



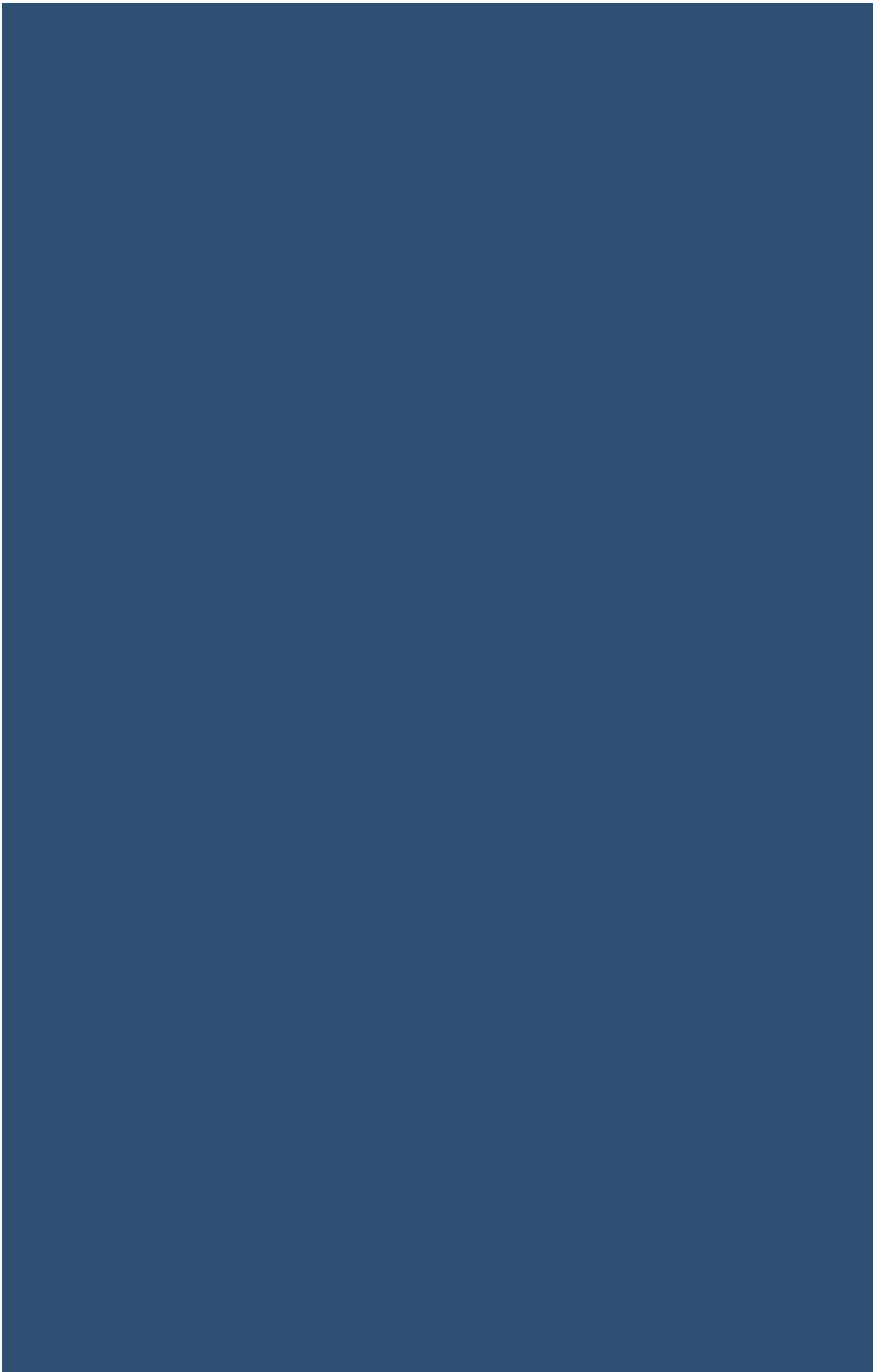
AGROPUR  
COOPERATIVE

ANNUAL REPORT  
2016

# Agropur transforms itself



PRESENTED  
TO THE MEMBERS  
OF THE COOPERATIVE





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<sup>2</sup> Throughout its 78-year existence, the Cooperative has been in a state of constant evolution, punctuated by watershed periods of accelerated change. 2016 was one such year of intense activity for our organization.

# Introduction <sup>3</sup>

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**“SUSTAINABILITY FROM GENERATION TO GENERATION”**

- DWAYNE PERRY (top)
- DYLAN AND PAIGE PERRY (bottom)
- BECKY PERRY (top right)
- PAIGE AND JACK PERRY (bottom right)

Photos taken at Perry Hill Farm in Perry Settlement, New Brunswick.



#### — ORGANIZATIONAL TRANSFORMATION

First, the new structures announced in Fall 2015 were implemented and filled out during the year. The Canada Operations and US Operations teams were assembled with a view to harnessing each individual's knowledge and strengths, and capturing internal synergies.

#### — COMPREHENSIVE NEW INNOVATION STRATEGY

During the year, Agropur introduced a comprehensive innovation strategy called "Inno Agropur" to spur the development of new ideas, internally and externally, and accelerate the creation of new products and procedures. The strategy will help propel the Cooperative into the future.







#### —LEADERS SUMMIT AND SECTOR SUMMITS

The Leaders Summit, held in May 2016 under the theme “Aiming Higher,” gave Agropur executives a chance to meet, get to know each other and exchange ideas. They discussed the organization’s direction and aspirations, as well as the new mission and values that will inform Agropur’s decisions and actions aimed at ensuring our organization’s growth and sustainability going forward. The information was then circulated throughout the organization via sector summits and manager presentations to employees.

#### —OPENING OF HEAD OFFICE

The Cooperative officially opened its new head office in June 2016 with a large congregation of guests in attendance. More than 800 administrative employees who previously worked in Longueuil, Granby, Saint-Hubert, Saint-Laurent and the Ultima Foods head office have been brought together under one roof in Longueuil. The new head office provides a stimulating, collaborative work environment that promotes synergies among Agropur’s departments and teams.

#### —INTERNATIONAL SUMMIT OF COOPERATIVES

Our executives and directors were very much in evidence at the International Summit of Cooperatives, held in Quebec City from October 11 to 13. Over 3,000 participants from thousands of cooperatives around the world gathered for the event. Agropur was a major sponsor of the two main luncheon speeches which drew about 1,000 people.

# New mission and values

The new mission and values unveiled at Agropur's Annual General Meeting in February 2016 project a truer image of our organization's identity and aspirations, and reflect its rapid development of recent years.

## OUR NEW MISSION

**Be faithful to the long-term vision of members, owners of efficient processing assets, by offering quality dairy products to our clients and consumers.**

To achieve it, we must apply strategies designed to:

- \_Develop dairy brands that consumers love, and be the first-choice supplier for all our business partners.
- \_Focus our growth by processing milk into innovative, value-added products and ingredients.
- \_Create a dynamic, performance-driven work environment while taking our employees' current and future needs into account.
- \_Maintain superior profitability and a solid capital structure for the long-term benefit of our members.

In pursuit of its mission, Agropur relies  
on five core values:

# Boldness

DEMONSTRATING COURAGE AND CREATIVITY  
IN A CONSTANTLY CHANGING WORLD.

# Communication

SHARING INFORMATION TO ENSURE INFORMED DECISIONS.

# Integrity

ACTING DILIGENTLY AND HONESTLY.

# Excellence

TRANSCENDING THE REST TO BE THE BEST.

# Collaboration

WORKING TOGETHER IN A SPIRIT  
OF TRUST AND COOPERATION.

# Message from the President

I thank our members and our employees for their support and the trust they have placed in me during my 26 years on the Board, including 15 years as President. Together, we have accomplished great things.



As I prepare to step down as President of Agropur, I would like, first of all, to express my profound gratitude to our Cooperative's 3,271 members and 8,000 employees. I thank them for their support and the trust they have placed in me during my 26 years on the Board, including 15 years as President. Together, we have accomplished great things.

It has been an honour and a privilege to work for the advancement of our Cooperative day after day, year after year. I am proud of the road we have travelled. Between 2002 and 2016, Agropur's sales swelled from \$1.8 billion to \$6 billion. We have built on the legacy left by our predecessors in order to serve the Cooperative's current members, while striving to leave future generations a financially sound organization that is geared for growth. For 78 years, we have consistently worked together toward a single goal: to take our fate into our own hands and secure the Cooperative's future.

Agropur is an organization in which the member-owners share their points of view in a respectful and democratic way, to serve the interests of the Cooperative. Our rich associational life, conducted through numerous meetings and assemblies for members every year, is vital to the tight-knit connection that powers our Cooperative's progress over time.

More than ever, we are in a position to say that the decisions we made to support our organization's responsible growth were the right ones. In 2016, the Cooperative was able to declare a \$60.1 million patronage dividend. Agropur will also make a redemption of members' capital and debt certificates in the amount of \$40 million.

In all, \$719.8 million have been returned to our member-owners over the past 15 years. That money has been reinvested in the development of farms and supports

# Serge Riendeau

the economic vitality of local communities. Our business model is based on fair sharing.

The past few years have seen a number of major mergers and acquisitions at Agropur, including Farmers, Dairytown, Davisco, Northumberland and the Sobeys dairy assets. After the end of the fiscal year, we concluded an agreement to buy Scotsburn's assets. Agropur is Canada's largest dairy co-op, realizing our vision of consolidating ownership of processing assets in the hands of our dairy farmers.

We have also made considerable capital expenditures, including capacity expansions at our Oka, Quebec City and Saint-Hyacinthe, Quebec, plants, the completion of the project at our Lethbridge plant in Alberta, and substantial increases in feta and mozzarella production capacity at our US plants, including Luxemburg and Weyauwega. In all, we have invested near \$1.4 billion over the past 15 years in our infrastructures.

Today, we process 5.9 billion litres of milk per year, compared with 1.7 billion litres in 2002, hoisting us to the top ranks of the global dairy industry.

We have also demonstrated leadership on major issues that affect the dairy industry, such as the cheese standards introduced in 2008 and the negotiations on the Canada-EU agreement and the Trans-Pacific Partnership.

I am proud of our contribution to maintaining the supply management system. Canada's dairy industry provides consumers with dairy products that meet the highest quality standards, at a fair price. Unfortunately, the trade talks did end up granting other countries 5.5% of our market, which is milk that will no longer be produced by our farmers or processed by our processors. And we are still missing a key component for protecting the supply management system: border controls over dairy products that are circumventing Canadian regulations.

After years of effort, we reached an agreement on a national ingredients strategy with our processor partners and the provincial marketing boards, the most significant change in Canada's dairy system in the last 20 years. It will solve the structural surplus problem and give dairy producers more secure income.

As well, we enthusiastically announced our decision to display on all our made-in-Canada products sold under Agropur's brand the "Quality Milk" certification of origin logo unveiled by Dairy Farmers of Canada. This important step shows that we support Canadian dairy farmers by using Canadian ingredients. In the same spirit, we announced earlier in the year that we had decided to stop importing and using diafiltered milk.

Agropur's strong performance is due to a series of actions taken in recent years, including our mergers and acquisitions, our cost-cutting program, careful debt management, and major investments in our brands and facilities in both Canada and the US. Our Cooperative's solid foundation enables us to look to our future development with confidence and continue our expansion in the US market.

I thank our CEO Robert Coallier for his leadership and acute business sense, and for giving Agropur more agile structures that are conducive to operational improvements and will support achievement of our aggressive performance and growth targets. I thank the management team and all employees for their team spirit and the energy they have devoted to building Agropur into what it is today.

From the bottom of my heart, I thank my fellow members of the Board for repeatedly placing their trust in me over the past 15 years. We have always worked with and for the membership, in Agropur's best interests.

And again, I thank our members for their steadfast commitment. Our founding members said "our Cooperative has no borders." Today more than ever, I am convinced that the force of cooperation has equipped us for success in the fast-consolidating global dairy industry. Our founders decided to take control of their future. Let's keep up the good work, together. Long may Agropur prosper!



**SERGE RIENDEAU**  
President

# Message from the CEO

2016 was an eventful year. We took a series of actions to achieve the ambitious targets we had set at the beginning of the year, and we are very pleased to report substantially improved earnings in 2016.

Our earnings from operations<sup>1</sup> increased by \$105.7 million, or 34.6%, to \$411.7 million despite still-unsteady global prices for whey products and a fiercely competitive Canadian market environment. Earnings before patronage dividends and taxes were also up significantly, increasing 63.1% to \$154.0 million.

We believe that in a globalizing dairy industry we need to remain a significant player. We have therefore been in transformation mode in recent years and that is the theme of our 2016 Annual Report.

We can see the positive results of our strategies, operating decisions and actions of the past five years, all of which have revolved around our five developmental pillars. Agropur is now the fifth largest dairy processor in North America, and one of the 20 largest dairy companies in the world, according to Rabobank, an international financial services provider.

We are again very grateful to consumers, who made us Canada's most trusted dairy brand this year, according to the Gustavson Brand Trust Index. The faith consumers place in Agropur is a source of tremendous pride to us.

In keeping with its commitment to be responsive to consumers, Agropur took a big step this year by announcing that it will henceforth use the Dairy Farmers of Canada certification logo. From now on, all Agropur products made in Canada and sold under our brands will display the "Quality Milk" logo. The move will help consumers know where our products come from and support our producers.

Agropur also prioritizes innovation as a key driver of its development and a way to exceed consumers' expectations. Our annual spending on research and development is very substantial and in recent years we have also turned our attention to incorporating innovation into our organization.



<sup>1</sup> Earnings from operations for 2015 have been adjusted to make them comparable with the 2016 figures.

# Robert Coallier

This year, in partnership with the Quartier de l'innovation de Montréal, Agropur launched its Inno Challenge program to stimulate the reinvention of dairy products through open innovation, a Canadian first in agri-food innovation.

The clarion call "Together, let's rethink dairy!" therefore went out to creative thinkers at home and abroad. They were asked to come up with impactful new innovations that expand, sustain and reinvigorate the use of dairy, and that elevate dairy beyond a household staple. We want to turn convention on its head as we create the dairy products of tomorrow.

As we promised, we have paid special attention to debt management. The proceeds from the second issuance of preferred units in the amount of \$300 million in December 2015 were used in their entirety to pay down term debt. That repayment, combined with our other actions, positions us to continue our strategic development.

We also launched a new three-year, \$100-million cost-reduction program. After one year, we have already realized \$41.0 million in savings.

Capital expenditures totalled a hefty \$148 million in Canada and the US. Among other things, we have increased the capacity of our feta cheese facilities in Weyauwega by 128%. The expansion will not only reduce costs but also keep us number one in feta production in the US.

Our US operations generate an increasing proportion of revenues and now account for 44.3% of the total.

Finally, we opened our new head office in Longueuil, Quebec. The \$90-million, near-42,000-square-metre head office keeps Agropur's decision-making centre in Quebec. More than 800 people work at the collaborative smart offices, which have been unobtrusively integrated into their natural setting.

Our new head office is already having an observable positive impact on our ability to attract and retain the best talent. We also continued deploying management tools such as the succession management program and the leadership program. We are confident that we have the best people in both Canada and the US.

It is because of all the decisions we have made in recent years, the support of our 3,271 members and the dedication of our 8,000 coworkers that we are experiencing remarkable growth overall and are better positioned than ever.

During this year of consolidation, we continued building on our five pillars. Our actions were also informed by our new mission and our new values. In a constantly changing environment, we believe it is vitally important to have clear objectives and compelling shared ambitions for the future.

We still have a long way to go. To achieve our goals, we want to make teamwork our byword at every level of the organization. We believe our management practices must be modern and motivational for all of our 8,000 employees. As we look forward to 2017, we are filled with confidence and enthusiasm.

Finally, I sincerely thank the members of the Board and our President, Serge Riendeau, who is retiring in February 2017. I salute his leadership. His vision has been instrumental in our organization's responsible growth. I am grateful to my colleagues on the Management Committee and to all the Agropur employees who work every day to advance our organization.

I thank the entire Agropur team for a highly successful year.



**ROBERT COALLIER**  
CEO

# Board of Directors

**1. SERGE RIENDEAU**

President  
Presented and elected  
by universal suffrage 1991

**2. RENÉ MOREAU**

Vice-President  
Nicolet-Bois-Francs 1998

**3. JEANNIE VAN DYK**

Vice-President  
Atlantique 2013

**4. MICHEL COUTURE**

First Member of the Executive  
Chaudière-Appalaches 2001

**5. CÉLINE DELHAES**

Second Member of the Executive  
Laurentides-Lanaudière 2011

**6. ROGER MASSICOTTE**

Third Member of the Executive  
Mauricie-Portneuf 2003

**7. ROGER BEAULIEU**

Est du Québec 2014



1



2



3



4



5



6



7





8



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14



15



16

**8\_ STÉPHANIE BENOIT**

Presented and elected by universal suffrage 2015

**9\_ CLAUDE CRESSIER**

Érable–Seigneuries 2015

**10\_ JEAN FILIATRAULT**

Montérégie 1993

**11\_ ALAIN FORGET**

Laurentides–Lanaudière 2014

**12\_ JEAN-PIERRE LACOMBE**

Salaberry–Richelieu 2007

**13\_ VALÈRE LIEUTENANT**

Estrie–Granby 2012

**14\_ RALPH BALLAM**

Guest member of the Board 2013

**15\_ SUZANNE BLANCHET**

Guest member of the Board, the Human Resources Committee and the Environment Committee 2015

**16\_ JIM WALKER**

Guest member of the Board 2014

15

Legend: Director's name, administrative region and year of election to Board.



# Senior Management Committee

**STANDING** **SIMON OLIVIER**  
Senior Vice-President, Strategy and Innovation

**SERGE FORTIER**  
Senior Vice-President, Information Technology

**SERGE PAQUETTE**  
President, Canada Operations

**NICOLAS MARIE**  
Senior Vice-President, Strategic Sourcing  
and Development

**ROBERT COALLIER**  
Chief Executive Officer

**LORRAINE BÉDARD**  
Senior Vice-President, Legal Affairs,  
Member Relations and Corporate Secretary

**DOUG SIMON**  
President, US Operations

**JOCELYN LAUZIÈRE**  
Senior Vice-President and Chief Financial Officer

**SEATED** **PIERRE CORRIVEAU**  
Senior Vice-President, Human Capital

**BENOÎT ZOLNAÏ**  
Senior Vice-President, Operational Excellence and Quality

**DOMINIQUE BENOIT**  
Senior Vice-President, Institutional Affairs  
and Communications

The brand strategy  
Agropur has been  
pursuing for several  
years continues to pay  
dividends and to produce  
conclusive results.

# Brand Strategy

PILLAR

01  
—

# Transforming to build our brands




## —AGROPUR IS CANADA'S MOST TRUSTED DAIRY BRAND

The Agropur brand topped the list in the dairy category on the prestigious Gustavson Brand Trust Index. In September 2016, the Peter B. Gustavson School of Business at the University of Victoria published its latest in-depth analysis of the corporate and product brands Canadian consumers trust the most.








## —NATREL CONTINUES GAINING GROUND

Natrel's various initiatives continue to bear fruit. Examples include increased emphasis on lactose-free products, new concepts that let consumers fully experience Natrel's brand promise, and ongoing efforts to grow Natrel's Canadian market share in all high-volume categories. Natrel is number one in Canada in the lactose-free, fine-filtered and organic categories.






We adopted a more dynamic approach by launching an advertising campaign for Natrel Lactose Free on social networks in English Canada in April 2016. The campaign has been a resounding success. As well, the Natrel Milk Bar by java u concept also came to English Canada with the opening of a coffee shop in Toronto's West Queen West neighbourhood in July 2016.




The fact that the Natrel product line now includes milk, cream, butter and cultured products raises its national profile and generates new business opportunities and possibilities for building brand equity.








## —OKA STILL GROWING

OKA has been on a strong uptrend since 2013, which continued in 2016 with healthy growth both inside and outside Quebec. OKA sales (by weight) have increased 75% since 2013.

In only a few months, OKA portion packs have achieved wide distribution across the country. Consumer adoption has been so strong that performance is above projections. This latest addition to the OKA line promises to become a new flagship product for Agropur.

## —BIPRO, THE BRAND ATHLETES AND CONSUMERS TRUST

In the US, significant amounts are being allocated to marketing for our biPro brand's flavoured protein powders and protein drinks. BiPro continues gaining popularity with both elite athletes and consumers.

BiPro is also entering the Canadian market as of January 2017. BiPro protein powders will be sold on an online shopping site and at sports nutrition shops, two new distribution channels for Agropur.

BiPro already has its first Canadian ambassador, Olympic medallist Jennifer Heil, as well as many influencers, including kinesiologists, trainers and nutritionists, in its corner and will have a presence at many sporting events in the coming year.



### —ULTIMA FOODS: BOLDNESS PAYS OFF

Our Ultima Foods joint venture is successfully pursuing its brand strategy: it has reinvented its Olympic brand and is evolving its iögo brand. The two brands topped growth in the fresh dairy products category in fiscal 2016 with 10% and 6% increases, respectively (Nielsen: 4 weeks ended October 15, 2016), compared with annual growth of approximately 3% for the category as a whole.

Ultima Foods has reinvigorated the Olympic brand with a new slogan (“Good nature. Good people. Good yogurt.”), new positioning and new packaging. Just a few weeks after the August 2016 facelift, Olympic had buttressed its position as a national leader with a nearly 37% market share in the organic segment and 12% growth in the gourmet segment for its Krema brand.

Already dominant in the early-childhood segment with a 52.5% market share, iögo is now bidding to strengthen its posture as an innovative brand in all market segments. Of the 335 million kilograms of yogurt sold in Canada, 15.7% bear the iögo or Olympic label.

### —“QUALITY MILK” CERTIFICATION OF ORIGIN LOGO ON OUR AGROPUR PRODUCTS

One of the highlights of the year on the brand strategy front was Agropur’s decision to display on all its products the new certification of origin logo for quality Canadian milk, unveiled on November 1 by Dairy Farmers of Canada.

The move was the result of lengthy discussions with DFC about each party’s role in the marketing process. The logo will gradually make its appearance on the packaging of products sold under Agropur brands made in Canada and in Agropur’s marketing and promotion activities. This strategy will not only support our brands but also promote our industry, quality milk and the work of our dairy farmers.





**OLYMPIC**  
KREMA  
100%

**Natrel**  
SANS LACTOSE  
SANS LACTOSE  
LACTOSE-FREE

**OKA**

**OKA**

**OKA**

**OKA**

During the year,  
we made great strides  
on our innovation pillar  
by setting up a new  
“Inno Agropur” process.

PILLAR

# Innovation

# 02

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# Transforming to surprise and delight consumers



—**ROBERT COALLIER**,  
Agropur CEO,  
at the Inno Challenge launch.

## —NEW INNOVATION PROCESS

The Agropur teams worked hard during the year to set up a new four-pronged “Inno Agropur” process that will speed up innovation:

—**INNO FABRIK** is an annual in-house idea-generation process. Employees from different departments and age groups come together for brainstorming sessions. The selected concepts are then prototyped and presented at Inno Expo in the following spring.

—**INNO EXPO**, formerly known as the Innovation Marketplace and held for the first time in May 2016, gives Agropur’s leaders a chance to see the new prototyped concepts, comment on them and vote for the ones they consider most promising. The top eight concepts then progress to the Inno Boutique stage and the other promising concepts are sent to the Marketing department.

—**INNO BOUTIQUE**, our “incubator,” is an accelerated development process that brings the selected concept to market for testing in the space of 90 days. The goal is to surprise and delight consumers.

—**INNO CHALLENGE**, launched on October 31, 2016, is a crowdsourced innovation initiative open to all creative thinkers in Quebec, Canada and around the world who have innovative ideas about the dairy products of the future. It is a first in agri-food innovation. The selected candidates will work with the R&D team to develop prototypes, which will be showcased at Inno Expo the following Spring.

## —ENTERPRISE RESOURCE PLANNING (ERP) PHASE 2 COMPLETED

Agropur continued rolling out its enterprise resource planning system. On October 31, 2016, Phase 2 of the deployment of our Oracle ERP integrated management software was successfully completed. The financial processes for Canadian operations have now been migrated to the system. Phase 3, which is now starting up, will be the largest IT project in Agropur’s history by far.

## —ALPHA-LACTALBUMIN

In 2016, we made a strong push to increase alpha-lactalbumin production and develop the market for the high-end whey product. Alpha-lactalbumin, the purest cow’s milk protein isolate in the world, was developed by our American operations.

Photo on previous page (on the left) :

—**DAMIEN SILÈS**,  
Director of the Quartier de l’innovation  
de Montréal

—**SERGE RIENDEAU**,  
President, Agropur

—**ROBERT COALLIER**,  
CEO, Agropur

—**NICOLAS MARIE**,  
Senior VP, Strategic Sourcing  
and Development, Agropur.

Over the past several years, Agropur has made investments to modernize its plants, improve their performance and endow them with the capacity to support our sales growth.

# Cost Leadership

PILLAR

03  
—

Those capital expenditures have made the solid growth we are now experiencing possible.

# Transforming to create effective structures

## — MAJOR INVESTMENT IN WEYAUWEGA

The latest, a US\$58-million project at the Weyauwega plant, was launched in October 2014. Operations at the new facilities began on schedule in June 2016. The project will enable us to cut costs and remain number one in feta production in the US.

The expansion was necessitated to meet the strong market demand for the high-quality feta made at the plant. By the end of 2016, we had increased the Weyauwega plant's capacity by 128%. Agropur is the largest feta-maker in the US.

## — STRATEGIC SOURCING & DEVELOPMENT GENERATES SIGNIFICANT SAVINGS

The Strategic Sourcing & Development group, created at the end of 2014, has already generated supply cost reductions. These savings were made possible by aligning our Canadian and US operations around common objectives in order to harmonize and rationalize our needs, making it possible to reduce the number of suppliers, integrate them more closely into our business processes, and hence maximize our purchasing power.

## — OPERATIONAL EXCELLENCE GROUP IMPROVES QUALITY AND CONTAINS COSTS

In 2014, the creation of the Operational Excellence group helped standardize our processes, improve quality control and ensure respect for the environment, thereby contributing to achievement of our objectives and to cost reduction. The group works to establish programs that standardize our approaches by modelling them after best practices from across the organization.

## — OUR COST-CUTTING TARGET AFTER ONE YEAR

Our new \$100-million target over three years was therefore announced at the beginning of the 2016 financial year. After only one year, we have already achieved \$41 million in savings. We are therefore well on track to reaching our goal.



—MICHELLE WALDVOGEL  
—MICAH KLUG and  
—KYLE HIGGINS  
working on the new feta line  
at the Weyauwega plant,  
Wisconsin, USA.



In 2016, Agropur continued its efforts with respect to Human Capital. Several initiatives during the year played a major role in moving Agropur's transformation forward.

# Human Capital

# Transforming to create the best work environment for employees

## —NEW STRUCTURES ESTABLISHED

The most significant change during the past year was certainly the establishment of new structures for both US and Canadian operations. That transformation gives us greater agility to change and innovate and a customer-driven focus. The new structures are tailored to each market.

Our Canadian teams, which have been brought together under Canada Operations, reviewed their ways of doing things in order to be able to bring customers a comprehensive, integrated offering of Agropur's full product portfolio. Employees did outstanding work to help enhance our customer relationships and our operating results.

In the US, the management team will ensure Agropur's future development in the American market by laying solid foundations to drive growth.

The new structures also open up new possibilities, such as:

- \_Increased customer focus.
- \_Better teamwork at all levels of the organization.
- \_Harmonized corporate culture based on common values.
- \_Succession planning.

## —SUCCESSION MANAGEMENT PROGRAM

Human capital is vitally important to our business: Agropur needs to attract and retain the best employees if it is to achieve its operating objectives. During the year, Agropur established new programs and modernized talent management practices.

Sustainability is among our members' central concerns. Succession management is therefore a vital priority. A new program based on corporate best practices was introduced in order to

identify and develop young talent. It also identifies key positions and provides for succession planning in order to ensure business continuity. The program was finalized and implemented during 2016.

As well, employees' potential will be taken into account in setting compensation, in addition to the individual's annual performance, in order to better recognize employees in the succession pool and strong performers.

## —EVOLUTION PROGRAM

Implementation of the Evolution project continued at some Agropur plants in 2016. Evolution is a customized program that Agropur developed on the basis of best continuous improvement practices. The goal is to foster a new performance management culture in the plants in order to remain the industry leader. Evolution is helping to improve health and safety, enhance quality, reduce costs, cut lead time, motivate employees and improve the environment.

## —CHANGE MANAGEMENT

In the last two years, Agropur has set up a change management team in the Human Capital department to support managers and employees with corporate transformation projects.

In 2016, the team worked on the head office campus project, helping employees get off to a running start in their new collaborative work environment and use the new technology available to them to enhance their performance. For the ERP deployment in the Fresh and Frozen Dairy Products business unit (Finance and Procurement module), the change management team not only helped managers and employees quickly adopt the new software but also new business processes and new work organization.







The change management team supports Agropur's performance by becoming part of corporate projects and making sure all the employees affected by the changes understand the new ways of doing things and are prepared to adopt them.

#### — POSITIVE RESULTS IN OCCUPATIONAL HEALTH AND SAFETY

Our "zero tolerance" approach to accident risks spawned a 15-point prevention program based on behaviours as a Canadian standard.

Our health and safety record improved in 2016. The number of accidents with lost time decreased by 14% compared with 2015. Our prevention efforts and our management of occupational health and safety files were rewarded with an 8% decrease in our workers' compensation premiums in Quebec, a 4% decrease in British Columbia and a stable rate in Ontario (2015 vs. 2016). We are continuing our accident reduction and harmonization efforts by establishing health and safety standards.

#### — OPENING OF THE NEW AGROPUR HEAD OFFICE

Agropur Dairy Cooperative's new head office in Longueuil, Quebec, was officially opened on June 21, 2016. The \$90-million, nearly 42,000-square-metre facility houses more than 800 employees from the Granby, Longueuil, Saint-Hubert and Saint-Laurent administrative offices and from Ultima Foods.

The opening was the culmination of more than three years of planning and construction. The head office's distinguishing features include a design that is integrated into nature and respectful of the environment. The layout of the work spaces promotes discussion and team work. A variety of new facilities are available to employees, including a cafeteria, a gym and a daycare which will open in Summer 2017.

— EMPLOYEES IN THE CAFETERIA at the new head office in Longueuil, Quebec.

In recent years, our development strategy has included mergers and acquisitions, which have enabled us to grow and become a major player in the North American market.

# National and International Strategies

PILLAR

05  
—

Though Agropur 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 are principles that are embedded in a cooperative's DNA.

# Corporate Social Responsibility

# Transforming to benefit the communities where we operate

In 2016, our organization gave, in the form of donations and sponsorships, the equivalent of more than 1% of its earnings before patronage dividends and taxes to organizations dedicated to improving the well-being of children and families.

## —DONATIONS AND SPONSORSHIPS

Through this program, Agropur supports the economic and social development of dozens of communities across North America in which it has facilities. Throughout the year, Agropur contributed to organizations such as the Breakfast Club, food banks in Quebec and the rest of Canada, Fondation OLO, which helps vulnerable expectant mothers, and hospital foundations.

In April 2016, the President of the Cooperative agreed to serve as honorary co-chair of the Pacific Path Institute's major fundraising campaign. Pacific Path offers programs and services that fight bullying and violence by promoting mediation and peaceful conflict resolution. Agropur has pledged a total of \$250,000 to the campaign over five years. The Cooperative's members were also canvassed and responded generously with donations.

Also in keeping with its commitment to solidarity and mutual aid, Agropur donated \$25,000 to the Canadian Red Cross to help the victims of the wildfires that ravaged Fort McMurray in May 2016.

Agropur encourages its employees to support local organizations in their communities. Under Agropur's employee fundraising campaign, employees form committees and choose the causes they wish to support. They organize fundraising activities across Canada and the US, and Agropur matches every dollar raised. Counting Agropur's matching contribution, nearly \$73,000 was collected in 2016 at 11 workplaces for 18 organizations in Canada and the US.

## —SUPPORTING THE NEXT GENERATION

As the Cooperative's sustainability is a core element of its mission, encouraging and promoting young farmers is a priority. For more than 30 years, Agropur's Young Cooperative Leaders Program has been giving young people who will be taking over a farm in the coming years an opportunity to explore all facets of the cooperative movement in general and our organization in particular.

In 2016, for the first time, a study tour of the US Midwest was organized for former participants in the Young Cooperative Leaders Program. They learned about the US dairy system and visited Agropur plants and dairy farms in the region.

Agropur also funds merit-based scholarships for students enrolled in a Canadian college or university-level program related to agriculture or food industries, and it makes annual donations to the University of Wisconsin and the University of South Dakota.

## —ENVIRONMENT

To protect the environment, Agropur has been applying environmentally responsible management practices for years. At this time, a number of projects are in progress at all levels of the organization, including initiatives relating to wastewater, recycling and energy reduction. Fast-changing regulatory requirements are exerting pressure on the entire organization. Among other things, major investments have been made at the Oka plant to install a new wastewater treatment system. The Beauceville and Notre-Dame-du-Bon-Conseil plants are already equipped with the system, which treats wastewater by aerobic degradation of organic materials using a sequencing batch reactor. The treated water can then be released into nearby bodies of water, in accordance with Environment Ministry standards.

Agropur is also pursuing multiple green initiatives that go beyond meeting regulatory requirements. For example, the logistics and transportation department has taken various steps to reduce greenhouse gas emissions, including programming engines to limit idling time to 10 minutes, and replacing 36 refrigeration units with hybrid units.

In the operational sphere, Agropur has partnered with the town of Saint-Hyacinthe and joined its biomethanation project aimed at diverting biodegradable matter from local landfill sites.

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Two Agropur committees are charged with ensuring effective environmental management and monitoring environmental initiatives in Canada and the US. The Environment Committee, made up

of members of the Board of Directors, is responsible for environmental policy decisions, orientation and oversight. The Environmental Steering Committee, which includes members of the Management Committee, is responsible for development and implementation of action plans. Agropur's environment administers the environmental management system and works with all Agropur entities to help them meet their obligations and support their projects.

#### —ANIMAL WELFARE

Agropur is sensitive to animal welfare issues and accordingly adopted a statement on the matter in 2016. Agropur has zero tolerance for animal mistreatment or cruelty. We also support industry initiatives to address this issue.

**In 2016, our organization gave, in the form of donations and sponsorships, the equivalent of more than 1% of its earnings before patronage dividends and taxes to organizations dedicated to improving the well-being of children and families.**

# Agropur Cooperative

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