

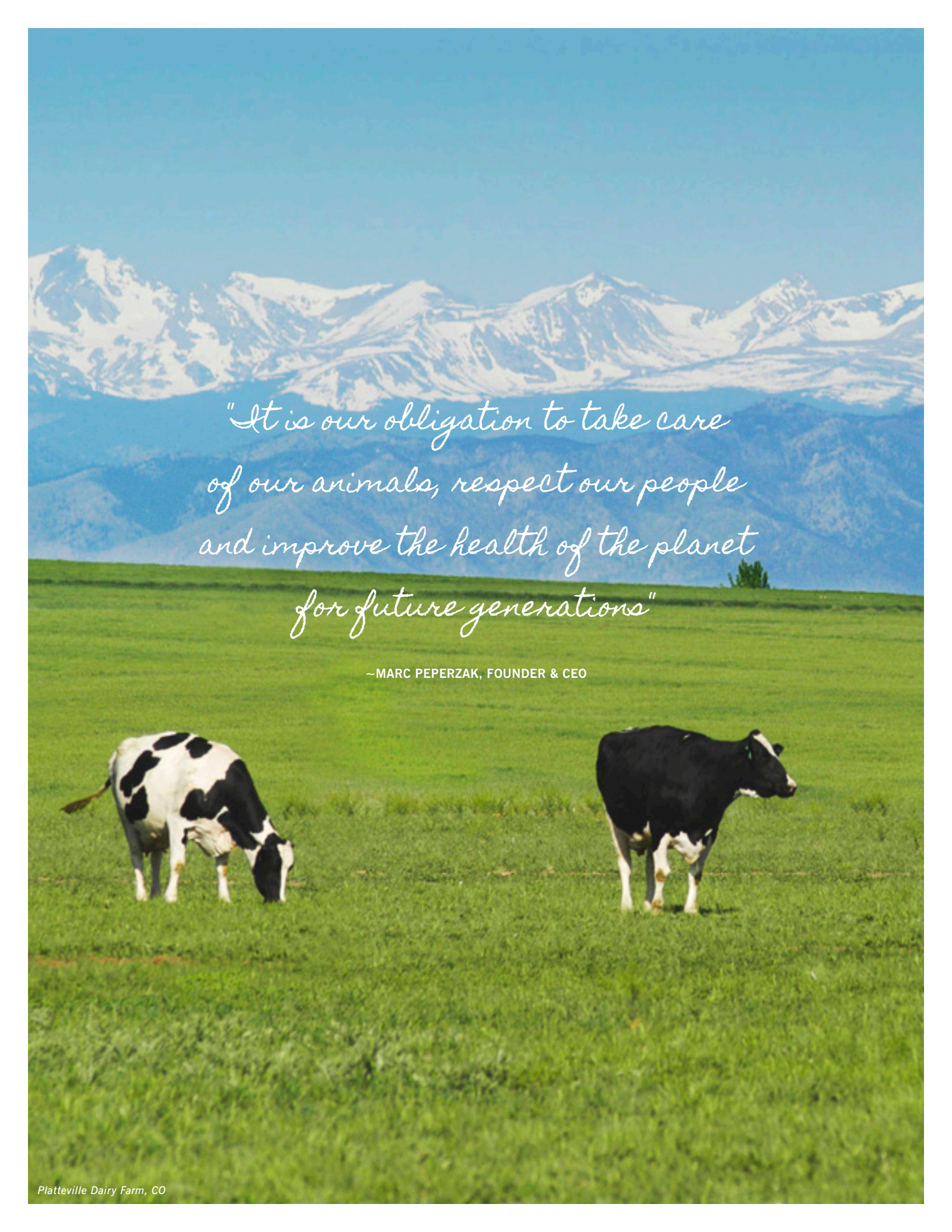


*Animals. People. Planet.*



2017 CORPORATE CITIZENSHIP REPORT





*"It is our obligation to take care  
of our animals, respect our people  
and improve the health of the planet  
for future generations"*

~MARC PEPERZAK, FOUNDER & CEO

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CEO Letter

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A photograph of Marc Peperzak, an older man with a grey beard, wearing a light blue button-down shirt and a tan cowboy hat. He is standing in a green field with several black and white cows in the background. In the far distance, a city skyline with several tall buildings is visible under a clear sky. The man has his hands clasped in front of him.

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*“Corporate citizenship is our business. Without respecting our cattle, without respecting our natural resources, without enhancing our team members, we don’t have a business. It is absolutely essential to what we do.”*

~MARC PEPERZAK, FOUNDER & CEO

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Marc Peperzak, Founder & CEO  
Platteville, CO

## Dear friends of Aurora Organic Dairy,

On behalf of our almost 700 men and women who have dedicated their careers to producing high-quality, 100% certified organic dairy, I welcome you to our 2017 Corporate Citizenship Report. While we are a business-to-business company and not a typical consumer-focused brand, we believe it is important to share our practices, set goals, and be transparent about our environmental and social performance.

Updated every two years, this document is intended to provide a look inside our Company, and to openly share both opportunities and risks to our business. We hope you take away important information about how we approach corporate citizenship, as well as details around our accomplishments and challenges related to animals, people and the planet.

When I got my start in the dairy community almost 40 years ago, we learned very quickly that doing things more sustainably — operating our farms in ways that were better for our environment, cows, employees, suppliers, and local communities — was good business. Years before we committed to 100% organic production in 2003, we reduced the amount of antibiotics used with our animals in our conventional dairies. We reused resources to lessen our impact on the environment, which also saved money. And, we always took the best care of our cows and our people.

It was this history and deep experience that led to our unwavering commitment to exclusively produce organic milk. We are a Company that is committed to organic — regardless of what anyone may say — and we prove time and again that organic can be done at a larger scale. We are dedicated to ensuring our cows meet the regulations required for organic dairy production, including the grazing requirements. This is central to fulfilling our mission of making organic milk more accessible and affordable for more Americans.

At the end of 2016, we managed nearly 12,000 acres of certified organic pastures upon which our approximately 20,000 milking cows and 3,700 dry cows graze. All of our cows receive at least 30% of their dry matter intake from pasture during the grazing season, which cannot be less than 120 days. We produce approximately 75% of the milk processed in our organic-dedicated milk plant, which allows us to manage quality and traceability throughout our cow-to-carton supply chain.

As consumer demand for organic milk continues to grow, we meet that growth by adding to our production and processing capabilities. According to the Organic Trade Association's 2017 Industry Survey, the U.S. organic dairy category now represents \$6.4 billion in annual sales, increasing 6.6% over the previous year. Organic dairy sales represent an 8% market share within the

overall dairy category, up from less than 7% market share when we published our previous report two years ago. Aurora Organic Dairy has not only helped to establish this market, but we have supported the tremendous growth in the organic dairy category, which has helped organic producers of all sizes have a thriving market for their products.

In late 2015, we acquired 2,400 acres adjacent to our heifer-raising farm in Dublin, TX. In 2016, we added the High Ridge Dairy to our High Plains Dairy Farms in Gill, CO. To add flexibility and geographic diversity to our operations, in early 2017 we broke ground on a new milk plant in Columbia, MO, which we expect to be operational by early 2019. To support this plant, we plan to add additional organic dairy farms in Nebraska over the next two years. As we grow, our commitment to organic continues to serve as our foundation, from which we strengthen our dedication to our animals, people and planet.

In fact, our Corporate Citizenship efforts are centered on these three pillars of animals, people and planet because this is what is important to our stakeholders. This report provides detailed information on 18 topics our stakeholders consider to be material in terms of environmental, social or economic importance across our supply chain. These topics coincide with nine of the United Nations Sustainable Development Goals (SDGs)<sup>1</sup>. We are dedicated to contributing to the overall objectives of the SDGs — as well as the Paris Agreement — and will continue our commitment to a sustainable future, regardless of the broader political or regulatory environment in the U.S.

*“When people work for an organization that respects them, their families and our environment, they tend to be more dedicated and engaged. Engaged employees, training and a passion to be leaders in animal care help us ensure our cows are healthy and happy.*

*We believe happy cows produce better quality milk for consumers. Ultimately, this adds to the success of our Company — allowing us to invest back into caring for our animals, people and planet. Full circle.”*

~MARC PEPERZAK, FOUNDER & CEO



When we received feedback from our stakeholders regarding what is most important to them, each of the 18 topics fit within our “animals, people, planet” focus. It is reassuring to know what we’ve been doing for the last 40 years continues to drive our business into the future.

I have always believed that healthy, well cared for cows produce better quality milk. Animal care and animal well-being are top priorities for our Company. Across our eight organic dairy farms, our heifer farm and calf ranches, we closely monitor and provide around-the-clock care for our animals. We cannot rely on antibiotics to treat disease, so we focus on disease prevention. We voluntarily enlist a third-party organization, Validus, to certify that each of our farms meet the highest standards of animal care. In 2017, we added third-party video monitoring and unannounced inspections at our farms to ensure our rigorous animal care protocols are being upheld at all times.

To ensure our cows receive the best care possible, we continue to invest in our people. Since the 1970s when Aurora was founded, I made sure employees at all levels were offered the same benefits. This includes paid time off, 401(k) with a Company match, comprehensive health insurance, and in 2017, we added paid parental leave for all employees, among many other benefits not typical in a farming or food manufacturing environment. Our farm employees now have two consecutive days off after their six-day workweek, rather than the one day off that is typical in the agriculture sector. This gives them more time to rest, rejuvenate and spend with family before coming back to work.

When we consider our relationships with people, we also recognize the ties that extend beyond our Company employees. We include our local communities, and the more than 100 independent farmers who support our dairy cows with more than 75,000 acres of feed crops grown without the use of synthetic pesticides, fertilizers or GMOs. Organic farming practices — on our land and on the land our feed growers manage — help to support soil health and environmental stewardship. In addition to the inherent environmental benefits of organic, we extend our commitment to the planet and focus on ways to be more efficient with our natural resources, including how we manage water, energy and waste.

Efforts to reduce our environmental footprint and protect our resources have always been at the core of our Company’s values. Since 2008 when we conducted our first life cycle assessment of a gallon of organic milk, we have continued to formalize this commitment, set goals and report on our progress in accordance with Global Reporting Initiative (GRI) Standards.

Our sustainability goals represent our desire to challenge ourselves to further our corporate citizenship. In many cases, this means reaching beyond what is required for organic producers and processors. To date, we are pleased with the progress we have made toward most of our goals. For some, however, we have fallen short. This report details both our successes and shortcomings, and what we are doing to deliver on the promise of continuous improvement.

To maintain momentum and focus, we will publish updated Corporate Citizenship Goals in mid-2018, as most of our original goals have a deliverable date of December 2017. With a refreshed look at our commitments, we will re-evaluate our strategy and approach, and prioritize the topics and goals most critical to our animals, people, planet and stakeholder expectations.

As we track against these goals, we learn more and more every day. Sustainability is a journey, and we have learned that if we don’t try new things, we don’t know if they are applicable to our unique business. When exploring options to reduce our environmental footprint, many factors come into play, such as the rural locations of our farms, our strict compliance with organic standards, local suppliers and municipal resources. We balance these challenges by encouraging our employees to develop innovative solutions. And, we partner with local universities and start-up companies to explore ways to meet our sustainability goals.

Rather than a right, I regard it as a privilege to operate a company that relies on natural capital. We respect this opportunity, and believe it is our obligation to take care of our animals, respect our people and improve the health of the planet for future generations. These are the common values that create a shared sense of purpose on the most fundamental level.

Corporate Citizenship is everyone’s job at Aurora Organic Dairy. And, while I am pleased with our progress, we have much work ahead of us. We are committed to moving forward and learning as we go.

We would like to invite you to share in our journey. If you have ideas or comments, please email us at [sustainability@aodmilk.com](mailto:sustainability@aodmilk.com).

Sincerely,

Marc Peperzak, Founder & CEO







Platteville Dairy Farm &amp; Milk Plant, CO



The material topics discussed throughout this report coincide with 9 of the 17 United Nations Sustainable Development Goals

2 Zero Hunger



3 Good Health & Well-Being



4 Quality Education



6 Clean Water & Sanitation



8 Decent Work & Economic Growth



12 Responsible Consumption & Production



13 Climate Action



14 Life Below Water



15 Life On Land



<sup>1</sup> Adopted in 2015, the United Nations Sustainable Development Goals (SDGs) recognize the fact that the stability of our planet relies on our ability to address a range of environmental and social challenges. The SDGs are a call for action on 17 interconnected topics relating to protecting the planet, and promoting prosperity, equality, peace and justice.





# Corporate Citizenship Goals

## ENERGY USE

– OFF TARGET



2017 GOAL

2016 PROGRESS

↓15% ↓11%

farm and plant energy use per half gallon equivalent of milk vs. 2012 baseline

## FARM WASTE & RECYCLING

– OFF TARGET

2017 GOAL

2016 PROGRESS

25% <1%

diversion of landfill waste

*The remote locations of our farms have made recycling especially challenging.*

## PROCESSING PLANT WASTE & RECYCLING

– OFF TARGET

2017 GOAL

2016 PROGRESS

75% 65%

diversion of landfill waste

*For reference, in 2012 we had diverted 50% of our landfill waste, or 389 MTs.*



**GHG EMISSIONS**

– OFF TARGET

**2017 GOAL****2016 PROGRESS**

↓15%   ↓5%

per half gallon equivalent of milk  
vs. 2012 baseline

8% reduction in 2016 if product mix held constant.

**FARM WATER USE**

– ACCOMPLISHED

**2016 GOAL****2016 PROGRESS**

Install water  
measurement  
technology on  
90% of irrigation  
pivots by the end  
of 2016

Technology  
installed on 90%  
of irrigation pivots

Efficiency goal to be announced in 2018.

**PROCESSING PLANT  
WATER USE**

– ON TARGET

**2017 GOAL****2016 PROGRESS**

↓15%   ↓19%

per half gallon equivalent of milk vs.  
2012 baseline

Net of pretreated and returned water.

**ENTERIC & MANURE  
GHG EMISSIONS**

– ON TARGET

**2017 GOAL****2016 PROGRESS**

Achieve best  
management  
practices to  
reduce cow  
emissions

Approx. 75% of all  
manure is managed  
using composting  
principles and best  
management practices  
in manure handling

Currently, we are not aware of proven, organic-approved methods to consistently reduce enteric emissions (from cow digestion) over the long-term, but we will continue to research this area.





# Corporate Citizenship Goals

## LAND MANAGEMENT

– ON TARGET

### 2017 GOAL

Establish land management & acquisition criteria

### 2016 PROGRESS

All additional acres since 2012 have met established criteria for water, soil health and proximity to our dairies

## ANIMAL CARE

– ON TARGET

### INCIDENCE OF LAMENESS

#### 2017 GOAL

↓20%

#### 2016 PROGRESS

↓31%

vs. 2012 baseline

### INDUSTRY LEADERSHIP IN ANIMAL CARE

#### NEW 2017 GOAL

3rd party monitoring of dairy farms

24/7

#### 2016 PROGRESS

20+ video cameras installed with 3rd party monitoring

#### 2018 GOAL

Achieve Validus Animal Welfare Certification for three 3rd party heifer growers

#### 2016 PROGRESS

2 of 3 heifer growers have been Validus Certified

#### 2017 GOAL

Develop programs to minimize dehorning on farms

#### 2016 PROGRESS

Using polled bull semen to minimize number of calves born with horns



## WORKER HEALTH & SAFETY

– ON TARGET

### INCIDENCE OF INJURY

#### 2017 GOAL

Continuously improve workplace injury rates at our farms and plant

#### 2016 PROGRESS

Plant

Farms

↓ 28% ↓ 11%

As compared to prior three-year average number of incidents per 200,000 hours worked

*Note: Plant incidents in the prior three-year period were elevated due to a plant expansion and cold storage facility construction. In 2015 and 2016, incidents per 200,000 hours worked at our farms and plant were lower than the most recently reported industry-wide OSHA statistics for fluid milk manufacturing, as well as for the dairy cattle and milk production segment.*

## COMMUNITY & EMPLOYEE

– ON TARGET

#### 2017 GOAL

Demonstrate value of employee benefits to all employees

#### 2016 PROGRESS

Face-to-face benefit enrollment meetings in English & Spanish at all locations

#### 2017 GOAL

Improve communication with non-English-speaking employees

#### 2016 PROGRESS

All pertinent Company information and trainings offered in English & Spanish

#### 2017 GOAL

Enhanced training programs

#### 2016 PROGRESS

Comprehensive animal welfare and safety training programs & videos presented to all employees at all facilities

#### 2017 GOAL

Develop a community center at a remote farm location

#### 2016 PROGRESS

Employee cafeteria and community center completed at Coldwater; High Plains location in progress

# Our cow-to-carton supply chain drives corporate citizenship at every stage



## OUR CORE VALUES: Cow Care • Organic • Environmental Stewardship • Integrity

### 📍 CROP GROWING & TRANSPORT

75,000+ organic crop acres supported, primarily operated by 100+ independent farmers

2,000 acres for harvested crops, organic and organically managed by AOD

### 📍 FARMS, COWS & PASTURE

100% Organic

100% non-GMO

Validus Animal and Worker Care Certified

12,000 acres of organic grazing pasture operated by AOD

### 📍 RAW MILK TRANSPORT

Full, efficient routes



Our mission is to bring organic milk to mainstream America with the highest quality and freshness, more affordable pricing and improved availability for consumers.

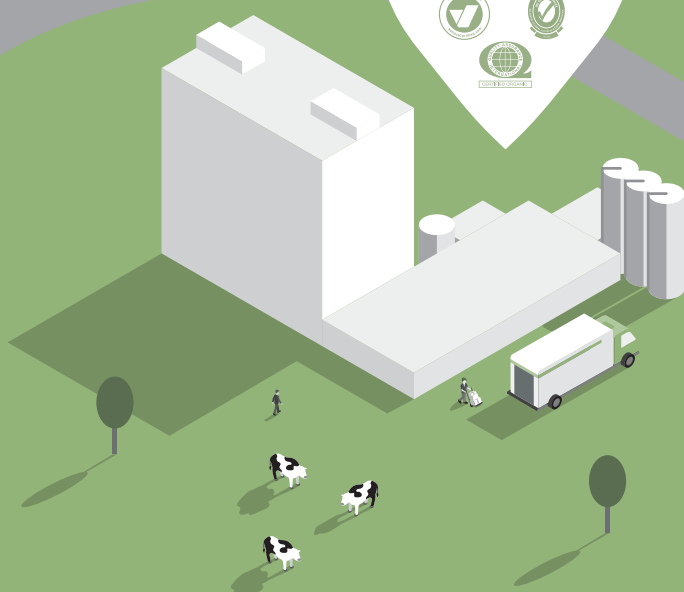
### PLANT & COLD STORAGE



### DISTRIBUTION



### ORGANIC MILK & BUTTER



People • Stakeholders • Satisfaction • Innovation • Returns

#### PLANT & COLD STORAGE

Safe Quality Food Level III Certified — 97–99% score every year

Energy-efficient systems and robotics

75% of plant water recycled

#### DISTRIBUTION

Carriers EPA SmartWay certified

Largest carrier is a Green Fleet Award winner, recognized by Colorado Motor Carriers Association and Regional Air Quality Council

#### ORGANIC MILK & BUTTER

Organic and non-GMO

Award-winning quality

Healthy and nutritious

Vertically integrated supply chain for more affordable pricing



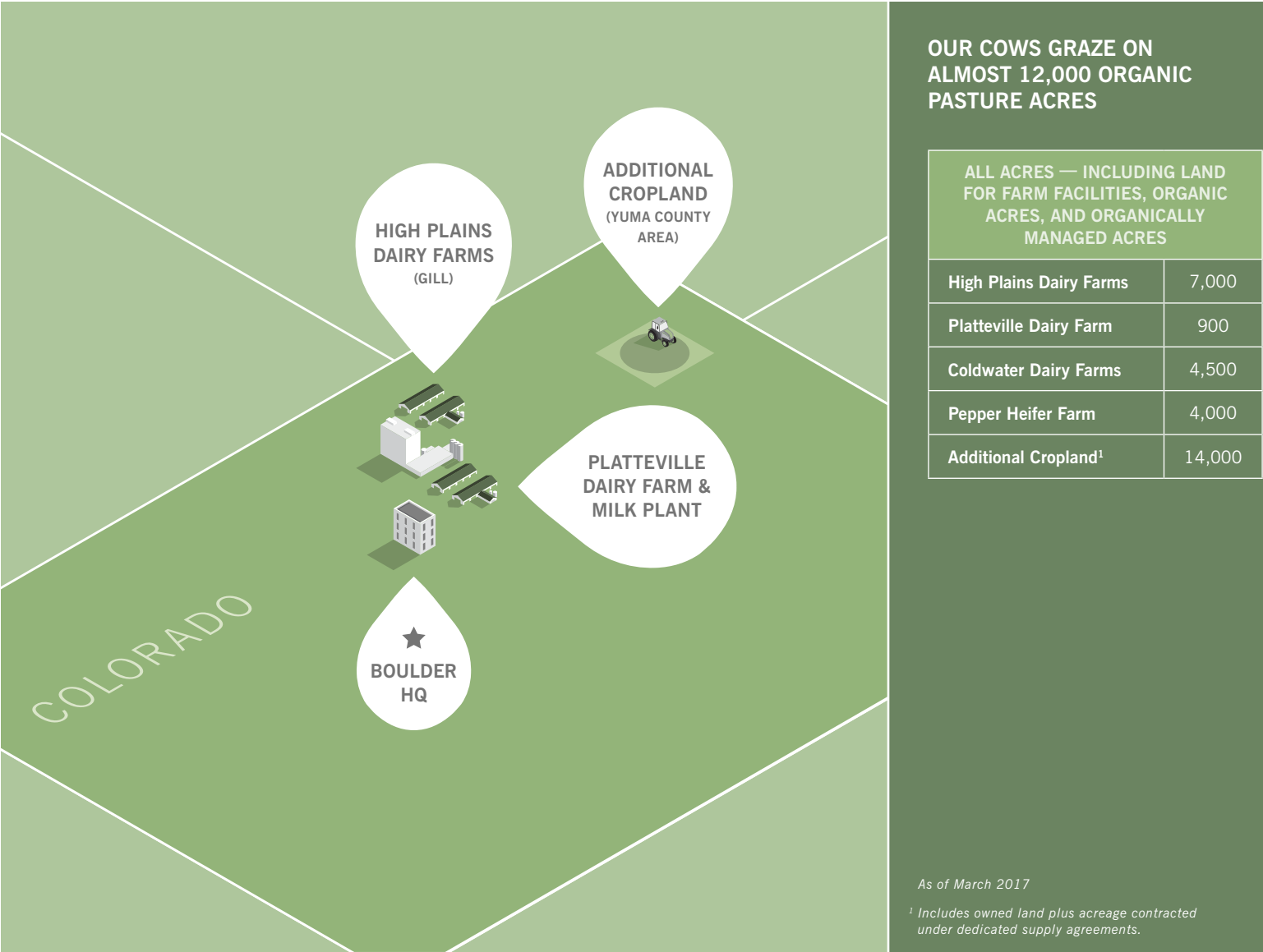
# Bringing Quality Organic Dairy Products to Mainstream America

Our mission is to bring organic milk to mainstream America with the highest quality and freshness, more affordable pricing and improved availability for consumers. We launched this mission in 2003 when Aurora Organic Dairy became a 100% organic dairy company. It was our objective to make healthy, nutritious organic dairy products readily available and affordable for all U.S. consumers who choose them.

We achieve this mission through our vertically integrated supply chain, spirit of innovation and commitment to retail store brands. Owning and managing some of our feed production, our dairy farms, milk processing and cold storage drives greater efficiency, which ultimately adds to the affordability of our products. We stay abreast of the economics of our industry to ensure our pricing provides a more affordable, high-quality choice for consumers.

By sourcing approximately 75% of our milk from our Company-owned farms, processing the milk in our processing facility and storing the finished goods in our cold storage warehouse, we are able to leverage efficiencies from our vertically integrated supply chain. Beginning in 2019, operating a second milk plant and cold storage facility in Columbia, Missouri will allow us to increase our processing capacity, while providing greater flexibility in our geographic reach.

Store brands are often more affordable than their name-brand counterparts and are commonly available in retail locations that may not otherwise carry a large selection of organic products. Our products are sold in all 50 states and are available in major grocery, discount and club store chains, which allows for a broad distribution of organic dairy products to U.S. consumers.

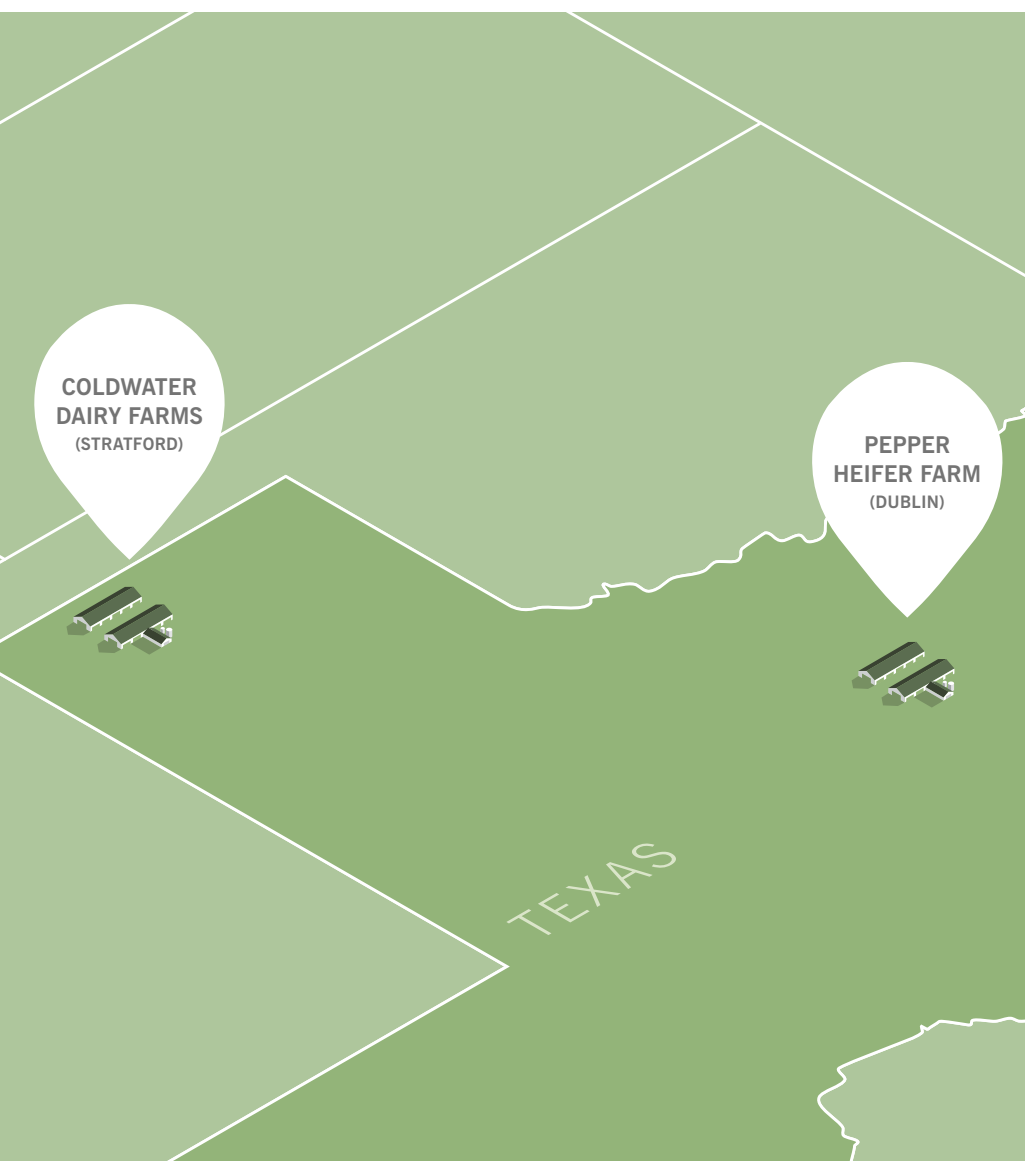




We continue to work toward our mission by bringing the nutritional benefits of organic dairy products to lower income populations and people struggling with hunger. We donate our healthy, organic dairy products to local food banks and hunger-relief organizations in the communities where we operate. In 2016, we donated approximately 54,650 gallons of organic milk and 26,260 pounds of organic butter to local non-profit organizations, with a retail value of approximately \$418,220. This is an increase of 4% from a retail value of \$402,670 of donated products in 2015, and a 32% increase from \$318,000 in 2014, the year of our previous Corporate Citizenship Report.

### CORE VALUE: SATISFACTION

We must earn our customers' business every day by delivering relevant, high-quality products at an exceptional value.



#### COWS IN MILK

##### High Plains Dairy Farms

|                                |       |
|--------------------------------|-------|
| <i>High Plains Dairy</i>       | 4,200 |
| <i>Little Calf Ranch Dairy</i> | 1,800 |
| <i>High Meadow Dairy</i>       | 2,800 |
| <i>High Ridge Dairy</i>        | 1,500 |
| <i>Ray-Glo Dairy</i>           | 1,200 |
| <b>Platteville Dairy</b>       | 1,200 |
| <b>Coldwater East Dairy</b>    | 4,300 |
| <b>Coldwater West Dairy</b>    | 2,800 |

#### DRY AND MATERNITY COWS

|                                |       |
|--------------------------------|-------|
| <b>High Plains Dairy Farms</b> | 2,300 |
| <b>Platteville Dairy</b>       | 200   |
| <b>Coldwater Dairy Farms</b>   | 1,200 |

#### HEIFERS

|                           |       |
|---------------------------|-------|
| <b>Pepper Heifer Farm</b> | 4,600 |
|---------------------------|-------|

#### CALVES

|                                |       |
|--------------------------------|-------|
| <b>High Plains Dairy Farms</b> | 1,500 |
| <b>Platteville Dairy</b>       | 100   |
| <b>Coldwater Dairy Farms</b>   | 1,200 |
| <b>Pepper Heifer Farm</b>      | 600   |

As of March 2017.



## Strong Ethics, Integrity and Culture Drive our Decisions

A fundamental ingredient of our success over our 40-year history is the fact that we have been committed to the highest standards of ethics and integrity in our business relationships. Through our actions, we actively promote a culture that respects our animals, people and the planet. We operate our business with a set of Core Values to guide us, and these values are shared with our employees in regular training sessions, facility signage and in our Employee Handbook. As a result of our commitment to high ethical standards, Ethics & Culture ranked among the most important topics in our materiality determination process (see Appendix for detail).

We are pleased with the strong, family-like culture we have built at Aurora Organic Dairy. We continue to emphasize respect and integrity among our 680+ employees as we grow. Our Employee Handbook, updated in early 2017 and distributed to all employees in English and Spanish, provides clear expectations of workplace behavior and

conduct that encourage a culture of respect. Workplace signage and frequent on-the-job training sessions also support and communicate our mission, values and high ethical standards.

### CORE VALUE: INTEGRITY

Strong relationships are built on trust and forged by openness and honesty.

### AOD HISTORY



1976

Aurora Dairy Corp. founded in Jerome, ID



1994

Aurora's Idaho farm began producing organic milk for start-up organic dairy brands



2004

Platteville on-farm milk plant built, shipped first organic milk to store-brand retail customers



2008

First life cycle assessment (LCA) conducted to determine environmental impacts

1980

Phase 1 of Platteville Dairy Farm built



2003

Commitment to 100% organic, store-brand focus; Platteville farm converted to 100% organic



2006-2007

High Plains, Pepper and Coldwater farms begin supplying organic milk to meet growing customer demand





The Employee Handbook is updated annually. Employees are required to sign and return an acknowledgment page confirming they have read and understand the expectations of employment with Aurora Organic Dairy. The handbook details employee relations policies, including harassment, conflicts of interest, compliance with laws and regulations, benefits, safety and employee conduct, among others. Employees are encouraged to share ideas on how to further build upon our values, and report — anonymously if they choose — any violations of these policies to ensure we maintain a healthy, safe working environment that reflects our Company values.

Our expectations of employees go beyond workplace behavior and conduct with fellow employees, and reach into how we treat our animals, and how we work with suppliers and other outside businesses that support our organization. Each of our farm

employees goes through comprehensive animal care training, which is repeated throughout their tenure with Aurora Organic Dairy. Please refer to the Animal Care section of this report for more information about our strong culture of respecting our dairy cows.

Our expectations around nurturing a culture of respect and integrity include all business dealings, be it in meetings, face-to-face or teleconference and e-mail communications with co-workers, customers, suppliers and other people who support our business. Likewise, we expect our suppliers to reflect our high ethical standards when working with Aurora Organic Dairy. Our supplier sourcing policies outline our mandates to treat each other and our animals with respect. We have a zero-tolerance policy when it comes to animal or employee mistreatment, and organic regulatory compliance. Other, less serious violations would result in a warning prior to terminating a supplier relationship.



## 2012

Began purchasing additional cropland to grow more of our own organic feed crops

Dairy built at Little Calf Ranch in CO



## 2014

Plant expansion and on-site cold storage facility completed



## 2016

Built High Ridge Dairy in Gill, CO

## 2009

Organic-born calf-rearing operations built and established at Little Calf Ranch in CO

## 2013

High Meadow Dairy Farm built in Gill, CO

First Corporate Citizenship Report published

## 2015

Built a dedicated maternity barn at the High Plains Dairy Farms

Expanded heifer-raising operations at the Pepper Dairy in Dublin, TX

## 2017

Began construction on second processing plant in Columbia, MO





# We Believe in Quality Organic Dairy

## **Core Value: Organic**

*Organic agriculture removes the use of synthetics from food production, reduces our impacts on the environment and provides consumers a healthful choice they want.*



High Plains Dairy Farms, Gill, CO





## AWARD-WINNING ORGANIC MILK



### Second Place For Ultra-Pasteurized Milk

WORLD DAIRY EXPO,  
2016



### First Place For Ultra-Pasteurized Milk

WORLD DAIRY EXPO,  
2012



### Best Fluid Milk Plant

ALL STAR DAIRY ASSOCIATION,  
2008, 2012



## Deep Organic Experience

For more than two decades, we have produced organic milk. In fact, in the early 1990s, we dedicated a portion of the herd at our Platteville Dairy Farm to organic production, and also began producing organic milk at our Idaho farm for the new start-up brands in the organic dairy industry. Our employees and management were involved in the early days of the organic movement, and in 2003 we committed our business to 100% organic.

We leverage our deep experience and knowledge to produce organic milk, butter and non-fat dry milk powder for our customers. More than 75% of the milk we bottle and sell is produced on our Company-owned certified organic farms. In 2016 we built a new 2,000-cow dairy in Colorado — the High Ridge Dairy — to continue to keep up with continued growth in consumer demand

for organic dairy products. Our Colorado farms are certified organic by the Colorado Department of Agriculture, and our Texas farms are certified by both Oregon Tilth and Quality Assurance International (QAI).

Our white fluid milk is ultra-pasteurized and bottled at our processing facility in Platteville, Colorado, which is certified organic by QAI. In early 2017, we announced that we will construct a second, 100% organic milk plant in Columbia, Missouri, which will allow us to further expand our half gallon processing capacity, while adding new products and bottle sizes to our organic dairy product suite. We expect this processing facility to be operational in early 2019.



Pepper Heifer Farm, Dublin, TX



## 100% Organic Since 2003

Our facilities undergo rigorous organic audits and unannounced inspections by USDA-accredited certifiers, consisting of visual inspections in addition to a comprehensive review of our records and organic system plans (OSPs). Organic certifiers also conduct in-depth analyses to trace the origin of all farm inputs and validate our records. It is through this process that we demonstrate our adherence to our OSPs, and to the comprehensive practices and procedures that make us organic.

The USDA National Organic Program requires that producers and manufacturers achieve a rigorous set of standards for agricultural crops, livestock management and food processing. No synthetic pesticides, herbicides, fertilizers or genetically modified organisms (GMOs) are used to produce or manage crops and pasture we feed to our dairy cows. It also means our animals are never treated with antibiotics, synthetic growth hormones or other unapproved substances. Organic dairy cows must receive at least 30% of their dry matter intake from pasture during the grazing season, which cannot be less than 120 days. 100% of our farms have met or exceeded these standards every year, and we have held continuous valid organic certifications since we committed to being 100% organic in 2003.

We believe organic, responsible farming methods enhance soil health and reduce the environmental impact of farming. We manage almost 12,000 certified organic pasture acres, along with 2,000 organic and organically managed acres of harvested forages and crops. As our business grows, we continue to support the transition of farmland acres to organic. Currently, we estimate our purchases of supplemental feed from our independent farmers directly support more than 75,000 acres of organic farmland.

### THE ORGANIC DAIRY DIFFERENCE

| INPUT                     | ORGANIC DAIRY  |
|---------------------------|--|
| Organic Pasture           | Yes<br><i>minimum 30% DMI from pasture during grazing season, which cannot be less than 120 days</i> |
| Synthetic Pesticides      | No   |
| Synthetic Herbicides      | No   |
| Synthetic Growth Hormones | No   |
| Antibiotics               | No <sup>1</sup>  |
| GMOs                      | No   |
| USDA Certified            | Yes  |

<sup>1</sup>In the rare case we need to preserve an animal's life, the animal is removed from the herd, treated and sold.



High Plains Dairy Farms, Gill, CO



## Our Cow-to-Carton Model Ensures Quality throughout the Supply Chain

As a vertically integrated organic dairy company, we own or directly manage a majority of our supply chain. We grow a portion of our organic feed and 100% of our organic pasture for our dairy cows. We own our dairy farms, which account for approximately 75% of the milk we bottle in our Company-owned milk processing facility. This cow-to-carton business model allows us to ensure quality at every step of the process, and provide direct, immediate feedback to our farms.

Our plant is staffed with quality experts who provide ongoing feedback to our farms, which continuously improves the quality of the milk we bottle. Our newly expanded, state-of-the-art Plant Quality Lab analyzes and shares a variety of metrics with our farms. These include the results of milk sensory tests and numerous quality tests conducted at eight different points along the milk's journey from farm through bottling and distribution. This unique feedback loop results in the highest quality milk. The perishable nature of our products and our focus on quality ranked Food Safety & Quality as a material topic among most of our stakeholders. We address this topic throughout our vertically integrated supply chain.



Platteville Dairy Farm & Milk Plant, CO



## Certified for the Highest Quality Standards

We are required to meet the comprehensive regulations and requirements for dairy processing in the U.S. To go beyond these requirements, our Platteville milk plant — which processes 100% of the organic milk we bottle for our customers — has been Safe Quality Food (SQF) 2000 Level III Certified since 2009. SQF is a voluntary, industry-leading, third-party food safety program. SQF Level III certified manufacturing facilities are certified to comply with international and domestic food safety regulations, and, as a result, meet the highest standards for food processing, preparation and handling. We have received annual SQF audit scores between 97%–99% (out of 100%) for the last eight years.

In addition to the food safety and quality programs we manage through federal and state-level requirements and our voluntary certifications, our facilities are frequently visited by a variety of stakeholders throughout the year. These stakeholders bring varied perspectives to our facilities, and oftentimes have their own quality standards. They review our practices in food safety, organic certification, employee benefits and practices, codes of conduct, ethical sourcing, workplace safety and quality to ensure we meet or exceed their expectations.



MILK QUALITY  
SCORES OF

**97%–99%**

Since initial certification  
in 2009



*based on a maximum score of 100% from annual SQF audits*

Platteville Milk Plant, CO



## Suppliers Required to Meet our High Standards for Quality & Organic Integrity

As a producer and processor of organic dairy products, we work with a variety of suppliers at every stage of our supply chain. Our success depends on these suppliers and they are included in our Tier 1 group of stakeholders. This means we regularly seek their input and they participate directly in our materiality determination process.

We expect the same high standards of our suppliers as we do in our own operations. Our sourcing policies cover product quality, organic certification and animal care standards, among others. Although we do not formally score suppliers on social and environmental criteria, we expect each of our suppliers to conserve natural resources, treat their employees fairly and with respect, and demonstrate exemplary standards of integrity when working with Aurora Organic Dairy.

More than 100 independent organic farmers provide the majority of our organic animal feed. Each grower is required to meet our Farm Sourcing Policies. As of April 2017, Aurora Organic Dairy managed almost 14,000 acres of certified organic and organically managed pasture and feed crops, and independent farmers represented approximately 75,000 acres of organic feed we purchase. Our sourcing policies stipulate that products must meet our quality standards and be USDA organic certified. We expect competitive rates, open and transparent communications, and reliable service. In return, we treat our suppliers with integrity, provide a fair price and nurture long-term relationships. Our first preference is to work with local farmers and suppliers in the communities where we have facilities.

While the organic regulations include some practices related to environmental stewardship and responsible farming practices, our management approach is to continue to develop responsible farming protocols and metrics — based on farming our own fields — and to then collaborate further with our suppliers to identify opportunities to improve within the supply chain.

In 2015 and 2016, we continued to work with third-party growers to help them improve their farming practices. We consult with local corn silage growers in Colorado to source organic seed varieties and share best practices on irrigation, weed control, and timing of plantings and harvests. This helps to ensure suppliers meet our high standards of organic feed quality, and reduces the number of loads rejected for quality reasons.

Approximately 75% of the milk we process and sell is produced on our own farms. We also purchase milk from a few, select organic dairy farms once we have ensured our milk quality and animal care programs are in place. These producers are Validus certified for animal care and must have valid USDA organic certifications.

Companies supplying materials to our milk plant must adhere to our Supplier Policy, which is reviewed annually by our Director of Quality. Suppliers must undergo a comprehensive food safety audit and meet the requirements of our Safe Quality Food (SQF) 2000 Level III Certification. SQF is an in-depth, third-party food safety certification program that goes beyond the standard food manufacturing requirements for food safety and quality. In 2015 and 2016, 100% of our farm, milk and plant suppliers were compliant with our sourcing policies.

## Compliance with Applicable Laws and Regulations

As an organic dairy producer and processor in the U.S., we are required to comply with various environmental, food safety, organic certification and livestock handling requirements. We go beyond these requirements with the third-party audits and certifications we choose to participate in voluntarily. These include Validus Animal Welfare and Worker Care, SQF Level III Certification audits, and the many code of conduct audits required by our customers and other stakeholders. As a result of being in a heavily regulated industry, compliance with applicable laws and regulations is a material topic for our business.

Our business is committed to complying with the laws and regulations applicable to each of our operations. This includes requirements of the U.S. Environmental Protection Agency, the U.S. Food and Drug Administration, the U.S. Department of Agriculture and their National Organic Program, the Colorado Department of Public Health and Environment, the Texas Commission on Environmental Quality, the Texas State Soil and Water Conservation Board and the Texas Department of State Health Services.



*Organic Corn Silage, High Plains Dairy Farms, Gill, CO*



## Transparency in Labeling Helps Inform Consumers

We support transparency in labeling, as consumers rely on product labels to make healthy food choices. We are required to follow all U.S. Food & Drug Administration (FDA) regulations for labeling 100% of our products. This includes providing nutritional, food safety, allergen and “sell by date” labeling on our products. In addition, we choose to label our products with information regarding our voluntary third-party certifications, including the USDA Organic label and the logos of our organic certifiers, our Validus animal welfare certification logo and Kosher certification insignia. We have had zero issues of regulatory non-compliance in labeling our products.

Our products’ nutritional labeling includes an ingredients statement, information about added vitamins and the nutrition facts panel. The nutrition facts panel provides consumers with product-specific information on the nutritional profile of packaged food products. In May 2016, the FDA announced changes to the Nutrition Facts Label to reflect new scientific information and to make it easier for consumers to make well-informed food choices. While the deadline to comply with the new Nutrition Facts Label is still being finalized, in early 2017, Aurora Organic Dairy began using the updated label on some of our products. We expect to complete the transition to the updated labels in advance of any deadline.



The Dairy Food Group is an important aspect of the USDA's My Plate food and nutrition plan for children and adults. Numerous health benefits are associated with milk and dairy product consumption, as milk contains high levels of calcium, phosphorous, magnesium, protein, vitamin D and other vitamins. Dairy products support healthy bones and teeth, and when consumed as part of a balanced diet, milk and dairy products have numerous other health benefits.

We provide our milk in recyclable gallon plastic jugs and half-gallon cartons in four different, clearly labeled, fat contents: non-fat, 1%, 2% and whole milk to meet consumer preferences. The lower fat content milk is lower in both saturated and unsaturated fats. We also offer milk with added Omega-3 fatty acids for consumers who want to increase their Omega-3 intake.





# Animal Husbandry is a Cornerstone of Aurora Organic Dairy



## **Core Value: Cow Care**

*The health and well-being of our  
dairy animals are our top priorities.*

High Plains Dairy Farms, Gill, CO





## WE BELIEVE COMFORTABLE, HAPPY COWS PRODUCE BETTER QUALITY MILK

Facilities designed for comfort  
and grazing

Disease prevention

Dehorning minimized

24/7 monitoring

In-house veterinarians

Employee training

Nutritious feed and pasture

Year-round outdoor access

Certified by independent  
3rd party, Validus



CEO LETTER

OVERVIEW

QUALITY ORGANIC DAIRY

ANIMALS

PEOPLE

PLANET

APPENDIX





High Plains Dairy Farms, Gill, CO

#### COMFORT BRUSHES

Cows enjoy grooming themselves with motorized brushes installed throughout our facilities

## Animal Care

We believe healthy, well cared for cows produce better quality milk. We also believe caring for our animals in a way that allows them the freedom to exhibit their natural behaviors is simply the right thing to do. As such, we have high standards for animal care at our farms, calf ranches and heifer-raising facilities. We — and our stakeholders — consider animal care a material topic for our business, and we continue to strive to improve our animal care procedures and protocols.

As of March 2017, we managed more than 30,000 cows, calves and heifers (please refer to map, page 13) on our Company-managed, certified organic dairy farms, calf ranches and heifer farms. Third-party calf and heifer farms supply additional animals.

A majority of our dairy cows are Holstein cows bred for dairy production. We also have a small percentage of Jersey breed dairy cows and Jersey/Holstein cross-bred cows, which make up approximately 5% of our entire herd. We use natural breeding and artificial insemination to breed our dairy cows, and we raise our calves as replacement animals for our herds.

As a result of having organic-born cows in our herds, we continue to produce a small amount of organic beef for select retail customers. Our animal care policies and procedures relate to both our dairy farms and organic-born cows used for beef production.

In late 2015, we purchased an additional 2,470 acres of land adjacent to our Pepper facility in Dublin, Texas. We had previously converted our Pepper Dairy Farm in Dublin to a heifer-raising facility, and this land purchase has allowed us to increase our heifer-raising operations in that area. In early 2017, we completed the transition of all the land to organic, certified by Oregon Tilth, and we continue to populate the property with organic-born animals from our farms to use as eventual replacement animals for our herds.

Also in early 2017, we began operations at a new 2,000-cow dairy in Gill, Colorado, the High Ridge Dairy. This farm is a part of our High Plains Dairy Farms, and has allowed us to further increase milk supply closer to our Platteville, Colorado milk plant.



## Prevention is the Priority in our Organic System

As a 100% organic system, we cannot rely on antibiotics to treat disease, which makes our animal care protocols and employee training programs the key components in keeping our herds healthy and free of disease.

Organic-approved vaccinations are an important aspect of our ability to prevent disease in our herd, and we provide training to our farm employees to ensure proper handling and administration of vaccines.

Our primary focus is on early detection of illness to ensure our animals receive immediate treatment and can recover quickly. Early detection requires constant monitoring. For example, during our milking routine, each cow is checked two-to-three times per day for mastitis, which is caused by bacteria on the udders. Other monitoring occurs when cows are at the feed bunks, when they are walking to and from pasture, and when they are being monitored for reproduction.

We have invested in activity collars to help us monitor a variety of health-related indicators. For example, a reduction in rumination — chewing cud — might signify stress or illness. Data collected from these collars help us provide our cows high-

quality, individualized health monitoring, and allow us to identify and attend to potential concerns immediately.

We operate a maternity barn at our Coldwater Dairy Farm and, in 2015, we built a dedicated maternity barn at our High Plains Dairy Farms. These facilities provide a very clean environment with 24-hour-a-day, 7-day-a-week supervision to keep our cows in their late stages of pregnancy healthy, and to ensure their calves receive immediate attention after they are born.

Newborn calves are fed colostrum, receive milk three times per day, and are under 24-hour supervision. We continually check our calves to ensure they remain healthy and can thrive. Our Calf Caregivers are trained on our comprehensive animal care protocols, and ensure the animals have clean water, milk and bedding. To protect their immune systems, newborn calves are raised individually with shelter and continual outdoor access. Once their immune systems are strong enough, they are raised in social groups with other calves their age.

With our 40 years of dairy farming experience, we have found that these procedures help us provide the right care for each individual animal at each stage of her life.

### ANIMAL CARE

– ON TARGET

#### INCIDENCE OF LAMENESS

2017 GOAL

↓20%

2016 PROGRESS

↓31%

vs. 2012 baseline

#### INDUSTRY LEADERSHIP IN ANIMAL CARE

NEW 2017 GOAL

3rd party  
monitoring of  
dairy farms

24/7

2016 PROGRESS

20+

video cameras  
installed with 3rd  
party monitoring

2018 GOAL

Achieve Validus  
Animal Welfare  
Certification for  
three 3rd party  
heifer growers

2016 PROGRESS

2 of 3 heifer  
growers have  
been Validus  
Certified

2017 GOAL

Develop  
programs  
to minimize  
dehorning  
on farms

2016 PROGRESS

Using polled  
bull semen to  
minimize number  
of calves born  
with horns



## Industry Experts in Animal Husbandry

Throughout our nearly 40 years as dairy farmers, we have developed significant in-house animal husbandry expertise. Led by our Chief Agricultural Officer, Juan Velez, MV, M.S., DACT, our farm management team has cultivated many of the common animal care practices used throughout the organic dairy industry today. Many of Dr. Velez's contributions to the industry, often in partnership with university researchers, have been widely published in animal science journals over the decades.

We have one other trained and certified veterinarian on staff who oversees our comprehensive herd health protocols. We also work with a third-party nutritionist to determine the best certified organic diet of pasture and feed for our animals, which is continually customized by facility, cow group and developmental stage. Lastly, we actively recruit and employ graduates with degrees in animal science to help care for our animals, along with third-party veterinarians.

To ensure we follow the highest standards for animal care, 100% of our farm employees are trained on our animal care policies and procedures several times a year. This includes on-the-job training with their supervisors, as well as presentations and videos to support key animal care, safety and safe animal handling protocols.

In 2016, our animal welfare training program was enhanced beyond the technical training we had been providing to our staff to also include training on animal behavior and psychology. We work with Praedium, an ISO 9001:2008 Certified agricultural consulting, planning and training company. Praedium not only provides third-party monitoring of our video feeds throughout our dairy farms, but they also help our employees understand the behavioral and motivational characteristics of cows to help anticipate their needs and respond to their reactions to various situations. We believe this additional training helps to round out our employees' knowledge and skills when it comes to best-in-class animal care.



High Plains Dairy Farms, Gill, CO





High Plains Dairy Farms, Gill, CO

## Facilities Designed for Comfort and Grazing

Our dairy farms are designed to maximize cow comfort and employee safety, and to ensure we meet the grazing requirements of the USDA National Organic Program. Our mature animals are housed in freestall barns or loose, open housing, which provide year-round outdoor access to our animals. With our farms located in the temperate climates of Colorado and Texas, there is ample fresh air and sunshine throughout the year, and our animals have continual access to outdoor exercise areas, as well as shelter in inclement weather.

Our cows receive at least 30% of their dry matter intake from pasture during the grazing season, which cannot be less than 120 days. Having pastures surrounding our milking parlor and housing facilities allows us to easily practice rotational grazing while ensuring each of our cows receives the care she needs and can be milked 2–3 times a day. Our facilities are maintained to ensure our cows have access to fresh food and water, as well as clean bedding.

All walkways are lined with rubber mats to provide a cushioned lane for cows and employees, and milking bays are raised to reduce back strain in our milking staff. We plan our summer grazing schedules

to avoid heat stress in our animals, and our barns and milking parlors feature fans and misters to ensure the cows stay cool.

In 2016 and early 2017, we invested in additional cow comfort features at our dairy farms, including new comfort brushes installed in our barns. Additionally, the freestall barns at our new High Ridge Dairy Farm feature more flexible free stalls, increasing comfort for the cows when they lie down. In typical freestall barns, the stalls feature a steel pipe to separate the resting areas for the cows. This new system provides a more flexible polymer loop, which reduces the opportunity for the cows to encounter the steel pipe when they enter and exit the freestall resting area.

We continue to participate in research with veterinary organizations and universities to determine new and innovative ways to improve the cow comfort of our facilities. For example, in 2016 we conducted a study to determine if reflective tarps installed on the roofs of our calf housing would deflect the summer heat. We will continue to participate in research to improve our facilities and, ultimately, the welfare of our animals.



## Certified for Animal Husbandry Best Practices

In 2005, we voluntarily began working with Validus, an independent USDA process verified animal welfare certifier. We wanted to have an industry-leading expert verify our animal care practices and protocols, and provide an outside perspective on how we could further our commitment to animal care. Each of our farms and our milk plant have been consistently Validus certified every year since, and each continued to receive the highest available audit ratings in 2015 and 2016.

The multi-day certification audits include a thorough inspection of our animals, facilities, protocols and records. Inspectors score each

of our farms on more than 115 animal welfare metrics, including: lameness, cleanliness, body condition, behavior, facilities, protocols and management. Additionally, in early 2017, we commissioned Validus staff to conduct unannounced audits at each of our facilities to ensure our high standards are being consistently met.

In addition to 100% of our Company-owned facilities being Validus certified, at the end of 2016, two of our three major heifer suppliers, and our primary outside milk suppliers, continue with their Validus certifications. Our goal is to certify our remaining heifer supplier by the end of 2018.



*"After a thorough review of all the animal welfare certifications available, we selected Validus because of their rigorous review and audit process. Every year, Validus certifiers spend several days on each of our farms. They review our standards, practices and records, and observe our cows in all areas of our facilities. We are scored on more than 115 metrics related to animal care, and our farms have consistently earned the highest rating of Excellent."*

~DR. JUAN VELEZ, CHIEF AGRICULTURAL OFFICER

High Plains Dairy Farms, Gill, CO



## CONTINUOUS IMPROVEMENT IN COW CARE

- Cow Compassion and Psychology Training
- Voluntary Surprise Inspections
- 24/7 Third-Party Monitoring
- Reduced Lameness and Dehorning

As part of our corporate citizenship efforts at Aurora Organic Dairy, we have established goals around animal care and well-being (please refer to page 27). In 2012 we set goals to minimize dehorning on our farms, to reduce the rate of lameness in our herd, and to increase employee education and training.

In 2013, we began using polled bull semen to minimize the number of calves born with horns on our farms. Although this method does not always guarantee calves will be born without horns, we have substantially reduced the need for dehorning. For the calves that were born with horns, we administer organic-approved pain relief prior to horn removal.

We set a goal to reduce the rate of lameness in our herd by 20% by 2015. To accomplish this, we have been focused on early visual detection, keeping our facilities clean, and keeping hooves cleaner and drier. In 2015, incidence of lameness characteristics within the herd declined by 23%, exceeding our goal. In 2016, the percent of cows with lameness characteristics declined by 31% from our 2012 baseline.

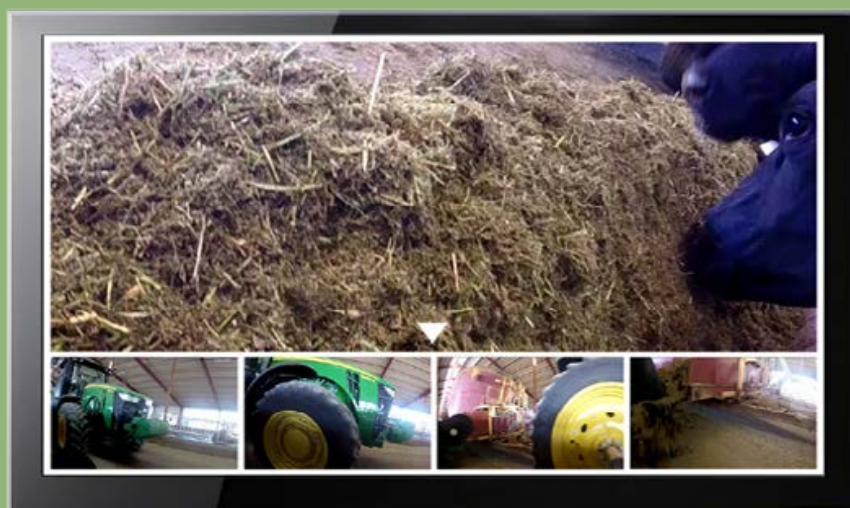
We continue to enhance our employee education and training programs around animal care, and in 2016 we began working

with Praedium to supplement our technical training programs with animal behavior and psychology training. This training provides our farm workers with additional knowledge to determine why animals might behave the way they do, helping our employees anticipate cow reactions in different situations, and effectively respond to changing behaviors.

As part of our initiative to increase the 24/7 monitoring of our dairy farms, in 2015 we established a new animal welfare goal to provide further assurance that our animal care protocols are being followed around the clock. We installed video cameras at key areas of our farms and have been conducting internal monitoring of the video feeds since 2015.

In early 2017, to further extend our monitoring and feedback on animal welfare practices, trained staff from animal welfare expert, Praedium, began monitoring the 24/7 video feeds from more than 20 cameras installed in key locations around our farms. Any potential abnormalities are flagged, and feedback is provided to our management on how to further improve our practices. This helps to ensure we continuously improve our high standards of animal welfare.

Lastly, we've voluntarily requested that Validus (see page 30), our third-party animal care certifier, perform their annual inspections during surprise visits. Voluntary surprise audits in place of regularly scheduled audits are another example of how we continually challenge ourselves to take the very best care of our cows.



## FROM A COW'S POINT OF VIEW

In an effort to gain perspective from a cow's point of view, we equipped one of our animals with a video camera and filmed various periods of her day. Being mindful of how our cows might perceive the world is an important component of compassionate, respectful treatment of our animals.



## Animal Health & Management

- **No Branding** – Since 2008, no branding has been performed at our dairies, ever.
- **No Tail Docking** – No tail docking is performed at our dairies, and we do not purchase animals that have docked tails.
- **No Prods** – Prods — electric or otherwise — are not used at our dairies, ever.
- **Minimizing Dehorning** – To minimize the need for disbudding/dehorning, in 2013 we began breeding cows with polled bull semen, so that the offspring will have a greater likelihood to be born without horns.
- **Always Minimize Pain** – While we do not have the need to perform many surgical procedures on our animals, when we do, we require trained employees to use an organic-approved local anesthetic, and aspirin or flunixin, to help minimize pain. In the event disbudding/dehorning procedures are required, a local anesthetic and pain relief are also administered by on-farm certified employees.
- **No Synthetic Growth Hormones** – Synthetic growth hormones are never used at our dairies.
- **No Antibiotics** – Antibiotics are not used, except in the rare case we need to preserve the animal's life. If organic-approved treatments are not successful in treating disease, the animal is removed from the herd, treated and sold.
- **Lameness Prevention** – Preventing lameness is always a top priority. We visually monitor our animals daily, use activity collars to detect early signs of lameness, cover floors with rubber mats, utilize foot baths, employ selective breeding for hoof health, and perform certified treatments, as needed.
- **Quality of Life** – Treatment for very sick — or downed — animals requires that an experienced employee carefully transfer the animal to a clean, dry area. The animal is provided with clean, dry bedding at all times, fresh food and water, protection from the elements, and health care. If organic-approved treatments are not successful, the animal is removed from the herd.
- **Humane Euthanasia** – If an animal is suffering and cannot be brought back to health, euthanasia is performed by a certified technician to eliminate pain and suffering.
- **24/7 Supervision** – Animal supervision is constant and is always focused on continuous improvement.

## Animal Feed & Facilities

- Animals are provided with clean food and water.
- No synthetic pesticides, herbicides or fertilizers are used on the feed or pasture provided to the animals. Additionally, organic feed cannot be produced with GMOs. We require valid organic certifications from all feed suppliers.
- At all of our dairy farms, cows receive a minimum of 30% of their dry matter intake (DMI) from organic certified pasture during the grazing season, which cannot be less than 120 days (Organic Dairy Regulations).
- Animals are not without feed and water for more than one hour at a time (typically during milk harvesting).
- On-staff nutrition experts continuously monitor the cattle feed at all locations. An external nutritionist reviews the herds every six weeks and adjusts the feed ration as needed for the health of our animals.
- Animals are provided with a comfortable, dry place to lie down.
- Animals are provided with shade and protection from the elements, as needed.
- Animals are provided with sufficient space for comfort and to display natural behaviors. We only house our animals in freestall barns and open, loose-housing. Tie stall barns are never used.
- Calves are housed individually for the first 60 days of their lives to enable dedicated care and attention, and for disease prevention.
- Our facilities are maintained with sanitary conditions to prevent disease and infestations.
- To prevent injury to our animals, our facilities are maintained in good condition, and our employees are trained in safety protocols.
- All walkways are kept clean and slip-resistant.
- Our milking parlors are kept clean with good airflow, and we use cooling systems to provide comfort during periods of high temperatures.
- Our milking parlors are designed for optimum cow and employee comfort. Rubber mats are used on most walkways and lanes to maintain foot, leg, and hoof health and comfort. Rubber mats also increase the comfort of our milk harvesters.





Platteville Dairy Farm, CO

## Vendor Animal Care Standards

In addition to our Company-owned dairy farms, we purchase organic certified animals from outside heifer growers, we purchase milk from a select group of third-party organic dairy farmers, and we sell cows that are past their productive lives to the beef industry. In addition to working with several outside livestock vendors, we work with cattle hauling companies and other on-farm service providers who are required to work with our animals. It is our expectation that each of these vendors follow our high standards of animal care.

We provide an Animal Care Standards memorandum to all vendors, which communicates our high animal care standards. When vendors come onto our facilities to work with our animals, they are monitored closely to ensure proper animal care and treatment. For those who house our animals, we visit them regularly and are in frequent contact regarding the care of our animals.

Our management team completes annual evaluations of each primary vendor's facility — including our beef processors — to ensure the animals are properly cared for and handled. All beef processors are visited by our animal welfare and quality staff to verify humane euthanasia and proper animal care at their facilities.

Heifer growers who supply our farms with replacement animals and animals for new facilities are evaluated at least twice a year to ensure high standards of animal care. By 2018, it is our goal to have all three of our primary heifer growers certified by Validus for animal welfare. As of the end of 2016, two of these suppliers were Validus certified, and we are working toward certification of the third.

We require a signed Cattle Hauling Agreement from any company that hauls cattle for us. This agreement stipulates safe handling and transport procedures that comply with the latest animal welfare regulations and our on-farm animal care protocols. For example, no animals that are too weak, too thin, severely lame, have a high fever or are otherwise ill, or that are blind are allowed to travel. Haulers are also required to haul at night during hot weather, and ensure animals have plenty of space and are treated with respect.





# Supporting Our People, Families and Communities



## **Core Value: People**

*Employee satisfaction and development  
are keys for our success.*

Stratford, TX





## WE INVEST IN PEOPLE AND RELATIONSHIPS

Diversity is welcomed

Full benefits for employees at all levels:

- Paid parental leave and vacation
- 401(k) with Company match
- Health insurance

Health and safety are priorities

We strengthen local economies and support organic farmers

Scholarships for 4-H, FFA, undergraduate and postgraduate students

Validus Worker Care Certification







High Plains Dairy Farms, Gill, CO



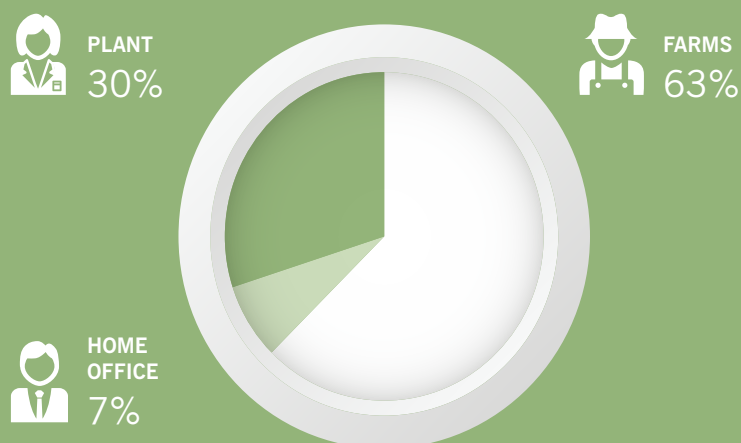
## Respect and Integrity

Our business at Aurora Organic Dairy is built on trust and integrity. We have long-standing relationships with the people we work with both inside and outside our organization. Each of these relationships contributes to our shared success.

We treat our people, suppliers and other stakeholders with integrity and respect. We compensate fairly and competitively, and know our business would not thrive if it weren't for the long-term relationships we have nurtured over the years. Our emphasis on respectful relationships is evident in the results of our employee opinion surveys, distributed to 100% of our people. Employees consistently rank relationships with their co-workers as one of their favorite attributes of our Company.

People are one of the core pillars of our corporate citizenship focus, and we continue to develop more initiatives and programs to take care of our people.

### EMPLOYEE DISTRIBUTION



680 full-time employees as of March 2017  
(nearly 100% of total workforce)

## We Welcome Diversity

We have a diverse, growing workforce at Aurora Organic Dairy. We recognize that the interaction of diverse perspectives and experiences contributes to the innovative, forward thinking that has made our Company successful.

Across our farms, processing plant and headquarters, the Company employed 680 total full-time people as of March 2017. As stated in our prior Corporate Citizenship Report, we employed a total of 550 full-time employees as of March 2015, which is a 24% increase over two years. We expect our total employee count to continue to grow as we expand both our dairy farming and milk processing operations over the next several years.

In addition to having a diverse workforce in terms of job classification and work environment, our employees represent gender and racial diversity. Approximately 66% of our total employees are of Hispanic descent and predominantly speak

Spanish as a native language. This is a 6% increase from March 2015 when we last reported on this metric. As a result, we hire many managers who are bilingual, and we provide all important company information and training programs in both English and Spanish.

In terms of gender diversity, 28% of our total workforce is women, which is an increase from 20% in March 2015. Of the 104 management-level employees across our farms, plant and home office, 38 are women (37%), which is a slight increase from two years ago.

### CORE VALUE: INNOVATION

New ideas and entrepreneurship from stakeholders, and talent across our organization drive industry leadership.



*“When I founded Aurora Dairy more than 40 years ago, I committed to providing the same benefits to all employees, regardless of job title or level within the organization. If you are milking cows, processing and packaging milk or working in an office, you have the same access to benefits as everyone else.”*

~MARC PEPERZAK, FOUNDER & CEO

## Comprehensive Benefits for all Employees and Families

Throughout our nearly 40-year history, we have found that providing our employees with a rewarding work experience, recognition for their hard work, opportunities for advancement, and always treating everyone with respect translates into a dedicated employee base who is invested in our shared success. As such, we always provide competitive wages and comprehensive benefits across all employee classifications and levels throughout the organization. Many of these benefits are unique in the agriculture and manufacturing sectors.

In 2016 we expanded our employee benefits to include four weeks of paid Parental Leave for all employees. This benefit recognizes there are physical and emotional needs following the childbirth, adoption or foster care placement of a new child. We understand that a period of leave is important for the well-being of both the parent and child, and the paid Parental Leave benefit provides up to four weeks of paid leave at the employee's base pay rate for the mother or father of the child. This benefit is available to all

680 of our employees at each of our facilities who have been with the Company for at least 12 consecutive months and who have worked at least 1,250 hours during the prior 12-month period.

Also in 2016, we added a day of paid bereavement leave for all full-time employees. These new benefits are intended to recognize the personal needs of our employees, and to demonstrate that our Company supports their time to bond with their families during life-changing events.

Recognizing our farm employees make up a large proportion of our total workforce, in early 2017, we added a position for a dedicated Farm Human Resources Manager. This is a mandatory bilingual position, which is focused on communicating the value of benefits to our farm employees, and will develop specific employee programs to onboard new employees, drive retention in existing employees and ensure overall satisfaction.

### ALL FULL-TIME EMPLOYEES, NEARLY 100% OF OUR WORKFORCE, HAVE ACCESS TO THE SAME BENEFITS, INCLUDING:

- Medical coverage with various options
- Dental & Vision coverage
- 401(k) with Company match
- Paid Time Off
- 4 weeks of paid Parental Leave
- On-site housing for farm employees
- Competitive wages
- Life insurance
- Access to short-term disability coverage
- Tuition support
- Scholarships for family members seeking post-high school education





### EXCELLENCE IN EMPLOYEE CARE



The Validus Worker Care voluntary audit and certification program provides third-party verification that we do everything we can to support our farm employees. It verifies that our employees are legally hired, fairly compensated and treated, and have a safe working environment and sufficient training to ensure job competency. Each of our farms is audited and certified annually, and each has earned the highest possible ranking from Validus. We plan to engage a similar worker care program for our plant employees in 2018.

High Plains Dairy  
Farms, Gill, CO



## We Listen to our Employees

Respecting our people, valuing their perspectives, and creating opportunities for employees to grow with the Company have been driving factors of Aurora Organic Dairy's success over the years. A substantial number of our employees have been with the Company for five or more years. Many members of our farm and management teams have been with the Company for more than 10 years and were instrumental in the development of the overall organic dairy industry. We believe our employee retention is directly related to our dedication to employee health, safety, training, education, fair pay and benefits. Additionally, we take professional development seriously. We strive to ensure that 100% of our employees receive performance and career-development reviews with their supervisors at least once a year.

Most importantly, we listen to our employees. Based on employee feedback, we understand that our industry-leading benefits, comprehensive training programs, opportunity for career growth and respect for one another help to retain a trained, knowledgeable workforce. In early 2017, we completed the transition to a new work week for our farm employees. Rather than the traditional "six days on, one day off" work week that is common in the agricultural industry, 100% of our farm employees now have a "six days on, two days off" work week to reward them for their hard work and provide more time for their personal and family lives.

In November 2015, we conducted our most recent Employee Opinion Survey, which is administered every few years and is designed to gauge feedback and trends in a variety of job satisfaction metrics, from compensation, training & development and benefits, to leadership, communication and working conditions, among others. The surveys are anonymous and are provided in both English and Spanish, hard-copy and electronically, to optimize employee participation. In the 2015 survey, 82% of employees provided responses. This is down from 90% participation in our 2012 survey. We will consider methods to improve the participation rate going forward.

In the 2015 survey, all workplace dimensions received positive ratings from employees, with compensation being the lowest, scoring in the "somewhat positive" range, and work/life balance, satisfaction, benefits, working conditions, supervision, and training & development being the highest-rated dimensions. We continue to focus on training and informational sessions to explain total compensation and benefits. This is an important aspect of job satisfaction, and we want to ensure our employees are fully aware of the value of benefits provided and the rationale behind their compensation.



Platteville Milk Plant, CO



## Wellness

In the 2012 Employee Opinion Survey, the same dimensions were ranked as the most favorable, with overall job, safety for employees, pride in working for AOD, relationships with coworkers, and positive experience with supervisors being the highest ranked attributes.

Likewise, the least favorable employee satisfaction dimensions were largely consistent between the two survey years, with the biggest opportunities for improvement being in the areas of communication regarding compensation and feedback to management.

As outlined in our Corporate Citizenship Goals, we sought to provide employees a comfortable break area to have a meal and rest during their shifts at the farms. In 2015, we completed the construction of an employee cafeteria and break room at our Coldwater Farm. It has been well received by employees and we provide free meals for each of our three daily shifts. By the end of 2017, we expect to have a similar cafeteria and break room constructed at our High Plains Dairy Farms in Gill, Colorado.

Employment opportunities and retention are especially important to our Company, as our people — employees, suppliers and other key stakeholders — rely on the institutional and industry knowledge provided by our employees. We strive to ensure our employees have the proper training, are given opportunities for advancement and are rewarded for their hard work.

As an organic company, we recognize the need to promote wellness and health among our employees. Many of our locations launched a wellness program in 2016, which included biometric screening events and wellness assessments for our employees. Some facilities also offered — at no charge to employees — a weekly Community Supported Agriculture (CSA) delivery of fresh organic vegetables from a local farm during the 2016 growing season.

We provide educational lunchtime events for our employees on health, wellness and gardening to support their healthy lifestyles. And, we pay for employees' Bolder Boulder 5K race entry fees, we provide Fit Bits and gift cards to employees who participate in Wellness surveys, and our facilities oftentimes run their own weight loss challenges at the start of the year. We plan to grow our Wellness Program and will partner with our medical insurance provider, Cigna, to make this initiative more robust in future years.

## COMMUNITY & EMPLOYEE

– ON TARGET

### 2017 GOAL

Demonstrate value of employee benefits to all employees

### 2016 PROGRESS

Face-to-face benefit enrollment meetings in English & Spanish at all locations

### 2017 GOAL

Improve communication with non-English-speaking employees

### 2016 PROGRESS

All pertinent Company information and trainings offered in English & Spanish

### 2017 GOAL

Enhanced training programs

### 2016 PROGRESS

Comprehensive animal welfare and safety training programs & videos presented to all employees at all facilities

### 2017 GOAL

Develop a community center at a remote farm location

### 2016 PROGRESS

Employee cafeteria and community center completed at Coldwater; High Plains location in progress



## Training and Education Help our People Safely Perform at their Best

To support our employees as they grow in their careers, and to ensure they remain safe working with livestock, and with machinery at our farms and milk plant, we provide extensive training and education for all employees. We are pleased that — in our 2015 Employee Opinion Survey — training and development ranked among the highest employee satisfaction dimensions.

We estimate that, in 2016, all of our employees, combined, participated in more than 13,500 hours of comprehensive training programs, which is an average of approximately 20 hours of training per employee for the year. All farm employees receive in-depth training on safety, animal care, Aurora Organic Dairy mission and culture, as well as job-specific mentoring and training. Our plant employees receive quality and food safety training. They also participate in plant safety training programs and job-related training on equipment and plant procedures.

Employees are also provided with tuition assistance and other external training opportunities to grow in their careers and to bring additional expertise to the Company.



Platteville Milk Plant, CO

### GOAL:

Continuously improve workplace injury rates at our farms and plant

### 2016 VS. 2015 3-YEAR AVERAGE

PLANT

FARMS

↓28% ↓11%

### TOTAL PLANT INJURIES AS REPORTED TO OSHA (Per 200,000 hours worked)

7.77

6.05

4.33

2012–2014 2013–2015 2014–2016

3-year averages

### TOTAL FARM INJURIES AS REPORTED TO OSHA (Per 200,000 hours worked)

6.50

5.92

5.29

2012–2014 2013–2015 2014–2016

3-year averages

Notes: Typical injuries that occur on our farms include contusions, sprains and lacerations, and are oftentimes related to interaction with dairy cows. Other common farm incidents relate to skin or eye irritation from cleaning supplies. Typical plant injuries are related to working with the machinery in the processing plant and cold storage facility. Three-year average lost days rate (LDR) on our farms was 94 days per 200,000 hours worked in 2016. The LDR for our plant was 64. Our Company has experienced zero fatalities, and our employees are not prone to any known occupational diseases.



## Continuous Improvement in Workplace Health and Safety

At Aurora Organic Dairy, we strive to create safe and healthy working conditions for our people. Our farm employees work around animals, large farming equipment and other hazards. Our plant employees work in a processing and cold warehouse facility, which also means they work around large machinery and hazards associated with a manufacturing facility. As such, we focus on training, we updated our farm and plant safety manuals in 2017, and we have a corporate citizenship goal area devoted to workplace health and safety.

In 2015, we added a corporate citizenship goal to continuously reduce workplace injury rates at our farms and plant. This was in response to our materiality determination process, which ranked worker health & safety as an important topic to our stakeholders. This goal is measured on a three-year average of Occupational Safety and Health Administration (OSHA) reportable incidents of injury per 200,000 hours worked (please refer to information box on page 42).

In 2016, our plant incidents declined 28%, as prior period incidents were elevated during the 2013–2014 plant expansion and cold storage facility construction. In the most recent three-year period, our plant reported an average of 4.3 OSHA incidents per 200,000 hours worked, which was lower than the most recently reported industry-wide statistics for fluid milk manufacturing.

We have also experienced improvement in our farm incidence of injury, which was 11% lower than our 2015 three-year average. We believe our extensive employee training programs have helped to reduce the number of injuries on our farms and in our processing plant, and will continue to focus on workplace health and safety as we grow our business.



IN 2016, PEPPER HEIFER FARM  
RECEIVED TEXAS MUTUAL'S TOP HONOR  
FOR DEDICATION TO WORKPLACE SAFETY.

In addition to our own focus on providing safe working conditions for our employees, our facilities are required to go through several code of conduct and workplace audits to ensure specific standards are being achieved. Our customers and regulatory bodies that audit the dairy industry require that we provide our employees with safety training and Personal Protective Equipment, and that cleaning supplies are properly stored. They also audit our employee files to review job satisfaction, hours worked, pay and overtime rates.

We are pleased that the area of “working conditions” in our 2015 Employee Opinion Survey ranked among the highest dimensions and scored as a “very positive” employee satisfaction attribute. We will continue to focus on supporting our employees and minimizing the risk for serious injury at our facilities.



Coldwater Dairy Farm, Stratford, TX



## Supporting Local Communities

We believe it is important to give back to the communities that support our business, and to support the overall organic industry. We purchase organic feed from more than 100 independent organic farmers and develop relationships with farmers near our dairy farms to contribute to vibrant local economies. Likewise, our charitable giving programs are directed to local hunger relief organizations, schools, and education in agriculture and dairy sciences to support the future of the organic dairy industry.

In 2016, we contributed \$125,000 in scholarships and direct monetary donations to nonprofit organizations. We also donated approximately 54,650 gallons of organic milk and 26,260 pounds

of organic butter. Additionally, we want our people to appreciate the outcome of their hard work, so we provide free organic milk to employees every payday, and we provide monthly donations of milk to neighbors who live near our dairy farms.

Our employees lend their expertise by hosting tours of our facilities for groups in agriculture, dairy production and food processing. Our farms serve as educational facilities to several university veterinary and agriculture programs to help develop new protocols and procedures for both conventional and organic dairy cow husbandry and care. We have a significant focus on teaching and continual learning at AOD, and strive to support the future leaders in the organic community.

| 2014       | 2015       | 2016       | DONATED                  |
|------------|------------|------------|--------------------------|
| 38,375     | 58,344     | 54,650     | Gallons of Organic Milk  |
| 5,910      | 25,240     | 26,260     | Pounds of Organic Butter |
| \$ 97,000  | \$ 90,400  | \$ 125,000 | Cash and Scholarships    |
| \$ 415,000 | \$ 493,070 | \$ 543,220 | Total Value of Donations |

*(based on approximate retail value for product donations)*

### COMMUNITY SUPPORTED AGRICULTURE

To support our local organic farming community and employee health, we began purchasing organic vegetables for employees of many of our farms, as well as for our processing plant and corporate office.



Kyle Monroe from Monroe Organic Farms at AOD's Boulder, CO Headquarters



# Funding Education and the Future of Organic Dairy

To support the future leaders of the organic dairy industry, we contribute to several different scholarship programs each year. We help fund younger students who participate in the National FFA Organization and 4-H programs in our local communities, as well as college- and graduate-level students.

Colorado State University offers an Organic Agriculture Minor in its College of Agriculture, and each year we donate \$20,000 to support those students with tuition assistance, graduate teaching assistant stipends, and funds for hands-on training at conferences and other educational field trips.

Our farms also host internships for organic agriculture and veterinary students. Since 2003, we have hosted more than 130 interns, representing 17 different countries. While we are sharing our extensive knowledge and providing real world training for students, we also appreciate the opportunity to listen to their perspectives on how we can further improve our operations.

In other efforts to contribute knowledge to the industry, our on-staff veterinarians have published numerous articles in dairy science journals over the years.

## SCHOLARSHIPS FOR FAMILIES

We are a family at Aurora Organic Dairy, and we strive to maintain that sense of community and culture as we grow. We know our employees work hard for our success, and we want to demonstrate our appreciation through a variety of programs.

Started in 2011, our Barney Little Scholarship Fund is one such program that allows our employees to support their children and grandchildren to pursue their education after high school. Many of these students will become first-generation college graduates, thanks — in part — to the scholarships we offer.

Our suppliers and other stakeholders make donations by sponsoring our annual golf tournament. To date, we have provided approximately \$76,500 in scholarships to our employees’ families.



Coldwater Dairy Farm, Stratford, TX

|            |          |                       |         |        |        |          |
|------------|----------|-----------------------|---------|--------|--------|----------|
| CEO LETTER | OVERVIEW | QUALITY ORGANIC DAIRY | ANIMALS | PEOPLE | PLANET | APPENDIX |
|------------|----------|-----------------------|---------|--------|--------|----------|





# Reducing Our Environmental Impact

Although we have made progress over the years, there is still much work ahead of us.

As a vertically integrated company, we manage our own grazing pastures, in addition to growing a portion of the supplemental feed our cows require. We also manage dairy farms, milk processing operations, and a cold storage warehouse. This means we have a unique ability to leverage primary data to track environmental impacts across a significant portion of our milk's life cycle. To ensure our data management and reporting reflects industry-leading standards, we work closely with third-party sustainability experts.

All of this allows us to be more conscious of our impacts, set goals, and make data-driven decisions to help reduce our environmental footprint.



## **Core Value: Environmental Stewardship**

*We will be conscious of our impact on the planet and preserve our natural resources for future generations.*





## WE ARE FOCUSED ON

Responsible farming decisions, supported by data and technology

Healthy ecosystems and biodiversity

Responsible manure management and reductions in GHG emissions

Water and energy efficiency

Waste reduction and recycling

CEO LETTER

OVERVIEW

QUALITY ORGANIC DAIRY

ANIMALS

PEOPLE

PLANET

APPENDIX





## Responsible, Forward-Thinking Farming

We believe the long-term success of our business relies on our stewardship of the land and natural resources. We use organic-approved methods of farming, which help protect the ecosystems and biodiversity we depend on to produce high-quality pasture and crops for our cows. Responsible farming is a material topic for our business, and applies to the acres we manage, as well as the independent farms supplying supplemental feed for our animals. Environmental stewardship is also promoted by the USDA organic regulations, which state that producers must “maintain or improve the natural resources of the operation.”

As an organic producer, we do not use synthetic inputs, such as pesticides, herbicides or synthetic fertilizers. Instead, across all of our farms, cycling nutrients back to the soil in the form of manure has helped the Company transform low-quality pastures into highly productive grazing ground. Manure application, as well as our rotational grazing practices, have been shown by the USDA's Natural Resources Conservation Service (NRCS) to increase organic matter in the soil, thus improving moisture retention and carbon sequestration. We also strictly adhere to soil and wetland conservation plans customized for each of our fields by the NRCS. These plans include practices such as crop rotation, cover cropping and wetland buffers.

With a focus on science, innovation and data-driven decisions, we take our responsible farming obligation seriously. Our teams are passionate about trying new practices and investigating new ideas, and our Senior Leadership Team embraces a culture of innovation. We have recently grown our soil and crop team from 2 to 3 soil scientists, and on a regular basis, our senior farm personnel and our soil scientists review case studies and brainstorm options for the next continuous improvement projects. We also consult with outside experts, and through research partnerships, have cultivated long-standing relationships with land-grant universities.

We continuously trial and research different farming techniques and methods to cultivate soil health around our operations. In 2015, we reserved a 60-acre plot to test and analyze various organic inputs and their influence on soil health, plant quality and crop yields. This included test and control applications of elemental sulphur, for example, with the intention of lowering the soil pH, resulting in more nutrients available for plant uptake. As of early 2017, we have grown our test plots to more than 400 devoted acres to research ways to reduce our environmental footprint and make the most efficient use of our land and resources.





Sometimes exploring ways to be more responsible farmers requires investments in new or customized equipment. For example, we are currently testing a custom-built machine that allows us to inject manure slurry directly into the soil. This immediate incorporation of the manure into the ground reduces nutrient run-off and nitrogen volatilization, thus preserving more nitrogen for eventual plant uptake while reducing environmental impacts. Another example is our innovative approach to reduced tilling. Legally, since organic farms cannot rely on synthetic herbicides, they must till the soil to control weed pressure. Our farms have shifted many of our fields from annual to perennial pastures, which require less frequent tilling, and we have started a trial with roller-crimper equipment on our organic crop fields. If the trial is successful, we will be able to roll down cover crops grown over the winter and, without tilling, directly plant corn into the thatch. The rolled-down crops serve to block the sun, limiting weed growth. The corn seed contains enough stored energy to germinate, even in the shade of the thatch.

Water efficiency is another area of significant focus for all of our farm employees. We have invested in remote operation technology on 90% of our irrigation pivots, enabling us to develop unique water prescriptions for each individual field. This equipment, combined with various satellite-enabled capabilities, soil density mapping, and our network of moisture probes and weather stations, allows us to apply the correct amount of water in the right place at the right time (see pages 54–55 for detail).

Although we frequently engage in open dialogue with our feed suppliers, we are currently focused on leveraging data and developing best practices within the operations we directly control. Over the longer-term, we will consider a more formal platform to enable the sharing of best practices across our network of supplemental feed suppliers.

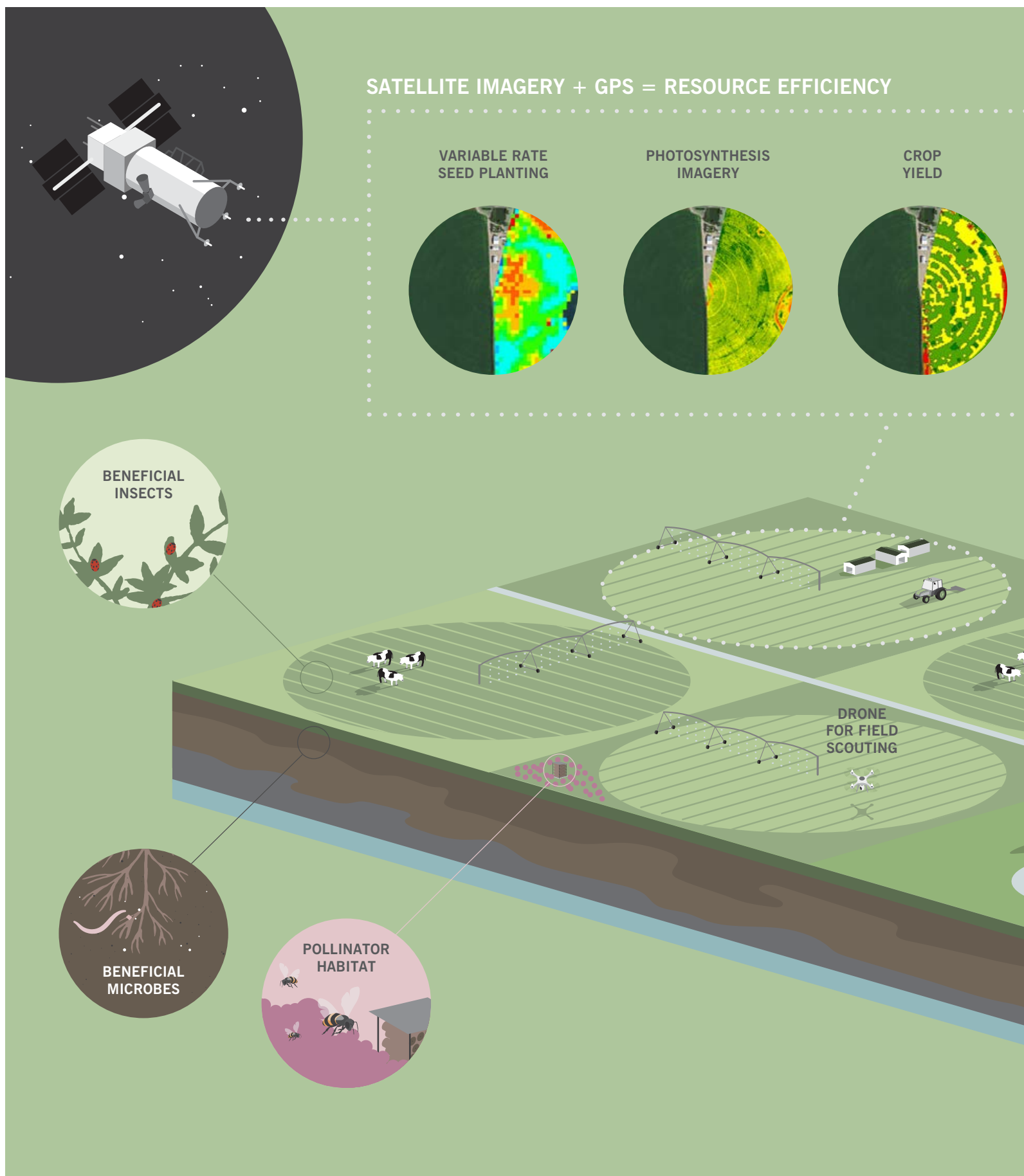
## POLLINATOR HABITAT

Free from pesticides, the organic ecosystems we cultivate serve as ideal habitats for native bees. In 2017, we invited teenagers from the local 4-H organization to help build bee hotels and plant pollinator-friendly seed mixes on the corners of fields.



High Plains Dairy Farms, Gill, CO







## We Take a Holistic, Ecosystem Approach to Agriculture

Stewardship of our organic system involves a combination of traditional farming methods, the latest science and technology, and data-driven practices. This helps ensure efficient use of land and resources, while maintaining a balanced ecosystem — all without the use of synthetic pesticides and fertilizers.

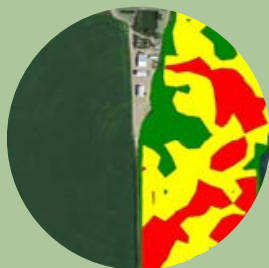
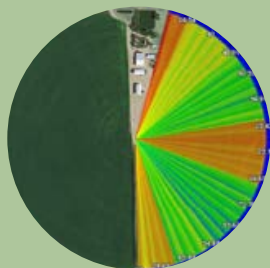
We strictly adhere to organic and environmental regulations, and work to enhance soil health, prevent erosion and nutrient runoff, and promote biodiversity. We also follow soil and wetland conservation plans customized for each of our fields by the USDA's Natural Resources Conservation Service (NRCS). Compliance is routinely verified by regulatory agencies and third-party inspectors.

Below are just a few examples of practices and technologies we employ:

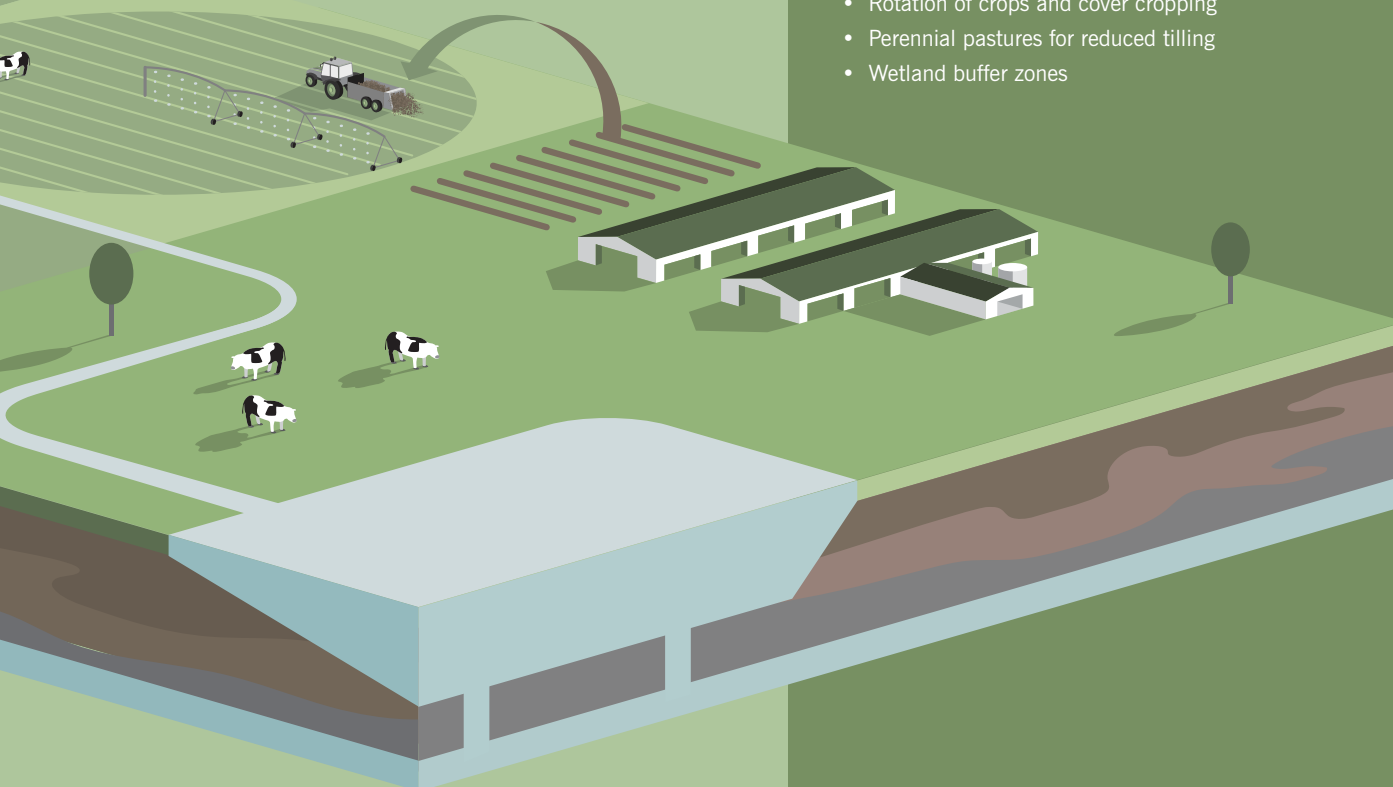
- Rotational grazing and manure application for increased organic matter, carbon sequestration and moisture retention
- Frequent testing of plant tissue, soil health and soil compaction
- Weather stations and soil moisture probes
- Precision, satellite-enabled technology
- Rotation of crops and cover cropping
- Perennial pastures for reduced tilling
- Wetland buffer zones

**VARIABLE RATE IRRIGATION**

**ELECTROMAGNETIC SOIL DENSITY MAPPING**



**NUTRIENT CYCLING  
MANURE APPLIED  
BACK TO FIELDS**



## CYCLING NUTRIENTS BUILDS SOIL HEALTH

According to the Natural Resources Conservation Service (NRCS), land degradation continues to be a major global issue, resulting in substantial economic consequences and a declining ability to support the food production required in some areas.

On our farms, we recognize that soil is a living system. Our organic farming practices are designed to protect the balance of microbes, nutrients, organic matter, moisture retention and other elements essential to the health and productivity of our soils. (Please see pages 48–53 for more detail.)



By returning nutrients to the soil at all of our farms, we are able to transform less-fertile ground, as shown in the example below, into productive grazing pastures, as in the example above.



*Pepper Heifer Farm, Dublin, TX*



## Manure Management Best Practices

For many agricultural operations, animal manure is considered a waste product. If not handled in a responsible manner, manure can result in both direct and indirect environmental consequences, such as nutrient run-off into waterways, elevated greenhouse gas emissions and degraded soils. At our organic farms, we apply nearly all of our livestock manure to our crop fields and 12,000 acres of pasture surrounding our dairies. Approximately 75% of our farms' manure is managed using composting principles and applied to the land. The majority of the remaining 25% of manure is directly applied to fields.

Adhering to manure management best practices, we choose to vacuum manure from our freestall barns, rather than flush the manure to our lagoons. This helps reduce water use and greenhouse gas emissions, since lagoons produce significant amounts of methane. The vacuumed slurry is combined with straw, then turned and allowed to age — later to be spread and

incorporated into our fields. In the spirit of continuous improvement, and to further minimize nutrient run-off and nitrogen volatilization, we are currently trialing slurry injection techniques on some of our fields.

A small amount of manure is flushed from our milking parlors, passing through manure separation equipment before making its way to a lagoon. From the lagoon, the water and nutrients are ultimately pumped to irrigation pivots to be recycled back to surrounding pastures.

All of these manure management practices, implemented under the guidance of our in-house soil scientists and strictly in accordance with environmental regulations in Colorado and Texas, help to mitigate negative environmental impacts, improve the fertility of the land and enhance pasture yields — without the use of synthetic fertilizers.



**Manure Spreading**  
Pepper Heifer Farm, Dublin, TX



**Tractor Pulling Manure Vacuum in Barn**  
High Plains Dairy Farms, Gill, CO



**Manure Turning**  
High Plains Dairy Farms, Gill, CO





## CONSERVING WATER AS OUR MOST PRECIOUS RESOURCE

Our farms and our processing plant depend on the availability of a clean, affordable water supply. A key risk to our business is the growing demand for water along Colorado's Front Range. The population in this region is expected to double in the coming decades, resulting in greater competition between municipalities and agricultural producers for water. Other water risks include depletion pressure on the Ogallala Aquifer and the potential for more frequent and severe droughts in the coming years, as projected by the National Center for Atmospheric Research (NCAR).

*High Plains Dairy Farms, Gilt, CO*



## Technology Drives Farm Water Efficiency

We are focused on conserving water at all of our farm facilities. Water is used multiple times at our farms before it ultimately flows to our lagoons and is used to irrigate pastures. However, the bulk of our Company water use — approximately 85% — is for irrigation.

In 2015, we began investing in remote operation technology for our irrigation pivots, and by the end of 2016, 90% of our irrigation pivots were equipped with this technology. Coupled with weather stations and soil moisture probes, these systems allow us to operate our irrigation equipment from tablets and smart phones to respond to on-the-ground moisture conditions in real time.

Additionally, we are now able to create customized water prescriptions for each field. Variable rate irrigation recognizes the fact that the soil characteristics and moisture requirements are not uniform throughout an entire field. Areas of a field with differing soil densities, soil textures or contours require different amounts of water. A specific quantity of water is intentionally applied to each 'degree' of a 360-degree circular field. (See pages 50-51, variable rate irrigation image.) Also, we can now program the irrigation pivots to speed up when they move across cow lanes, so as not to unnecessarily water the dirt walking paths.

When testing the technology, we have experienced meaningful water use reductions on certain fields, without sacrificing crop yields. Now that we have the capability to accurately monitor and measure irrigation water on almost all of our fields, we are collecting data to establish a baseline and are formulating an irrigation water efficiency goal, which will be announced in 2018.

### PROCESSING PLANT WATER USE

— ON TARGET

2017 GOAL

↓15%

2016 PROGRESS

↓19%

per half gallon equivalent of milk vs. 2012 baseline

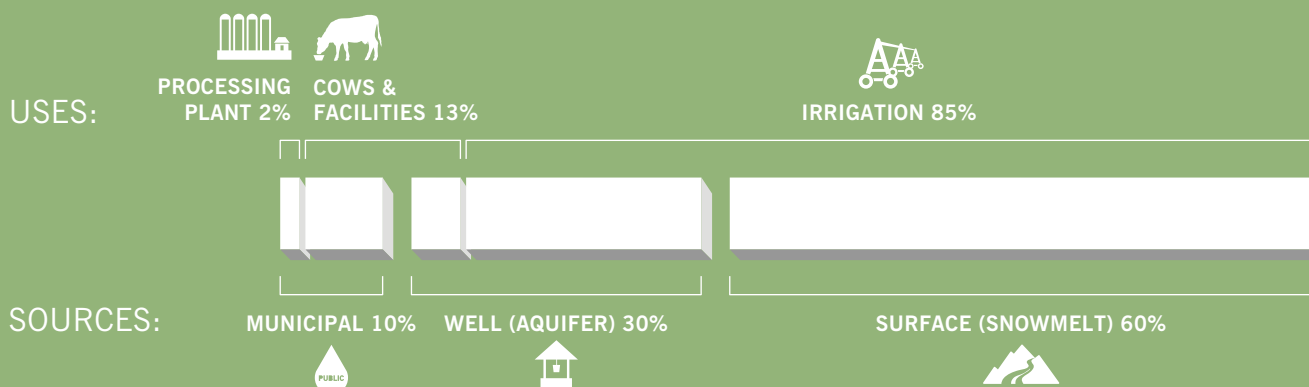
*Net of pretreated and returned water*

## 75% of Processing Water Returned

Our milk plant in Platteville, Colorado purchases water from our local municipality to process milk. We have an onsite effluent pretreatment facility, which pretreats approximately 75% of the water the plant uses and then returns it to the local sanitation district — recycling it for future use. The water that gets consumed — and not pretreated and returned — is the result of evaporation from the cooling systems and steam loss from the high temperatures required during the milk pasteurization process.

A recent water audit has led to an active project to save millions of gallons of municipal water per year. Water is utilized to cool some of our processing equipment. After cooling, some of this water will be piped to, and reused by, our evaporative cooling systems. We also expect our water consumption per half gallon equivalent of milk to decline as we process greater milk volumes in the future and continue to promote water conservation awareness with our employees.

### WATER USES AND SOURCES



*Note: Data represent Company-owned farms and processing plant. Estimates based on 2016 primary data for most facilities.*



## Energy Use

Every step of our milk's life cycle relies upon considerable amounts of energy — from growing feed all the way to recycling empty milk cartons. Energy use directly contributes to greenhouse gas emissions, as well as to the cost of doing business. As a result, greater energy efficiency and cleaner energy are important components to the long-term viability of our business.

We are currently focused on reducing energy use for the portions of our supply chain we directly control — our farms and processing plant operations. We use primary data from our utility bills and internal monitoring to track our energy use, providing confidence that the environmental footprint we calculate is accurate.

Since 2012, our absolute energy use has increased at our farms and our processing plant due to the growth of our business. To account for this growth, we report our energy use on a “per half gallon equivalent” normalized basis. In 2012, we set a goal to reduce energy use per half gallon of milk by 15% by 2017. We have made progress toward this goal primarily due to efficiencies from running a greater volume of milk through our facilities.

In 2016, normalized energy use increased relative to the prior year, which was largely the result of more natural gas used at our Coldwater Dairy Farm to power irrigation pumps. In 2017, we began exploring options to replace aging natural gas pumps with more efficient equipment, possibly to be powered by wind or solar energy.

Beginning in late 2015, we worked with the Colorado Energy Office and local utilities to conduct energy audits of our farm equipment and our processing plant. These efforts have led to several energy-related projects and analyses — including solar, wind, biogas and geothermal energy sources. The energy audits also helped confirm that our facilities currently employ the majority of the best practices recommended for the industries in which we operate. For example, our farms are equipped with modern plate coolers, pumps and motors with variable speed drives, and heat recovery systems. Our processing plant features state-of-the-art equipment, such as heat recovery systems and warehouse cranes that store energy on their descent.

In another effort to continuously improve, we have installed numerous flowmeters and sensors throughout the equipment room of our newest facility, the High Ridge Dairy. Measuring energy and hot water usage for key operations on our dairy farms will help us identify opportunities to improve. Collecting this type of data will also help us evaluate the performance of different equipment, which will allow for more informed decisions when we purchase equipment in the future.

Additionally, we continue to explore options with utility companies and third-parties around a long-term, comprehensive renewable energy strategy.



Preparing silage at the High Plains Dairy Farms, Gill, CO

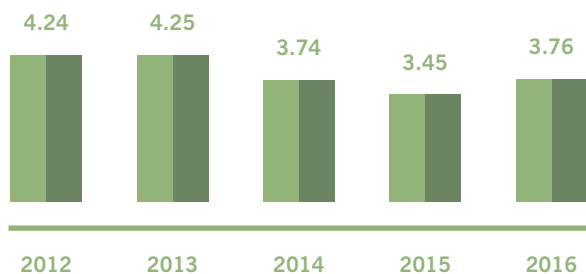
### 2016 ENERGY USE

(% of total MJ)

|             | Processing Plant & Cold Storage | Dairy Farms & Heifer Raising |
|-------------|---------------------------------|------------------------------|
| Electricity | 14%                             | 9%                           |
| Natural Gas | 42%                             | 16%                          |
| Diesel      |                                 | 13%                          |
| Propane     |                                 | 4%                           |
| Gasoline    |                                 | 1%                           |
| Total       | 56%                             | 44%                          |

Corporate headquarters accounts for <1% of energy use.  
Percentages do not add to 44% due to rounding.



**ENERGY USE OVER TIME***(MJ per half gallon equivalent of milk)*

includes all energy use at farms, processing plant and cold storage

**ENERGY USE****– OFF TARGET****2017 GOAL****↓15%****2016 PROGRESS****↓11%**

farm, plant and cold storage energy use per half gallon equivalent of milk vs. 2012 baseline



Platteville Milk Plant, CO



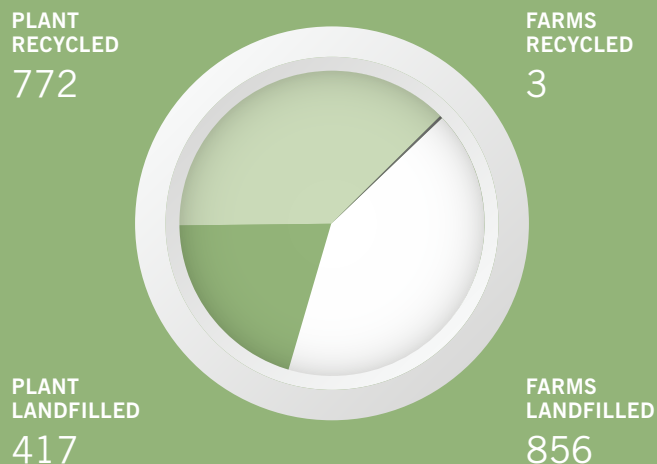
## Solid Waste and Recycling

Reducing, reusing and recycling our solid waste is becoming increasingly important, especially as we continue to build new dairies and a new processing plant.

Waste streams from our dairy farms include packaging, paper and discarded materials used at our facilities, such as corrugated boxes, nitrile gloves, filter socks, medical supplies, bottles, twine, silage plastic, silicone milking inflations and wood pallets. In 2012 we set a goal of diverting 25% of our farm waste by 2017. We have made little progress toward this goal, primarily due to the remote locations of our farms and the varied characteristics of the many waste streams. After consulting numerous firms specializing in waste management and recycling, we have learned that considerable human resources and funding would be required to accomplish a meaningful level of recycling across all of our farms. While we continue to explore vendor takeback and “reduce, reuse and recycle” solutions, we have prioritized other, more promising sustainability projects. Although we do not expect to achieve our 2017 farm recycling goal, we will continue to explore possible solutions to help us achieve a meaningful level of recycling in the future.

In 2016, our milk plant recycled 65% of its waste. Recycled materials include: cardboard, office paper, plastic stretch wrap, wood pallets, plastic barrels and plastic from our gallon jugs. We blow our own jugs on-site, and the excess plastic is worked back into the blow mold process, but some plastic ends up in the waste stream. Half gallon cartons and gallon jugs containing milk residue are the primary components of our processing plant’s landfilled waste. The milk residue contaminates the cartons to the extent they cannot

### FARMS AND PROCESSING PLANT WASTE (Metric Tons)



*Data and disposal method are based on information from waste disposal contractors. Waste is non-hazardous.*

be accepted by most recyclers. In 2016, we disposed of significant quantities of used cartons and jugs because we often need to respond to changes in customer orders. Additionally, the inadvertent creation of partial pallets also contributes to this carton and jug waste stream.

Our processing plant continues to explore solutions with recycling companies. We have also established a “partial pallet” continuous improvement team, which has been able to substantially reduce the creation of partial pallets as of early 2017. Although we are optimistic we can improve our overall recycling rate at the plant, it is possible we will not achieve the 75% recycling target until beyond 2017.

#### FARM WASTE & RECYCLING – OFF TARGET

|                             |                |
|-----------------------------|----------------|
| 2017 GOAL                   | 2016 PROGRESS  |
| <b>25%</b>                  | <b>&lt; 1%</b> |
| diversion of landfill waste |                |

#### PLANT WASTE & RECYCLING – OFF TARGET

|                             |               |
|-----------------------------|---------------|
| 2017 GOAL                   | 2016 PROGRESS |
| <b>75%</b>                  | <b>65%</b>    |
| diversion of landfill waste |               |

*for reference, in 2012 we had diverted 50% of our landfill waste, or 389 MTs.*



## Product Packaging

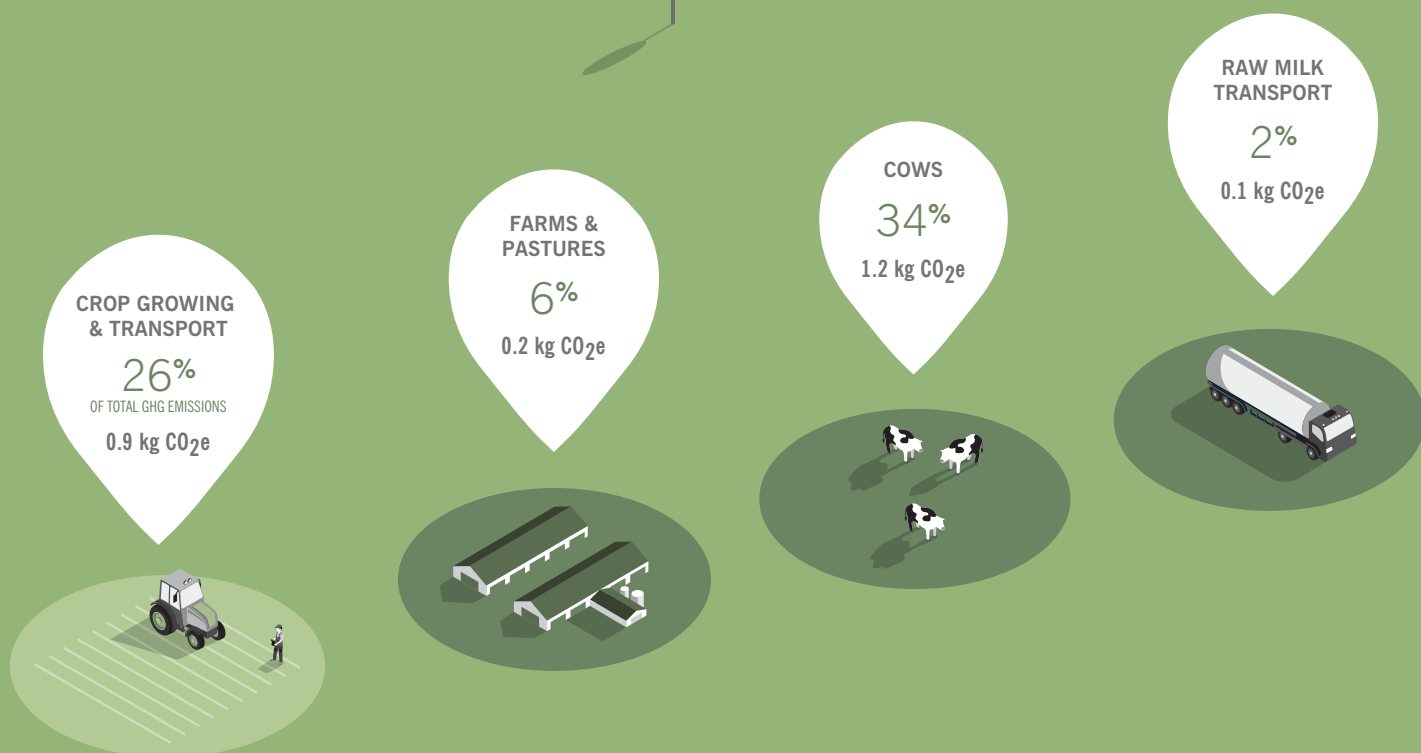
The majority of our milk is packaged in half gallon cartons made from Forest Stewardship Council Controlled Wood certified paperboard with a polyethylene coating. In 2017, the Carton Council announced that 60% of U.S. households have access to milk carton recycling. Visit [www.recyclecartons.com](http://www.recyclecartons.com) for more information.

The remainder of our milk is bottled in polyethylene (HDPE) gallon jugs that can be recycled where No. 2 plastics are accepted. Almost all households in the U.S. have access to No. 2 recycling, either through curbside pickup or by dropping off at a community recycling center.

Although recycling of half gallon cartons and gallon jugs is now available to a high percentage of consumers in the U.S., we recognize that actual recycling rates are significantly less. This fact highlights the need to package our products in more sustainable materials. We are currently exploring new options that would reduce the environmental footprint of our packaging, and drive sustainability and innovation within our supply chain.



# 2016 Life Cycle Assessment of AOD Milk



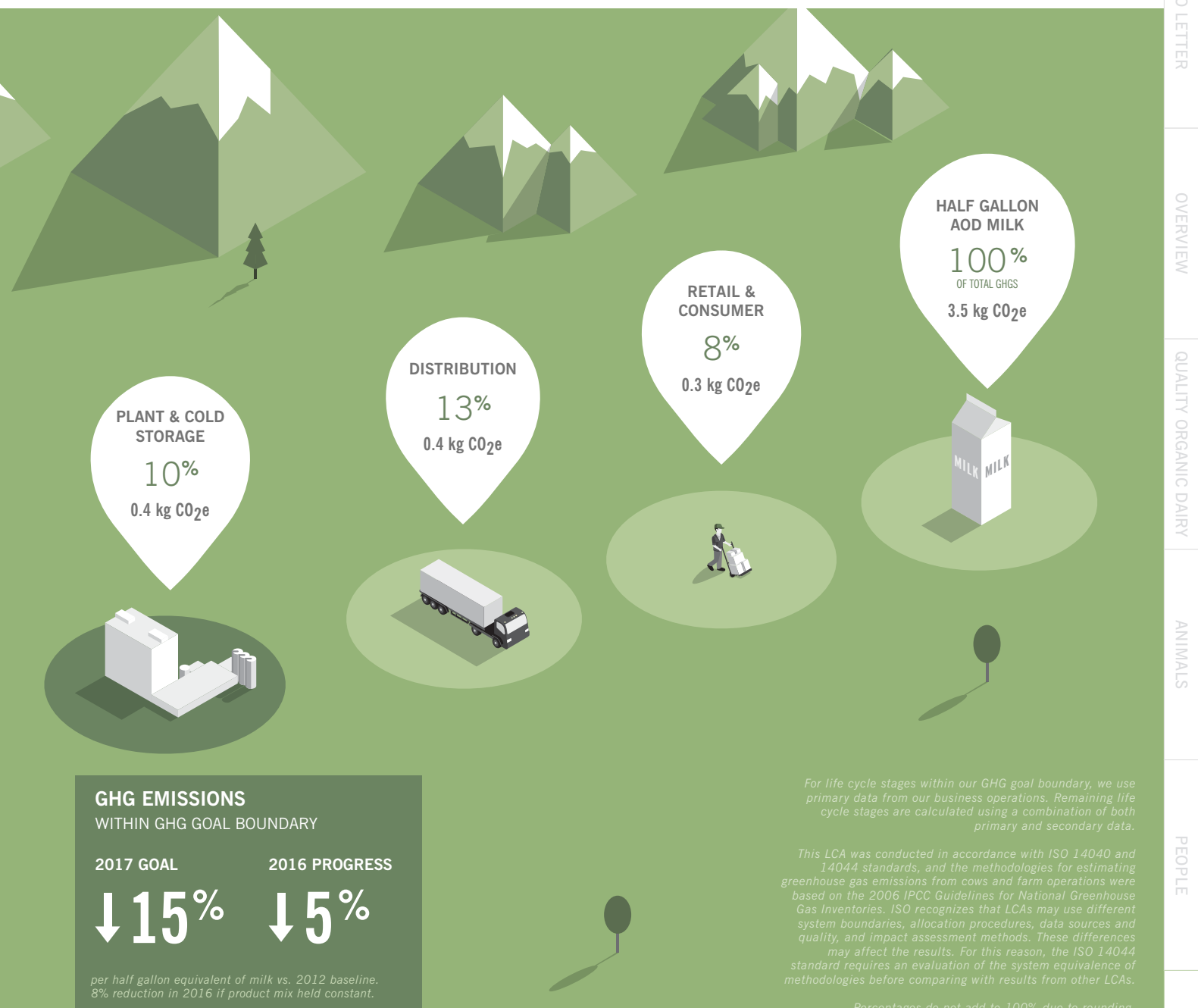
## INTRO TO GREENHOUSE GAS (GHG) TRACKING AND OUR COMMITMENT

In 2008, we partnered with students from University of Michigan's Center for Sustainable Systems to complete our first life cycle assessment (LCA), which accounts for the energy and GHG footprint of each half gallon of milk we produce. Our detailed, data-centric LCA provides a clear picture of the energy and GHG emissions associated with each life cycle stage — starting with crop production and following through to dairy operations, milk transportation, dairy processing, and ultimately to retail, consumer and end-of-life. As a vertically integrated company, Aurora Organic

Dairy is in a unique position to leverage primary data instead of industry averages in many of these calculations.

To calculate greenhouse gas emissions, we constructed a custom tool with the input of researchers from the University of Michigan as well as external sustainability experts. Our calculations align with IPCC protocols for determining emissions from agriculture, and rely upon the industry standards for assessing GHG emissions for each life cycle stage. In our effort to align with the latest industry





standards and global reporting methodology, we have updated our LCA with the most recent datasets and factors. Historical restatements are further discussed in the Appendix (see page 71).

The LCA considered all Scope 1, 2 and 3 greenhouse gases. The impacts of the following gases were specifically calculated as part of the LCA: CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O and HFCs. Other gases, such as PFCs, SF<sub>6</sub> and NF<sub>3</sub> were not applicable or had a negligible impact.

Currently, we focus on the stages of our milk's life cycle that we directly control. These stages include emissions from dairy cows, calves and heifers, dairy farms, raw milk transportation, milk processing and cold storage. Collectively, these stages are referred to as our GHG Goal Boundary. Within this boundary, we set a 2017 goal to reduce GHG emissions by 15% per half gallon of milk vs. our 2012 baseline. As of 2016, we have achieved a 5% reduction. An analysis of the Company's performance and outlook can be found in the following pages.



## Greenhouse Gas Emissions

Reducing greenhouse gas (GHG) emissions is essential to the health and stability of our planet. Although direct impacts of these emissions are not always immediately apparent, the effects of increasing concentrations of carbon and greenhouse gases in the atmosphere are known, and the risks to agriculture — both globally and in the United States — are an area of particular concern<sup>1</sup>. More volatile weather patterns, along with more frequent droughts of greater duration and intensity, are examples of the risks.

With the livestock sector emitting an estimated 14.5 percent of global GHGs<sup>2</sup>, animal agriculture producers must be part of the solution. Although emissions from the U.S. dairy sector are a relatively small portion of overall livestock emissions, we believe climate change is a challenge requiring businesses from all sectors to commit to doing their part. This holds especially true today, as the world is moving forward with the Paris Agreement. Aurora Organic Dairy shares the collective goal of tempering the effects of a warming climate and working toward a more sustainable future.

of GHG emissions being allocated to our milk than in our baseline year. If butterfat content of sold milk had remained at 2012 levels, our GHG reduction in 2016 would have been approximately 8%.

Our progress toward GHG reductions to date has not been as substantial as we would have liked, and we have discovered that simple solutions are not always readily available. Ideal projects to reduce GHG emissions must meet numerous criteria. For example, they must have the ability to deliver meaningful CO<sub>2</sub>e reductions, must be economically feasible, and must make sense for our business from an organic compliance perspective.

When possible, we collaborate with forward-thinking companies, start-ups and universities. For example, we've been working with a start-up and a university to explore the possibility of piloting an innovative, "next generation" biogas solution at our facilities, using manure as a feedstock. This effort is related to the fact that research has indicated a less-than-compelling case for traditional-style anaerobic digesters at our locations.

### GREEN FLEET AWARD

In late 2015, our largest outbound carrier of products to our customers was awarded the Green Fleet Award by the Colorado Motor Carriers Association and the Regional Air Quality Council (RAQC). The award recognizes trucking fleets who have made "major strides" in conserving energy and reducing greenhouse gas emissions. Additionally, since 2009, we have required all new carriers to be EPA SmartWay certified.

To be part of the solution, and to help ensure our animals, people and communities will continue to prosper, our Company took the first step of measuring our carbon footprint in a 2008 life cycle assessment. Then in 2013, we publicly committed to reduce our emissions within our direct control by 15% per half gallon equivalent of milk by 2017. This is measured versus a 2012 baseline. (For details, see pages 60–61.)

As of 2016, the Company has reduced its emissions by 5% per half gallon of milk equivalent, which was largely the result of efficiencies from greater milk volumes. Our milk's carbon footprint of 1.83 kg CO<sub>2</sub>e was slightly higher than in 2015. The year-over-year increase was primarily due to the fact that our supply of replacement heifers grew at a faster pace than milk production. We also increased natural gas use to power irrigation pumps at our Coldwater Dairy Farm. Lastly, we sold milk containing higher average butterfat content than in 2015. Because we allocate GHG emissions to multiple dairy products (e.g. milk, butter and cream) based on the content of butterfat and other milk solids, the consumer trend toward milk with a higher fat content results in a greater percentage

We have also been consulting with innovative businesses to explore new ways to address enteric methane<sup>3</sup> from organic cows. This methane comprises almost 60% of the emissions within our GHG Goal Boundary. Over the years, we have pursued the latest science around reducing these emissions, and have learned that many feed supplements currently marketed to reduce methane from enteric fermentation are not available to our business. Typically, the supplements do not meet the standards of the National Organic Program or have not been scientifically proven<sup>4</sup> to be effective over the long-term. Going forward, we will continue to look for options that may be a good fit for our organic cows and our GHG reduction commitment.

<sup>1</sup> See the USDA's *Climate change, Water Scarcity, and Adaptation in the U.S. Fieldcrop Sector* or IPCC's *Fifth Assessment Report (AR5)*

<sup>2</sup> See FAO's *Tackling Climate Change Through Livestock* and <http://www.fao.org/news/story/en/item/197623/icode/>

<sup>3</sup> Inside the digestion system of cows, bacteria break down carbohydrates in the feed. The rumen — part of the cow's digestive system — supports microbial fermentation, which allows ruminants the ability to digest cellulose. Methane gas (CH<sub>4</sub>) is released as a natural by-product of this digestion.

<sup>4</sup> Generally, we rely on peer-reviewed research and studies published in dairy sciences journals to inform our decision-making.



## GHG EMISSIONS OVER TIME

(kg CO<sub>2</sub>e per half gallon equivalent of milk within  
GHG Goal Boundary) ↓5% in 2016 vs. 2012 baseline



High Plains Dairy Farms, Gill, CO

## CARBON FOOTPRINT OUTLOOK

As a Company, we have explored many options to reduce our carbon footprint. For example, we are continually researching the latest options to further reduce emissions from feed production, energy use, cows and manure, and product packaging. And we have implemented, or are in the process of implementing, many solutions — such as LED lighting, automatic shut-offs on diesel equipment, and handling the majority of our manure using composting principles.

As discussed on the prior page, our most significant challenge to meeting our 15% GHG reduction goal is the fact that we have not yet found a scientifically proven, long-term, organic-approved solution to reducing enteric emissions from our cows. Improving the digestibility of the ration has been shown to reduce enteric methane, but as an organic producer, our cows graze on pasture, which is not always associated with a low-emission ration. As such, we expect the challenge of reducing enteric emissions to continue for the foreseeable future.

In the coming years, we believe the demand for organic dairy will continue to grow. Likewise, we expect our Company to continue to broaden its operations and product offerings. Initially, future expansion projects — such as the new processing plant in Columbia, MO — will likely have a negative impact on our GHG emissions metrics. Over time, we believe these expansion projects will result in operational efficiencies. Additionally, we will continue to promote sustainability initiatives and explore renewable and innovative technologies along the way.

Lastly, the majority of the Company's existing corporate citizenship goals will be renewed after 2017. We are approaching this new round of goal-setting as an opportunity to consider the role of renewable energy in our GHG reduction strategy, especially since reducing the bulk of our emissions — GHGs from cows — has proven to be challenging. As always, we remain committed to improving the health of our planet and are looking forward to being part of the solution.





# Appendix

The following pages contain additional detail about our organization and our approach to sustainability and reporting.



High Plains Dairy Farms, Gill, CO





## IN THIS SECTION

Scale of Organization

Stakeholder Engagement  
and Materiality  
Determination Process

Approach to Goal Setting

Corporate Citizenship Working  
Structure and Governance

Explanation of Restatements

CEO LETTER

OVERVIEW

QUALITY ORGANIC DAIRY

ANIMALS

PEOPLE

PLANET

APPENDIX

## Scale of the Organization

Aurora Organic Dairy is the leading provider of private brand organic dairy products in the U.S. As of March 2017, we had 680 employees across the organization. 100% of our workforce is considered to be full-time. Occasionally, we hire temporary help on a short-term basis, primarily at our headquarters office. Our operations are reported in two wholly owned subsidiaries: Aurora Organic Farms, Inc. and Aurora Organic Dairy Corp.

Aurora Organic Farms includes farming operations, eight organic dairy farms, a calf ranch and a heifer-raising facility. In late 2015, we purchased an additional 2,400 acres of land adjacent to our Pepper facility in Dublin, Texas. We had previously converted our Pepper Dairy Farm in Dublin to a heifer-raising facility, and this land purchase has allowed us to increase our heifer-raising operations in that area. In early 2017, we completed the construction and began operating the High Ridge Dairy farm, which is part of our High Plains Dairy Farms in Gill, Colorado.

### CORE VALUE: RETURNS

Financial health and return to shareholders are necessary to sustain our business and mission.

Aurora Organic Dairy Corp. includes our sales, logistics and processing operations. Since 2004, our processing operations have been managed at our fluid milk plant in Platteville, Colorado. In early 2017, we announced we will build a second milk plant in Columbia, Missouri, which we expect will be operational in early 2019. This is to meet expected continued demand and increase the flexibility of our supply chain. Our Company headquarters is in Boulder, Colorado. (please refer to map, page 12).

As a privately held company, we elect not to disclose some financial and sales growth details. In general, however, our sales and volume growth in 2016 accelerated due to continued growth in overall consumer demand for organic dairy products. We continue to invest in our production and processing capabilities. In early 2017 we added our High Ridge Dairy Farm and in April 2017 we began construction on a second milk processing plant in Columbia, Missouri.

Our debt-to-equity ratio at the end of 2016 was 1.05, compared with 1.10 at the end of 2014, as stated in our previous Corporate Citizenship Report. Our assets increased 30% from 2014 to 2016. And, we increased the volume of milk processed in our Platteville, Colorado plant by 20% from 2014 to 2016.

## Stakeholder Engagement and Materiality Determination Process

We consider our Core stakeholders to be our employees and our dairy cows, as these two groups are critical to our success. Our Tier 1 stakeholders include: consumers of organic dairy products, our investors, regulators, retail customers and our suppliers. Stakeholders that fall within our Tier 2 group include: local communities, non-governmental organizations, science & research groups and trade & industry groups. These Tier 2 stakeholders are important to our business, but we may not directly interact with them on a regular basis.

Our stakeholder groups were determined by our CSR Steering Committee. The role each group plays in our current operations and future success was the primary factor in their selection and segmentation. While each of these groups is important to our business, the Core and Tier 1 stakeholders were deemed to have the greatest impact on our future success.

In 2015, we developed a formal stakeholder engagement program. This included conducting a comprehensive materiality assessment with our CSR Steering Committee and representatives from our Tier 1 stakeholder groups. First, we reviewed GRI topics, the Sustainability Accounting Standards Board (SASB) Dairy Survey, and the Stewardship and Sustainability Guide for U.S. Dairy 2013 to identify an original list of 55 potential topics. Nonrelevant areas were eliminated, and we narrowed our original list to 33 topics that were potentially important to our business. Then, after reviewing results from our Employee Opinion Surveys, and with guidance from third-party sustainability experts, our CSR Steering Committee further refined the list to the 20 most important topics regarding environmental, social and economic impacts — both inside and outside the Company.

We then conducted telephone, electronic and in-person surveys with more than 30 of our Tier 1 stakeholder organizations. Tier 1 stakeholders were asked to rank these 20 topics based on how each topic affected their decision-making processes when working with Aurora Organic Dairy. The results of these stakeholder assessments are detailed in the table on page 68.



For Core and Tier 1 stakeholders that were not a part of our direct materiality determination process, we reviewed various materials and sought expert feedback. We used results from our Employee Opinion Surveys (most recently conducted in November 2015) to determine what is most important to our employees. We also reviewed consumer research to determine motivations for organic dairy consumption. We included cows in our Core stakeholder group because our business success depends on the health and well-being of our animals. To better understand the most important topics to our cows, we consulted with our on-staff veterinarian and animal care staff.

Although several key stakeholders in the Regulatory group were directly surveyed as part of the materiality determination process, we also continually receive feedback on our operations and information on topics that are most important to them as they audit our facilities. Our Regulatory group includes organizations that are responsible for ensuring that our facilities follow the many laws and regulations for organic dairy production and processing. For example, the Colorado Department of Public Health and Environment oversees our Platteville processing plant, and visits our facility routinely for audits and inspections. Our Regulatory group also includes organizations that support our Company in working with various regulatory agencies in the organic dairy sector.

Through our stakeholder engagement efforts and materiality determination process, we identified 18 material topics. These are the topics that defined the content of this report. (See list on page 69). Our vertical integration allows direct access to primary data related to the material topics. As such, the majority of our efforts are focused on these areas over which we have direct influence. In the longer term, we do plan to more closely engage with our various supply chain relationships to have a greater impact outside our organization. Additional areas of influence include feed and bedding suppliers, heifer growers, plant suppliers and third-party distribution companies.

Due to the fact that our overall business, and the social and environmental context, hasn't changed significantly since 2015 when our comprehensive materiality determination program was established, we have not made formal changes to our material topics for this report. To help validate this decision, in 2017, we solicited internal feedback from the more than 20 departmental managers on our Executive Leadership Team to ensure the Company continues to focus its reporting on topics that are material. Also, as a normal course of business, we frequently interact with our Core and Tier 1 stakeholders. Our Board of Directors meets quarterly and we conduct quarterly updates with our investors and bankers. We have face-to-face

meetings and site visits with our retail customers and suppliers. During these meetings, we seek input from them regarding their priorities and concerns. Based on this stakeholder feedback, and the current social and environmental context, we determined that our material topics did not change.

While not as frequent as our Core and Tier 1 groups, we interact regularly with Tier 2 stakeholders. We attend meetings with industry and trade groups to further the interests of the organic dairy community. In 2015 and 2016, Aurora Organic Dairy was an active member and financial supporter of the Organic Trade Association and the International Dairy Foods Association, and provided financial support to The Organic Center and the Just Label It campaign. The Company also retains a membership with the Private Label Manufacturers Association.

When issues or concerns are raised by our stakeholder groups, we address them to the best of our ability via direct communication. To respond to our stakeholder needs for disclosure, as a whole, we update our website at least annually, and publish our Corporate Citizenship Report every two years.





|        | STAKEHOLDER GROUP  | ENGAGEMENT  | TOPICS MOST IMPORTANT<br><i>(in alphabetical order)</i>   |
|--------|--|---|---|
| CORE   | CSR Steering Committee   | Materiality Assessment meeting and comprehensive exercise   | Animal Care<br>Antibiotics & Hormone Policies<br>Ethics & Culture<br>Food Safety & Quality<br>Sustainable & Responsible Farming<br>Water Use & Availability<br>Worker Health & Safety           |
|        | Employees  | CSR Steering Committee exercise and employee survey findings<br><i>(note: employee surveys not specific to GRI topics)</i>    | Animal Care<br>Ethics & Culture<br>Fair Pay & Benefits<br>Food Safety & Quality<br>Supervision & Communication<br>Training & Education<br>Worker Health & Safety                                |
|        | Cows   | Monitor and interact with cows daily to ensure quality of life and health, and consultation with on-staff animal care experts | Animal Care<br>Ethics & Culture<br>Food Waste<br>Supplier Sourcing Policies<br>Sustainable & Responsible Farming<br>Training & Education<br>Water Use & Availability                            |
| TIER 1 | Consumers of Organic Dairy Products  | Review of secondary consumer research on drivers of organic dairy purchases   | Animal Care<br>Antibiotics & Hormone Policies<br>Ethics & Culture<br>Food Safety & Quality<br>Healthy Affordable Food<br>Labeling<br>Sustainable & Responsible Farming                          |
|        | Board of Directors, Investors, Banks<br><i>(all external Board members, primary investors and banking relationships represented)</i>                             | In-person and electronic surveys sent to each external Board member and key banking relationships                             | Animal Care<br>Antibiotics & Hormone Policies<br>Compliance with Laws & Regulations<br>Economic Performance<br>Ethics & Culture<br>Food Safety & Quality<br>Water Use & Availability            |
|        | Regulatory   | In-person and electronic surveys  | Animal Care<br>Antibiotics & Hormone Policies<br>Compliance with Laws & Regulations<br>Food Safety & Quality<br>Labeling<br>Manure Management<br>Training & Education                           |
|        | Retail Customers<br><i>(retail customers representing more than 85% of our sales volumes participated in a materiality assessment survey)</i>                    | Electronic surveys and normal course of business meetings   | Animal Care<br>Antibiotics & Hormone Policies<br>Compliance with Laws & Regulations<br>Ethics & Culture<br>Food Safety & Quality<br>Labeling<br>Worker Health & Safety                          |
|        | Key Suppliers<br><i>(primary farm suppliers of organic feed, heifers, bedding; plant suppliers of packaging and materials; and insurance/benefits suppliers)</i> | In-person and electronic surveys  | Compliance with Laws & Regulations<br>Economic Performance<br>Employment Opportunities & Retention<br>Ethics & Culture<br>Fair Pay & Benefits<br>Training & Education<br>Worker Health & Safety |





High Plains Dairy Farms, Gill, CO

| MATERIAL TOPICS   | BOUNDARIES   |  |                       |   |                                       |
|---|--|--|-----------------------|---|---------------------------------------|
|   | 3 <sup>RD</sup> PARTY<br>FEED, HEIFER<br>& MILK<br>SUPPLIERS | <br>FARMS &<br>COWS | RAW MILK<br>TRANSPORT | <br>MILK<br>PROCESSING | DISTRIBUTION,<br>RETAIL &<br>CONSUMER |
| <i>Material topics may be important across the supply chain.<br/>The boundaries shown in this table signify the stages in which<br/>the impacts are deemed not only important, but also material.</i> |  |  |                       |   |                                       |
| <b>MISSION &amp; CULTURE</b>  |  |  |                       |   |                                       |
| Ethics & Culture  | X  | X  | X                     | X   | X                                     |
| Affordable Food   | X  | X  | X                     | X   | X                                     |
| Labeling  |  |  |                       | X   | X                                     |
| Food Safety & Quality   | X  | X  | X                     | X   | X                                     |
| Compliance with Laws & Regulations  | X  | X  | X                     | X   | X                                     |
| Supplier Sourcing Policies  | X  | X  | X                     | X   |                                       |
| <b>ANIMALS</b>  |  |  |                       |   |                                       |
| Animal Care   | X  | X  |                       |   |                                       |
| Policies on Antibiotics & Growth Hormones   | X  | X  |                       |   |                                       |
| <b>PEOPLE</b>   |  |  |                       |   |                                       |
| Fair Pay & Benefits   |  | X  |                       | X   |                                       |
| Employment Opportunities & Retention  |  | X  |                       | X   |                                       |
| Training & Education  |  | X  |                       | X   |                                       |
| Worker Health & Safety  |  | X  |                       | X   |                                       |
| <b>PLANET</b>   |  |  |                       |   |                                       |
| Responsible Farming   | X  | X  |                       |   |                                       |
| Manure Management   | X  | X  |                       |   |                                       |
| Water Use & Availability  | X  | X  |                       | X   |                                       |
| Energy  | X  | X  | X                     | X   | X                                     |
| Greenhouse Gas Emissions  | X  | X  | X                     | X   | X                                     |
| Solid Waste   | X  | X  |                       | X   | X                                     |

## Goal-Setting Process

Our CSR Steering Committee leads the Corporate Citizenship goal-setting process. Since we conducted our first life cycle assessment (LCA) of a half gallon of organic milk in 2008 and set our initial goals based on four years of LCA results, our sustainability tracking, goal-setting and reporting have evolved significantly. In 2008, we began working with graduate students from the University of Michigan to complete and update the LCA. In 2012, we began working with an outside CSR consulting firm to create a custom data tool and to establish the baseline upon which our corporate citizenship goals would be determined.

Our stakeholder engagement program and materiality determination process have informed and refined our goal-setting process even further. For example, in 2015, a new goal around worker health and safety was added, reflecting the importance of this topic during our materiality determination process. We continue to stay in close communication with our stakeholders, consultants and the sustainability community to ensure the Company's goals are appropriate, actionable and meaningful.

Since our last report was published in 2015, our Corporate Citizenship goals and goal areas remain unchanged. This report includes our progress toward meeting the five-year goals set in 2012. While we continue to focus on delivering measurable improvement toward our 2017 goals, the Company is also actively considering options for updating our goals for 2018 and beyond. These discussions, which have begun at the departmental level, will be elevated to the CSR Steering Committee level in 2017.

## Governance, Oversight and CSR Working Structure

Our Company was founded on high ethical standards and integrity. Over the decades, we have developed a governance structure that is appropriate for our business, and provides the proper oversight to ensure ethical operations.

We are a privately held company that is majority owned by an investment group. Our Board of Directors includes five members. Marc Peperzak, our CEO and Founder, and Scott McGinty, President, serve as internal directors. Our external directors include three members from the investment group. Our Board participates in the strategic planning process and approves annual budgets.

### CSR GOAL AREAS

#### AGRICULTURE (*crop and dairy farming*)

- Farm Energy and Fossil Fuel Emissions
- Enteric and Manure Management Emissions
- Farm Water Use
- Farm Waste & Recycling
- Land Management
- Animal Care

#### PROCESSING (*milk plant and cold storage*)

- Plant Energy & Fossil Fuel Emissions
- Plant Water Use
- Plant Solid Waste

#### LOGISTICS (*raw milk hauling*)

- Logistics-related Fossil Fuel Emissions

#### SOCIAL RESPONSIBILITY

- Employees
- Local Communities
- Health and Safety

Our Senior Leadership Team is responsible — pursuant to the Board's mandate — for the strategic guidance of the organization, the effective monitoring of management, and the accountability of management to the broader organization and its stakeholders. The Senior Leadership Team is composed of our Chief Executive Officer and Founder, President, Chief Operating Officer, Chief Financial Officer, Chief Agricultural Officer, Chief Customer Officer and Sr. Director of Human Resources.

Our Senior Leadership Team provides regular updates to our Board of Directors regarding economic, environmental and social impacts. Each member of our Senior Leadership Team — along with our VP of Plant Operations, Director of Communications, Director of Corporate Services and Sustainability Analyst — serves on our CSR Steering Committee and is closely involved with setting our corporate citizenship strategies and sharing our progress with key stakeholders. Our Senior Leadership Team reports key CSR initiatives to our Board of Directors.





High Plains Dairy Farms, Gill, CO

Daily execution of CSR projects is managed by project leaders, with the support of our Director of Corporate Services and newly hired Sustainability Analyst. On a regular basis throughout the year, CSR project leaders communicate the latest project status updates in a consolidated report. As of the March 2017 Project Update, more than 30 projects were in various stages of progress, with another 15 projects recently completed in the prior 12-month period and now considered business-as-usual. This CSR Project Update is distributed to a broad cross-section of the Company, as well as to the 20+ member Executive Leadership Team (ELT). The ELT consists of the management heads of all departments within the Company.

In addition to the governance mechanisms mentioned above, since 2012, we have worked with outside sustainability experts who ensure our reporting methods reflect industry-leading standards. They also validate our approach to corporate citizenship planning and reporting follows GRI guidelines and best practices.

Ultimately, our goal is to continue to promote education and awareness around the importance of CSR. Engaging employees at all levels of the Company will help reinforce a culture where Corporate Citizenship is regarded as everyone's job, every day.

## Restatements of Data from Prior Years

In order to continuously improve our reporting, we strive to align with global and U.S. sustainability reporting best practices. To help ensure we are meeting the latest standards, we rely on sustainability consultants with expertise in CSR reporting for the dairy farming and processing industries.

Since our previous report was published in 2015, we have worked closely with our external advisors to update our GHG life cycle assessment (LCA) with the latest available datasets for scope 3 emissions assumptions. For example, for the LCA in this report,

we selected a newly available dataset that more accurately reflects GHG emissions from our third-party feed suppliers. This update contributed to the restatement from 4.0 kg CO<sub>2</sub>e per half gallon of milk, as stated in our 2015 report, to 3.5 kg CO<sub>2</sub>e, as stated in this 2017 report. It should be noted that our third-party feed supply is not included in our GHG Goal Boundary. Therefore, this restatement had no impact on reported performance vs. the Company's GHG goal.

Within our goal boundary, the Company's reported GHG emissions and energy use have also been revised since our previous report. These restatements are largely due to the best practice of updating eGRID factors to reflect the EPA's most recent GHG emissions data for the electricity grids in which we operate. Also, we updated GHG and energy allocation factors — around milk solids and meat allocations — to better align with global reporting standards. Additionally, GHG emissions associated with an LCA category labeled "Supplies and Misc." in our prior report have now been distributed to other, more appropriate categories within the Company's GHG goal boundary.

Lastly, worker health and safety data for our processing plant was incorrectly communicated in our 2015 report. The plant injury rate has now been restated to 7.77 from 6.93 injuries per 200,000 hours worked on average during the 2012–2014 period.

To ensure comparability, restatements have been made to all prior years where applicable, including to our 2012 baseline year. When we measure our performance vs. our CSR goals, the impact of these restatements is minimal. The restatements did not have a material effect on our performance relative to prior year comparisons.

For reference, our prior Corporate Citizenship Report can be found at: [www.auroraorganic.com/aod-2015-ccr](http://www.auroraorganic.com/aod-2015-ccr)

## GRI STANDARDS INDEX

This report has been prepared in accordance with the GRI Standards: Core option

| GRI#                       | DISCLOSURE   | PAGES/RESPONSE   |
|----------------------------|--|--|
| <b>GENERAL DISCLOSURES</b> |  |  |
| 102-1                      | Name of the organization                                     | Aurora Organic Dairy   |
| 102-2                      | Activities, brands, products and services                    | Organic milk and butter for numerous retail store brands   |
| 102-3                      | Location of headquarters                                     | Boulder, CO  |
| 102-4                      | Location of operations                                       | United States of America; 12-13  |
| 102-5                      | Ownership and legal form                                     | Privately held   |
| 102-6                      | Markets served   | U.S. Food Retail Customers in all 50 states  |
| 102-7                      | Scale of the organization                                    | 66 <sup>1</sup>  |
| 102-8                      | Information on employees and other workers                   | 37   |
| 102-9                      | Supply chain   | 10-11  |
| 102-10                     | Significant changes to the organization and its supply chain | 2-5  |
| 102-11                     | Precautionary Principle or approach                          | N/A  |
| 102-12                     | External initiatives   | N/A  |
| 102-13                     | Membership of associations                                   | 67   |
| 102-14                     | Statement from senior decision-maker                         | 2-5  |
| 102-16                     | Values, principles, standards and norms of behavior          | 10-11; 14-15; Core Values also highlighted throughout report   |
| 102-18                     | Governance structure   | 70-71  |
| 102-40                     | List of stakeholder groups                                   | 67   |
| 102-41                     | Collective bargaining agreements                             | 0%   |
| 102-42                     | Identifying and selecting stakeholders                       | 66-69  |
| 102-43                     | Approach to stakeholder engagement                           | 66-69  |
| 102-44                     | Key topics and concerns raised                               | 66-69  |
| 102-45                     | Entities included in the consolidated financial statements   | 66   |
| 102-46                     | Defining report content and topic Boundaries                 | 66-69  |
| 102-47                     | List of material topics                                      | 69   |
| 102-48                     | Restatements of information                                  | 71   |
| 102-49                     | Changes in reporting   | None   |
| 102-50                     | Reporting period   | 2015-2016  |
| 102-51                     | Date of most recent report                                   | August, 2015   |
| 102-52                     | Reporting cycle  | Biennial   |
| 102-53                     | Contact point for questions regarding the report             | Office of Sustainability: <a href="mailto:sustainability@aodmilk.com">sustainability@aodmilk.com</a> |
| 102-54                     | Claims of reporting in accordance with the GRI Standards     | This report has been prepared in accordance with the GRI Standards: Core option                      |
| 102-55                     | GRI content index  | 72-73  |
| 102-56                     | External assurance   | None <sup>2</sup>  |

## MATERIAL TOPIC DISCLOSURES

### MANAGEMENT APPROACH

|       |  |   |
|-------|--|---|
| 103-1 | Explanation of the material topic and its Boundary | This information is discussed within each material topic section. Boundaries also presented in table on page 69 |
| 103-2 | The management approach and its components         |   |
| 103-3 | Evaluation of the management approach              |   |

### AFFORDABLE FOOD

|  |       |
|--|-------|
| Discussion of management approach and additional disclosures, as appropriate | 12-13 |
|--|-------|

### ETHICS AND CULTURE

|  |              |
|--|--------------|
| Discussion of management approach and additional disclosures, as appropriate | 14-15; 35-45 |
|--|--------------|

### FOOD SAFETY AND QUALITY

|       |  |             |
|-------|--|-------------|
| 416-1 | Assessment of the health and safety impacts of product categories                | 20-21; 100% |
| 416-2 | Incidents of non-compliance concerning the health and safety impacts of products | None        |

### SUPPLIER SOURCING POLICIES

|        |  |      |
|--------|--|------|
| G4-FP1 | Purchased volume from suppliers compliant with sourcing policies | 100% |
| 308-1  | New suppliers that were screened using environmental criteria    | 22   |
| 414-1  | New suppliers that were screened using social criteria           | 22   |



| GRI#   | DISCLOSURE   | PAGES/RESPONSE     |
|--|--|--------------------|
| <b>COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS</b>                 |  |                    |
| 307-1  | Non-compliance with environmental laws and regulations                       | None               |
| 419-1  | Non-compliance with laws and regulations in the social and economic area     | None               |
| <b>LABELING</b>  |  |                    |
| 417-1  | Requirements for product information and labeling                            | 23                 |
| 417-2  | Incidents of non-compliance concerning product labeling information          | None               |
| 417-3  | Incidents of non-compliance concerning marketing communications              | None               |
| <b>ANIMAL CARE</b>   |  |                    |
| G4-FP9   | Animals by species or breed type   | 26                 |
| G4-FP10  | Animal welfare policies and practices  | 26-33              |
| G4-FP11  | Total animals by housing type  | 26-27              |
| G4-FP13  | Non-compliance with transportation and slaughter standards                   | None; 33           |
| <b>POLICIES ON ANTIBIOTICS AND HORMONES</b>                            |  |                    |
| G4-FP12  | Policies on antibiotics and hormones   | 19                 |
| <b>FAIR PAY AND BENEFITS</b>   |  |                    |
| GRI 401-2  | Benefits provided to full-time employees only                                | 38                 |
| <b>EMPLOYMENT OPPORTUNITIES AND RETENTION / TRAINING AND EDUCATION</b> |  |                    |
| GRI 404-1  | Average hours of training per year per employee                              | 42 <sup>3</sup>    |
| GRI 404-2  | Programs for upgrading employee skills and transition assistance             | 40-42              |
| GRI 404-3  | Employees receiving regular performance and career reviews                   | 40                 |
| <b>HEALTH AND SAFETY</b>   |  |                    |
| GRI 403-2  | Types and rates of injury  | 42-43 <sup>4</sup> |
| GRI 403-3  | Workers with high incidence/risk of occupational diseases                    | None               |
| <b>RESPONSIBLE FARMING</b>   |  |                    |
|  | Discussion of management approach and additional disclosures, as appropriate | 48-51 <sup>5</sup> |
| <b>MANURE MANAGEMENT</b>   |  |                    |
|  | Discussion of management approach and additional disclosures, as appropriate | 52-53 <sup>5</sup> |
| <b>WATER</b>   |  |                    |
| GRI 303-1  | Water withdrawal by source   | 54-55 <sup>5</sup> |
| GRI 303-2  | Water sources significantly affected by withdrawal of water                  | None               |
| GRI 303-3  | Water recycled and reused  | 54-55 <sup>5</sup> |
| <b>SOLID WASTE AND RECYCLING</b>                                       |  |                    |
| GRI 306-2  | Waste by type and disposal method  | 58 <sup>5</sup>    |
| <b>ENERGY</b>  |  |                    |
| GRI 302-3  | Energy intensity   | 56-57 <sup>5</sup> |
| <b>GREENHOUSE GAS EMISSIONS</b>  |  |                    |
| GRI 305-4  | GHG emissions intensity  | 60-63              |

<sup>1</sup> As a privately held company, we have responded to most, but not all, of this disclosure due to confidentiality constraints.

<sup>2</sup> Reporting guidance provided by sustainability consultants with dairy industry expertise.

<sup>3</sup> Average hours metric is provided in total; Information is not collected by gender.

<sup>4</sup> Health & Safety reporting meets all industry standards required by OSHA. Some additional data consolidation and segmentation requested by GRI is not readily available.

<sup>5</sup> Accurate information not readily available for third-party suppliers. Also, as a privately held company, our responses to some of these disclosures are in the form of intensities or distributions due to confidentiality constraints.



*Be kind to our leafy friends,  
only print this report  
if you truly must.*



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