



CORPORATE SOCIAL RESPONSIBILITY REPORT EXECUTIVE SUMMARY

| 2017-2018



MESSAGE FROM THE PRESIDENT AND THE CHIEF EXECUTIVE OFFICER



René Moreau



Robert Coallier

Agropur is proud to present this corporate social responsibility report, its very first. But Agropur's commitment to corporate social responsibility (CSR) is nothing new. It dates back to our very origins. CSR has always been closely tied to our cooperative values and our desire to act with respect toward and for the benefit of the community. Toward these ends, we have taken numerous economic, social and environmental initiatives over the past several years. In this report, we want to share these initiatives with you.

For over a year now, we have been making a special effort to fully integrate CSR into our business plan. We have therefore opted to structure our CSR approach on the basis of best practices and in light of current trends in the agri-food industry. This report sets out what it means for Agropur to be a socially responsible business and is based on the following **five dimensions**:

- **Products:** Provide quality products
- **Members:** Support the vitality of our cooperative model
- **Human Capital:** Provide a safe, healthy work environment that lets our employees achieve their full potential and supports our business goals
- **Environment:** Ensure integrated management of the environmental footprint of our operations
- **Community:** Be involved in the community and support the cooperative movement

This approach to CSR also enables Agropur to meet the expectations of our stakeholders, in particular our business customers. All members of the agri-food industry are aware of the economic, social and environmental impacts of their own activities. But they also want to know what steps their suppliers are taking to manage their social and environmental footprints. As a socially responsible member of this sector, we want to provide information about our approach and our results in a completely transparent manner.

We are happy to have gone through the exercise of preparing this report, which has been beneficial for our Cooperative. In addition to supporting our goals and our business objectives, our CSR activities add value to our organization.

We are proud to present you with the results of this effort. But being proud does not mean that our work is done. We must be demanding of ourselves so that we can better meet the needs of our customers and consumers. The Agropur way is to be a leader in our industry and to be proud of that, but never to rest on our laurels.

It is from this perspective that we will continue to take steps to meet the great challenge of sustainable development, one success at a time.

René Moreau, President

Robert Coallier, CEO

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.



| CORPORATE RESPONSIBILITY (CR) APPROACH

CORPORATE SOCIAL RESPONSIBILITY ANCHORED TO OUR COOPERATIVE BUSINESS MODEL

Guided by our founding members' vision of a cooperative that would know no borders, Agropur has grown from one region of Quebec to the entire province, and then across Canada and on into the United States.

The organization's development has thus been and continues to be a long-term process driven by a **clear mission**: to remain faithful to our member's vision of sustainability by providing quality dairy products to our customers and to consumers. It is by relying on our values of boldness, communication, collaboration, excellence and integrity that we intend to carry out this mission.

Agropur is now the **largest dairy processing cooperative in North America**. We have built ourselves a very strong position, but we also face a global dairy industry that is extremely competitive and continues to consolidate. Thus, to remain sustainable, we must continue to grow.

We plan to continue along this path of growth by relying on our unique cooperative business model and by diligently carrying out our development plan, which is based on **five pillars**: brand strategy, innovation, cost leadership, human capital and national and international development.

At Agropur, handing down a valuable legacy from generation to generation is part of our DNA and makes us extremely proud. This objective keeps us going every day, for the well-being of our members, our employees, our customers, consumers and our business partners.

OUR BUSINESS ETHICS

In a world where transparency and integrity are essential, ethics are becoming increasingly important. We therefore put in place the structures and tools that our organization needs to operate ethically, and we keep them up to date so that we can address new issues as they arise.

OUR APPROACH

Agropur has articulated its approach to corporate social responsibility in a structured, rigorous fashion. We have chosen our priority dimensions and themes on the basis of their materiality for our organization and our industry, and the expectations of our stakeholders.



| PRODUCTS DIMENSION

Our first responsibility as a business is to provide products that meet the highest quality standards. For us to do so, it is essential that we pay the closest possible attention to the ingredients and manufacturing processes we use.

QUALITY OF OUR PRODUCTS

Providing products that are safe, healthy and meet all applicable requirements is an obligation for any business in the food industry. But the care a business takes can vary from merely complying with the relevant standards to a more ambitious approach. At Agropur, we aim for excellence.

We strive to apply Agropur's quality requirements in our own operations and across our supply chain, to standardize our practices, to deploy the appropriate level of monitoring, to manage risks responsibly and proactively, and to ensure that our team members are empowered and continue to develop professionally.

NUTRITIONAL VALUE OF OUR PRODUCTS

Agropur makes a particular effort to provide healthy foods in its product line. In addition to offering organic products, Agropur has recently begun to develop lactose-free, low-sugar and low-fat products.

MILK SUPPLY

As a dairy processor, Agropur purchases milk as its primary raw material. The quality of this milk is essential to the quality of the products we make from it, so both in Canada and in the United States, we strive to procure top-quality milk that is responsibly produced.

Animal health and welfare

Animal health and welfare is an important issue for agri-food stakeholders. In 2015, as a major player in the dairy industry in both Canada and the United States, Agropur issued an Animal Welfare Statement. In addition to supporting industry initiatives to improve animal welfare, Agropur makes its member farmers in Canada and its milk suppliers in the United States aware of the need to comply with animal welfare standards.

SQF CERTIFICATION OF AGROPUR PLANTS

To revalidate the excellence of its plants in Canada and the United States every year, Agropur keeps its Safe Quality Food (SQF) certifications up to date. Recognized worldwide, SQF certification attests to a system that manages food safety credibly and rigorously, from the raw ingredients to the manufactured product. SQF certification is recognized by the Global Food Safety Initiative (GFSI).





| MEMBERS DIMENSION

To support its members and give them the tools that they need to prosper in an increasingly competitive business environment, Agropur provides a sound governance structure; regular, transparent information; a dynamic associative life; a representative board of directors; and competent managers and employees.

ASSOCIATIVE LIFE

The dynamism of the Cooperative's associative life remains one of its great strengths. Agropur holds over 80 meetings per year throughout its territory. Agropur also keeps its members informed about their Cooperative's activities and results through various other communication vehicles and channels. In addition, Agropur's programs for young cooperative leaders provide an opportunity to increase its contacts with the members of the Cooperative and their families.

Agropur's members entrust the management of its business operations and internal affairs to a board of directors who are themselves dairy farmers and members of the Cooperative and are elected by the delegates at its Annual General Meeting.

SUPPORT FOR MEMBERS

Agropur strives to inform its members about and encourage them to adopt best practices in the dairy industry. Agropur's team of cooperative advisors is dedicated to providing its members, employees and outside stakeholders with training and information about the Cooperative. These advisors also offer members various services to help them improve the quality of their milk and the welfare of their dairy cattle.



SOLID GOVERNANCE STRUCTURE

12 directors, elected by delegates to a three-year term at the Annual General Meeting, and **3 guest members** of the board

341 delegates

3,290 members



| HUMAN CAPITAL DIMENSION

Since 2015, Agropur has carried out an in-depth transformation of its organizational structures. It has taken major steps to make itself nimbler and improve its capacity to innovate while serving its customers better and meeting consumers' expectations. Agropur has also developed a number of communication vehicles to mobilize its employees to respond to these changes.

FACILITATING AGROPUR'S GROWTH AMBITIONS

In spring 2017, Agropur launched the Harmony Project, an initiative to implement a new system for managing human capital, time and pay. The software tools chosen for this purpose—Workday and Kronos—are top-quality and will continue to support the organization as it grows.

LEADING A MOTIVATED, HIGH-PERFORMING TEAM

In 2014, to support operational excellence, Agropur formed a strategic group focused on continuous improvement. This group then implemented Evolution, a program designed to enhance performance and foster a performance culture in Agropur's Canadian processing plants and distribution centres. Benefits yielded by the Evolution program in 2017 included reduced losses, improved product performance and optimized labour costs.

BUILDING THE WORKFORCE OF TOMORROW

Agropur is updating its ways of doing things and is relying more than ever on its reputation to attract quality people who are talented, innovative, and will be the leaders of tomorrow. Our Agropur brand evokes attributes such as integrity, quality and performance. Our actions and programs are therefore designed to make talented people want to be associated with our trusted brand.

Deployed in 2016 across Agropur, our VisionR program is central to our strategy for retaining talent and developing young leaders. Aimed at high-potential professionals and managers, this program develops young leaders' skills, building on the organization's values, and hastens their advancement.

PROFILE OF OUR WORKFORCE



OHS – HEALTHY EMPLOYEES, HEALTHY ORGANIZATION

Health and safety is an integral part of every Agropur division's business plan. Each Agropur operational site has its own local joint employer/employee health and safety committee. In Canada, to implement a "zero-tolerance" prevention approach, Agropur has developed a 15-point program based on standardizing safety behaviour nationwide.



ENVIRONMENT DIMENSION

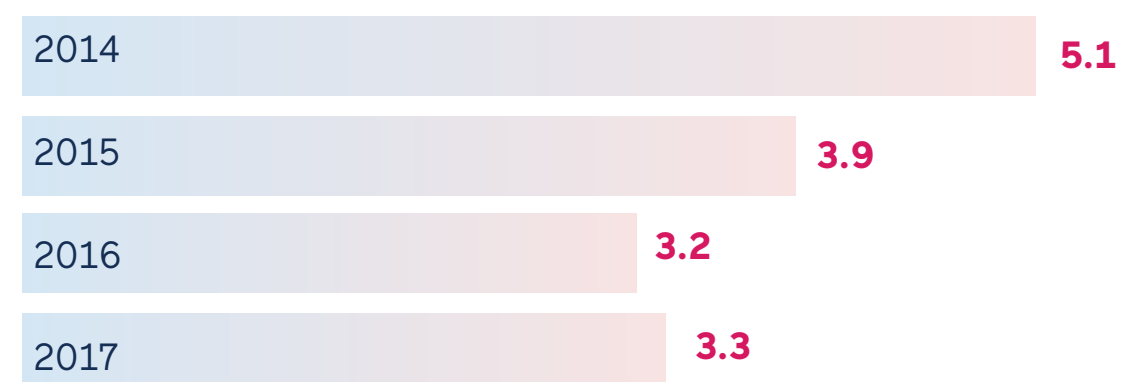
As part of Agropur's Operational Excellence Sector, our Environment Department strives to structure and promote environmental best practices throughout our operations. This team also ensures compliance with the applicable environmental laws and regulations, and measures, evaluates and controls the organization's environmental impacts, with an emphasis on transparency and sound governance at all times. To do so, the Environment Department carries out environmental-awareness activities in Agropur's plants, measures and closely monitors its performance indicators, and tracks a number of operational-improvement projects.

COMPREHENSIVE WATER MANAGEMENT

At Agropur, we pay especially close attention to water management because we work in an industry where it plays a central role in operations. To achieve the desired results, the Cooperative relies not only on proven technologies and skills but also on the commitment of its employees.

Intensiveness of water consumption

m³ of water used / m³ of milk processed



ENVIRONMENTAL MANAGEMENT SYSTEM

Agropur's Environment Department is responsible for operating the organization's dedicated environmental management system (EMS). This system, based on the ISO 14001 standard, ensures integrated management of Agropur's environment-related activities and is grounded in the operational structures that Agropur has put in place over the years.



| ENVIRONMENT DIMENSION

GHG EMISSIONS MANAGEMENT

In 2017, Agropur achieved its objective of having its carbon footprint audited by a third party in accordance with ISO standards, setting fiscal 2016 as the reference year.

Agropur’s carbon inventory for the 2016 and 2017 fiscal years (ending at the end of October) shows its greenhouse gas (GHG) emissions in accordance with the methodologies set out in the Greenhouse Gas Protocol and in Canadian national standard CAN/CSA-ISO 14064-1.

2016 and 2017 inventories of Agropur’s GHG emissions in Canada and the United States

	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

WASTE MANAGEMENT

Agropur reuses the vast majority (99%) of its organic wastes (or by-products) internally to produce powders such as whey protein and milk protein concentrates.

Energy efficiency

In 2017, Agropur carried out several energy efficiency projects at its facilities in Canada and the United States.

JEROME PLANT RECOGNIZED FOR ITS ENERGY EFFICIENCY PROGRAMS

In 2010, the team had set a 25% overall energy intensity reduction target over 10 years. As of 2016, the plant had reduced its energy intensity by 16.57 %.

The State of Idaho has recognized this plant for its commitment to energy efficiency by presenting it with a State of Idaho Award for Excellence in Industrial Energy Efficiency in each of the past three years.



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.



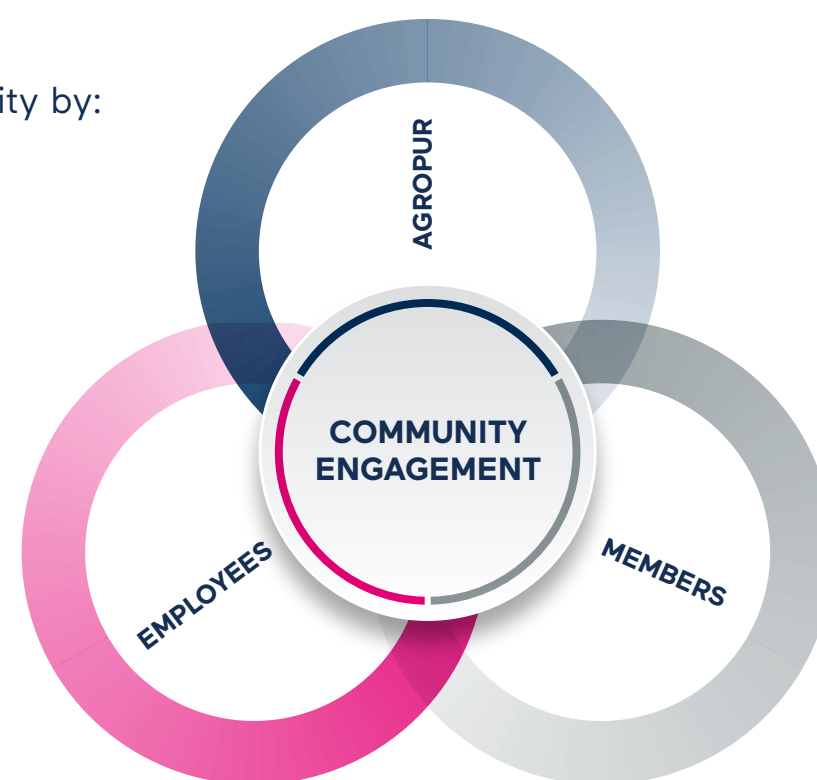
| COMMUNITY DIMENSION

Agropur contributes in many ways to the economic and social development of the regions of North America where its facilities are located. It does so through its donations and sponsorships program, its employees' annual fundraising campaign, its involvement in the industry and on the international stage, and through activities carried out by its members.

COMMUNITY ENGAGEMENT

The Cooperative expresses its engagement with the community by:

- **Supporting the community**
- **Carrying out social and environmental projects**
- **Living in harmony with our neighbours**
- **Playing an active role in the dairy industry**



SUPPORTING THE COOPERATIVE MOVEMENT

Agropur takes every opportunity to promote the values and principles of cooperation, emphasizing the importance of human beings and their engagement and empowerment through the cooperative / mutualist movement. Agropur also helps raise awareness of the economic and social development potential that cooperative and mutualist businesses can offer their communities. In addition, Agropur partners with some of the other leading organizations in the cooperative world.

MAJOR FINANCIAL RETURN TO MEMBERS' REGIONS

Agropur's cooperative business model lets it contribute to the economic vitality of the regions where its members are located.

Agropur not only creates wealth but also redistributes it. Over the past five years, Agropur has declared nearly \$369 million in patronage dividends.



Better Dairy. Better World.



Natrel

OKA

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biPro