



CORPORATE SOCIAL RESPONSIBILITY REPORT

| 2017-2018



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ABOUT THIS REPORT

This is Agropur's first corporate social responsibility report, covering its 2017 fiscal year (November 1, 2016 to October 30, 2017). Because this report is being published in June 2018, the significant events that have occurred since the end of the 2017 fiscal year have also been included. This report covers Agropur's activities in both Canada and the United States.



MESSAGE FROM THE PRESIDENT AND THE CEO



René Moreau



Robert Coallier

It gives us great pleasure to present this document—our first corporate responsibility (CR) roadmap and our first CR report. These are not our first steps in this area, however. Since our very beginnings, in fact, corporate responsibility has been closely tied to our cooperative values and our desire to act respectfully and for the benefit of the community. We have undertaken numerous initiatives in recent years—economic, social and environmental. This document is our opportunity to share those accomplishments.

For more than a year, we endeavoured to anchor corporate responsibility to our business plan. That is why we chose to structure our CR approach in line with best practices and trends in the agri-food industry. Our CR roadmap therefore describes what it means for Agropur to be a responsible organization and is based on the following five dimensions:

- **Our products:** we offer quality products;
- **Our members:** we support the vitality of our cooperative model;
- **Our employees:** we provide a healthy and safe work environment that allows our people to achieve their full potential and supports our business ambitions;
- **Our environment:** we ensure integrated management of our operations' environmental footprint;
- **Our community:** we work in the community and support the cooperative movement.

This CR approach also addresses the expectations of our partners, particularly our commercial clients. All stakeholders in the agri-food chain are aware of the economic, social and environment impacts of their activities. They want to know what their suppliers are doing to manage their social and environmental footprint. As a responsible player in this industry, we want to report on what we are doing and what we have achieved in complete transparency.

We are very pleased with the results of this exercise, which has proven beneficial for our Cooperative. In addition to supporting its ambitions and business goals, CR actions bring value to our organization.

We now proudly present the results of our work. But this does not mean that the work is done. We must be demanding in order to continue meeting the needs of our clients and consumers. The Agropur way is to be proud of our industry leadership, but not to rest on our laurels.

With that in mind, we will continue taking action to address the major challenge of sustainable development, one success at a time.

René Moreau, President

Robert Coallier, CEO



AGROPUR PROFILE



AGROPUR PROFILE

Established in Granby in 1938, Agropur Cooperative is one of the **20 largest dairy processors in the world**, with **\$6.4 billion in sales in 2017**. Agropur is also the largest dairy processing cooperative in North America. It is owned by **3,290 producer members** and employs **8,300 people**.

Agropur is proud of its unique business model, based on solidarity, democracy and the pooling of resources. Every year, it returns a patronage dividend to its members, based on their annual milk production and on the surpluses that the Cooperative has generated. Totalling \$65.2 million in 2017, this patronage dividend contributes to the economic vitality and well-being of communities.

In 2017, Agropur processed 6.1 billion litres of milk at its 39 plants across North America. The organization boasts a range of reputable brands and products, including Natrel, Québon, OKA, iögo and BiPro.

OUR FACILITIES

- Head office: Longueuil, Quebec, Canada
- 39 plants across North America
 - › 28 in Canada (New Brunswick, Nova Scotia, Quebec, Ontario, Manitoba, Alberta, British Columbia, Newfoundland and Labrador)
 - › 11 in the United States (South Dakota, Idaho, Iowa, Michigan, Minnesota, Wisconsin)
- Laboratories, R&D centre, distribution centres, warehouses and offices
- International sales offices: Geneva, Mexico City, Shanghai and Singapore – major dairy product importing regions

FINANCIAL DATA

Sales:

\$6.4 billion

Earnings from operations:

\$444.1 million

Net earnings:

\$174.9 million

Net earnings:

\$65.2 million

Agropur publicly discloses its quarterly and annual financial results on a voluntary basis: agropur.com/en/our-cooperative/finances



CORPORATE RESPONSIBILITY (CR) APPROACH

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CORPORATE RESPONSIBILITY ANCHORED TO OUR COOPERATIVE BUSINESS MODEL

OUR BUSINESS ETHICS

OUR APPROACH

OUR PRIORITIES



CORPORATE RESPONSIBILITY ANCHORED TO OUR COOPERATIVE BUSINESS MODEL

On the strength of our founding members' vision, which was that "our cooperative will know no borders," Agropur has grown from a regional to provincial and now national and North American organization.

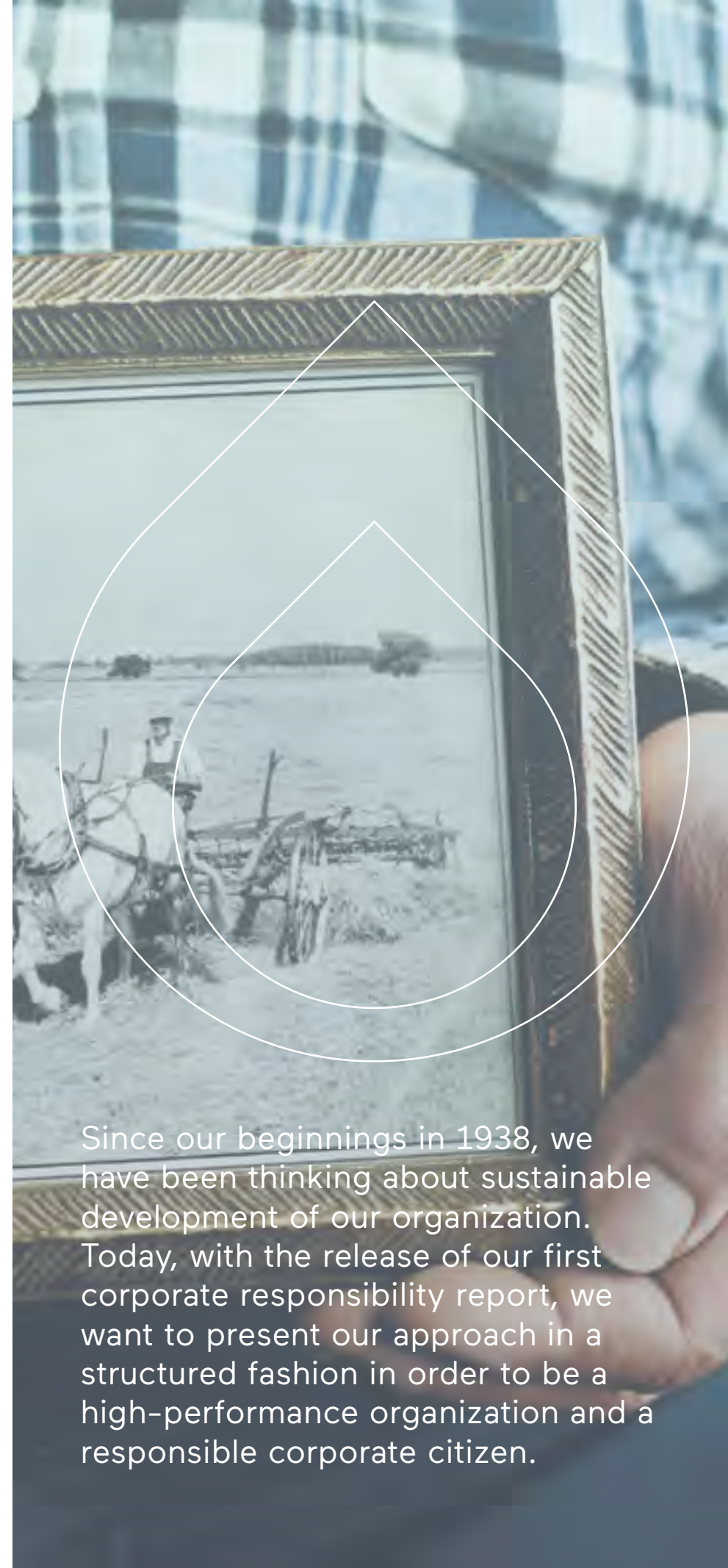
The Cooperative's development is part of a long-term vision and is powered by a **clear mission**: to be faithful to the long-term vision of members by offering quality dairy products to our clients and consumers. By relying on our **values** of boldness, communication, collaboration, excellence and integrity, we intend to deliver on this mission.

Our concern with the welfare of our members, our community and the environment is ingrained in the values and principles on which our cooperative business model is based. We embrace practices that help build our society's human, social and economic capital for the long term. As a cooperative, Agropur takes the long view and supports responsible development rooted in human values.

At Agropur, passing on a positive legacy from one generation to the next is embedded in our DNA and makes us extremely proud. This is the goal that motivates us every day to work on behalf of our members, our employees, our clients, consumers and business partners.

Agropur is now North American's largest dairy processing cooperative and is Canada's most trusted dairy brand. We have earned a very strong position, but we are also dealing with an extremely competitive global dairy industry that continues to consolidate. Our sustainability is therefore reliant on growth.

We intend to pursue the path of growth by counting on our unique cooperative business model and by diligently implementing our development plan, which is based on five pillars—brand strategy, innovation, cost leadership, human capital and national and international development.



Since our beginnings in 1938, we have been thinking about sustainable development of our organization. Today, with the release of our first corporate responsibility report, we want to present our approach in a structured fashion in order to be a high-performance organization and a responsible corporate citizen.



OUR BUSINESS ETHICS

In addition to ensuring that the products we market are of high quality, we accord very special importance to our business ethics.

Agropur is a brand that people trust. With that type of recognition also comes great responsibility. In a world where transparency and integrity have become critical, Agropur feels that maintaining ethical standards is more important than ever. We therefore ensure that we introduce the structures and tools required for ethical operation of our organization and that we update them regularly to account for emerging issues.





OUR PRIORITIES

Agropur's corporate responsibility approach focuses on five dimensions: our products, our members, our employees, our environment and our community. For each dimension, priority themes have been identified. Application of this corporate responsibility report is a lever for us to achieve our business objectives.

PRODUCTS

- Product quality
- Milk supply
- Nutritional content

MEMBERS

- Associative life
- Support for members

HUMAN CAPITAL

- Facilitating Agropur's ambition to grow
- Leading engaged and high-performance teams
- Building the workforce of tomorrow

ENVIRONMENT

- Implementation of the environmental management system (EMS)
- Water management
- Greenhouse gas emissions management
- Waste management

COMMUNITY

- Community engagement
- Support for the cooperative movement



OUR APPROACH

Agropur has developed a structured and rigorous corporate responsibility (CR) approach. We have selected dimensions and priority themes that are meaningful for our organization and our industry and are in line with the expectations of our stakeholders, in particular our clients, our members, our employees, and consumers. This exercise has enabled us to identify priority corporate responsibility issues in our first CR report.

The methodology for developing our corporate responsibility approach is based on the following:

- Use of GRI (Global Reporting Initiative) standards and SAFA (Sustainability Assessment of Food and Agriculture systems) as our reference standards
- Analysis of sustainable development issues for the industry
- Analysis of corporate responsibility practices of industry players
- Inventory of requests from Agropur's corporate clients
- Analysis of practices in place at Agropur
- Consultation of internal stakeholders



REVIEW OF THE DIMENSIONS OF CORPORATE SOCIAL RESPONSIBILITY AT AGROPUR

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PRODUCTS

MEMBERS

HUMAN CAPITAL

ENVIRONMENT

COMMUNITY



REVIEW OF THE DIMENSIONS
OF CORPORATE SOCIAL
RESPONSIBILITY AT AGROPUR

PRODUCTS

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PRODUCT QUALITY

MILK SUPPLY

NUTRITIONAL CONTENT OF PRODUCTS



Agropur: a trusted brand

Offering our customers and consumers quality dairy products is the very heart of Agropur's mission. We strive to process milk into innovative, value-added products and ingredients.

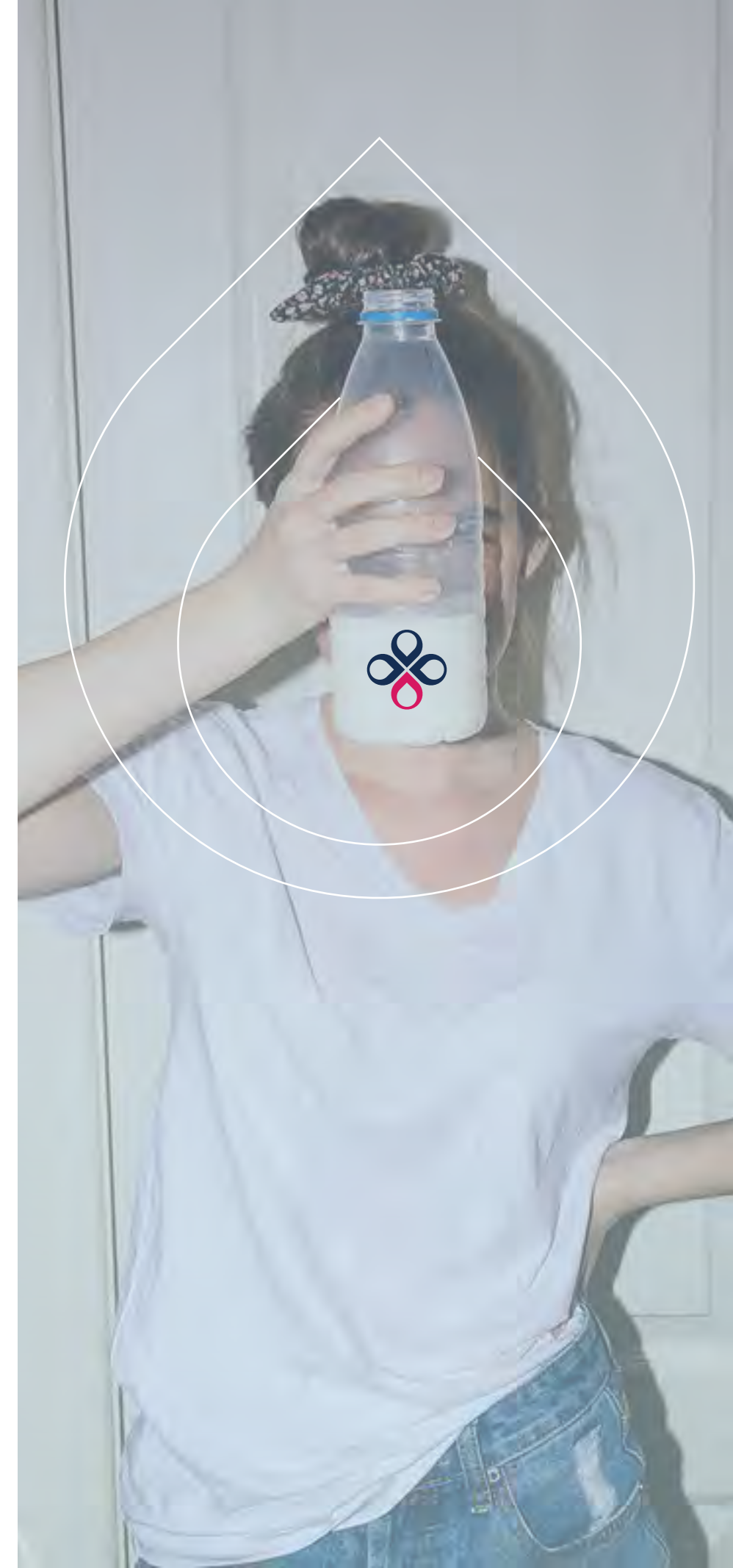
In fact, Agropur has been recognized for its efforts to offer quality products.

- In 2017, for the third year in a row, the Agropur brand topped the list in the dairy category on the prestigious Gustavson Brand Trust Index of the brands Canadian consumers trust the most, which is presented by the Peter B. Gustavson School of Business at the University of Victoria. The index compiles various aspects of brand trust, including Canadians' perceptions of a brand's integrity, social responsibility, performance and interactions with its customers.
- In addition, an in-house survey conducted in 2017 indicated that over 70% of our Canadian and U.S. employees identified product quality as the single most important attribute of our organization.

The core of our business model is the responsibility to offer products that meet the most stringent quality standards. We believe it is vitally important to pay close attention to our manufacturing processes and ingredients. All of these efforts combined allow us to meet the expectations of consumers, who are seeking high-quality, nutritious dairy products.

Within the Products dimension of our CR approach, we address the following themes:

- **Quality of the products we manufacture**
- **Milk supply**
- **Nutritional content of products**





| PRODUCT QUALITY

Our expertise

Offering healthy and safe products that meet standards is an obligation for any business in the food industry. The care that is taken may vary, however, from simple compliance with standards to a more ambitious goal. At Agropur, we strive for excellence.

Our Quality departments in Canada and the United States ascribe to a vision of developing a world-class quality control approach that is recognized and shared by all employees at all sites. We believe this is how to build a brand that is recognized for product quality and to ensure the success and sustainability of our organization.

At Agropur, our ambition is to deliver on our high-calibre expertise. We adhere to Agropur's quality requirements in our activities and supply chain, we standardize our practices, exercise appropriate supervision, manage risks responsibly and proactively and ensure that our teams receive ongoing training and are held accountable.





PRODUCT QUALITY

A quality product is one that is produced under strict sanitary conditions and that meets the food, safety and compliance requirements of our customers and consumers.

- Sanitary design refers to the hygienic conditions in which we manufacture our products.
- Food safety refers to the methods whereby we guarantee to consumers that products will have no negative impact on their health, through maintenance of hygienic conditions and protection of sites from contaminants.
- Compliance means meeting all applicable regulatory requirements, including those of the Canadian Food Inspection Agency (CFIA) and the U.S. Food and Drug Administration (FDA).





PRODUCT QUALITY

REVAMPING AGROPUR'S QUALITY ASSURANCE SYSTEM

Our global QA system highlights our quality expectations and describes how we comply with the regulations and industrial standards that apply to both ourselves and our customers. Quality assurance is an integral part of the organization's day-to-day operations—it is the backdrop to everything we do.

With nearly 80 years of history behind us, Agropur is a highly structured organization with well-established processes that have continually been updated. For example, in the early 1990s, Agropur was a forerunner in adopting the principles of HACCP (Hazard Analysis and Critical Control Points), which was uncommon in the industry at the time but is now widespread.

Agropur has always believed in the need to update its methods and incorporate new quality standards—that is why the organization has revamped its QA system over the past year. The exercise resulted in a system that relies on its team to be proactive and allows greater flexibility to meet the constantly evolving requirements of its customers, the industry and legislators, while promoting development and transfer of knowledge through sharing of good practices.

SQF certification of our plants

We keep our SQF (Safe Quality Food) certifications up to date in order to reaffirm the excellence of our plants in Canada and the U.S. every year. Recognized worldwide, SQF certification demonstrates that a rigorous and credible food safety management system is in place, from raw material to food manufacturing. SQF certification is recognized by the Global Food Safety Initiative (GFSI).

PLANT CERTIFICATION: EVIDENCE OF OUR HEALTH CONTROL SYSTEMS

Our customers want assurance that the food they market is safe, throughout the entire production chain and for all suppliers involved. Certification of our plants allows us to provide evidence that a series of good practices and procedures have been introduced to control food safety.





PRODUCT QUALITY

QUALITY REQUIREMENTS FOR SUPPLIERS

In 2017, teams in Canada and the U.S. worked closely together to set up a supplier quality requirements program. This initiative will make it possible to manage the relationship with suppliers more effectively by certifying that they meet Agropur's quality requirements and by ensuring product traceability..

PROMOTION OF THE QUALITY APPROACH AT AGROPUR

A number of initiatives have been introduced to promote and increase emphasis on quality across the organization. The 2nd Agropur Quality Summit is a good example of this commitment. In November 2017, over 50 employees from the quality departments in Canada and U.S. gathered to exchange ideas and receive training on safety and compliance issues.

2nd AGROPUR QUALITY SUMMIT

"Our ambition is to build a world-class quality approach at Agropur. The first and foremost factor in this effort is our people."

- Michèle Théberge
Vice-President, Quality





MILK SUPPLY

Supporting the best practices of dairy farms

In dairy processing, milk is our main purchase and our raw material. Since the quality of milk is a critical element in our production, we have a common desire on both sides of the border to ensure a quality supply of milk that is produced responsibly.

Milk procurement systems in Canada and the U.S. are different. While we have a collective marketing system (supply management) in Canada, in the U.S. we get our milk directly from producers.



QUALITY OF CANADIAN MILK

Because of supply management in Canada, Agropur cannot deal directly with dairy producers. We believe it is important, however, to remain abreast of and support initiatives by producer associations to establish sustainable milk production policies.

By virtue of its cooperative status and the support it gives its members, however, Agropur does play a proactive role among dairy producers regarding milk quality. It can therefore provide feedback on the quality of milk delivered and consult on improving milk quality.



MILK SUPPLY

In addition, Agropur set up the Milk Quality Excellence Club nearly 30 years ago to promote best practices on the farm and recognize members that deliver the best results.

The milk supplied by dairy producers in Canada is governed by a supply management policy based on collective marketing and production planning according to the needs of the Canadian market. Management of production quantities, milk quality and allocation of volumes to processing plants is done collectively by the Dairy Farmers of Canada and its provincial partners.

Canadian and provincial dairy producer associations have developed a farm quality assurance program, Canadian Quality Milk (CQM), which has clearly identified safety and quality standards. Agropur is therefore able to get its supply from CQM certified dairy farms.

In addition to guaranteeing milk safety, Canadian dairy producers work to implement the **proAction initiative**, which also extends to farming and stewardship practices, to ensure responsible and sustainable livestock and environmental management. As a buyer, Agropur benefits from the program because it helps ensure the quality of its milk supply.

In most cases, U.S. milk prices are set by Federal Milk Marketing Orders (FMMOs). FMMOs institute a price discrimination system to encourage suppliers to service certain markets. Processors like Agropur pay higher prices for consumer milk than for milk to be processed. Federal Milk Marketing Orders administer a system of equalization payments that distribute Category 1 milk revenues to producers. Since the 2014 *Farm Bill* was enacted, the United States has operated a program to stabilize dairy farmers' margins.

QUALITY ASSURANCE IN CANADA

Dairy Farmers of Canada's proAction program has six modules: milk quality, food safety (Canadian Quality Milk), animal care, traceability, biosecurity and the environment.



"QUALITY MILK" CERTIFICATION ON OUR MADE-IN-CANADA PRODUCTS

In November 2016, Agropur announced it would display the Canadian Quality Milk certification-of-origin logo on all its products. The logo certifies that all of the milk and/or dairy ingredients used in a product are of Canadian origin. It reminds consumers that Canadian milk is produced by dairy farmers who care about animal welfare, environmental protection and the health of Canadian families. Agropur is leading the way when it comes to displaying the new "Quality Milk" logo.





MILK SUPPLY

ANIMAL HEALTH AND WELFARE

Livestock health and welfare is an important issue for all agri-food industry stakeholders. In recent years, there has been growing interest in this topic throughout the supply chain, including dairy producers, processors, retailers and consumers.

Based on greater knowledge and a constant concern for their animals' well-being, dairy farmers are working to improve practices and meet their customers' requirements and the expectations of consumers who want reassurance that the meat or dairy products they consume come from animals that have been well treated.

Agropur's animal welfare policy statement

A major player in the dairy production industry in both Canada and the U.S., Agropur adopted an animal welfare policy statement in 2015. Through this initiative, Agropur wanted to convey its commitment to dairy herd protection.

The organization feels that good practices are beneficial to the animals, of course, but also make sense for Agropur, because animals that are well looked after will be healthier and more productive. Agropur's goal is therefore to offer customers high-quality dairy products made with milk from well-treated animals.

The principles underpinning this policy statement are:

- Dairy cows must receive appropriate treatment and care at every stage of their lives to keep them healthy, comfortable and safe;
- Agropur expects the people who look after the cows on its member farms to use appropriate methods of caring for and handling dairy cattle;
- Agropur has zero tolerance for animal mistreatment or cruelty.

In addition to supporting industry initiatives to improve animal welfare, Agropur promotes compliance with animal-welfare standards by its members in Canada and its suppliers in the United States.

The full policy statement
is available [\(here\)](#).



THE FARM PROGRAM IN THE U.S.

In Agropur's constant commitment to respond to our customer's needs, we focus on milk quality and food safety. Our customers' standards for supplying food products have however recently been elevated in the area of animal well-being.

In response to this, along with our efforts of continuing to build consumer confidence in our dairy industry, we are implementing Farmers Assuring Responsible Management (FARM) for all milk products shipping to Agropur. The FARM program is an on-farm continuous improvement process centered on evaluating animal care and quality assurance. Agropur conducts on-farm audits to ensure compliance with the rigorous guidelines of the standard.

Created in 2009, FARM has evolved through working with experts from all segments of the dairy industry, including the National Milk Producers Federation and support from Dairy Management Inc. It has been implemented by nearly 53 cooperative and private dairy food processors on over 8,300 dairy food producers throughout the United States for the past three years.



MILK SUPPLY

Use of antibiotics and growth hormones

Antibiotics are necessary to care for animals. Judicious use of antibiotics has become a growing concern for a number of stakeholders, however, including dairy farms and processors.

As such, the Dairy Farmers of Canada's quality programs have governed the use of antibiotics for a number of years. For example, when drugs are required to treat a cow, they are prescribed by a veterinarian and the cow must be removed from the supply chain (i.e. the cow's milk is not marketed) for a period of time; further, the milk is then sample-tested to ensure no antibiotic residue remains.

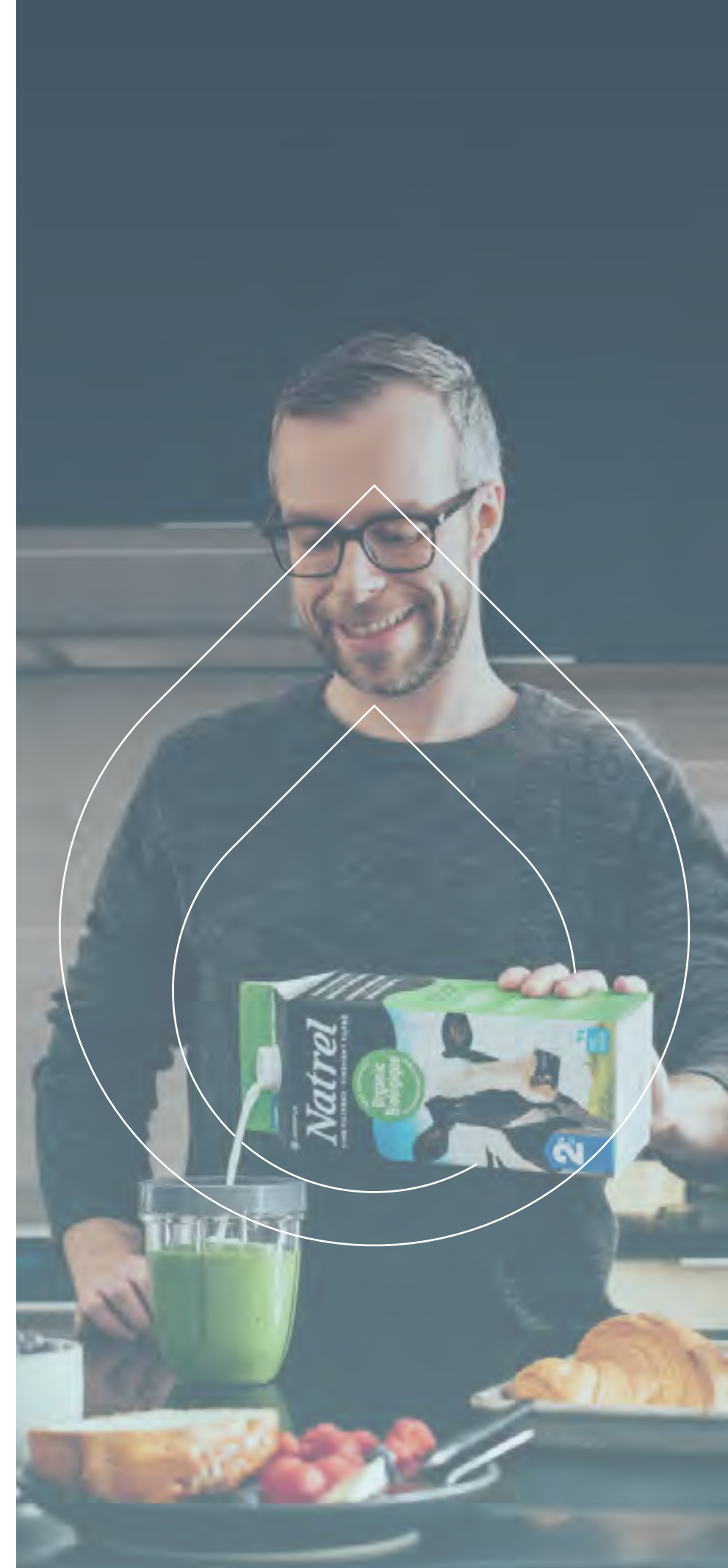
More recently, the Dairy Farmers of Canada proAction program has reiterated the importance of responsible use of antibiotics by making food safety one of the six modules of its quality assurance program.

As for growth hormone (also called somatotropin), its use is prohibited in Canada. Health Canada has deemed its use to be detrimental to dairy cow health. Somatotropin is approved for use in the U.S., however, on January 1, 2018, Agropur discontinued supplying milk produced with growth hormone.

ORGANIC PRODUCTS

Another feature of milk related to responsible practices adopted by dairy farms is organic certification.

Agropur is able to rely on a supply of milk that is organically produced and certified in order to offer organic products that meet growing consumer demand. Although it still represents a small percentage of its product portfolio, organic production is expected to grow.





NUTRITIONAL CONTENT OF PRODUCTS

Highlighting nutritional value

Agropur pays particular attention to including healthy foods in its range of products—dairy products that are naturally positioned as an “excellent source of calcium” and an “excellent source of vitamin D”. From that perspective, health and nutrition claims are regulated by Health Canada and the U.S. Food and Drug Administration.

In addition to organic products, Agropur has recently worked on developing lactose-free and low-fat options. For example, Allegro is a high-protein cheese (10g per serving) with reduced fat (9%) and zero lactose. The OKA cheese portion packs, which make it possible to control consumption to 20g, recently won the jury prize at the Conseil de la transformation alimentaire du Québec (CTAQ) food innovation awards. It has also been nominated at the DUX Awards, the Canadian Grand Prix New Product Awards sponsored by the Retail Council of Canada.

New nutrition labelling in Canada

We should also mention the recent introduction of new nutrition labelling rules in Canada, which are forcing dairy processors to change their food labels. The regulatory change has been in place since December 2016 and is aimed at introducing new nutrition facts labels that identify ingredients, serving sizes and calories more simply and consistently. The goal is to make it easier for consumers to make informed decisions. Agri-food processors have five years to comply with the new rules. Agropur is already working on implementation and has developed an internal work tool to support compliance with the new requirements.



COMMUNITY SUPPORT FOR HEALTHY EATING

Agropur is partnering with important causes like OLO, a program for low-income pregnant women that gives them access to healthy, essential foods like milk free of charge in order to promote a healthy pregnancy and sound development of their unborn child.

Agropur is also a partner in the Breakfast Clubs of Quebec, Ontario and Vancouver, which provide access to quality milk for growing Canadian children.



REVIEW OF THE DIMENSIONS
OF CORPORATE SOCIAL
RESPONSIBILITY AT AGROPUR

MEMBERS

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ASSOCIATIVE LIFE

SUPPORT FOR MEMBERS



Agropur's cooperative identity

Agropur was established in 1939 in the township of Granby, Quebec by visionary members who understood the strength of cooperation. Today, **Agropur has 3,290 members** and is the largest dairy processing cooperative in North America.

At a time when prevailing economic models are in question and new paths to sharing the wealth and building a better future are being sought, Agropur is proud of its cooperative business model. It is an instrument of empowerment that equips the Cooperative to control its own future, to offer a wide range of dairy products that meet the highest standards of quality, and to benefit the communities where it has a presence.

To support its members and offer them tools to thrive in an increasingly competitive business environment, Agropur relies on a number of resources designed to maintain strong ties between members and their cooperative. Members can count on a solid governance structure, regular, transparent information, a dynamic associative life, a representative board of directors and skilled managers and employees.



91 members on August 15, 1939

Our people include a team of cooperative advisors that is particularly dedicated to training and informing members, employees and external stakeholders about the Cooperative,

which makes them key references. These advisors also provide members with various services designed to improve the quality of their milk and the well-being of their animals.

All of these initiatives are aimed at actively supporting the long-term cohesiveness of the two constituent parts of Agropur, i.e. its association of people (the members) and the business they own.

To ensure the vitality of its cooperative model, Agropur relies on two priorities:

- **A rich associative life**
- **Support for members**



A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

The distinctiveness of the cooperative model is reflected in particular in the cooperative values set out by the International Cooperative Alliance:

- Democracy
- Solidarity
- Equity
- Equality
- Individual and collective control

At Agropur, these values are embodied on a daily basis and find concrete expression in our activities.



ASSOCIATIVE LIFE

Ongoing exchange between members and management

Agropur's development is based on the foundations of its history. One of those components is the associative life that has been offered to members and their operations since 1938. Agropur's associative life is the framework that allows a participatory, democratic structure to unfold year-round.

Agropur consists of dairy producer members who are asked to make decisions regarding their choice of directors, Constitution and Bylaws and directions for their Cooperative, forming a solid base on which the organization can grow.

Agropur's members enjoy an extremely rich associative life, which is reflected in the ongoing communication between members and their leaders at a variety of events. In total, over 80 get-togethers are held annually throughout its territory:

- **Annual general meeting:** February
- **Member meetings:** April
- **Summer facilitators' meeting:** June
Established in 1949, this network now comprises 703 facilitators, including young people, who provide a communication link between members and the Cooperative's leaders. The facilitators are appointed by the Solidarity Committee.
- **Facilitators' meetings:** September
- **Regional meetings:**
Held in November and December, the regional meetings are where members elect delegates (one delegate per 10 members) to represent them at the Annual General Meeting in February.

Members are also informed of their Cooperative's activities and results through a variety of communication channels and tools, including the facilitators' network, cooperative advisors, the annual report, quarterly reports, the members' extranet and the organization's in-house newsletter, and of course at the various meetings to which they are invited. These events and tools promote exchange, while allowing members to learn more about the dairy industry and participate in, understand and support their Cooperative's development.

The ongoing exchange between members and management, along with all the information members receive, enables them and the organization to grow without losing sight of the goal of ensuring the greatest cohesion possible between the two hubs of the cooperative, even with Agropur's expansion.



ASSOCIATIVE LIFE

BOARD OF DIRECTORS

Agropur's members entrust the management of the Cooperative's business and internal affairs to a board of directors whose members are Agropur dairy producer members elected by delegates at the Annual General Meeting. This collective control relies on individual commitment to the common good. Thanks to this autonomy and independence, the members and the board preserve democratic power for the benefit of members. Each Agropur region elects a director, providing regional representation on the Board. The members of the Board are individually committed to the common good and collectively dedicated to independent oversight and democratic control on behalf of the Cooperative's membership.

To obtain wide-ranging knowledge and diverse points of view, the Board of Directors also includes guest members with relevant technical expertise. They participate in discussions but do not vote.

The Board delegates some functions to five committees dedicated to specific areas, such as the environment and human resources. They report their discussions and decisions at Board meetings. These smaller committees are able to address matters with greater agility.

BOARD OF DIRECTOR ACTIVITIES IN 2017

- **Board of directors:** 17 meetings, including the Cooperative's strategic planning meetings
- **Solidarity Committee:** 4 meetings – consisting of all directors, the committee is responsible for the smooth operation of associative life and for confirming the selection of facilitators
- **Audit Committee:** 4 meetings
- **Human Resources Committee:** 4 meetings
- **Environment Committee:** 2 meetings
- **Information Technology Committee:** 2 meetings
- **Annual training:** 2 days

EMBRACING BEST PRACTICES IN GOVERNANCE

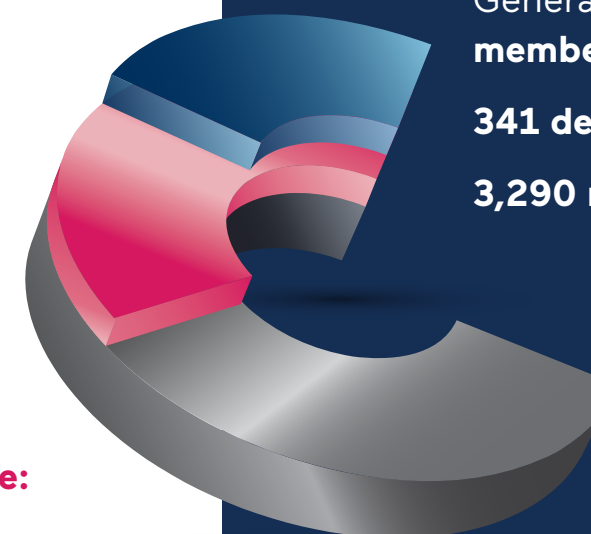
Agropur recognizes that its Board of Directors plays an important role in good governance of the Cooperative. Agropur ensures that it has a Board of high quality capable of guiding its activities and development in a transparent and effective manner.

SOLID GOVERNANCE STRUCTURE

12 directors, elected by delegates to a three-year term at the Annual General Meeting, and **three guest members of the board**

341 delegates

3,290 members





ASSOCIATIVE LIFE

GUARANTEEING SUCCESSION FOR ASSOCIATIVE LIFE

The vibrancy of its associative life is a great strength for the Cooperative. Beyond the regular activities that allow it to reach all members, specific programs aimed at the next generation also provide an opportunity to make contact with other Cooperative members and their families. To that end, Agropur offers numerous activities to interest young leaders of tomorrow.

YOUNG COOPERATIVE LEADERS PROGRAM

In 2018, the 11th edition of the Young Cooperative Leaders Program, which integrates young people into our associative life, was held. The program is intended for young people under the age of 35 who are partners with, employees of or immediate family of a Cooperative member and who want to start farming.

The young people receive 35 hours of training over the course of a year, including activities such as visiting one of the Cooperative's plants, attending a dinner meeting with the Agropur's executive committee and meetings with cooperative members working in other sectors. They also receive the Omer Deslauriers Bursary, named for the Cooperative's president from 1941 to 1962.



The 11th edition of the Young Cooperative Leaders Program

STUDY TOUR TO THE UNITED STATES

Over the years, the Cooperative has offered young people a variety of higher-level training opportunities. The most recent was a study tour to Wisconsin to become more familiar with the U.S. dairy industry and the scale of Agropur's operations in this region of the United States.

YOUNG FACILITATORS' NETWORK

Within Agropur's vast network of facilitators are 130 young facilitators. They are the children of members and are the succession plan for their farms. Their involvement in the Cooperative's associative life is critically important, because facilitators form an important channel for exchange between members and the board of directors, providing flexibility and democratic communication.



| SUPPORT FOR MEMBERS

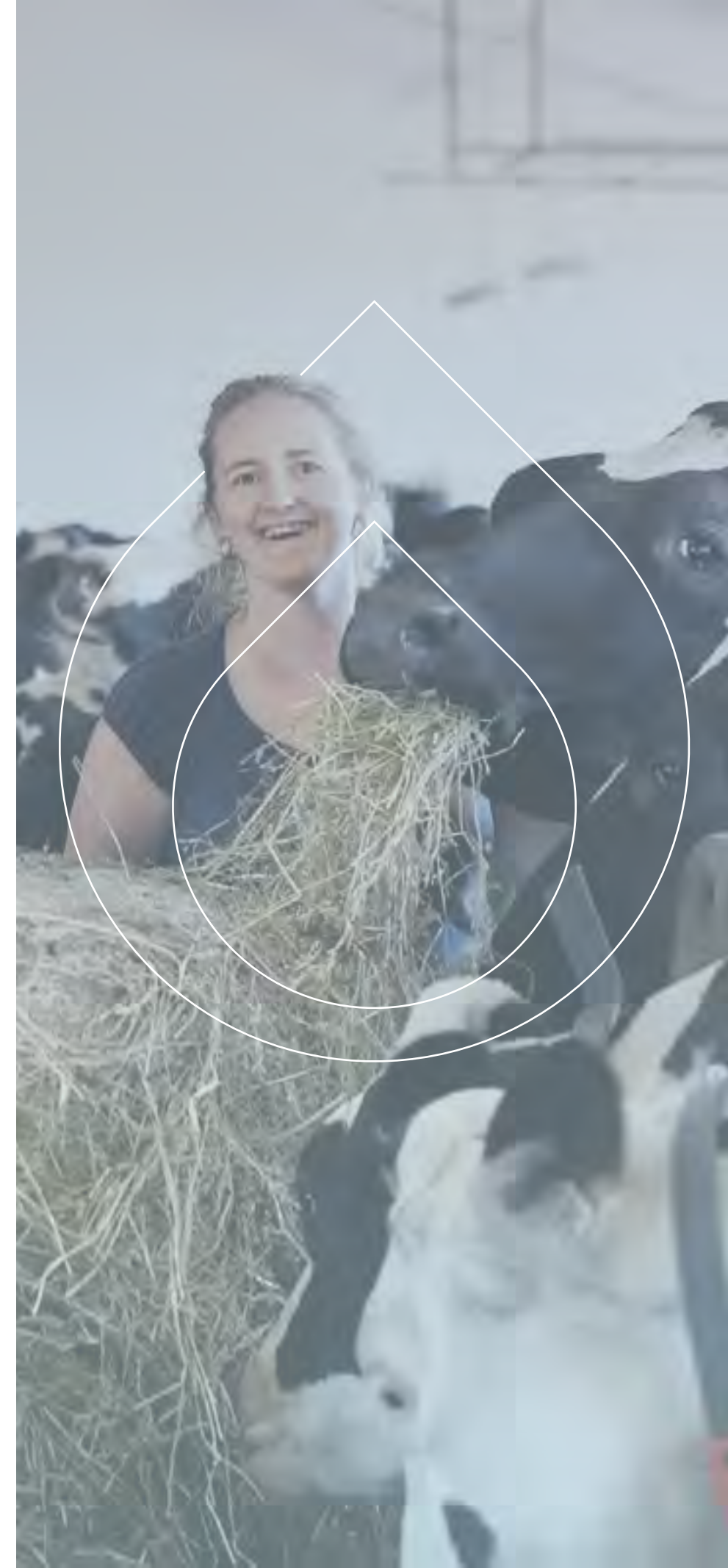
Support producers in adopting best practices

The business environment is constantly changing. New issues and new technologies emerge. Agropur remains abreast of such changes in the industry and continually adapts. It works to raise awareness, inform and encourage its members to adopt best industry practices, particularly in terms of milk quality and animal welfare. To do this, it relies on its team of cooperative advisors, who are specialists in these fields.

MILK QUALITY

Our members are committed to delivering quality milk because they know it is the raw material that creates the high-quality dairy products that consumers will want to buy over and over again. They are supported in their daily efforts by our team of cooperative advisors.

These specialists can assist members in numerous ways. Thanks to our extensive knowledge and our state-of-the-art laboratories, we can lend our vast expertise to members on all aspects of milk production, such as milking operations and milk storage practices. Our advisors also provide consulting services, perform assessments and make recommendations to improve milk quality.





SUPPORT FOR MEMBERS

TRAINING WORKSHOPS

For 25 years, Agropur has offered members training sessions designed to improve their knowledge of milking methods and provide advice they can apply to produce high-quality milk.

One of the goals of the training sessions is to provide participants with concrete information they can apply on the farm. Agropur develops partnerships with organizations and specialists to provide high-calibre instructors. Our 2017 collaborators included the Institut de technologie agroalimentaire in St-Hyacinthe, Quebec and the Faculty of Agriculture at Dalhousie University in Nova Scotia.

■ 2017 training activities

- Number of 10-hour workshops: **5** (January to March 2017)
- Number of participants: **80**

MILK QUALITY CLUB OF EXCELLENCE

Agropur set up the Milk Quality Excellence Club in 1988 to promote best practices on the farm and recognize the work done by its members. Since its inception, over 2,000 members have been welcomed into the Club.

Each year at the annual gala in January, a new grand champion is crowned from among 16 regional finalists. This honour is bestowed after a rigorous selection process based on milk quality test results and health inspections of Agropur members' farms. The farm inspection is carried out by Agropur's Quality Assurance and Member Relations departments.



2018 GRAND CHAMPIONS

Marie-Josée Turcotte and Régis Lepage were crowned Grand Champions at the 29th edition of the Milk Club of Excellence gala held in Québec City in January 2018. Located in the Matapédia Valley on the Gaspé Peninsula, Ferme Jolipré Holstein was established 100 years ago and has been passed on from generation to generation ever since. Marie-Josée and Régis are the fourth generation of owners.

"We appreciate Agropur's help and never hesitate to call on the services of our cooperative advisor, especially when it comes to the quality of our milk."





| SUPPORT FOR MEMBERS

ANIMAL WELFARE

Consumers are increasingly concerned about the health and well-being of farm animals. Better informed about the impacts of agri-food production, they have greater expectations regarding the way the food they eat is produced.

Agropur is conscious of the importance of this issue and is taking steps to promote adoption of responsible practices with regard to care and rearing of dairy cattle by its members. To that end, Agropur adopted an animal welfare statement in 2015, which it promotes among Cooperative members. More details about the statement are available in the Products section of this report.

In addition, in August 2017, Agropur created a new position, hiring an animal welfare and milk quality advisor. Thanks to this new resource, members have even greater support as they adopt animal welfare best practices.

While new animal welfare initiatives are being introduced at Agropur, respect for the animals that share our members' daily lives is nothing new. Agropur and its member farmers know that the dairy industry's prosperity and long-term viability depend on the daily care and attention received by each animal on their farms. Dairy producers know that their animals are the key to their success; their health and well-being are their foremost concern.





REVIEW OF THE DIMENSIONS
OF CORPORATE SOCIAL
RESPONSIBILITY AT AGROPUR

HUMAN CAPITAL



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FACILITATING AGROPUR'S AMBITION TO GROW

LEADING ENGAGED AND HIGH-PERFORMANCE TEAMS

BUILDING THE WORKFORCE OF TOMORROW



Performance and agility in support of Agropur's growth

Faced with the organization's ongoing growth and the challenges of competition, Agropur has since 2015 undertaken an in-depth transformation of its organizational structures, now marked by renewed vigor. The organization has taken significant steps to become more agile and acquire greater capacity for innovation, while better serving its customers and meeting consumers' expectations.

This transformation and the modernization of our human capital management would not have been possible without the sustained commitment and collaboration of our 8,300 employees in Canada and the U.S. They have been central to the success of this process, readily reviewing their work practices and demonstrating a strong ability to adapt during these periods of change.

Agropur believes its employees are its greatest asset. In addition to forming one of the dimensions of its corporate responsibility approach, human capital is also one of Agropur's five pillars of growth.

Within the human capital component, the following priorities are designed to support Agropur's business directions:

- **Facilitating Agropur's ambition to grow**
- **Leading engaged and high-performance teams**
- **Building the workforce of tomorrow**

PROFILE OF OUR WORKFORCE



With its modern manufacturing facilities, new LEED-certified head office and its culture of excellence, Agropur wants to attract and retain the best talent and aspires to be an employer of choice.



FACILITATING AGROPUR'S AMBITION TO GROW

With the recent establishment of operational units throughout the business, we continued to make changes to our organizational structures in 2017 to ensure greater agility and stronger collaboration between the teams.

The optimization of our organizational systems, governance and management tools is designed to equip us to be even more effective and focused on consumer needs. Through these changes, we are laying the groundwork to support our ambition to grow, while ensuring we remain true to and promote our strong values-based culture.

CHANGE MANAGEMENT

The changes in our approaches and structures over the past few years have paid off at all levels of the organization. We realize nevertheless that such far-reaching changes can impact our teams, and we want the transition to be as seamless as possible for all employees.

That is why Agropur set up a change management team to support and assist managers and employees with the organization's major strategic projects.

For example, in 2017, the teams involved in strategic organizational projects like Harmony and ERP were able to rely on support from the change management team. The effects of these important initiatives on employees were considered and the necessary resources were allocated from the very start of development.

MANAGERS FROM ACROSS THE BUSINESS MEET AT THE 2018 LEADERS SUMMIT

About a hundred Agropur managers gathered at head office in May for the Leaders Summit. The event was a chance to discuss the organization's ambitions and directions, with the goal of making Agropur one of the biggest dairy players in the world.



FACILITATING AGROPUR'S AMBITION TO GROW

NEW TOOLS FOR HUMAN CAPITAL MANAGEMENT

In spring 2017, Agropur launched the Harmony project, an initiative to introduce a new human capital, time and payroll management system. It marks an important stage in our process of improving the efficiency of critical business processes and replacing some current systems with more powerful ones. The tools selected (Workday and Kronos) are very high quality and will support the organization as it grows.

This project also offers the advantage of redefining some management processes and transforming the service delivery model. A team has been set up to support employees in using the new tools to ensure greater effectiveness and increase organizational performance.

This is the first project of this magnitude at Agropur that involves the entire organization globally. The first phase of implementation began in March 2018 and on project completion, slated for 2019, the new system will be deployed throughout Agropur providing a consistent and efficient employee experience across the organization.

HARMONY PROJECT KICK-OFF

Agropur's human capital and payroll services teams from Canada and the United States met at the official project launch during the Human Capital sectoral summit in May 2017.





| LEADING ENGAGED AND HIGH-PERFORMANCE TEAMS

We believe it is critical to be able to rely on productive, engaged teams to achieve the business goals we have set. To do this, we are counting on an array of initiatives designed to ensure strategic alignment across the organization, develop the skills and abilities of our employees and, create a work environment that is conducive to collaboration and commitment.

The optimization of our organizational systems, governance and management tools is designed to equip us to be even more effective and focused on consumer needs. Through these changes, we are laying the groundwork to support our ambition to grow, while ensuring we remain true to and promote our strong values-based culture.

CONTINUOUS IMPROVEMENT IN OPERATIONS - EVOLUTION PROGRAM

To support operational excellence, Agropur set up a strategic continuous improvement group in 2014. The group developed Evolution, a program designed to improve performance in plants and distribution centers and to foster a culture of performance. The approach relies on employee ownership of performance, development of management skills, and improved efficiency within work groups, while incorporating the organization's values into employees' daily work lives.

Starting in 2015 at two plants (in Quebec and British Columbia), the program continued with deployment at the Granby plant in 2016. In 2017, the program was reviewed and significant improvements made. The program was then rolled out to the plants in Don Mills and Edmonton. The operational improvement group is now working to develop strategies for planning program deployment at all canadian sites.

The Evolution program brought results in 2017, with reduced losses, improved product performance and optimization of labor costs.





LEADING ENGAGED AND HIGH-PERFORMANCE TEAMS

EMPLOYEE ENGAGEMENT AND RECOGNITION

An organizational transformation was required to improve Agropur's competitiveness in a heightened competitive environment. Consolidation of the dairy industry with bigger and bigger players involved is forcing the organization to improve its performance in order to ensure sustainability. Such a shift could only be accomplished with exceptional engagement from employees and alignment with the organization's mission and values. Working with the Communications department, a change management team has prepared communication materials to inform employees of upcoming changes and create opportunities for dialogue.

Positive results of the VIBE in-house survey

In November 2016, Agropur conducted the Aon Hewitt VIBE survey – Your Well-Being Indicator – polling all Agropur executives, office staff and hourly employees. Participation was extremely high, with a response rate of 81%.

The survey met three objectives, i.e. to measure employees' buy-in of the corporate transformation and new values, to validate their sense of pride in working for the organization and to ensure they had the support required to perform in a period of change.

Noted below are the overall results of the survey:

- Engagement indicator of 66%, six percentage points higher than the North American consumer staples industry average
- Collaboration and buy-in for Agropur's new mission and values are strengths in all our sectors

Agropur intends to continue to survey its employees on a regular basis, over the coming years.



Employee recognition

For years, Agropur's Canadian business has celebrated recognition month in September. The US Operations business has joined this practice in 2018 as well. At this time, the organization wants to acknowledge all employees celebrating milestones, whether it's 5 years of service or 50. Not only are these important stages in a career, but they are also positive indicators of loyalty and attachment to the organization.

SEPTEMBER:
RECOGNITION MONTH





| LEADING ENGAGED AND HIGH-PERFORMANCE TEAMS

OHS – HEALTHY EMPLOYEES, HEALTHY ORGANIZATION

Agropur is committed to protecting its employees' Occupational Health and Safety (OHS) and issues reminders about everyone's various responsibilities in that sphere. The goal is to instill a zero-tolerance philosophy for dealing with risks of accidents in order to achieve a "zero-accident workplace." All of Agropur's departments and employees are asked to work towards achieving this goal.

OHS forms an integral part of the business plans for each Agropur division and all operational sites have their own local OHS employer-employee committee. Although all Agropur locations share the same vision, different contexts and legislative requirements mean that implementation looks different in each country.

New Canadian prevention program

To implement this "zero tolerance" approach, Agropur developed a 15-point prevention program based on standard safe practices in Canada. Finalized in April 2017, the program covers five major themes:

- **Leadership** – from senior management, managers and OHS champions at our sites
- **Training** – a clearly defined training curriculum based on the job description and the legislation in force
- **Policies and programs for preventing workplace accidents**
- **Control measurements and methods** – performance assessments and indicators
- **Communications** – OHS promotion, ongoing exchange with employees to make it a priority





LEADING ENGAGED AND HIGH-PERFORMANCE TEAMS

POWER OF ONE IN THE U.S.

In the United States, our Power of ONE approach has proved very effective. Significant efforts have been made to thoroughly assess and understand all sites in order to take advantage of improvement opportunities and to capture synergies. A plan has been developed to consolidate best practices and improve training approaches throught the US Operations..

OHS Results

CANADA		
Indicator	2016	2017
Number of accidents with lost time	65	49
Frequency index: number of accidents with a work stoppage per 200,000 hours worked	1.43	1.1
Seriousness index: number of days lost per 200,000 hours worked	24.4	20.8
U.S.		
Indicator		
Number of accidents with lost time	27	22
Frequency index: number of accidents with a work stoppage per 200,000 hours worked	1.12	0.9
Seriousness index: number of days lost per 200,000 hours worked	19.4	17.7

LABOR RELATIONS

In Canada, the vast majority of employees at Agropur’s plants are unionized, as are some office employees and staff in the distribution and transportation sectors. Agropur’s vision for labor relations is to foster a partnership relationship with employees and unions at all sites.

Over the years, we have negotiated long-term arrangements (collective agreements averaging five to seven years) that demonstrate employees’ commitment to building Agropur’s future together. In Canada, in fiscal 2017, the organization had nearly 50 signed collective agreements and very few grievances.

Such strong labor relations enable us to share business realities and negotiate positive working conditions for our workforce in line with Agropur’s objectives.



BUILDING THE WORKFORCE OF TOMORROW

Attracting and retaining talent to build our workforce is one of our utmost concerns. We devote a great deal of time and energy to developing and implementing strategies and programs to secure employees and leaders who will help us achieve our business plan in an industry that is constantly evolving and a society marked by technological change.

ATTRACTING TALENT

Agropur has seen rapid growth and has transformed itself in recent years. This has repercussions in all spheres of the organization's activities, including our recruitment strategies. Both the profiles of the employees we seek and the ways we seek them have modernized and are increasingly focused on innovation and technology, reflecting the Agropur image of today.

It is always a challenge to recruit new employees who meet our business needs and share our values, but this has become even more true in the current context, in which unemployment is low and competition for the best talent is fierce. On top of that, employees have needs and expectations and are looking for employers who can offer stimulating work that fits their personal values.

To address the situation, Agropur is revamping its methods and relying increasingly on its reputation and visibility to attract quality, talented, innovative people who will be its operators, technicians, and leaders of tomorrow.





BUILDING THE WORKFORCE OF TOMORROW

With that in mind, a new workforce attraction strategy was adopted in 2017 and a series of initiatives has been rolled out, including:

- Events that promote a connection between managers and Agropur's visibility, including open houses at our plants and activities to recruit for specific positions;
- Use of new technologies to improve interview processes and make them more efficient;
- University internship programs at various sites targeting sectors like quality, operations, sales and marketing. The purpose of the program is to develop students' potential and hire them once their internship is complete.
- Introduction of a new Future Leaders Program in the US to bring previous interns and/or university graduates into key developmental roles, where they work through 3-4 rotations over a two-year period, to build a new channel in our leadership pipeline.

After the employee recruitment process is complete, we then place heavy emphasis on onboarding. Because successful onboarding doesn't just involve new employees learning the ropes of their new job, but also grasping the corporate issues that relate to their work, new initiatives have been developed in this area:

- The online platform for salaried hires, launched in November 2017 consists of four modules that give new employees more information about Agropur's guiding principles.
- Meetings with senior management: via a webinar, new employees make first contact with members of senior management, including our company CEO Robert Coallier, who answer their questions directly. It is an opportunity to assimilate the concepts presented via the online platform and to share ideas and concerns.
- The new management onboarding program was introduced in Canada in 2017 and will be brought to the U.S. in 2018.



| BUILDING THE WORKFORCE OF TOMORROW

RETAINING TALENT AND MANAGING THE NEXT GENERATION - VisionR PROGRAM

Deployed across Agropur in 2017-18, the VisionR program is the central focus of our talent retention and succession management strategy. Currently aimed at high-potential professionals and executives in all our areas of activity—operations and administration—the program develops the skills of emerging leaders around company values and accelerates their development.

For employees, the program provides an excellent opportunity to raise their profile in the organization, make their career aspirations known and highlight their talents.

The VisionR program deployment has three phases. Each department first carries out a talent review exercise to identify its emerging leaders. The employees thus selected take classroom and online training (e-learning modules developed in conjunction with Harvard ManageMentor®) and work on a business project applying the organization's values. Participants then receive coaching on how to apply the learning on a daily basis. In 2017, nearly 60 people took part in the program.

Succession Management is a systematic and ongoing process designed to prepare a pool of employees with the aptitudes for key positions critical to achieving the organization's objectives and ensuring continued activities. Focusing on excellence, the VisionR program also makes it possible to support knowledge management and reduce the costs of recruitment.





REVIEW OF THE DIMENSIONS
OF CORPORATE SOCIAL
RESPONSIBILITY AT AGROPUR

ENVIRONMENT

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EMS IMPLEMENTATION

WATER MANAGEMENT

GHG EMISSIONS MANAGEMENT

WASTE MANAGEMENT



Integrated environmental management

Agropur has seen major changes in recent years. Its production volumes have increased and it has added numerous production sites. This kind of growth certainly has its challenges, but it also offers opportunities for improvement, innovation and consolidation of good practices.

Working in the operational excellence sector, the Environment department strives to structure and promote sound environmental practices across all of the organization's activities. Further, the team oversees compliance with applicable environmental laws and regulations and measures, assesses and controls the organization's environmental impacts, ensuring transparency and strong governance in the process. To do this, it relies on in-plant awareness, measurement and diligent monitoring of performance indicators, as well as tracking of multiple operational improvement projects.

To ensure that it manages the environmental footprint of its activities, Agropur focuses on the following aspects:

- **Implementation of its environmental management system (EMS)**
- **Water management**
- **Greenhouse gas (GHG) emissions management**
- **Waste management**

AWARENESS AND ENGAGEMENT AT THE FIRST ENVIRONMENT SUMMIT

Environmental leaders from Agropur's plants gathered at head office in April 2017 to discuss the organization's environmental initiatives and share best practices introduced at Canadian and U.S. sites.





EMS IMPLEMENTATION

Environmental management system

The Environment department is mandated to administer the organization's environmental management system (EMS). Based on the ISO 14001 standard for environmental management, the system makes it possible to ensure integrated management of all environment-related activities and relies on operational structures built over the years.

The environment team supports a total of about 140 sites operated by Agropur—plants, warehouses, offices—whether owned or leased by the organization. It provides technical and regulatory support to teams in Canada and the U.S.

Agropur's EMS is made up of the following components:

- Application framework and documentary tools (including regulatory oversight)
- Environmental policy
- Monitoring of environmental performance indicators:
 - Use of drinking water and quality of wastewater
 - Greenhouse gas (GHG) emissions
 - Waste generation
- Monitoring of projects to reduce environmental impacts
- Annual environment report, including:
 - Monitoring of Canadian/U.S. plant compliance and action plans
 - Tracking of environmental risks at all operational sites
- Communication to internal and external stakeholders (e.g. in-house newsletter, customer fact sheets)



SOUND GOVERNANCE

The Board of Directors environment committee oversees the organization's environmental management, while members of the Board are responsible for applying the environmental policy.

Agropur also relies on environment champions at each site to monitor projects and ensure direct communication with the Environment department.



| WATER MANAGEMENT

Global water management

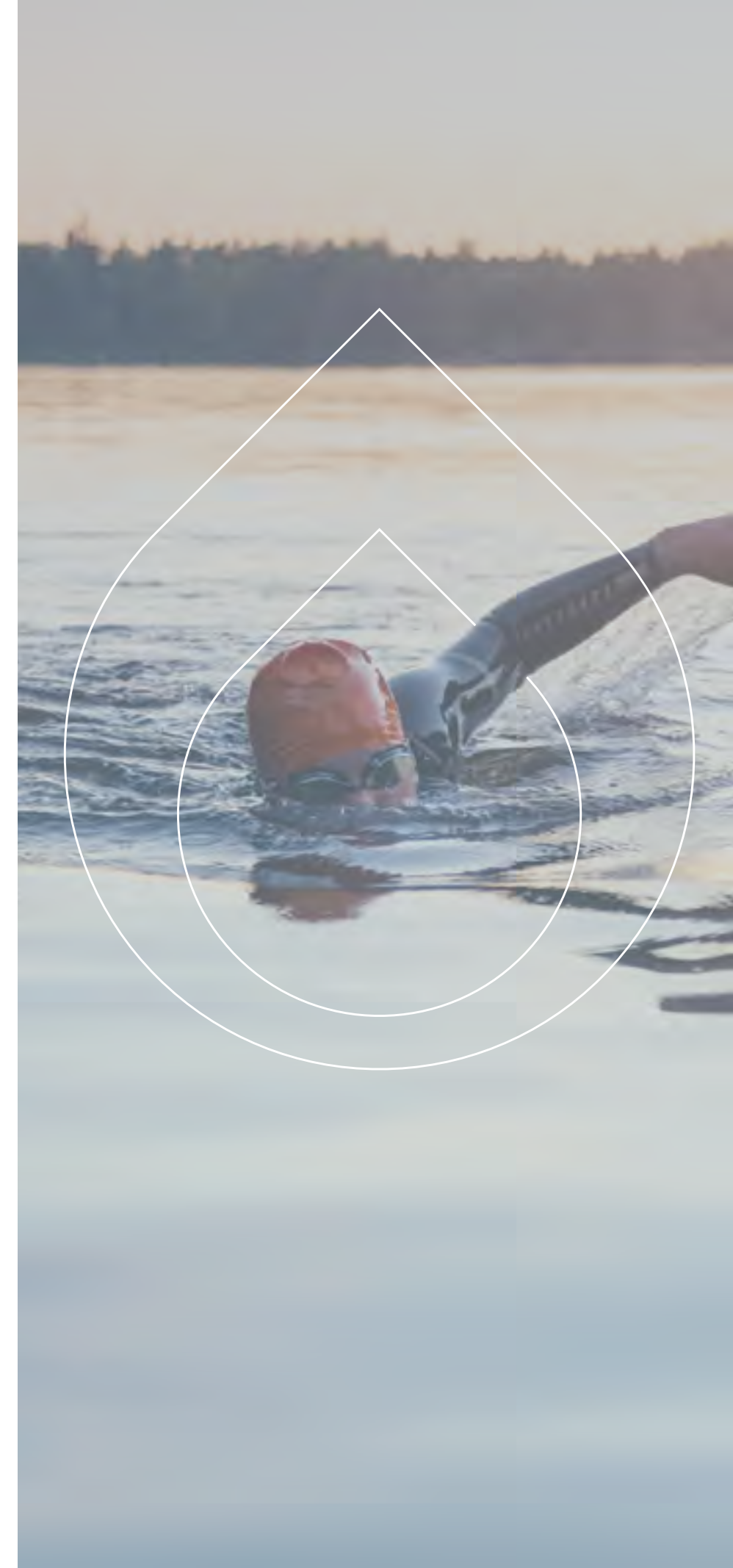
Water management is an Agropur priority, because we understand just how vital water is to our operations in the dairy industry.

For example, many of our plants are among the biggest water users in the cities where they are located. A number of plants are also major wastewater generators for municipalities. Our water management approach therefore encompasses both quantity of the water we take from the environment (for consumption) and quality of the wastewater we release into the environment.

Agropur's water management program has the following objectives:

- Measure and monitor annual water consumption
- Reduce water consumption
- Lower the organic load of our wastewater, i.e., enhance the quality of the wastewater discharged

To achieve the anticipated results, the organization relies on proven knowledge and technologies, but also on the commitment of employees. Education and awareness-raising on water issues in recent years have met with an enthusiastic response from teams at our plants. Today, our employees and partners often come to us with ideas on how to improve water management performance. In addition to improving our environmental record and ensuring that we meet standards, these projects also have economic benefits.





WATER MANAGEMENT

PERFORMANCE 2017

Agropur uses water in its operations primarily for cleaning and cooling equipment. The water comes mainly from the municipal water supply; it may also come from surface water (lakes and rivers) or groundwater, which is monitored by regulatory authorities.

IMPROVEMENT INITIATIVES

A number of water management projects were undertaken in 2017.

Wastewater

Teams at a dozen plants have engaged in projects aimed primarily at reducing the organic load of wastewater. For example:

- The Victoria plant has been leading the way in its community, becoming the first in the region to install a wastewater treatment system. A nearby river made it necessary to adopt strict steps in the process.
- The Burnaby team decided to lay a pipe around the plant to collect all the wastewater it generates and then bring it back into the facility for treatment. This novel arrangement has solved a pH problem with the wastewater.
- Employees at the Beauceville plant worked together to set up an environment committee to reduce discharge into the water at source.

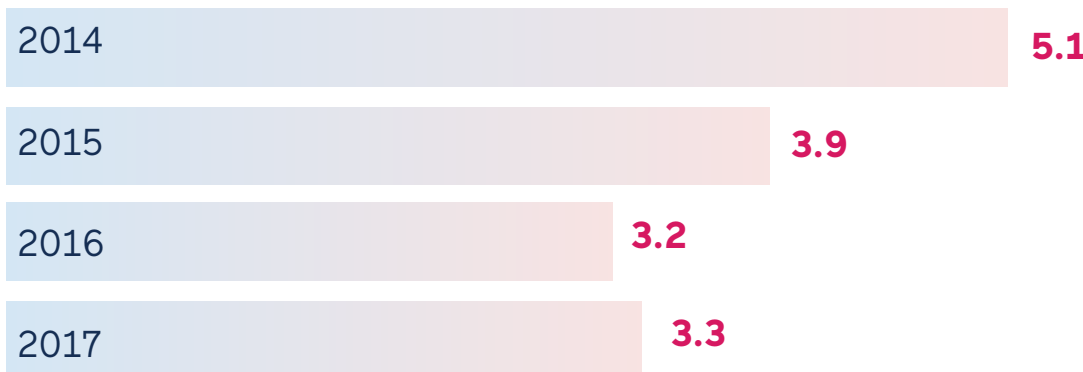
Water use

The Granby plant undertook an ambitious project to reduce its water use in 2011. By 2017, it had completed the work to reuse its wash water, allowing it to achieve significant energy savings. The Granby plant reduced its water consumption by over 40% in six years.

In 2015, the Saint-Laurent plant completed a series of improvement initiatives begun in 2012. The major program made it possible to reduce water consumption by 40% during that period.

INTENSIVENESS OF WATER CONSUMPTION

m³ of water used / m³ of milk processed





| GHG EMISSIONS MANAGEMENT

Better understanding the sources of our emissions

In 2014, we undertook the first exercise to calculate the greenhouse gas (GHG) emissions generated by our operations in Canada and the United States. Since then, we have fine-tuned our calculation methods. Our recent organizational restructuring also resulted in a review of some of the information gathering practices, resulting in greater data reliability.

These improvements enabled us to achieve our goal in 2017 to have our results audited by a third party in accordance with ISO 14064-3:2006: *Specification with guidance for the validation and verification of greenhouse gas assertions*, and to set fiscal year 2016 as the reference year.

GHG EMISSIONS REPORT

Climate change, caused by GHG emissions, is a major, internationally recognized issue. Today, organizations and individuals around the world are increasingly concerned about the impact of their activities on climate change, a phenomenon that affects the balance of ecosystems (e.g.: accelerating melting of glaciers, flooding and drought).

Agropur's carbon footprint inventory for fiscal year 2016 (ending October 31, 2016) calculated GHG emissions using the methodologies proposed by the Greenhouse Gas Protocol (GHG Protocol), an internationally recognized and used accounting standard, and Canada's national standard, ISO 14064-1: *Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals*.



Agropur is working to develop a realistic portrait of its GHG emissions. We believe that a better understanding of the sources of our emissions and diligent monitoring are key to achieving our vision of operational excellence.



| GHG EMISSIONS MANAGEMENT

2016 and 2017* Inventory of Agropur’s GHG emissions in Canada and the U.S.

	2016	2017
Direct emissions (scope 1)	319,998 tonnes of CO ₂ eq	300,069 tonnes of CO ₂ eq
Indirect emissions (scope 2)	170,810 tonnes of CO ₂ eq	200,534 tonnes of CO ₂ eq
Total Scopes 1 and 2	490,808 tonnes of CO ₂ eq	500,603 tonnes of CO ₂ eq
Carbon intensity (Scopes 1 and 2)	0.083 tonnes of CO₂ eq. / 1,000 L of milk processed	0.082 tonnes of CO₂ eq. / 1,000 L of milk processed

It should be noted that the boundaries of Agropur’s reporting on GHG emissions does not include the impact of dairy production, which could otherwise be included as a scope 3 emission source. We point out that, in industrialized countries, milk production is responsible for 80% of the greenhouse gases produced by the dairy industry. The section of this report dealing with Products presents initiatives undertaken on the farm to reduce the environmental impact of dairy production.

Energy efficiency

In 2017, a number of energy efficiency projects were undertaken at our Canadian and U.S. facilities. We want to highlight the performance of our plant in Jerome, Idaho in the U.S.

JEROME PLANT RECOGNIZED FOR ITS ENERGY EFFICIENCY PROGRAMS

In 2010, the team set a target to reduce the plant’s overall energy intensity by 25% over a 10-year period. By 2016, its energy intensity was already down by 16.57%.

For the past three consecutive years, the State of Idaho has recognized Jerome Cheese’s long-term commitment to reducing energy use, awarding it with the Award for Excellence in Industrial Energy Efficiency.



In October 2017, the Jerome plant team received the Idaho Award for Excellence in Industrial Energy Efficiency, which is awarded annually to recognize Idaho companies that demonstrate leadership by introducing energy efficiency measures into their operations.



WASTE MANAGEMENT

Reclamation of organic matter

Agropur already has internal processes to treat and reuse the vast majority (99%) of its organic waste, also called by-products. Much of it is used to produce powders such as whey protein and milk protein concentrates.

When we cannot repurpose residual materials in-house, we outsource liquid organic waste to be treated and reused for projects such as biogas production. Solid food waste, like cheese by-products, are sent to processors and used to make animal feed.

OPTIMIZATION OF PACKAGING

Manufacturing and forming of packaging also contributes to Agropur's environmental footprint. That is why the organization is trying to optimize its packaging. One of the initiatives was to complete a study on the environmental impact and performance of the organization's packaging in 2016.

The analysis led to the introduction of optimization projects. For example, we reduced the thickness of the milk pouches in our four-litre milk bags.

See the case study on the site of Éco Entreprises Québec:

AN INNOVATIVE PARTNERSHIP TO PRODUCE NATURAL GAS

Agropur and the City of Saint-Hyacinthe entered into an agreement in December 2016 to collect and process up to 10,000 tonnes of food waste per year and convert it into renewable natural gas.

The innovative project allies ecological, economic and social benefits to the region and thus enables transformation of acid whey into biogas.

CASE STUDY

Reducing the thickness of milk pouches resulted in a weight reduction of 2 g per pouch.





AGROPUR HEAD OFFICE RECEIVES LEED CERTIFICATION

Agropur's new head office, which officially opened in June 2016, received LEED (Leadership in Energy and Environmental Design) Silver certification in April 2017. The complex, the product of three years of planning and construction, is harmoniously integrated into its natural setting. The sustainable building, in addition to saving energy, limiting water consumption and producing less waste, creates a healthier and more innovative workplace for our employees.



Among the host of green features that were necessary to achieve the distinction were the following:

- During construction, 95% of building and demolition waste was diverted from landfill.
- Twenty percent of construction materials contained recycled materials.
- Parking lots feature charging stations to encourage electric vehicle use.
- Eighty percent of the roof surface is covered with a highly reflective material to reduce the heat-island effect.
- Water consumption is 25% below benchmarks.
- Costs were 20% below benchmarks.
- Ninety-seven percent of regularly occupied spaces enjoy views of the great outdoors.

Located in Longueuil, a suburb of Montréal, Quebec, the complex provides a high-tech, environmentally responsible workplace for 800 employees.



REVIEW OF THE DIMENSIONS
OF CORPORATE SOCIAL
RESPONSIBILITY AT AGROPUR

COMMUNITY

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COMMUNITY ENGAGEMENT

SUPPORT FOR THE COOPERATIVE MOVEMENT



Concern for the human factor

Although the organization has developed rapidly in recent years and is now one of the 20 largest dairy companies in the world, its values of solidarity and mutual aid remain intact. These principles are embedded in its DNA. At Agropur, concern for the human factor also applies to its involvement in the community.

Whether through its donations and sponsorships program, its annual employee fundraising campaign, its involvement in the industry and on the international scene, or its members' activities, Agropur participates in the economic and social development of the regions in which its various North American facilities are located.

To support communities and promote the organization, Agropur focuses on the following two priorities:

- **Community engagement**
- **Support for the cooperative movement**



COMMUNITY ENGAGEMENT

Agropur—along with its employees and its members—aims to participate in the development and vibrancy of the regions in which its facilities and members’ dairy farms are located. Agropur has been involved in the community for many years.

By virtue of its status as Canada’s largest dairy cooperative, the organization actively invests in the Canadian dairy industry and is now carving a place in the U.S. dairy industry. It gets involved in local environmental and social initiatives that benefit communities.

Across the organization, community engagement is expressed through the following aspects:

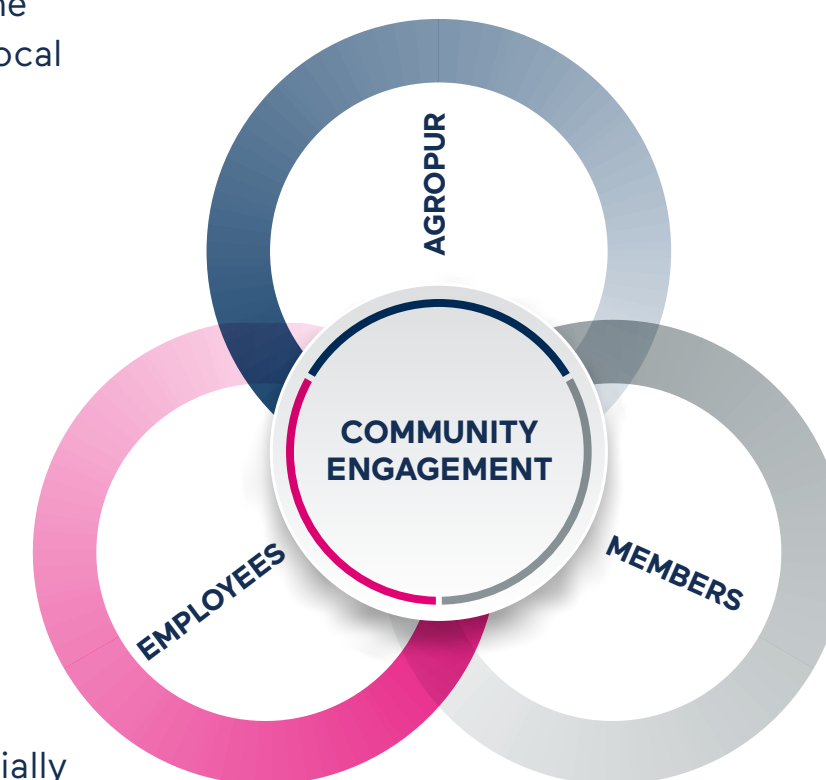
- **Community support**
- **Involvement in social and environmental projects**
- **Harmonious coexistence with our neighbours**
- **Active participation in the dairy sector**

COMMUNITY SUPPORT

Financial support for communities takes numerous forms at Agropur.

Every year, Agropur allocates a portion of its earnings to donations and sponsorships. It is especially committed to groups working to support children and families and to helping develop the next generation of agri-food professionals. In the 2017 fiscal year, Agropur gave the equivalent of more than 1% of its earnings before patronage dividends and taxes in the form of donations and sponsorships.

Agropur also supports community involvement by its employees. We encourage Canadian and U.S. employees to choose a cause dear to their hearts and organize fundraising activities. The organization then matches employee donations dollar-for-dollar.





COMMUNITY ENGAGEMENT

Multi-year support for organizations

At Agropur, we believe in the importance of building strong ties with the organizations we support and providing assistance over a number of years whenever possible. This gives them greater security in their funding and helps them with longer-term planning, while building a sense of pride within our organization.

In 2017, Agropur continued this collaborative approach:

- Through its contribution to Breakfast Club Canada, Agropur helps empower every child to reach their full potential. Through this partnership, Agropur supports the nation's leading organization working to ensure all Canadian children get the nutritious breakfast they need to enjoy an equal opportunity to thrive. In Canada, one out of five children goes to school on an empty stomach.
- Agropur is a major partner of Fondation OLO (which stands for Eggs, Milk and Oranges in French), an organization that supports vulnerable families by helping mothers give birth to healthy babies and promoting good nutrition early in life. Agropur has been a partner since Fondation OLO's beginnings in the 1990s. Agropur makes a major annual donation of \$100,000 and also gives the organization special pricing on milk purchases.

- Agropur is actively involved with the Pacific Path Institute, an organization that promotes conflict resolution and works to prevent psychosocial problems and violence in all settings. Agropur donated \$50,000 to this organization in 2017. This contribution is part of a commitment made by the organization in 2016 to donate \$250,000 over a five-year period.
- It's a sad fact that many children don't get enough to eat every day. That's why we work closely with members of the Moisson network of food banks to supply much-needed staples for families in need.
- For the eighth year, the Cooperative partnered with the 48-Hour Ride event run by Make-a-Wish Quebec to collect funds and grant the wishes of children whose health is seriously threatened. The event was held in Montréal in September, bringing together Agropur employees and their family members on a bike relay team in the two-day event.
- We support community engagement by our employees. Canadian and U.S. employees are encouraged to choose a cause they care about and organize fundraising activities. The Cooperative then matches employee donations dollar-for-dollar.



17 Agropur teams rode for the Make-A-Wish Foundation.



Karine Landry, our Centraide campaign coordinator



COMMUNITY ENGAGEMENT

Comfort in emergencies

Ever faithful to its roots in solidarity and mutual aid, Agropur brought financial assistance in 2017 to people who were victims of natural disasters in Canada and the United States.

- Touched by emergencies that also affected some of its employees, Agropur donated \$50,000 to the dedicated fundraising appeal set up by the Canadian Red Cross to assist victims of the British Columbia wildfires and flooding in Quebec.
- After learning about the devastation along the Gulf of Mexico coast, Agropur donated \$25,000 to the Red Cross's Hurricane Harvey relief effort to supply food and shelter to the many people who were evacuated. Along with other Wisconsin butter and cheese manufacturers, Agropur also participated by donating dairy products for the victims.

Support for the next generation of agri-food professionals

Agropur awards bursaries to support the next generation of agri-food professionals.

- In December 2016, Agropur established a partnership with Academos, a coalition dedicated to keeping kids in school and connecting young people aged 14 to 30 with the world of work. The goal of our involvement in this initiative is to help meet the growing need for young farmers in our industry by recruiting volunteer mentors from our employees to help young people discover the agri-food industry and learn more about the labour market. Just a few months into the partnership, nearly 30 employees had already become mentors, a recruitment record for the organization.

- Young farmers are dedicated to developing and promoting rural communities. Through their commitment to training the next generation of farmers, they actively contribute to energizing the dairy industry as a whole. Agropur subscribes to these same values, which is why it gives an annual bursary of \$300 to every 4-H Club in its territory that holds a local heifer show. In addition, during the show, the Club receives a gift of Agropur products valued at \$55. In 2017, Agropur supported nearly 70 clubs from Quebec to Newfoundland & Labrador.
- Agropur funds merit-based scholarships for Canadians studying in college- and university-level agricultural and food sciences programs. The scholarships, worth a total of \$40,000, are awarded notably to students at the Institut de tourisme et d'hôtellerie du Québec, the Institut de technologie alimentaire, Université Laval, the Cégep régional de Lanaudière, Dalhousie University, McGill University and the University of New Brunswick.
- In addition, the Agropur Agriculture and Food Science Scholarship is awarded annually to two New Brunswick students who are enrolled in a post-secondary institution. In 2017, the students each receive \$2,500.





COMMUNITY ENGAGEMENT

INVOLVEMENT IN SOCIAL AND ENVIRONMENTAL PROJECTS

Agropur is dedicated to implementing social and environmental projects that bring positive spinoffs for the communities in which the organization is present.

- In April 2017, Agropur's new head office achieved LEED certification, a recognized assessment program for environmentally friendly buildings. The complex, which represents an investment of \$100 million, is harmoniously integrated into its natural setting. Careful planning of construction made it possible to preserve 220,000 square feet of vegetation. The project is an example of an initiative that limits the Cooperative's ecological footprint and has a positive impact on neighbouring communities. The project was hailed by the City of Longueuil and demonstrates Agropur's involvement in growing the Quebec economy.
- Agropur also set up an urban beekeeping project in the spring of 2017, installing hives on its head office site, while homeless individuals referred by Accueil Bonneau look after honey production and hive monitoring under the supervision of social enterprise Alvéole. In addition to fostering social reintegration, the project is aimed at raising awareness of declining bee populations, particularly given their key environmental role in helping to maintain biodiversity.
- Employees at two of our U.S. plants took part in initiatives to highlight Earth Day last April. In Le Sueur, Minnesota, a team of employees worked to remove dead brush and other debris to revitalize a local park, while another group of employees in La Crosse, Wisconsin cleaned the bike path near their plant.





COMMUNITY ENGAGEMENT

HARMONIOUS COEXISTENCE WITH OUR NEIGHBOURS

Agropur undertakes a variety of good neighbour initiatives to demonstrate its intention to be an organization concerned about and respectful of its partners. Aware that its operations can sometimes have a negative impact on its immediate neighbours, Agropur and its members are firmly committed to ensuring harmonious coexistence—with neighbours of our facilities and those of our member farms.

- In the past year, Agropur has contributed to nearly 30 open house activities in Quebec, New Brunswick, Nova Scotia and Newfoundland & Labrador, making its products available at the events. In addition, Agropur was a partner in the 15th edition of Portes ouvertes sur les fermes du Québec, an open house event showcasing the work done by Quebec's farmers. At events like these, the general public can see the day-to-day work that goes into producing quality milk and dairy products.
- Agropur also invests significant energy in reducing the adverse effects, like noise and odours, caused by its plants located near residential areas.

ACTIVE PARTICIPATION IN THE DAIRY SECTOR

Agropur's leaders are also very active in the community, sitting on many boards of organizations in the dairy production sector, including the following:

- Novalait, an organization established by Quebec dairy producers and processors to invest in research
- Conseil de la transformation agroalimentaire et des produits de consommation (CTAC)
- Dairy Processors Association of Canada (DPAC)
- International Dairy Foods Association (IDFA)

This involvement allows Agropur to contribute to the thought process on issues in the dairy processing sector, share good practices and remain abreast of new developments, as well as support knowledge acquisition.

SUPPORT FOR OUR MEMBERS' ACTIVITIES

In addition to these community engagement initiatives, Agropur sponsors a large number of regional agricultural activities in which its members take part.

In 2017, Agropur supported nearly 300 such activities throughout eastern Canada, mostly involving product donations.



SUPPORT FOR THE COOPERATIVE MOVEMENT

As Canada's largest dairy cooperative, Agropur is recognized for its leadership and wants to share its knowledge and showcase its experience with the cooperative world.

Agropur thus takes advantage of every forum to promote the values and principles of cooperation, focusing on the importance of the human factor, commitment and accountability to the cooperative, mutualist formula. We also help publicize the power of cooperatives and mutuals to support economic and social development in their communities. We also partner with leading organizations in the cooperative world.

INVOLVEMENT IN THE INTERNATIONAL SUMMIT OF COOPERATIVES

A few weeks before the start of our fiscal year 2017, the 2016 International Summit of Cooperatives was held in Québec City, representing an important event for Agropur, which was a major partner in and presenter for two conference sessions featuring well-known economist Jeremy Rifkin and public policy professor Robert Reich.

The International Summit of Cooperatives is the world's foremost event for business development in the cooperative and mutualist sector. Held every other year, it offers an opportunity for managers, decision-makers and leaders of cooperatives and mutual enterprises of all sizes and from all sectors as well as business leaders to discuss and engage in training on economic and financial trends and issues. By showing that the cooperative business model is one way of addressing the major socioeconomic issues of our time, the Summit aims to promote and foster development of cooperative enterprises worldwide. The event draws over 3,000 participants from 93 countries.

SIGNIFICANT FINANCIAL RETURN FOR REGIONS

Agropur's cooperative business model enables it to contribute to the economic vitality of the regions in which its members are located.

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

LOCAL ENGAGEMENT

The breadth of Agropur's international footprint is matched by the depth of its local involvement in Canada's cooperative community, including the Institut de recherche et d'éducation pour les coopératives et les mutuelles de l'Université de Sherbrooke (IRECUS), the Conseil québécois de la coopération et de la mutualité (CQCM), and Co-operatives and Mutuals Canada.

- \$369 million in patronage dividends in the last five years
- 3,290 member farmers benefit economically from the Cooperative's activities
- 8,300 good jobs help create prosperity in all the regions where Agropur is present
- 1% of earnings before patronage dividends and taxes allocated to donations



SUPPORT FOR THE COOPERATIVE MOVEMENT

PARTNERSHIP WITH SOCODEVI

Since its establishment in 1985, Agropur has partnered with SOCODEVI, a network of co-ops and mutualists that shares its technical expertise and know-how with partners in developing countries to help create, safeguard and distribute wealth in those countries. Its principal mission is to support the cooperative movement in a number of sectors of the economy, including agri-food.

Agropur's involvement with SOCODEVI is very concrete and includes sharing of knowledge through various initiatives:

- **Vietnamese delegation** – In 2017, the organization played host to a high-level Vietnamese delegation that included officials from the Ministry of Agriculture and the Directorate of Cooperatives and Rural Development. The purpose of the meeting was to become more familiar with dairy cooperatives such as ours and address topics including governance, funding method, democratic process and strategic planning.
- **Major project in Ukraine** – On May 30, 2017, an Agropur executive was on hand to open a demonstration farm, along with Ukraine's minister of agriculture and food, Canada's ambassador to Ukraine and the executive director of SOCODEVI. For this project, Agropur not only provided technical support with barn design but also with the construction of feed conveyors and herd management.

Agropur has also participated in a number of ad hoc missions to Latin America, Asia, Africa and Europe over the years, aiming notably to promote the cooperative formula in various regions of the world.



RECOGNIZING AN AGROPUR MEMBER

At the SOCODEVI annual conference held in Québec City in April 2017, Luc Chassé of Saint-Sylvere, Quebec, received the SOCODEVI Merit Award for Intercooperation.

Mr. Chassé has participated in many missions to Ukraine, where he has contributed his expertise in various facets of dairy production.

An Agropur member, Mr. Chassé was also on the Cooperative's board of directors from 2006 to 2015.



René Moreau, President of Agropur; Luc Chassé; Cécile B. Pichette, President of SOCODEVI; and Richard Lacasse, executive director of SOCODEVI

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