved its goal of having its greenhouse gas emissions calculated by an independent third party.

THE COMMUNITY DIMENSION

In keeping with our values of solidarity and mutual aid, we are involved in the community. During the past year, we made donations and sponsorships worth the equivalent of nearly 1% of our earnings before patronage dividends and income taxes. Much of



our support goes to organizations working for the well-being of children and families.

We engage with the Pacific Path Institute, an organization that promotes conflict resolution and works to prevent psychosocial problems and violence in all settings.

We are one of the main partners of the Fondation OLO, which provides vulnerable families with nutritional support to help mothers give birth to healthy babies and give children a good start in life.

We support Breakfast Clubs of Quebec and Canada to give as many Canadian children as possible a hearty breakfast and an equal chance at success.

We support the Moisson network of food banks and many other food banks by donating foodstuffs.

Agropur has been sponsoring Make-A-Wish® Québec's 48-Hour Ride for years. In 2017, a number of employees rode in the fundraiser to help grant the wishes of sick children. They raised a total of \$147,000 for the cause.

In our annual Employee Fundraising Campaign, employees in Canada and the US choose a cause they care about and organize fundraising drives. The Cooperative matches the funds collected by employees. As a result, substantial donations were made to a dozen foundations in Canada and the US.

In the spring of 2017, Agropur stood with the people affected by flooding in eastern Canada and made a \$25,000 donation. Later in the year, the Cooperative donated equal amounts to help victims of the

summer wildfires in BC and Hurricane Harvey in the US in the fall.

Agropur also supports hospital, college and university foundations across North America.

FIGHTING HOMELESSNESS WITH BEEKEEPING

Beehives were installed on the grounds of our head office in the spring of 2017. Through a partnership with the Accueil Bonneau homeless shelter and the Alvéole urban beekeeping company, homeless and at-risk people were trained in honey production and public education.



Le Sueur Plant

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In this publication, the masculine gender is used without discrimination, for the sole purpose of brevity.



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