

MOVING FORWARD

COOPERATIVE SOCIAL RESPONSIBILITY **AT DARIGOLD**

CSR HIGHLIGHTS REPORT 2016

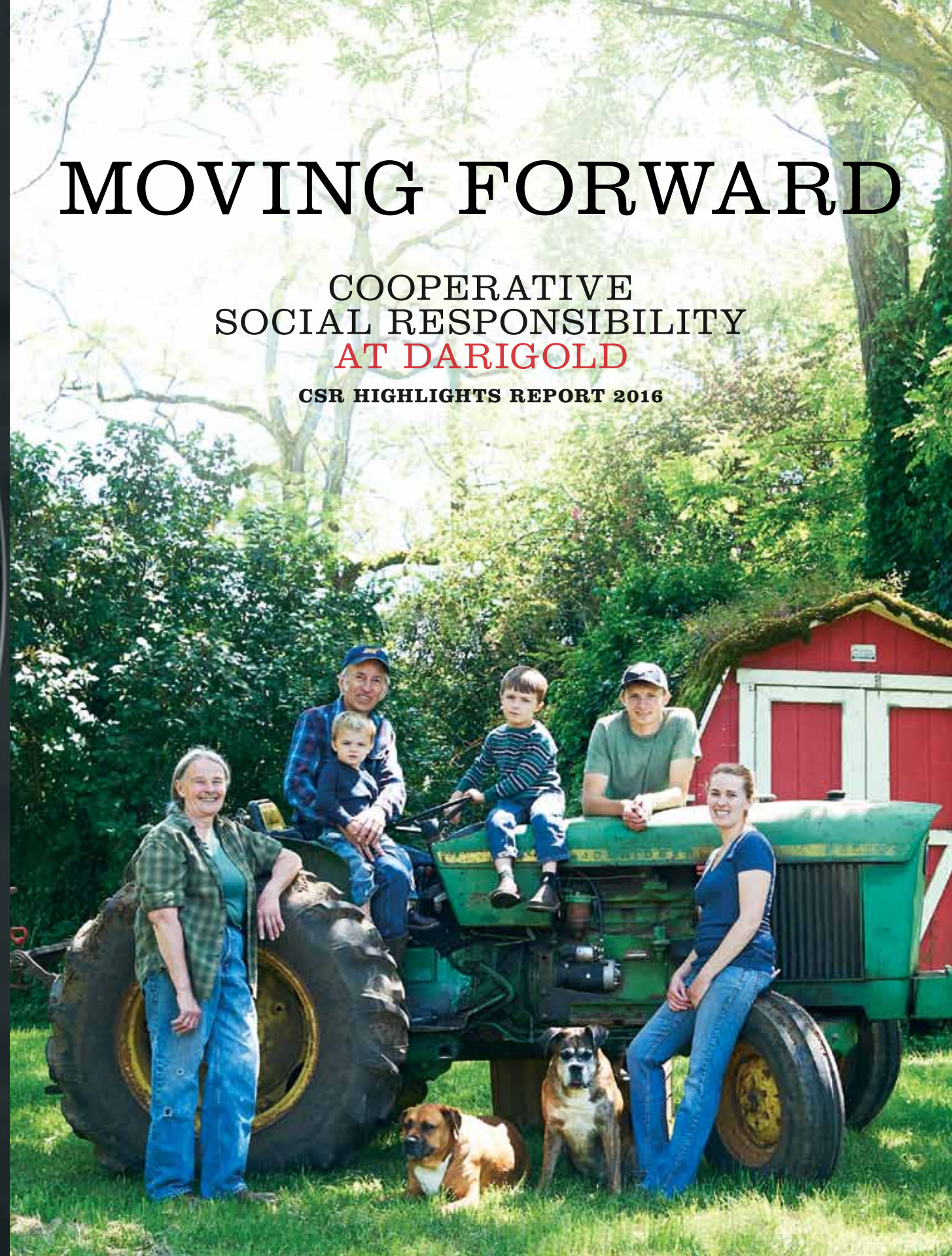
Darigold, Inc.
Northwest Dairy Association

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On the cover: Abiqua Acres,
a 100-acre dairy farm in
Silverton, Oregon

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CSR Progress Highlights 2012-2015

We made important progress over the last four years reducing energy use and CO2 emissions, evaluating animal welfare practices, supporting on-farm employee management, contributing to local communities, and investing in infrastructure, technology, people development, and systems to drive even further environmental improvements.



ON FARM: ANIMAL WELFARE, ENVIRONMENTAL STEWARDSHIP, SUPPORTING GOOD EMPLOYEE MANAGEMENT

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Number of Member-owners	547	523	504	486	460
Total Milk Handled in Millions of Pounds	8,737	8,591	8,766	8,992	9,064
Average Daily Production per NDA Member in Pounds	39,363	41,608	43,906	46,603	49,062
Net Sales in Millions	2,464	2,237	2,593	2,554	2,107

As of 2015, virtually **100%** of NDA farmers have successfully undergone a comprehensive on-site animal welfare evaluation.

Many NDA farmers are implementing innovative energy conservation, renewable energy and environmental improvement technologies.

Darigold has begun conducting third-party labor management practices audits and to date 35 farms have been completed.

Every* NDA farmer has a **Nutrient Management Plan** and, similar to past years, in 2015, 100%* of our members met the commitments in those plans.

(* Except in Montana where such plans are not required.)

On many NDA farms, **water is re-used** up to 7 times, being downgraded in each use from sanitation purposes through flushing operations.

In 2015, NDA held six seminars on **best practices in human resource management for dairy operations** in Washington, Oregon and Idaho. These were attended by more than 20% of all NDA members representing 42% of our milk supply.

COMMUNITY: SUPPORTING THOSE WITH WHOM WE LIVE & WORK

FINANCIAL CONTRIBUTION	2011	2012	2013	2014	2015
Darigold Donations	43,850	57,300	100,750	65,700	53,530
Darigold Matching Funds of Employee Gifts	10,093	12,524	25,013	14,385	18,395

OPERATIONS: CONTINUOUS IMPROVEMENT, REDUCED ENVIRONMENTAL FOOTPRINT, SIGNIFICANT INVESTMENT

Operational improvements reduced our energy use and CO2 emissions:

Since 2011:
Electricity & Natural Gas Consumption: Reduced 1.3%

CO2:
Reduced 2.6%

(all per pound of milk processed)

Since Baseline 2005:
Electricity & Natural Gas Consumption: Reduced 15.0%

CO2:
Reduced 16.0%

We were increasingly more successful at implementing our energy conservation program: Average energy program implementation scores at our 11 plants increased from 50% in 2013 to 80% in 2016.

Major investments for environmental improvements:

We hired Environment, Health & Safety managers in every plant, invested in ammonia cooling system upgrades in every plant (significantly reducing environmental and community risks), made major investments in wastewater treatment facilities, upgraded chemical storage, and completed an extensive upgrade of our Sunnyside, Wash., facility.

PEOPLE

	2011	2012	2013	2014	2015
Number of Employees	1,514	1,130	1,215	1,346	1,358
% of Female Employees	15.0%	13.4%	14.2%	14.6%	14.9%
% of Minority Employees	21.0%	24.0%	24.4%	23.6%	23.2%
% of Management Positions Held By Females	15.8%	17.9%	19.4%	22.2%	21.9%
% of Management Positions Held By Minorities	10.4%	13.5%	13.3%	14.2%	14.5%

We have improved our safety performance more than 50% since 2005.

	2005 BASELINE YEAR	2015	IMPROVEMENT FROM 2005 TO 2015
Total Incident Rate (per 200,000 hours worked)	16.71	8.10	51.5%
Lost-Time Rate (per 200,000 hours worked)	7.82	2.67	65.9%



Contents

1	Commitment & Strategy
2	Creating Value Cooperatively
6	Stewardship on NDA Members' Farms
10	Improving Our Operations
14	Promoting Health & Nutrition
18	Caring for Employees
22	Contributing to Our Communities

A Message from Darigold's CEO



STAN RYAN, PRESIDENT AND CEO

Many companies work on improving sustainability because they see it as critical to their social license to operate. While we agree that is important, it doesn't describe the primary motivation behind our Cooperative Social Responsibility (CSR) efforts at Darigold. First and foremost, we pursue sustainable practices because they are simply the right thing to do. CSR is core to our values and heritage. We pursue CSR because we care. For the past 98½ years, our producers have been providing high quality nutrition for customers, stewarding the land to pass on to their children and grandchildren, and contributing to the communities where they live and work. Our producer-owners, customers and employees care deeply about our impact. Our goal is to operate in a way that leaves the world and the people we touch in a better state.

A Message from Darigold's Board Chair



LEROY PLAGERMAN, BOARD CHAIR

Dairy producer in Whatcom County, Washington

As dairy farmers, we are always looking for practical innovations that help us improve our operations, including improving our environmental performance. Many Darigold producers are testing and installing equipment like separators, centrifuges, presses, filtration systems and methane digesters. These systems, together with improved storage, allow nutrients to be made available to the crops when needed, which increases productivity and protects the environment. Other sustainable practices are also being employed, such as barn roof solar panels, LED lighting, variable speed drives enabling pumps to pull only the energy needed for each specific job requirement, capturing heat energy, and using automatic manure scrapers. Such practices both reduce our environmental footprint and make economic sense. At NDA we expect that these animal care and stewardship management practices are carried out for the benefit of the cows, the farmer, employees, the environment, customers and consumers. And that is how we think about sustainability or Cooperative Social Responsibility (CSR) at Darigold—it's doing the right thing.

CREATING VALUE COOPERATIVELY



OUR COOPERATIVE MISSION AND GOVERNANCE

Darigold is the dairy products processing and marketing cooperative owned by northwest dairy farmers. We are proud of our cooperative heritage and the benefits it brings to our member-owners, workforce and communities. Today we are guided by a four-pillar strategy, core values and a strong governance structure.

To read and engage with Darigold's complete CSR information, please visit www.darigold.com/csr

Darigold is collectively owned and controlled by its nearly 500 dairy farmer producer-owners. The cooperative, known since 1999 as Northwest Dairy Association (NDA), was founded in 1916 to meet the challenges faced by dairy producers.

Agricultural producer cooperatives provide a number of benefits to farmers:

- * Access to markets for products;
- * Moderation of supply-and-demand fluctuations;

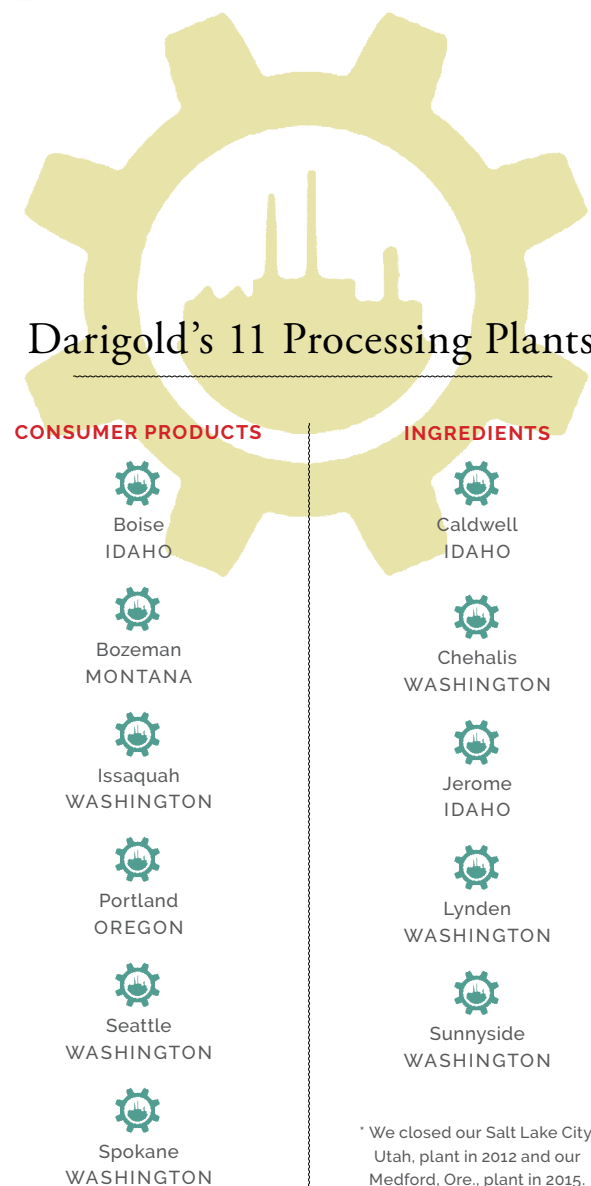
- * Empowering producers and protecting them from intermediaries;
- * Increasing the bargaining power of dairy farmers in milk pricing and contract terms;
- * Capturing for farmers a greater share in value-added products, thereby maximizing their income and profits;
- * Providing a source of capital for on-farm, processing and new product development investments;
- * Sharing information about effective farm management practices;

- * Providing services to members; and
- * Increasing influence on standards, legislative support and negotiations.

Cooperatives also generally benefit consumers and rural communities. Because they enhance shared ownership, democratic management and more equitable distribution of value generated, cooperatives are typically seen as inherently more sustainable than other organizational structures.

CREATING ECONOMIC PROSPERITY

Darigold's role in creating economic prosperity is significant. From wages paid to our approximately 1,400 employees, to incomes for our nearly 500 farmer-owners and their 3,000 farm workers, to radiating economic effects throughout the supply chain and within our local communities, dairy is a powerful northwest economic engine.



STEWARDSHIP ON NDA MEMBERS' FARMS

ANIMAL CARE MATTERS TO NDA'S FARMERS

The primary focus of dairy farmers' work lives is the health and welfare of their cows. This interest is driven by NDA members' moral commitment and sense of stewardship—as well as by a genuine appreciation of and connection with the cows themselves.



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SINCE 2012, NDA HAS MADE PARTICIPATION IN THE NATIONAL MILK PRODUCERS FEDERATION'S F.A.R.M. PROGRAM (FARMERS ASSURING RESPONSIBLE MANAGEMENT) A CONDITION OF NDA MEMBERSHIP. TO DATE, ESSENTIALLY ALL OF NDA'S FARMS HAVE SUCCESSFULLY COMPLETED A COMPREHENSIVE ANIMAL WELFARE EVALUATION.*



ON-FARM ENVIRONMENTAL STEWARDSHIP

NUTRIENT MANAGEMENT: Compliance & continuous improvement as part of annual Nutrient Management Plans.

NITRATE MANAGEMENT: Better agronomic application of nutrients, containment of nutrients, pump-back stations, cover crops to reduce soil erosion, preventing run-off and leeching, regular soil testing.

WATER CONSERVATION AND WATER QUALITY IMPROVEMENT:

Water re-use; improvement partnerships with local water districts, tribes and other key stakeholders.

ENERGY CONSERVATION: NDA farmers driving energy efficiency improvements.

SUPPORTING GOOD FARM EMPLOYMENT PRACTICES

NDA supports its members in continuously improving their labor-management practices on their farms through:

- * Third-party Labor Audits
- * Labor Self-Assessment Resource Tool
- * Labor-Management Training Seminars
- * Dairy Conference Trainings

**The F.A.R.M. program evaluates the full range of cows' well-being, including: Cow health from newborn procedures to end of life, facilities and environment, nutrition, veterinary relationships, management procedures and protocols, equipment and milking procedures, transportation, scoring for locomotion, body condition, hock and knee abrasion and more, emergency animal care procedures, employee training, and animal handling.*

DAIRY FARMERS ACTIVELY SUPPORT THEIR COMMUNITIES

Across the Northwest, NDA dairy farmers are pillars of their communities. NDA farmers are serving as team coaches, mentoring young farmers, leading church committees, guiding local school boards, and pitching in to help neighbors struggling with hard times. The social health of our rural communities is vitally dependent on this kind of widespread support from NDA's dairy farmers.



Innovation Spotlight:

Robotic Milking Machines

Louis Bouma installed robotic milking machines leading to 35% less water and electricity, less cleaning solution—and over 10% more milk—while providing key diagnostics and enabling the cows to experience less stress.



Innovation Spotlight:

Biofiltration Pilot

BioFiltro is a chemical-free, passive wastewater filtration system being piloted by Austin Allred and his Royal Dairy in Washington. Expected results include reducing:

- * BOD (biological oxygen demand) in wastewater 90%
- * total suspended solids 90%
- * total nitrogen 70%
- * phosphorus 30%

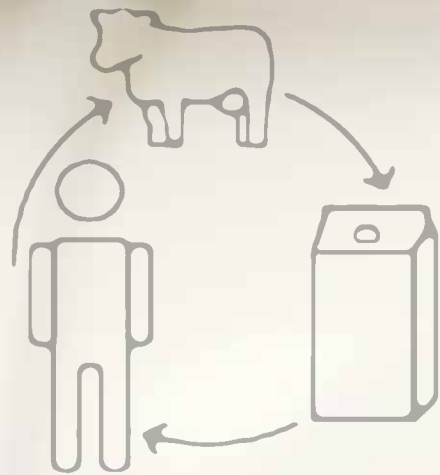


Innovation Spotlight:

Composted Animal Bedding

Scott Smit composts and reuses manure as bedding. His dairy scrapes the manure (as many dairies do) and collects it through a pump. It then goes to a bedding recovery unit that separates the solids from the liquids and prepares it for composting.

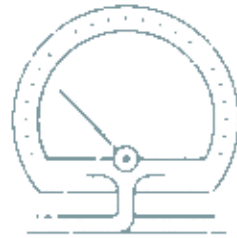
IMPROVING OUR OPERATIONS



CONTINUOUS IMPROVEMENT is the framework for what we do in our processing operations at Darigold. This ethic is certainly critical in relation to quality and productivity, and it is no less important in our approach to environmental concerns.

OUR CARBON FOOTPRINT IS DOWN
2.6% OVER THE PAST FOUR YEARS,
AND DOWN 16.0% SINCE OUR
BASELINE YEAR OF 2005.
(PER POUND OF MILK PROCESSED)

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Our Plants Have Been Increasingly Successful at Implementing Our Energy Program

Every plant is audited every year across 19 major categories for how well they have implemented the specific behaviorally-anchored elements of our energy program. Scored on a scale of 0 – 100, our plant teams have improved their performance each year.

YEAR	AVERAGE SCORE	HIGHEST SCORING PLANT
2013	49.6%	83.0%
2014	72.2%	94.4%
2015	76.9%	95.3%
2016	79.5%	100%



THE SUNNYSIDE PLANT ENERGY TEAM EARNED THE HIGHEST SCORE FOR ENERGY PROGRAM IMPLEMENTATION IN 2015.



THE BOZEMAN PLANT ENERGY TEAM ACHIEVED THE GREATEST REDUCTION IN ENERGY INTENSITY IN 2015.

ENVIRONMENTAL MANAGEMENT SYSTEM: COMPLIANCE AND BEYOND

All 11 of our plants have a full-time environmental manager charged with maintaining and improving our Environmental Management System. Our compliance record has improved and is good, and our capacity to measure and standardize our environmental practices is growing.

Our continuous improvement efforts since our baseline year 2005 have achieved results:

Electricity reduced: **5.6%**
Natural gas reduced: **17.7%**
Carbon footprint reduced: **16.0%**

CAPITAL INVESTMENTS TO SUPPORT ENVIRONMENTAL IMPROVEMENT

- * Hired full-time dedicated Environment, Health and Safety managers for every plant
- * Invested in ammonia cooling system upgrades in every plant (significantly reducing environmental and community risks)
- * Made major investments in wastewater treatment facilities
- * Upgraded chemical storage
- * Completed extensive upgrade of our Sunnyside, Wash., facility

Over the past four years, we have reduced our natural gas consumption 2% while holding electricity use steady—leading to a nearly-3% decrease in CO₂. Our water consumption is down, and we have put wastewater on a good trend after improving our ability to comprehensively measure it.



Note: 2011 was the first year we were able to reliably collect water and wastewater data. Wastewater volumes reflect an increase since 2011 in part because our wastewater data collection has gotten increasingly better; since 2014, we believe our wastewater data are accurate and complete.

PROMOTING HEALTH & NUTRITION

Darigold vigilantly manages food quality and safety every step of the way from the farm, in transport, through our processing facilities and on to retailers and corporate customers. We also play a leadership role in the Traceability Subcommittee of the Innovation Center for US Dairy, an industry-wide initiative to provide guidelines for traceability back to the milk supply on the farm.



DARIGOLD'S HIGH QUALITY PRODUCTS ARE DESIGNED AND PROCESSED TO MEET OUR CUSTOMERS' EXACTING NEEDS.

ASSURING FOOD QUALITY & SAFETY

Darigold customers have come to trust the exceptional quality of Darigold's full range of products. There is good reason for this trust.

Darigold/NDA producers have a strong history of providing superb quality milk. We closely monitor quality at every step in the lifecycle from farm through hauling, processing and transportation. In 2015, every single one of our NDA producers scored at least twice the minimum USDA requirements for milk quality. In our processing plants, Darigold has fully implemented Hazard Analysis Critical Control Point (HACCP), is compliant with the Global Food Safety Initiative (GFSI), is audited by the British Retail Consortium (BRC), and is compliant with the Food Safety Modernization Act (FSMA). Darigold has continued to have a perfect record with zero regulatory violations for food safety, labeling, or advertising.

HIGH QUALITY, AFFORDABLE NUTRITION

NUTRITIONAL ATTRIBUTES OF DAIRY FOODS

Milk, yogurt, cheese, whey and other dairy products are an

affordable, convenient, nutrient-rich source of protein, valuable from infancy to old age. Milk and dairy foods have a wide range of key nutritional qualities, including vitamins, minerals, essential amino acids, and complete protein. Over the past five years, we have introduced new products to simplify ingredients, enhance nutrition profiles, improve packaging, and extend product shelf life. For example, RE:FUEL, Darigold's performance enhancement and recovery product, is lactose free, has no artificial sweeteners, is lowfat and has been ultra-pasteurized for long shelf life.

POWERING PERFORMANCE

In addition to basic health and wellness, Darigold offers products specifically aimed at improving athletic performance and recovery.

In 2010, we introduced Chocolate RE:FUEL and Chocolate Peanut Butter RE:FUEL, each of which has 20 grams of protein in a 16-ounce serving.

Darigold participates in the Washington State School Nutrition Conference, food banks in many communities, and other activities to promote good nutrition.

DARIGOLD'S WHITE CHEDDAR

Your milk isn't orange, so why is your cheese? In September 2015, after two years of testing recipes, Darigold launched our new naturally white cheddar cheese line. The goal was to create a premium cheddar cheese that's better tasting with no added color as Darigold's entry into the retail cheese market. It had to melt, shred and slice. The milled curd process involving cutting, turning and pressing before being formed into blocks results in a cheese with more protein and less water than bulk cheddar cheese. Over 20,000 samples of Darigold's new white cheddar were handed out in a fun campaign following the launch.

SERVING CUSTOMERS, EVERY DAY

At Darigold, we deliver the highest quality products and services and work to understand customers' emerging needs. Our goal is to fully satisfy our customers and consumers, every time. Our producers and other suppliers, Darigold employees, and our hauling and transportation partners all strive each and every day to continue to earn the loyalty of our customers.

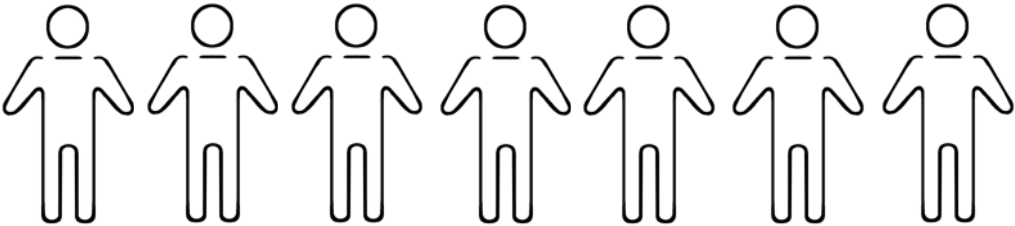


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CARING FOR EMPLOYEES



SINCE OUR BASELINE YEAR OF 2005, WE HAVE IMPROVED OUR SAFETY PERFORMANCE, REDUCING OUR LOST-TIME RATE BY MORE THAN 50% AND OUR TOTAL INCIDENT RATE BY MORE THAN 65%.



EMPLOYEE DIVERSITY AND BENEFITS

Darigold’s success depends on our 1,400 dedicated employees. We continue to work on improving the diversity of our workforce and management. Our percentage of minority workers is similar to the demographics of our region. Unfortunately, our workforce continues to be predominantly men, with a ratio of about 85% men to 15% women, in spite of our efforts to recruit more women.

TRAINING AND DEVELOPMENT

At Darigold, we are working to improve our programs for developing employees’

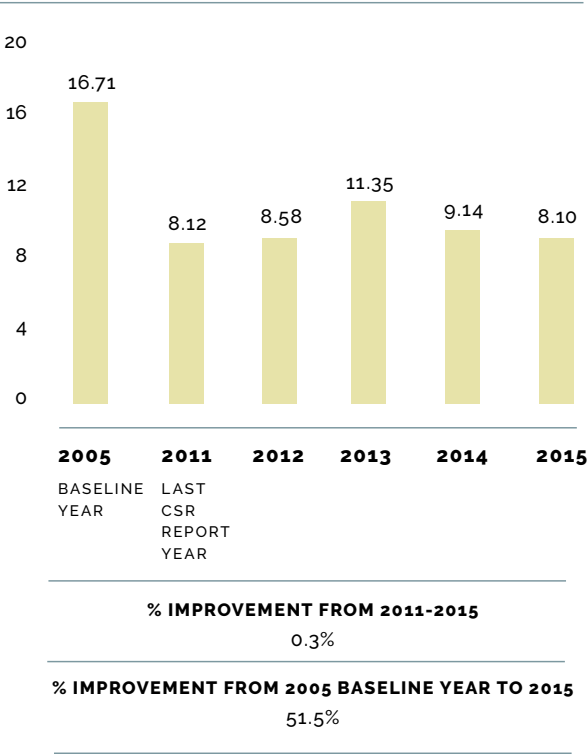
knowledge, skills and competencies, not only in operational functions, but also in areas like environmental compliance and non-discrimination.

SAFETY, HEALTH AND WELLNESS

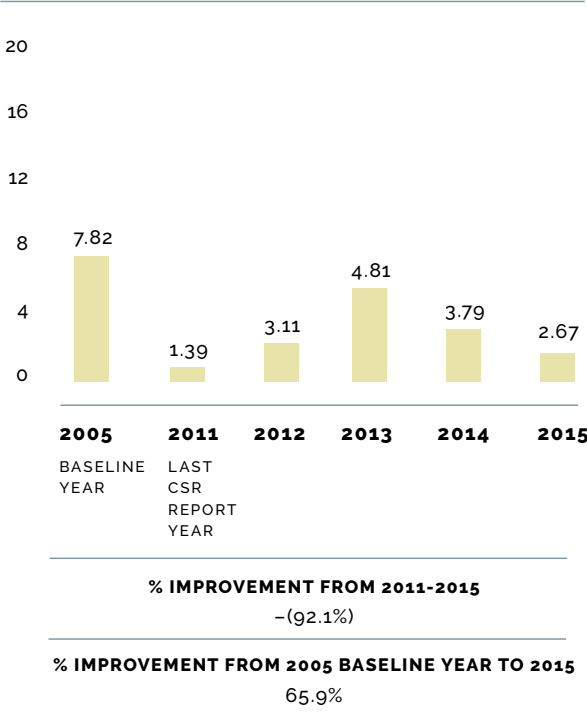
Since 2013, Darigold has improved safety in our operating facilities in both Total Incident Rates and Lost-Time Rates—and since our baseline year of 2005, we have reduced our Lost-Time Rate more than 50% and our Total Incident Rate more than 65%. This remains a priority area for improvement as we drive toward our goal of zero. We have also sponsored initiatives focused on preventive health and wellness.

Our goals are zero safety incidents, zero lost-time accidents, and steady progress every year toward zero. Our safety rates have been somewhat variable over the past 10 years. We are seeing a positive trend in Total Incident Rate and Lost-Time Rate since 2013. Overall, though, our performance is below our aspirations, and our injury rates are too high. (Darigold’s injury rates, after several years of being better than industry average, are currently worse than U.S. dairy processing industry averages: in 2014 and 2015, the average safety rates in dairy processing plants in the U.S. were approximately Total Incident Rate of 5.5 and Lost-Time Rate of 1.8.)

SAFETY: TOTAL INCIDENT RATE
(per 200,000 hours worked)



SAFETY: LOST-TIME RATE
(per 200,000 hours worked)



CONTRIBUTING TO OUR COMMUNITIES



DARIGOLD'S PHILANTHROPIC PRIORITIES

Since our founding almost 100 years ago, Darigold has been giving back to the communities in which we live and work. Additionally, we are focusing our philanthropic giving to create more impact on the issues important to our company.

Our philanthropic priorities are tied to the challenging issues in our industry, the needs of our communities, and our business mission, strategy and brand. We are adding more focus in an effort to mobilize our financial, product and people resources

to make an even more significant difference.

- * Food insecurity and hunger;
- * Supporting young farm leaders;
- * Promoting the role of dairy in an active healthy lifestyle;

- * Supporting our member-owners in promoting agriculture;
- * Supporting community events and volunteer activities near to the hearts of our employees and members.



CORPORATE GIFTS AND SUPPORT FOR EMPLOYEE GIVING

Our producers, management and employees are all committed to giving back to our communities. From 2012 to 2015, Darigold donated more than \$277,000 to support hunger campaigns, university research and students in food science, scholarships for annual high school food drives, and programs aimed at improving health. In addition to these larger gifts, for many decades, Darigold has “shown up” when there are needs in the communities where we live, work and market our products. In response to requests from community members, we donate to local schools, museums, food banks, non-profits, libraries, radio stations, and colleges. During these four years, we also gave \$17,579 to match employee donations to causes they care about.

PRODUCT DONATIONS & VOLUNTEERING

We are always gratified to celebrate our many Darigold employees who show up to meet needs and participate in landmark events in their communities year after year. Darigold donates the product and our employees contribute their time, energy and enthusiastic assistance to make a positive impact.



DARIGOLD UNITED WAY CONTRIBUTION

2012

\$19,117

2013

\$24,181

2014

\$22,350

2015

\$12,822

SPOTLIGHT:

Young Cooperator Program
NDA's Young Cooperator organization provides continuing education and leadership opportunities for our co-op's young dairy farmers ages 19 to 45. The purpose of the program is to educate and build future co-op leaders. The program builds understanding about how dairy cooperatives work with the National Milk Producers Federation (NMPF) in developing national dairy policy, milk marketing, and the cooperative's operation and structure.

SPOTLIGHT:

Plant Community Activities

Darigold plants donate truckloads of product and employees volunteer to support community events. This list provides a flavor:

- * **Boise**
Zeitgeist Marathon
- * **Bozeman**
MSU Football Game
- * **Caldwell**
Food & Toy Drive
- * **Chehalis**
Winlock Easter Egg Hunt
- * **Issaquah**
Salmon Days Parade
- * **Jerome**
Fundraiser for Kids with Cancer
- * **Lynden**
Farmers' Day Parade
- * **Medford**
Pear Blossom Festival
- * **Portland**
MS Walk
- * **Rainier**
Rock 'n' Roll Marathon
- * **Spokane**
Tom's Turkey Food Drive
- * **Sunnyside**
Festival of Trees

