

2023

Annual Report under the Fighting Against Forced Labour and Child Labour in Supply Chains Act



1 - Structure, activities and supply chains

About this report

In an effort to provide enhanced transparency and in accordance with Canada’s Fighting Against Forced Labour and Child Labour in Supply Chains Act (the Act), this report outlines actions and steps Agropur Cooperative and its US operating subsidiary Agropur inc. have taken to prevent and reduce the risk of child labour and forced labour in its business and supply chain. This is Agropur’s first report and applies to the 2023 fiscal year from October 30, 2022 through October 28, 2023.

Introduction

Agropur Cooperative (Agropur), a leading global dairy producer, is guided by the promise of “Better Dairy. Better World.” We aim to provide products that are delicious, nutritious and good for the planet as well as our communities. Together with our dairy farmer members, we share a goal to provide the best dairy in the most responsible ways. This includes a commitment to upholding the principles of good corporate citizenship and ethical business sourcing practices in all aspects of our operations. This also extends to suppliers through our [Supplier Code of Conduct](#).

As the key dairy partner to food, beverage and nutrition companies around the world, Agropur recognizes the significant responsibilities that entails. In this respect, we are dedicated to the responsible sourcing, production and delivery of our ingredients, packaging, goods and services. We also recognize the need for our suppliers and subcontractors to operate in full compliance with all applicable laws and regulations. We expect our suppliers to adhere to the principles of our Supplier Code of Conduct.

We welcome the requirements of the Act and are committed to identifying and addressing the risks associated with forced and child labour in our business operations and throughout our supply chain.

About us

Our organisation, structure and supply chain



A leading global dairy processor



\$8.2B
2023 sales



3,000
members (dairy producers)



6.6B
litres of milk processed annually

Founded in 1938, Agropur is a North American dairy cooperative that processes high-quality milk to create a wide range of dairy products. Owned by nearly 3,000 dairy farmers, Agropur’s members are spread across five provinces, and we operate in five US states. Our members are the owners of Agropur, under a business model inspired by the values of cooperation. This model is a tool for generating and sharing wealth. Every year, we return patronage dividends to our members, based on their annual milk production and on the surpluses that the Cooperative has generated. This payment helps our members create value in their communities.

Throughout our 85-year history we have developed and continue to produce an array of consumer brands. These include:



Beyond our consumer brands, Agropur is a leading business-to-business (B2B) supplier. We oversee dairy processing and exports. With plants in Canada and the United States, we deliver diverse products and services to the global food industry including the industrial, retail and foodservice sectors.

Our global ingredients division provides logistics support to more than 60 countries ensuring widespread availability for numerous food companies. The division is dedicated to delivering products with industry-leading quality, consistency and a reliable supply chain.

Our environmental, social and governance (ESG) approach

Social responsibility is implemented throughout our business, and we recognize our responsibility to care for our employees, communities, animals and the environment. Following a materiality assessment, we organize our activities into three categories: Better Planet, Better Communities and Better Governance. The relevant areas for purposes of this report include:

Better Communities: Agropur strives to improve our communities by focusing on the needs of our employees, members, among others. In terms of employees, this involves promoting positive human capital policies regarding well-being, engagement, diversity, equity and inclusion. It also means ensuring employee health and maintaining safe working conditions.

Better Governance: Sound governance is the cornerstone to our operations and is what keeps us accountable to our promise of “Better Dairy. Better World.” This includes responsible business, procurement and human rights practices. One of our focal points is the social and environmental efforts within our supply chains.

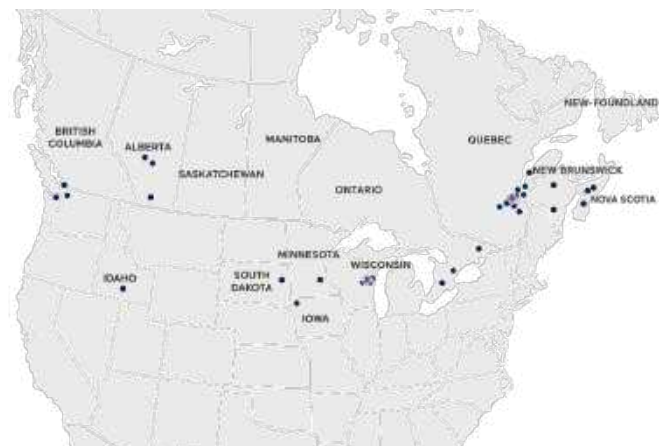
Agropur’s global sustainability governance is led by the Board of Directors’ Sustainability Committee, which is comprised of six directors, the President, as well as senior staff members who report to the Board. The Committee is informed by inputs from sustainability strategy sponsors, sustainability and strategy directors and subject matter expert leaders from across the organization. The Human Capital team is responsible for Agropur’s social impact activities.

Our structure

The board of directors oversees Agropur’s business strategy. It is composed of 13 dairy farmer members of Agropur and three guest directors. The board’s decisions are executed by the management committee led by the CEO.

Agropur has a workforce of about 5,150 individuals in Canada and approximately 2,000 in the United States, all dedicated to a shared mission: contributing to the Cooperative’s success by providing a diverse range of dairy products and strong brands that meet the needs of our customers and consumers.

With global headquarters in Longueuil, Quebec, Canada, and US headquarters in Appleton, Wisconsin, Agropur manages 30 plants across North America, along with laboratories, RD&I centers, distribution centers, warehouses and offices. Canadian facilities are under Agropur Cooperative. Additionally, US operations fall under Agropur inc.

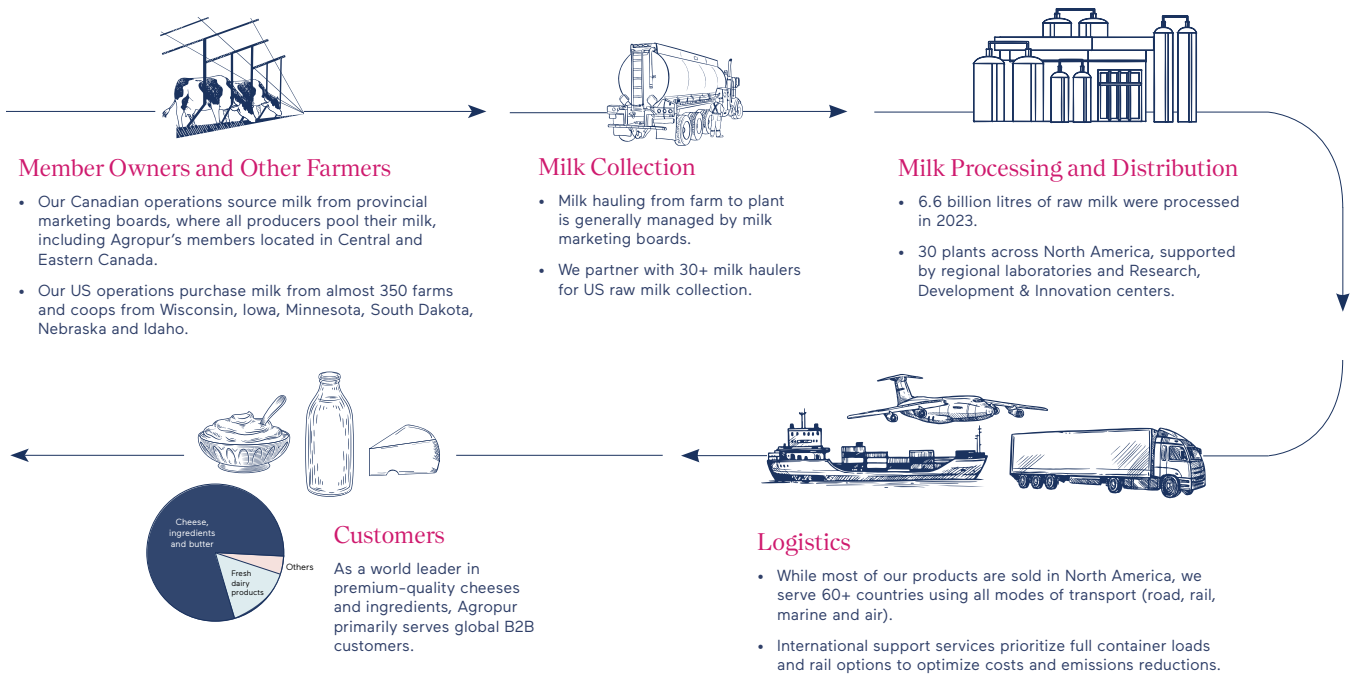


Our activities

Agropur is involved in the collection, processing and production of various milk products. In Canada, we process milk, cream, butter and cultured products, cheese, fine cheese, ice cream and dairy ingredients. In the United States, we produce cheese and whey ingredients and provide customers options for custom drying. Our products are exported to more than 60 countries.

Agropur’s Logistics team oversees our transportation requirements, primarily outsourcing freight carriers and other transportation solutions for the distribution of our dairy products, while a small percentage is managed internally by Agropur.

Our business model



Our supply chain

Agropur relies on our approximately 5,000 suppliers to help create value for Agropur and its customers. As a business partner, the Procurement and Supplier Relationship team manages business relationships with suppliers to provide items such as:

- » Packaging
- » Logistics
- » Capital investments
- » Ingredients
- » Office equipment
- » Industrial supplies

Our Milk Procurement and Institutional Affairs teams source liquid milk from seven milk boards across Canada and six US states.

2 - Policies and due diligence processes related to forced labour and child labour

Operations

Committed to supporting and upholding human rights, Agropur established a Code of Ethics more than 15 years ago. It requires our employees' full compliance with relevant employment laws and regulations in the countries in which we operate. Each site is responsible for establishing and maintaining suitable processes and controls. The Code of Ethics was reviewed and updated in 2023.

Agropur relies upon two primary frameworks that address human rights: the Ethical Trading Initiative (ETI) base code and the United Nations Guiding Policies on Business and Human Rights. The ETI base code is an internationally recognized set of labour standards based on International Labour Organization (ILO) conventions that highlights nine areas of focus. We aim to integrate the ETI code into our activities and policies.

Ethical Trading Initiative (ETI) base code



1. Employment is freely chosen



2. Freedom of association and the right to collective bargaining are respected



3. Working conditions are safe and hygienic



4. Child labour shall not be used



5. Living wages are paid



6. Working hours are not excessive



7. No discrimination is practiced



8. Regular employment is provided



9. No harsh or inhumane treatment is allowed

Our hiring practice requires employing individuals who are 16 years of age and older, with restrictions on certain job types for minors. We comply with local hiring laws by verifying identification and documentation to confirm legal eligibility for employment. Employees have the option to depart from the company at any time.

EcoVadis is a platform Agropur uses to assess our performance regarding policies, measures and actions. We have actively used EcoVadis for this purpose since 2016, relying on its evaluation framework to gauge and enhance our adherence to sustainability practices. The platform's feedback guides necessary changes.

In 2019, Agropur began regular Sedex Members Ethical Trade Audits (SMETA). SMETA is one of the most highly recognized responsible supply chain audit methodologies in the world, covering labour rights, health and safety, environmental topics and business ethics. Each Agropur operations site has a Human Capital representative dedicated to maintaining a secure work environment. Human Capital and other facility teams address and correct audit findings. For this reporting period, approximately 20% of our facilities were audited using the SMETA processes. Beyond SMETA, we comply with protocols and requirements established by our customers such as additional audits that cover topics including child and forced labour.

Agropur has 35 active collective agreements in place in Canada. In order to adhere to the diverse labour legislation in varying jurisdictions, Agropur's employment attorneys monitor changes to labour laws. They are also responsible for comparing our activities to the specifics outlined in local laws.

Supply chains

Agropur maintains a robust traceability platform in Canada and the US through supporting documentation of ingredients received at the facility, point-of-use information, packaging and shipping information. Agropur ensures that the product is suitably identified and traceable to the customer and through the process.

As part of Agropur's commitment to incorporate social responsibility and ethical business sourcing practices, in 2016, a Supplier Code of Conduct was established that sets our expectations of vendors. It is an integral part of Requests for Proposals (RFP) and contract processes. All suppliers sourced by our Procurement team are informed of our Supplier Code of Conduct within new contractual agreements. It calls upon our suppliers to uphold human rights standards, fair working conditions and environmental protection. Agropur expects the Supplier and any of its subsidiaries, affiliates and subcontractors to operate, at all times, following the Code and in full compliance with all applicable laws and regulations.

Milk procurement is an integral part of our core business. Under Canada's Supply Management framework, processors purchase their milk from provincial marketing boards. As such, processors have no direct business relationships with dairy producers. Although as a cooperative we are in contact with our members, we are not in a position to buy their milk directly within this framework. As a result, we are a strong advocate of effective dairy policies in Canada for producer boards, and of improved on-farm best practices. In the US, our Milk Procurement team maintains a close connection with supplying farms and regularly has field representatives on-site to meet requirements of Farmers Assuring Responsible Management programs.

The Procurement team at Agropur is dedicated to upholding sustainability standards in sourcing fibre materials. Best efforts are applied to sourcing SFI (Sustainable Forestry Initiative) and FSC (Forest Stewardship Council) certified fibre materials that comply with Agropur's Fiber Sustainability Requirement. SFI- and FSC-certified products assure that products are sourced sustainably, prohibit the use of child labour in their production and promote fair and ethical treatment of workers.

Palm products are one of the highest-profile raw materials in our supply chain. As such, we are a member of the Roundtable for Sustainable Palm Oil (RSPO), and our limited palm oil purchases are RSPO certified. RSPO certification includes criteria aimed at preventing and addressing child labour and forced labour within the palm oil supply chain.

We are continuously making improvements to our responsible procurement practice by sourcing goods and services produced in socially responsible ways. In 2023, we introduced a new procurement policy to further strengthen this commitment. We also provided a training course for salaried employees, emphasizing the importance of engaging the Procurement team in procurement processes. This ensures the Procurement team has the opportunity to integrate and share our Supplier Code of Conduct within RFPs and contracts. This integration serves as a safeguard in the evaluation of vendors, aligning with our commitment to responsible sourcing. Additionally, we are implementing a unified Enterprise Resource Planning (ERP) and Procure-to-Pay (P2P) system across all Agropur sites for procurement purposes.

Agropur centralizes its procurement functions to maintain consistent standards and practices globally. All suppliers contracted through our procurement department are expected to adhere to our Supplier Code of Conduct, raising awareness of compliance expectations with criteria such as providing a safe working environment, respecting children's rights and preventing forced labour. We recognize the diverse range within our materials and services, sourcing locations, markets and associated regulations. Agropur emphasizes our stance on forced and child labour through our Supplier Code of Conduct, which places a clear responsibility on our direct suppliers.

3 – Potential risks related to forced labour and child labour and steps taken to assess and manage those risks

The policies and procedures currently in place at Agropur, as detailed in section 2, articulate the standards expected from both employees and suppliers that require they uphold human rights standards, fair working conditions and environmental protection. As a dairy processor, the milk we source originates from locations governed by applicable laws, and close to 75% of our expenditure is allocated to milk procurement.

At the same time, we recognize the importance of identifying and assessing risks related to forced labour and child labour within our supply chain.

Enhanced risk assessment procedures within our operations and beyond will remain an ongoing process.

In 2020, Agropur conducted a materiality assessment through ISOS Group, an accredited sustainability strategy firm. The exercise prioritized global and national industry-related sustainability issues to develop Agropur's ESG strategy. Responsible business topics including regulatory compliance, ethical and responsible business conduct, human rights, procurement and data privacy and security were rated as highly important

topics. Agropur is committed to our role in the dairy industry's rapidly evolving sustainability space

and utilizing stakeholder engagement in our supply chain.

4 - Measures taken to remediate any forced labour or child labour

Implemented more than 12 years ago, Agropur's Ethics Reporting Hotline provides a formal, confidential and anonymous process through which complaints and concerns can be reported without fear of reprisal. Employees can call the hotline or speak to their Human Capital manager.

Concerns raised through the Ethics Reporting Hotline are directed to the Ethics Hotline Manager, who relays them to the Human Capital Director of the respective country where the grievance was raised. A thorough assessment and complete investigation are conducted, and necessary actions are taken. The Ethics Hotline Manager closes the complaint and responds to the anonymous individual who submitted the grievance. Depending on the nature of the concern, support is provided from relevant functional heads.

In the reporting period of fiscal year 2023, there were no reports of forced labour and child labour made to the Ethics Reporting Hotline in Canada or the US.

Agropur established a Task Force Against Forced Labour and Child Labour in 2023 for documenting and championing improvements the Cooperative can make. The Task Force is comprised of members from the Procurement, Human Capital, Legal, ESG, Institutional Affairs, Milk Procurement, Quality and Communications teams. They share and exchange information across departments, generate momentum throughout the Cooperative and determine and define additional processes and protocols to identify, mitigate and remediate risks along our supply chain.

5 - Measures taken to remediate affected individuals for the loss of income that would incur if forced labour and child labour were eliminated in their activities and supply chains

As of this current reporting period, Agropur has not been made aware of any instances of forced labour or child labour in our supply chain and operations. If there is an indication or if a specific case is

identified or raised through our Ethics Reporting Hotline, we will conduct an assessment and initiate an investigation, ensuring appropriate remedies are implemented as necessary.

6 - Training provided to employees on forced labour and child labour

Agropur's Human Capital team is committed to developing training options which could include

sessions on forced labour and child labour and topics outlined in our Code of Ethics.

7 - Measurement and evaluation mechanisms to ensure forced labour and child labour are not being used

Agropur's Task Force Against Forced Labour and Child Labour will be assigned to measure and evaluate progress made along our supply chain and within our own operations. Representatives from key departments such as ESG, Communications, Milk Procurement, Institutional Affairs, Legal,

Human Capital and Quality will collaborate to ensure a comprehensive analysis that encompasses ethical and legal considerations. Annual reporting through the Act provides an additional layer of accountability to assess and measure effectiveness.

8 - Conclusion

Agropur is committed to fighting against forced labour and child labour in supply chains. We also remain vigilant in maintaining the propriety of our operations on these issues. We are committed to

further developing and refining our policies and initiatives as we assess potential risks and ways to mitigate them.

9 - Approval for this statement:

This report has been approved by the appropriate governing body of Agropur Cooperative and Agropur inc.

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in

the report for the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

Full Name: Roger Massicotte

Title: President

Date: March 14, 2024

Signature:



I have the authority to bind Agropur Cooperative.

