
Nourishing
Our Future

Darigold
2010 Corporate
Social Responsibility
Report





As we approach Darigold's second century in business, the world is confronted with unprecedented challenges.

We are taking significant steps to meet those challenges.

In this, our first Corporate Social Responsibility report, we share our progress in our commitment to sustainability—along with the work that we have yet to do.

At left:
Bill Wavrin, DVM
Darigold farmer-owner
Mabton, Washington

Welcome to Darigold/Northwest Dairy Association’s first Corporate Social Responsibility Report. While we have been stewards of our dairy animals, lands, and communities for generations, more recently we have begun to focus systematically on corporate social responsibility. Our first step was to assess our current performance in the economic, environmental, and social areas that matter most to our stakeholders and to us as an organization. This report presents the comprehensive assessment we conducted. Next, we are committed to setting improvement goals and to driving better performance. We welcome your feedback and engagement.

About This Report

This initial Corporate Social Responsibility (CSR) Report is our open and honest look at the ways in which we do business. It’s about deepening our understanding of our key environmental and social impacts, and innovating ways to address them. All data published in this report cover calendar year 2009, unless otherwise noted.

The performance metrics reflect our most critical impact and opportunity areas and serve as a baseline from which we will drive improvements. Our current data and metrics on CSR performance represent a fair perspective, encompassing most (although not all) of our operations, with data collected as diligently as currently possible.

Our report was prepared with reference to the Global Reporting Initiative (GRI) G3 guidelines. We self-declare this report to be GRI Level C. This report is not audited but represents the best information available through our internal management systems. It was written collaboratively by more than a dozen Darigold employees representing the different areas of our company.

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A Message from Our Farmer-Owner Board of Directors

Darigold's dedicated farmers and employees have been producing high-quality nutritious dairy products in a responsible manner for more than 90 years. For the more than 500 member-owners who provide the milk for Darigold products, dairy farming is not simply a job—it is a way of life. For generations, we have lived our commitment to preserving resources, knowing that being good stewards of the land and animals is the right thing to do. We know we have important work to do—to help feed society in a way that is responsible and efficient.

As a Farmer-owned Cooperative, We Are Invested In Improving

We are proud to report that we have been actively improving efficiencies throughout our supply chain. Our cooperative structure—with our farmers being the owners of Darigold—gives us the opportunity to promote continuous improvement from farm to table. Our member-owners have a vested interest in strengthening each step of the process, including reducing waste, conserving precious natural resources, and innovating breakthrough efficiencies.

Dairy Production Has Improved Significantly Over The Years

Over the past 50 years, dairy producers have improved quality and created enormous efficiency gains. For example, the attentiveness given to our herds is substantial, including on-site animal nutritionists, veterinarians, and managers. These improvements positively impact not only the quality of milk and our cows' overall health, but also the carbon footprint of dairy—because the productivity gains have significantly reduced the carbon footprint per gallon of milk. We look forward to working collaboratively to continue this trend. Reducing carbon also reduces costs—exactly the kind of “win-win” we are building with our Corporate Social Responsibility (CSR) initiatives.

Our Dairy Producers Are Vital Parts of Our Northwest Communities Both Socially and Economically

In addition to making improvements on environmental issues, we have a significant and positive impact within the communities we serve. Darigold's farmer-owners and plant employees are deeply embedded in their communities, serving in leadership capacities in many social, civic, and religious institutions. Beyond these commitments, our economic effects are dramatic. For each cow on a dairy, an estimated \$15,000 is added to the local economic base. So, we are not just about cows—we are about families, communities, and consumers.

Our cooperative structure—with our farmers being the owners of Darigold—gives us the opportunity to promote continuous improvement from farm to table.



Focusing on Energy Efficiency and Environmental Stewardship Is Improving Our Cost Competitiveness

In transportation and plant operations, our cooperative has achieved breakthrough gains in resource efficiency and environmental performance, thereby improving our competitive position in the marketplace. These emerging capabilities have helped extend our low-cost position while driving margin growth and owner value. We understand that investing for growth through innovation benefits all interested stakeholders—our member-owners, employees, and consumers.

Innovation to Serve Our Customers Provides Differentiation
Collaborating with our customers to understand their CSR-related technical product and service requirements reveals new opportunities for improvement and innovation. This mutually-beneficial process improvement provides strategic differentiation and improves our competitive positioning.

Economic Pressure Continues To Be Severe—Thus We Are Committed To Using CSR As A Base For Renewed Prosperity

As we continue to pursue economic, social, and environmental well-being, our member-owners are under severe financial duress, prompted by depressed milk prices and continued high input costs. Until there is increasing growth in the global economy, with a better balance of demand with supply, the financial viability of our farms

will remain uncertain. Thus we have a strong imperative to tenaciously advance efficiency gains. Economic survival for our dairy producers is central to our CSR work.

Challenges Are Significant—and Our Opportunities to Contribute and to Grow Are Clear

We are at the heart of addressing society's challenge of finding viable solutions to feeding a world of six billion people—soon to be seven, eight, and nine billion. Similar to the challenges of other industries, the transition to industrial agriculture over the past couple of generations has raised concerns about consequences to ecosystems, water, biodiversity, climate change, health, communities, and animal well-being. We at NDA/Darigold are working to more fully understand, assess, and mitigate any negative impacts, and to amplify our positive effects and contributions. We have a clear, unwavering, long-term commitment to Corporate Social Responsibility. It makes sense for our business, our member-owners, and our future.

Jim Werkhoven
Board Chair

A Message from Our President & CEO

Darigold and our Northwest dairy farmers have been committed stewards of the land, and of the animals in our care, for nearly a century. Many of our dairies are multi-generational, and we are woven into the fabric of our communities. As a result of our taking good care of the land and the animals, they have taken good care of us—supporting a healthy life for our dairy families and employees and creating healthy products that have been loved by consumers for four generations.

New Challenges

As we approach Darigold's second century, though, the world is confronted with unprecedented challenges. Our planet is under pressure as six billion people reach toward higher protein diets and improved standards of living, straining environmental systems. Customers, consumers and stakeholders now require more data about environmental and social impacts—and they expect significant improvements. Our dairy producers are enduring more economic hardship than any of us have witnessed in over 70 years.

It is within this context that Darigold has begun to actively engage in dialogue and actions about corporate social responsibility—about the best ways for us to understand “sustainability,” to meet our customers' expectations, and to play our part in helping bring leadership and wisdom to this important set of challenges.

Emerging concerns about climate change, industrial agriculture, water, health and biodiversity present challenges more severe than those we have faced before, as producers or as a larger society. So we are called upon—by our

customers and neighbors, by society, by our own evolving understandings—to do more. We intend to build on our historical foundation as stewards and to create wise, effective and lasting solutions to these challenges.

Committed to Our Farmer-Owners and Our Customers, We've Begun Our Assessment

We began our Corporate Social Responsibility (CSR) work by affirming two core commitments: (1) as a farmer-owned cooperative, our objective is to sustain long-term value for our member-owners; and (2) Darigold is dedicated to enhancing our customers' lives, just as we have been trusted to do since 1918. With these commitments as our guideposts, we started our CSR initiative by systematically collecting data to tell us what our true performance is today in all major environmental and social areas. We are sharing that data with you in this report.

Next Steps: Build on Our Solid Performance to Drive Improvement

Our next step is to set and achieve tangible goals for improvement. Overall, our current performance data show that we have been performing well compared to our peers, and to our own historical benchmarks. That's good news for our producers, customers, communities and our environment.

Stepping Up to Serious Challenges

There are, however, serious challenges ahead. Concerns about climate change, for example, confront us as a society, and the dairy industry as an integral member of our society contributes to the carbon emissions problem. We are making progress in reducing our carbon footprint in our processing operations and transportation. We have also joined with the

Darigold is particularly well-positioned compared to most other dairy processors because we operate our entire value chain, from farm to customer.



entire dairy industry in beginning the extremely challenging task of assessing and reducing the carbon footprint of our dairies. Similarly, we are facing up to the issues of water, waste, and healthy nutrition—understanding our current situation and determining wise approaches.

Darigold is Strategically Well-Positioned to Increase Our Competitive Advantage Through Sustainability

Our strategy is based in large part on customer intimacy—knowing in detail what our customers want and providing it better than anyone else. Our customers, as well as our consumers, are asking loud and clear for products produced in environmentally responsible ways from companies with strong CSR commitments. Darigold is particularly well positioned in this regard compared to most other dairy processors because we operate our entire value chain, from farm to customer. As we improve in each step of our supply chain—and we will—we will strive to offer our customers dairy products that are among the most greenhouse-gas-friendly in North America, due to our collaboration across our entire value chain. This will be a key competitive differentiator for our Darigold products. In the short term, we have helped our member-owners to weather today's difficult economic times by paying them an average of more than 20% return on their equity above the base price of milk over the past three years. Building sustainability across our value chain will promote their long-term prosperity. Our customers can also be confident that, from our farms to consumers' tables, our dairy products will be as sustainable as any in North America—part of the Darigold brand promise they can trust.

We Have Achieved Several Early Successes

Although our initial focus was on collecting data about our current performance, we already have several exciting success stories to share. We have saved tens of thousands of dollars with our water conservation and recycling work. Our “caseless” initiative has been a big win for customers, for our operations, and for the environment, and is used nationally as an example of sustainability-focused innovation. Our plants are making great strides in reducing energy use, while our hauling group has achieved breakthroughs in fuel use, noise, and quality through a series of initiatives and investments.

We Invite You to Engage With Us

We are committed to doing more. We are preparing now to set improvement goals based on knowledge of our baseline performance. We have nearly a century of experience and competence at sustaining the land, the animals, and the people involved in dairy production. At the same time, the new challenges before us are formidable. We look forward to engaging in this important work with integrity and in the spirit of collaboration and improvement. Thank you for your interest and support. We welcome your comment and dialogue.

John Underwood
President and CEO

About Darigold/NDA

Our Brand Promise

Dedicated to Enhancing our Customers’ Lives Everyday.

Since 1918, Darigold has taken great pride in producing dairy products with unsurpassed quality. That’s who we are: a farmer-owned cooperative dedicated to providing our customers with the finest dairy products in the world. As the fourth largest farmer-owned dairy cooperative in the United States, our responsibilities as a corporate citizen also extend to the wider communities that we impact. From our 500-plus member farms to our more than 1,300 employees, we are committed to doing business in a way that yields economic prosperity, enhances environmental stewardship, and fosters community and social responsibility.

First in Quality, Taste, Value, and Service.

This dedication is not a new idea, but one that is deeply ingrained within us. As long-term stewards of the land, many of our member-owners farm on multi-generation dairies, producing high-quality nutritious food for their families, neighbors and communities. Our manufacturing plants utilize some of the latest technology, and both farms and processing plants employ sound environmental practices to ensure the land, air and water are healthy for future generations.

Farmer-owned and Trusted Since 1918.

Headquartered in Seattle, Washington, Darigold, Inc. is the marketing and processing subsidiary of the Northwest Dairy Association, a dairy cooperative made up of more than 500 independent dairy producers throughout the Northwest. As a cooperative, we share profits with our member-owners rather than with public or private shareholders. Darigold produces and sells a full line of dairy-based products for retail, foodservice, commodity and specialty markets. We are one of the largest U.S. dairy processors, with sales of almost \$2 billion annually. Darigold brings our products to market through two business units, the Consumer



Darigold’s Tacoma Retail Distribution Center circa 1932.

Products Division and the Ingredients Division, and operates 11 plants throughout the Northwest, processing over eight billion pounds of milk annually in the service of our dairy-farm families.

Our Competitive Difference

The temperate climate of the Northwest means our cows consistently rank among the healthiest and most

productive in the United States. Our cooperative ownership structure, combined with the shared commitment of our entire value chain, enables us to achieve chain-of-custody and quality controls that are superior to our less vertically-integrated competitors. This commitment of our whole system assures our customers that their sophisticated and evolving expectations for both our products and our social

and environmental impacts will be fully met. Our producers range from small family farms to large-scale operations using state-of-the-art farm technology. As a progressive dairy cooperative, we believe in sustainable farming and are committed to meeting our customers’ evolving requirements for superb quality, environmental responsibility, and community development.

Darigold/NDA: A History of our Brand

<p>1918</p> <p>Five Puget Sound co-ops join marketing forces to create the United Dairymen’s Association.</p>	<p>1920</p> <p>Consolidated Dairy Products Company is formed to market UDA milk.</p>	<p>1925</p> <p>The UDA holds a picnic at which a prize is offered for the person who could come up with the best name for the Association’s products. The winner is “Darigold” which continues to be the flagship brand today.</p>	<p>1929</p> <p>UDA purchases Consolidated.</p>	<p>1951</p> <p>UDA buys Los Angeles dairy Western Dairy Products and begins an aggressive marketing effort in Southern California.</p>	<p>1953</p> <p>Darigold adopts the familiar yellow and red “daisy” logo which is used until the late 1990s.</p>	<p>1954</p> <p>A survey by the Seattle Times finds Darigold Butter to be the most popular among consumers, far surpassing all other dairy brands in preference.</p>	<p>1960s</p> <p>Twelve Puget Sound dairy associations merge to form the Northwest Dairymen’s Association.</p>	<p>1973</p> <p>The Spokane Milk Producers Association unites with the NDA and Darigold enters the “Inland Empire.”</p>	<p>1981</p> <p>Consolidated purchases Mayflower Dairy and expands into the Oregon market.</p>	<p>1984</p> <p>The Darigold trademark becomes so well known and respected that it is adopted as the official corporate name, Darigold, Inc.</p>	<p>1991</p> <p>With the purchase of the Dairymen’s Creamery Association, Darigold brand products move into Idaho.</p>	<p>1997</p> <p>The 44 year old Darigold “daisy” logo is updated in preparation for the new millenium.</p>	<p>1999</p> <p>Darigold, Inc. adopts the name WestFarm Foods.</p>	<p>2006</p> <p>The company re-adopts the name Darigold, Inc.</p>	

About Darigold/NDA

Pacific Northwest Leader With Global Reach

The Darigold brand of dairy products is a recognized staple throughout the 12 western states in the United States. As we expand our geographic footprint, we are committed to continuing to provide quality and service to our customers and the communities in which we operate, as well as to minimizing our environmental impacts.

Darigold is also known globally as a high-quality supplier of dairy ingredients. Our customers range from small independent food processors to very large multi-national food companies with household names.

In 2009, Darigold's total export revenue was over \$500 million with significant sales in Mexico, Canada, South America, the Middle East, China, Japan, Thailand, Philippines, and Indonesia. We proudly partner with food companies that are helping meet the growing demand for more dairy protein, calcium, and better nutrition.

Our Strategic Commitment to Corporate Social Responsibility

Corporate Social Responsibility is a Core Component of Our Business Strategy

We see our corporate social responsibility platform as increasingly instrumental in achieving our core business objectives—and meeting the expectations of our customers, consumers, and communities. Sustainability, or Corporate Social Responsibility (CSR), is a defining business proposition of this century. Through demonstrating high performance in the areas of economic prosperity, environmental stewardship, and social/community responsibility, we are positioning ourselves to compete at a much higher level and succeed at meeting the current and emerging requirements of the global marketplace. The visible benefits of sustainability encompass our entire supply chain, from cow to consumer. At the farm level, we are assessing our performance and impacts—and sharing openly our producers’ effective management practices in feed and milk production. Transportation and logistics efficiencies yield immediate and enduring cost

OUR CORE PURPOSE:
Provide a secure market for our owners’ milk while maximizing its value.

OUR VISION:
Create an organization that will be recognized as the most effective producer cooperative in the United States, that consistently increases the value delivered to members, employees and customers, and whose membership is sought by the vast majority of dairy producers in the Northwest.

OUR VALUES:
Leading Change, Teamwork, Customer Focus, Honest Communication, Integrity

savings. At the processing level, CSR yields bottom-line performance improvements by driving waste reduction and improving energy efficiency. Beyond production and processing, we are developing a platform for building value-based relationships with key customers and creating innovative new products. In short, the impact of sustainability is positive for both the top and bottom lines of our organization.

Darigold launched a comprehensive strategic planning process in 2008. Our commitment to sustainability is underscored in our strategic plan, which

includes our objective to “optimize the entire supply chain in a sustainable manner (Cow to Customer).” Sustainability performance indicators are an integral part of our strategic objectives and our operational activities. Corporate social responsibility in Darigold is not an initiative with a defined end state. We recognize the challenges we face in advancing towards world-class sustainability performance levels. Assessing and openly sharing both our challenges and successes within this Corporate Social Responsibility (CSR) Report is an important first step.

“We have been and will continue to be among the leaders of the conversation both regionally and nationally about corporate social responsibility in dairy.”

STEVEN ROWE, SENIOR VICE PRESIDENT AND GENERAL COUNSEL

“As we meet with our key strategic customers globally, the question of sustainability is frequently raised. A common key criterion among our customers for being a supplier is consistency. If we do not commit to sustainability, we will not be a consistent supplier in the long term—which puts our business at risk.”

DERMOT CAREY, SENIOR VICE PRESIDENT, INGREDIENTS DIVISION

“Corporate social responsibility is part of our brand promise that helps assure our commitment to that promise.”

BRIAN LINNEY, SENIOR VICE PRESIDENT, CONSUMER PRODUCTS DIVISION

What Our Corporate Social Responsibility Report Means to Darigold/NDA

In this initial CSR report, our goal was to understand our key environmental and social impacts and honestly assess our current level of performance in areas that are important to our stakeholders. This report has been designed to organize all the various initiatives that we have in progress under one umbrella. We have, for example, been making significant improvements in our carbon footprint, in water use, and with our safety and environmental management systems. This CSR report provides a forum for everyone to see those efforts and to understand how we will begin to integrate them even more effectively for greater improvement in the future. Finally, this report is an opportunity for us to communicate directly with all our stakeholders, so they will better understand both the successes we have achieved and the challenges that still confront our company and our industry. The report covers three core components of our corporate social responsibility: Economic Prosperity, Stewardship, and Community.

Focus on Materiality

We designed our report by collaborating with a variety of internal and external stakeholders to gain their input as part of our initial materiality assessment. Throughout the process of identifying our key sustainability performance indicators, feedback was collected from:

- Darigold management
- Employees from cross-functional areas
- Corporate customers
- Member-owners
- Dairy industry leaders
- Consumer focus groups and surveys

We compared our measurements to GRI*-based performance indicators, and then selected metrics that align with both our stakeholders’ interests and with GRI-related indicators. Our initial metrics reflect the most significant, most material social, environmental, and economic impacts relevant to our business. We will gradually evolve our measures as we further improve our performance while meeting more advanced GRI standards.

Our Sustainability Priorities

Darigold senior managers identified key strategic sustainability priorities to help guide our improvement

Our 6 Sustainability Priorities for 2010-11:

1. Use sustainability to deepen customer relationships and increase business growth.
2. Reduce our carbon footprint.
3. Improve our environmental stewardship—focus on conservation of natural resources.
4. Assure and improve animal well-being.
5. Educate employees in key aspects of sustainability.
6. Educate member-owners in key aspects of sustainability.

efforts. The top four priorities reflect our commitment to integrating sustainability into our operations to better serve our customers and improve our environmental performance. To achieve these four, we are also dedicated to the other two priorities of educating both our employees and our member-owners to help all of us better contribute to our success. For FY 2010-11, we have identified specific activities centered around sustainable use of resources and building our culture and talent.

*Global Reporting Initiative, the de facto global standard guidelines for CSR reporting.

Our Corporate Social Responsibility Impacts, Risks and Opportunities

Darigold is working both internally and with other industry leaders to better understand the CSR-related risks and opportunities for dairy production. This analysis, as well as our action plans, will continue to evolve as we work to drive long-lasting improvements.

Key Areas of Concern	Industry Impacts & Risks	Darigold Initiatives and Opportunities
Feed and Dairy Production	Consumers have a growing interest in animal well-being and sustainable farming. In addition, animal rights groups and others are pressing for legislative and media actions that may not be in the best interests of farmers.	Adopting proactive measures that protect and enhance animal well-being and sustainable farming, and that highlight the world-class husbandry of our NDA producers. These actions will align with industry initiatives, such as the FARM (Farmers Assuring Responsible Management) program created by the National Milk Producers Federation.
Environment	Environmental impacts will continue to be a major challenge for our industry going forward. Tightening of government regulations related to greenhouse-gas emissions and water usage pose risks to our farmers and operations.	Targeted reductions of emissions, effluents, and waste across our supply chain Reduction of carbon footprint and greenhouse gas emissions Capitalizing on grants to support our energy-reduction projects Reduction of water intake volumes, along with reclaiming and recycling water
Supply Chain	Moving product to market efficiently and in ways that minimize environmental impact are the fundamental goals.	Innovation in packaging and energy and resource efficiency to improve productivity and reduce materials utilization, waste, and carbon footprint across the supply chain Maximizing freight and loads for efficiency and to reduce carbon footprint
Packaging	Manufacturing waste and disposal of packaging materials pose environmental risk for future generations.	Using more renewable packaging materials, incorporating recycled content materials, and designing easily recycled packaging Our caseless gallon-milk product streamlines our production process, reduces waste, and facilitates backhauling Use of larger-scaled packaging of ingredient products reduces paper and plastic
Food Safety	Every food manufacturing company is aware of the risk of product safety issues, poor product performance, or product recalls. These can result not only in health risks, but also in financial loss and loss of brand loyalty.	Implemented Hazard Analysis of Critical Control Points (HACCP) in all of our plants to ensure the safety of our products Rigorous environmental testing program in each plant and investment in state-of-the-art technology to develop and implement sound food-safety procedures Participating in third-party audits of our plants and working closely with regulatory authorities to meet and exceed all federal and state requirements Formed continuous improvement teams focused on quality and food safety; working to have our quality and food-safety systems compliant with the new Global Food Safety Initiative (GFSI)

Lifecycle Impacts of Dairy



Farm Fresh: Our farmers’ dedication to providing high quality milk begins with world-class animal care. Our producers care for their herds by providing a nutritious diet, good medical care and healthy living conditions. At the same time, modern farming has several significant environmental challenges, including greenhouse gases, water and waste issues, biodiversity, and nutrient management.



Effective Hauling: Milk is picked up continuously, seven days a week, and transported to plants in Idaho, Washington, and Oregon. From the time a cow gives the milk to when it has been processed into a 40 lb. block of cheese is less than half-a-day. Greenhouse gas emissions are the primary environmental impact facing us in our transportation activities.



State-of-the-Art Manufacturing: To meet the needs of our customers, we invest significant capital in state-of-the-art processing technologies and in maintaining our current infrastructure. In addition, we invest in our most important resource—“Darigold Employees”—by assuring they are properly trained, work safely, and understand how important our customers are to the future success of Darigold.



Quality Assurance: At every step, from farm, to milk trucks, to arrival at our plants, and all through the production lines, we follow a rigorous quality assurance program to ensure food safety and the highest quality products for our customers.



Modern Packing and Product Delivery: We meet our customers’ on-time delivery needs with automated packing, palletizing, and inventory systems, combined with customer-driven shipping preferences. The total volume and the recyclability of packaging materials are challenges for us.



Environmental Performance: We are gathering data to establish definitive baselines in the areas of greenhouse gas emissions, energy use, solid waste, water use, wastewater, recycling, and air emissions. Identification of additional opportunities and targets to formulate longer-term strategies will follow. We are committed to proactively meeting the requirements of all applicable environmental laws and regulations.



Partnering with Customers: From initial product concepts in food science R&D, through manufacturing and post-delivery technical support, we listen to our customers and create value through superior products, technology, service, and relationships. All of us are focused on our contributions to improving health and wellness for our customers.



Partnering with the Dairy Industry: As active participants in regional and national dairy innovation initiatives relating to sustainability, we continue to explore ways to integrate sustainability throughout our enterprise.

Key Performance Indicators Summary and Highlights

Economic Prosperity	Performance Indicator	GRI ¹ Indicator	2009 Baseline Performance	Performance Context
Economic Performance	Direct economic value generated and distributed	EC1, 9	We represent a significant economic engine in the Pacific Northwest: \$2 billion in annual revenue and nearly 5,000 Northwest jobs	In 2009, the costs of on-farm milk production exceeded milk prices received, creating significant financial distress for our member-owners, which we mitigated somewhat by paying members above the base price.
	Policy, practices and proportion of spending on locally-based suppliers	EC6		
			92% of total spending was to local suppliers in 2009	This has also been historically true
Environmental Stewardship				
Energy	Direct CO ₂ Emissions from all 11 processing plants (total)	EN16	Total CO ₂ metric tons emitted by plants in 2009: 219,365	2009 baseline data represent an absolute decrease of 5% from 2005
	Direct CO ₂ Emissions from all 11 processing plants (per unit)	EN3	CO ₂ metric tons per unit emitted by plants in 2009: 0.0002313	2009 baseline data represent a 10% decrease from 2005
	Direct electricity consumption (per unit)	EN3	<ul style="list-style-type: none">²ID Plant CO₂ metric tons KWH per pound produced: 0.000122³CP Plant CO₂ metric tons KWH per gallon produced: 0.000119	<ul style="list-style-type: none">ID Plant 2009 baseline data represent a 4% decrease from 2005CP Plant 2009 baseline data represent a 20% decrease from 2005
	Direct natural gas consumption (per unit)	EN3	<ul style="list-style-type: none">ID Plant CO₂ metric tons BTU per pound produced: 0.000128CP Plant CO₂ metric tons BTU per gallon produced: 0.000072	<ul style="list-style-type: none">ID Plant 2009 baseline data represent a 12% decrease from 2005CP Plant 2009 baseline data represent a 14% decrease from 2005
	Direct CO ₂ Emissions from all Fleet Operations (total)	EN16	Total CO ₂ metric tons emitted by all Fleet Operations in 2009: 11,229	This is a new calculation, past data are not comparable
	Direct fleet fuel consumption (miles per gallon)	EN3	Fleet average miles per gallon 2009: 5.39	2009 baseline data represent a 10% increase in fuel efficiency from 2006
	Payload efficiency (total)	EN18	Average payload in pounds 2009: 56,000	This represents a 35% increase in payload capacity from 2006
Water	Water withdrawal by source (total)	EN8	In 2009 our baseline fresh water intake was 1,003,606,000 gallons	This is a new calculation, past data are incomplete
	Water discharge by quality and destination (total)	EN21	In 2009 our baseline water discharge was 890,923,000 gallons	This is a new calculation, past data are incomplete
Animal Well-Being	Number of members with completed in-depth animal well-being surveys (total)		Percent of farms with completed in-depth animal well-being surveys: 40%, representing 55% of fluid milk supply	The first in-depth animal well-being farm survey was completed in July 2008; third party audits have now begun
Community/Social Responsibility				
Public Policy	Financial and in-kind contributions (total)	SO6	Charitable donations were extended in the form of cash or matching gift contributions	Employee matching fund contributions are up tenfold from FY 07 total contributions
Labor Practices	Employment by age group, gender, ethnicity (total)	LA 1, 2	Total 2009 Darigold employees: 1,307; 15% female, 22% minorities	The ethnic diversity of our employee base is reflective of the region
Occupational Health and Safety	Rates of injury, occupational diseases, lost days, absenteeism and number of work-related fatalities (total)	LA 7	Total lost-time injuries rate in 2009: 0.70/200,000 hours Total incident rate in 2009: 6.58/200,000 hours	Lost-time injuries rate has declined 91% since 2005 Total incident rate has declined 61% since 2005
Training and Education	Annual hours of training by employee category (total)	LA 10	Hours of headquarters employee training: 841	This volume of training represents a 50% increase from 2008 ; in addition, substantial training hours were also dedicated to employees in our plants, and we will be tracking those hours from 2010 onward.
Human Rights	Number of incidents of discrimination and action taken (total)	HR 4	Discrimination claims received since 2007 and our response: Four claims, all responded to, all dismissed by regulatory bodies	Discrimination claims have been declining

¹ Global Reporting Initiative, de facto global standard for CSR indicators ² ID: Ingredients Division ³ CP: Consumer Products Division

Section 1

Prosperity



Scot and Stephanie Littrel
Darigold farmer-owners
Deer Park, Washington

Creating Long-Term Value

Significant Economic Impact on the Pacific Northwest

Northwest Dairy Association/Darigold has had a presence in the Pacific Northwest since 1918. The scope and magnitude of our economic footprint has grown significantly over the years, as we have generated economic prosperity and supported community development. From the more than 500 dairies that produce our high-quality milk, to our 11 processing plants, through the vast distribution networks that deliver our products to domestic and international markets, our regional and global economic footprint is substantial. In all of our processing locations, we create an economic ripple effect that can be traced throughout each community. We create jobs, and add significantly to local tax revenues. Ninety-two percent of our total spending on raw materials, freight, packaging materials, energy, and other forms of discretionary spending was with local suppliers in 2009.

Perfection in a Glass
We have been producing the
freshest products from Northwest
dairy farms for generations.



Our vision is to consistently **increase the long-term value** we deliver to our members, employees, and customers.

Increasing the Economic Value We Deliver in These Challenging Financial Times

Our vision is to consistently increase the long-term value we deliver to our member-owners, employees, and customers. This commitment to shared value is a basic tenet of our organization. We are a cooperative, which means that the value generated by our producer-owners is returned to them. Over the past three fiscal years we have distributed an average of more than 20% cash return on equity, compared to an average of less than 3% in the previous three years.

Average ownership equity has increased 88% during this period. This economic support for our member-owners has been critical these past 18 months, as we have endured one of the most severe economic crises of the past 70 years. Darigold has worked especially hard to help our farmers weather this crisis, and our commitment continues.

Helping Our Farmer-Owners Survive Economically

	FY05	FY06	FY07	FY08	FY09	FY10
Total Incremental Cash Payments (\$mm)	\$2.0	\$2.3	\$6.0	\$24.2	\$57.5	\$50.2
Total Incremental Cash Payments per cwt	\$0.03	\$0.03	\$0.08	\$0.31	\$0.73	\$0.68
Cash /Average Equity %	2%	2%	5%	14%	26%	21%

20% average cash return on equity

Investing to Sustain Our Economic Strength

We are also making significant investments to ensure our long-term success. Examples of innovative capital investments in recent years that have positively impacted the community, the environment, and our owners’ value include:

- \$21 million to install state-of-the art, recyclable, caseless-jug packaging capability in our Rainier Avenue plant in Seattle. This eco-friendly line was commissioned in August 2007, and led to lower fuel consumption and packaging waste while substantially improving efficiency throughout the supply chain.

- \$4.1 million in 2010 for an anaerobic digester in our Boise, Idaho, plant. This investment reduces greenhouse-gas emissions originating from the dairies as well as displaces carbon dioxide generated from fossil fuel power.
- \$3.1 million in 2007 for state-of-the-art continuous, aseptic processing equipment in our Portland, Oregon, plant. This equipment facilitates significant improvement in ultra-pasteurized milk capacity, thereby providing nutritious yet cost-effective milk to consumers.
- \$1.3 million in 2006 to replace a high capacity boiler in our Lynden, Washington, plant with a modern, energy efficient boiler that is over 9% more energy efficient.

These are only a few examples of the many capital investments we’ve made in recent years to simultaneously improve our economic performance and reduce our carbon footprint. Through investments in these kinds of sustainable business practices, we are actively trying to support the integration of good environmental stewardship with long-term prosperity for our producers and the cooperative.

An Economic Engine

In addition to the economic benefits for our cooperative, Darigold is also committed to the economic development of the communities in which we conduct our business. Darigold employs about 1,300 people, and our dairies employ over 2,900 full-time workers, all of which fuels thousands of additional jobs. Multiple studies have placed the economic

value of dairy at more than \$15,000 per dairy cow; for Darigold, this translates into more than \$5 billion in economic value generated throughout the Northwest. The vast majority of the nearly \$2 billion in Darigold revenue is circulated back within our Northwest home communities. This economic engine is a vital foundation for our rural communities in particular and the region more generally. Economic value is a key component of our contribution to sustainability.

Donating to Our Communities

Beyond the direct economic value we generate, we also team up with our neighbors to improve the quality of life in our communities. We have three distinct giving programs: a corporate contributions program that supports specific projects that better our communities, an Employee Matching Gift

Program, and our product donation program. Darigold considers proposals from nonprofit, higher education, and community groups to fund programs that serve local communities. Our employees are an important conduit to the communities in which we operate, and we effectively partner with them to support those organizations with whom they are engaged. Darigold matches employee contributions to organizations in the fields of education, arts, culture, healthcare, social services, humanitarian aid, animal well-being, environmental protection, and wildlife preservation. In addition, Darigold provides product donations to our local food banks and community organizations. As a corporation, as farmers, and as employees, we pride ourselves on being good neighbors.

Our CSR Work Generates Economic Benefit

Examples of Actual Cost Savings and Revenue Increases

\$6.4M

Energy Conservation in the Plants (2005-09)

\$2.0M

Fuel Efficiency Improvements in our Fleet (2006-09)

\$190K

Increase in Backhaul Revenue Due To Caseless Innovation (2009)

\$22K

Wastewater Reduction in Sunnyside Plant (2009)

Section 2

Stewardship



Charlie Martin
Darigold farmer-owner
Fort Jones, California

Caring for the Natural Environment

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 - 45 Purchasing
 - 45 Packaging Improvements
 - 45 Small and Disadvantaged Businesses
 - 45 Sustainable Forestry Initiative

Northwest dairy farmers are among the best in the world. Most are members of Northwest Dairy Association (NDA), proud owners of Darigold. We take seriously the responsibility of producing safe and wholesome food for all to enjoy. Our farmers are proud to preserve the heritage and carry the legacy of producing food, caring for the environment, and providing meaningful jobs.



Paul Gwerder
Darigold farmer-owner
Enumclaw, Washington

Stewardship On Our Farms: Animal Well-Being

Challenge: How do we assure our corporate customers and consumers we use good practices for animal well-being?

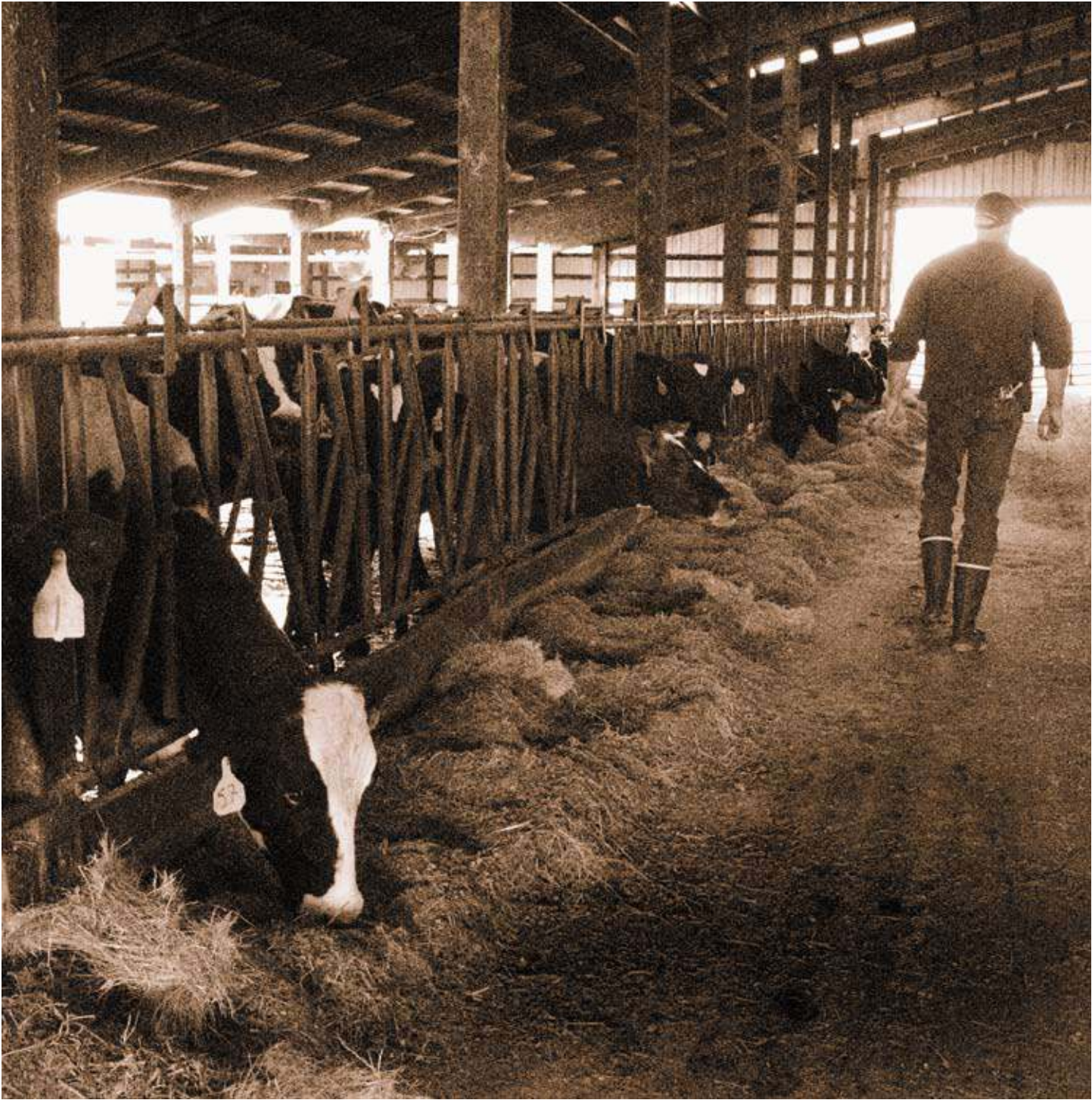
Response: Establish a comprehensive on-farm animal well-being assessment tool.

NDA members recognize the importance of animal well-being to our customers, to consumers, and to society. To this end, NDA has taken our first steps to establish a comprehensive, on-farm animal well-being assessment tool. This in-depth, web-based survey is being administered to NDA member farms to determine baselines for current practices. To date, about 40% of our NDA member farms, representing approximately 55% of the total NDA milk supply, have been surveyed. Survey results reveal that in general the performance levels of NDA farmers are excellent. The survey represents a standard for comprehensive assessment in the dairy industry. It also provides an understanding of where future improvements can be made, as well as a means for disseminating best practices.

Key Learnings
Aside from being useful in highlighting potential areas of improvement, farmers have used the tool to reiterate the importance of following standard operating procedures with their employees. The web-based tool also enables producers to more effectively identify, communicate, and implement improvements.

Next Steps
The second round of assessments will provide data on whether or not farmers are making improvements, so we can start to assess progress within our cooperative as a whole. We are also planning independent third party audits by trained professionals. The animal well-being survey is the first of several on-farm survey modules we have in development. A module dealing with community outreach and

emergency management is now under development. We envision future survey modules dealing with food safety, environmental stewardship, energy conservation, farm bio-security, air and water conservation, and employee management training. Finally, we have been actively involved with national dairy animal well-being initiatives, and look forward to continuing to collaborate with efforts such as the National Milk Producers Federation's National Dairy "Farmers Assuring Responsible Management" (FARM) program. We expect that NDA member farms, currently among the most responsible in the nation with regard to animal well-being, will remain on a path of continuous improvement as they adopt new management techniques and practices.



Jake Atsma
Darigold farmer-owner
Mt. Angel, Oregon

“I want people to come into my place...and see my cows in total contentment.”

Challenge: How do we feed the world in a way that is both economically viable and environmentally sound?

Response: Implement environmental stewardship practices and innovations.

The success or failure of our dairy farmers is directly dependent upon appropriate stewardship of the land on which they operate. Producers often describe themselves as “the first environmentalists”—living and working on the land, breathing the air, drinking its water, and sharing with their community the food grown from its soil.

Our farmers work hard to minimize the environmental impacts the dairy industry has on our natural resources. A dairy cow can generate 120 pounds of manure each day — more than 40,000 pounds per year. Advances in technology, combined with good management practices, are yielding new and innovative ways to improve manure management and odor control. For example, dairy cows have very specific diets formulated by professional nutritionists to match their needs for health, milk production, and odor reduction. Many NDA member-farmers are using additional technologies, including air-filtration systems in barns and odor-reducing additives for manure-storage facilities. Some of our farmers have methane digesters, which can help offset odor

by separating methane gas from solid waste—and while the solid waste is composted and reused as fertilizer, the methane gas is used for heat or to generate electricity (which can be used to power the farm or sold to utility companies). Manure is a nutrient-rich resource. As a natural fertilizer, manure increases soil structure, tilth, humus levels, and the soil’s water retention. The result is higher-yield crops and better foodstuffs, some of which (e.g., corn) is then fed right back to dairy cows.

Clean water is essential for drinking, for aquatic animal habitat, and for recreational and industrial use. Dairy-farm families are as dependent on this essential natural resource as we all are. Water is used by dairies for animal watering and cleaning, manure management, and milking equipment and dairy barn sanitation. Because it can come into contact with manure, slurry water must be managed carefully and is not allowed into waterways. When managed properly, this water is a valuable, nutrient-rich soil and crop amendment.

Recycling is at the heart of dairy farming, and dairy cows are themselves

one of nature’s great recyclers. Dairy cows are fed forages (grass, hay, silages, etc.) and by-products of human food-production processes. When cows consume these by-products, it prevents the food-processing waste from going into landfills and other parts of the environment.

Manure Management Facilities

Dairy producers are regulated by the Nutrient Management Act (NMA), which prohibits any discharge of manure-contaminated water by a dairy farm. Buildings used to house dairy cows must be constructed and managed so as to control the manure from those facilities.

To promote animal health and well-being, housing facilities are frequently cleaned of manure, either by mechanical scraping or with wash water. The manure is managed in a storage facility called a lagoon, which is designed to keep it stored safely until it can be used as a nutrient source via application to croplands.

The lagoon can safely store manure for months, so it must be properly designed and of sufficient size. Lagoons are constructed with a goal of eliminating the chances of seepage of their contents



Enhancing Biodiversity

Loss of biodiversity and of habitat is a challenge for all of us as a society, and solutions are not always straightforward. Pacific Northwest dairy farms, though, provide year-round habitat for various wildlife species such as fish, birds, fox, deer, elk and numerous invertebrates—and many of our dairy farmers are involved in efforts to protect species and enhance biodiversity.

In caring for streams, for example, dairy farmer efforts have helped in the restoration of threatened bird species, such as the Trumpeter Swan, Sandhill Crane, and the Dusky Canadian Goose. After being driven nearly to extinction earlier in the 20th century (with fewer than 70 left in existence), today more than 17,000 Trumpeter Swans—North America’s largest water fowl, the world’s largest swans, and highly sensitive indicators of habitat contamination—migrate from their summer breeding grounds in Alaska to the Pacific Northwest. Swans like to spend their winters in our grassy fields and farmland close to water.

into ground water. Discharges of manure or wastewater into surface or ground water—whether intentional or accidental—result in fines imposed on the dairy farmer by the respective state regulatory agencies. Violations could potentially lead to criminal and/or civil action against the farm owner or manager.

Nutrient Management Plan, With Record Keeping and Documentation

Accurate recordkeeping is a prerequisite to effective environmental management on the farm. As required under the terms of the NMA, all dairies must have a written Nutrient Management Plan (NMP) that must be approved by the local water conservation district. The NMP is a technical document detailing manure management activities on the farm and serves three primary purposes: to prevent discharges of contaminated wastewater to surface waters, or to ground water, and to supply nutrients to crops at scientifically and environmentally appropriate rates. Operating a dairy without a NMP results in fines and other actions imposed on the farm owner. Every dairy is inspected

regularly—anywhere from annually to every 22 months, depending on state statutes—to ensure that its facilities and management practices conform to its NMP. According to Washington’s Livestock Nutrient Management

Program’s “Report of Program Activities” for 2007 (most recent report), state inspectors found that 98% of the dairies were in full compliance with their NMPs.

Turning Farm Waste Into Renewable Energy: Promise and Challenges

A number of our producer families operate anaerobic digesters to process farm waste. The process involves blending cow manure with other food wastes to produce:

- Methane gas used to generate electricity for the power grid
- Compost used as bedding or applied to fields to add organic matter
- Liquid fraction applied to fields as fertilizer

Our dairy farmers usually supplement the manure stream with several other food waste streams to keep the digesters running more efficiently. The additional feed stocks greatly increase the methane output of the digesters. Examples of other waste streams that are being incorporated include a wide range of food processing byproducts and many pre-consumer food waste streams.

All of these waste streams would otherwise go to landfills.

One project was the result of a cooperative effort over many years between a local dairy family, an area Indian tribe, and a local environmental group. Additionally, Darigold is cooperating with the producer to utilize the digester for disposal of cottage cheese whey from our Issaquah facility.

Despite how promising methane digesters can be in managing farm wastes, currently this technology model cannot be easily adapted to work effectively in all situations—due to very high capital costs, limited availability of supplementary waste streams, regulatory constraints, and the complexity of all the interdependencies involved. Northwest Dairy Association has been a catalyst in promoting feasibility studies regionally to help address these challenges.

Stewardship in Our Processing Plants

Challenge: How will we reduce the carbon footprint of our operations?

Response: Know clearly where we are now — and drive continuous improvement.

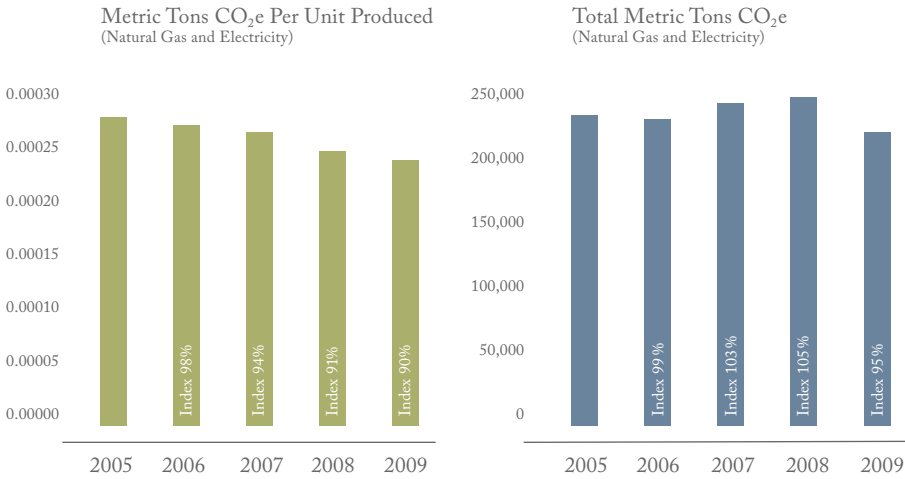
Energy Consumption and Our Carbon Footprint

Darigold recognizes and understands how important reducing energy consumption and waste are to both our company results and our environmental impact. We are committed to reducing both waste and energy consumption. We have started systematically tracking and working to reduce our electrical and gas use. We have also begun conducting Energy Audits in each of our plants and will act on the proposed recommendations.

To understand our energy consumption, we measure BTU/Unit (pound) produced in our cheese, powder, and butter plants and BTU/Unit (gallon) in our bottling plants. These measures are converted to the amount of CO₂ produced in metric tons.

We established an engineering team to audit each of our 11 manufacturing plants. We use the information to provide employee training, share best practices among our plants, and develop capital projects to reduce energy consumption. We have also teamed with local government agencies to target funds available for projects

Processing Plants' Carbon Footprint (All Plants Combined)



that will have an immediate impact on reducing energy consumption in our plants.

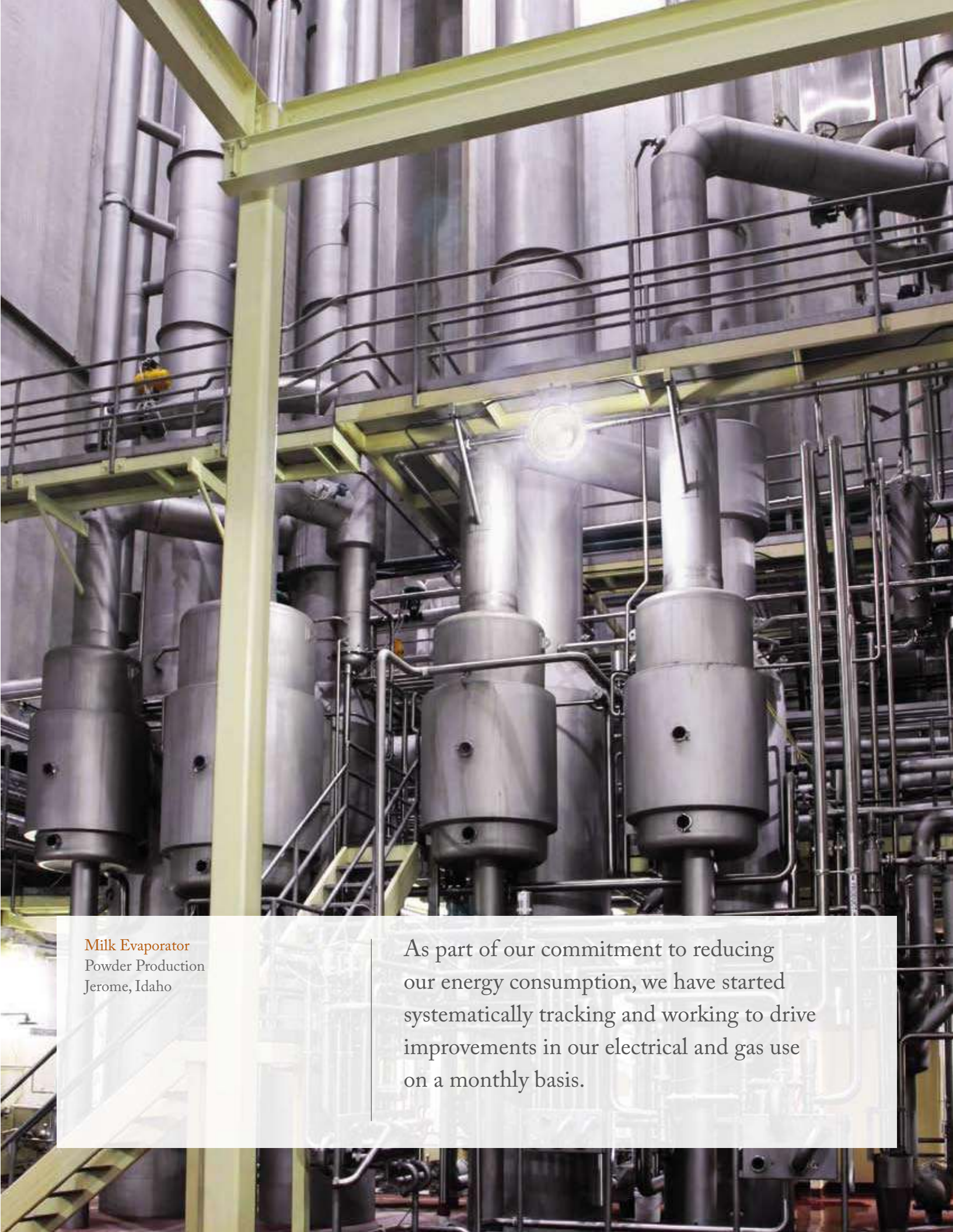
The baseline data on our energy consumption show we reduced our carbon footprint per unit of product by 10% over the past four years. On an absolute basis, we reduced our total overall CO₂ emissions from 231,326 tons to 219,365 tons, a reduction of 5%. Although we are pleased with this improvement, we are compelled to achieve further improvements.



Our Visual Production Meetings like the one pictured here at our Jerome, Idaho, processing plant allow employees to play an active role in continuous improvement.

Milk Evaporator
Powder Production
Jerome, Idaho

As part of our commitment to reducing our energy consumption, we have started systematically tracking and working to drive improvements in our electrical and gas use on a monthly basis.



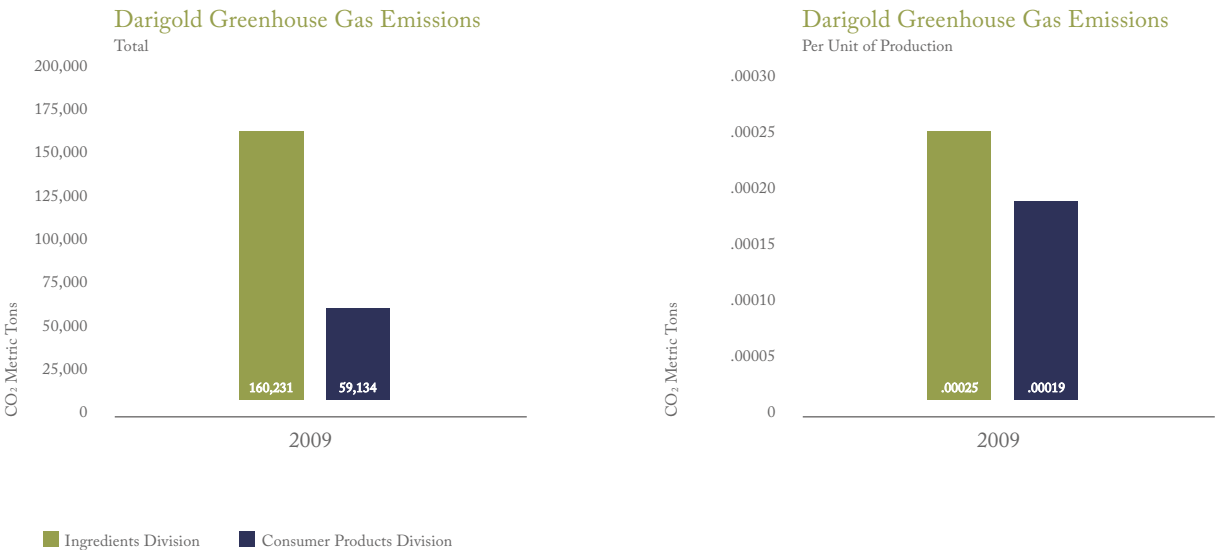
We take the issue of climate change seriously and are committed to doing our part in addressing this global challenge.

There is currently a strong scientific consensus that one of the greatest environmental challenges facing the world today is climate change. We take the issue of climate change seriously and are committed to doing our part in addressing this global challenge. Data from calendar year 2009 serve as our baseline of our Greenhouse Gas (GHG) emissions and will help us establish and implement a comprehensive GHG management strategy focused on reducing energy, becoming more energy efficient, and identifying alternative energy sources. For 2009, we emitted 219,365 metric tons of CO₂ (160,231 tons from our Ingredients Division and 59,134 tons from our Consumer Products Division). On a per-unit basis, our CO₂ emissions were .00025 tons per unit in our Ingredients Division and .00019 tons per unit in our Consumer Products Division. Going forward, we will set goals, track our progress, and communicate our results.

Waste, Emissions, and Effluents
In the dairy business, margins are small and results are greatly affected by “waste,” which in the processing plants

we define as raw-product loss, finished-product loss, or overuse of resources such as water. At Darigold, we measure waste in each of our plants on a monthly basis. The data help us identify opportunities to improve and design and implement action plans. We embrace employee involvement in this continuous improvement through our Visual Production Meetings (VPM). Our VPM process allows all plant employees to participate in problem identification and problem solving. We developed an audit process to ensure our plants are complying with the VPM guidelines, and are driving continuous improvement and sharing best practices. For example, in 2009 we used our collaborative approach to address a wastewater challenge at our Sunnyside plant. Our engineering staff and Sunnyside plant employees formed a team involved on a daily basis in problem-solving activities to reduce wastewater. Through this effort, the team reduced the Sunnyside plant’s wastewater by 25,268,000 gallons (10.99%) in 2009.

Most of the water discharged from our facilities is wastewater, with the exception of water that is evaporated from the milk or is used as an ingredient in our finished products. We strive to ensure that our wastewater meets all applicable permit limitations and regulations. To manage wastewater, it is important that we understand how much wastewater we generate annually from our plants. Starting with calendar year 2009, it is our intent to analyze our wastewater usage across all plants and develop a long-term wastewater reduction strategy. Our Rainier plant recently launched a new product we call caseless gallon milk. Milk is delivered to customers without traditional milk cases. Thanks to this innovative technology, many steps in our production process are eliminated. Also, waste and energy use at the customer level are reduced (from not having to unload, manage, or return cases), and energy previously used for returning milk cases to the plants is eliminated.




CSR SPOTLIGHT | Caseless Jug

Thinking out of the box:
Improving operations, reducing waste, and increasing revenue with caseless jugs

Darigold has invested in innovative technology to improve the quality and efficiency of producing and shipping milk in gallon jugs from our Seattle plant. The filling process incorporates advanced technology and state-of-the-art environmental controls. In addition, a broad range of improvements come from the new package design, which entirely eliminates the necessity to use plastic milk cases for distribution and reduces the amount of labor required to display milk for consumers.

By eliminating altogether the need for plastic milk cases or cardboard boxes for secondary packaging, we simplify the process and dramatically reduce the human and energy resources needed to move gallon milk jugs from the plant to our customers. In our operations, “caseless” has changed our process from 23 touch points—to eight!

All totaled, this project yielded significant economic and non-economic benefits to Darigold and our customers—the kinds of innovative “win-win” solutions we are seeking with our CSR work.



Using plastic milk cases in the traditional supply chain wastes energy and creates unnecessary costs and operational complexity. Here are some of the benefits we have achieved by using caseless jugs:

ENERGY SAVINGS

Milk cases require significant energy and labor to load and unload. They must be trucked back from stores and then washed before they can be reused.

REDUCTIONS IN STORAGE NEEDS AND LABOR HOURS

A significant percentage of space in a conventional milk plant is used just for the storage of milk cases, and in both our plants and our customers’ sites, handling cases requires considerable labor from both Darigold and our customers.

NO REPLACEMENTS NEEDED

A huge number of milk cases are lost or stolen and need to be replaced every year.

NEW SOURCE OF REVENUE

Instead of using our trucks to bring back empty milk cases to our plants, now we backhaul valuable products—generating significant new revenue for us.

Six key sustainability areas for environmental stewardship.

Animal Well-Being: Page 28



Waste Reduction: Page 34



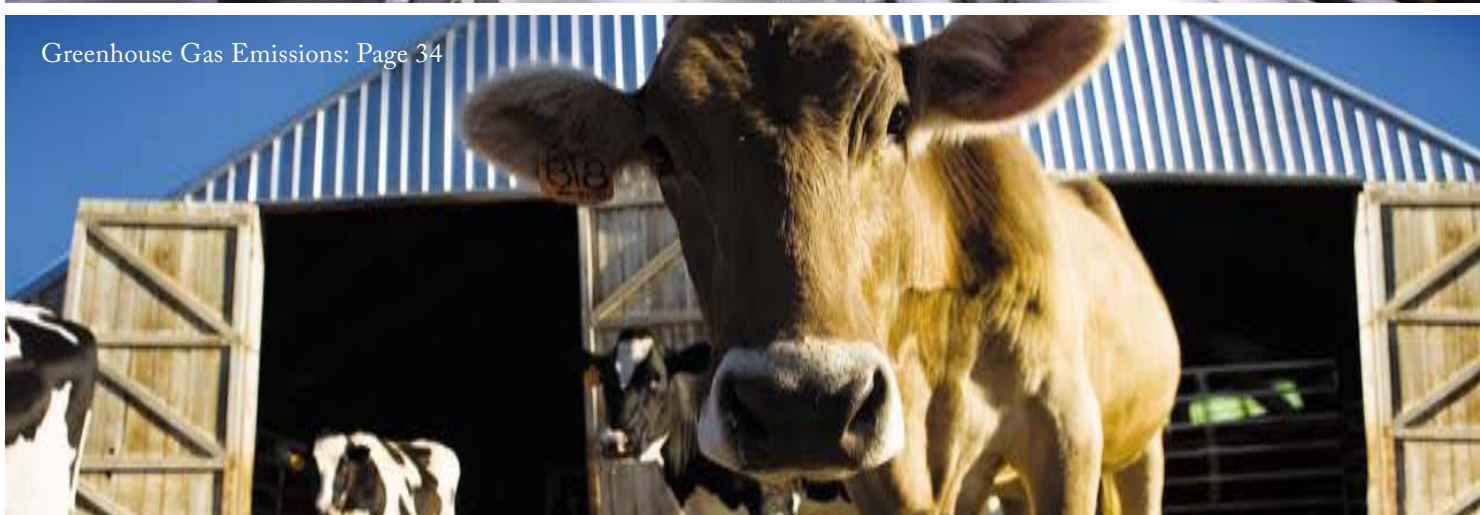
Energy and Carbon Footprint: Page 32



Water: Page 38



Greenhouse Gas Emissions: Page 34



Supply Chain Initiatives: Page 42



Challenge: Conservation and compliance demand exacting commitment.

Response: Build systematic controls—and drive continuous improvement.

Water
People use enormous amounts of water for drinking, cooking, and washing. However, industry uses far more water in its production of things like food, paper, clothes, consumer products—all the foods and goods of our modern society. Darigold operations are not unique in our need for clean water for the manufacturing of our products. Therefore, water conservation is extremely important to Darigold in terms of being a cost-effective and environmentally sound way to reduce our dependence on the world’s limited water supply. Water is used in our operations as an ingredient in our products, for sanitation of our equipment, and within the general services of our plants.

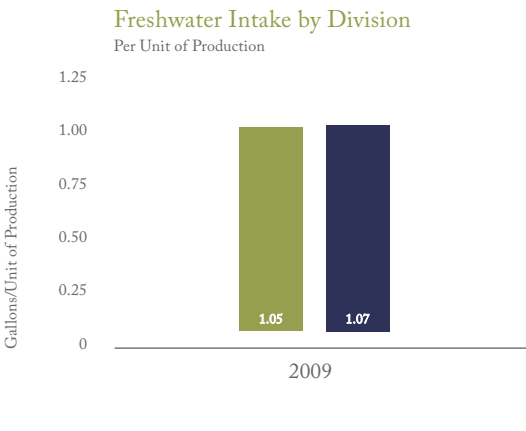
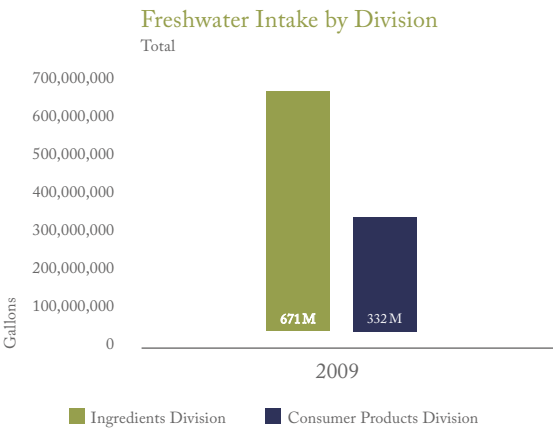
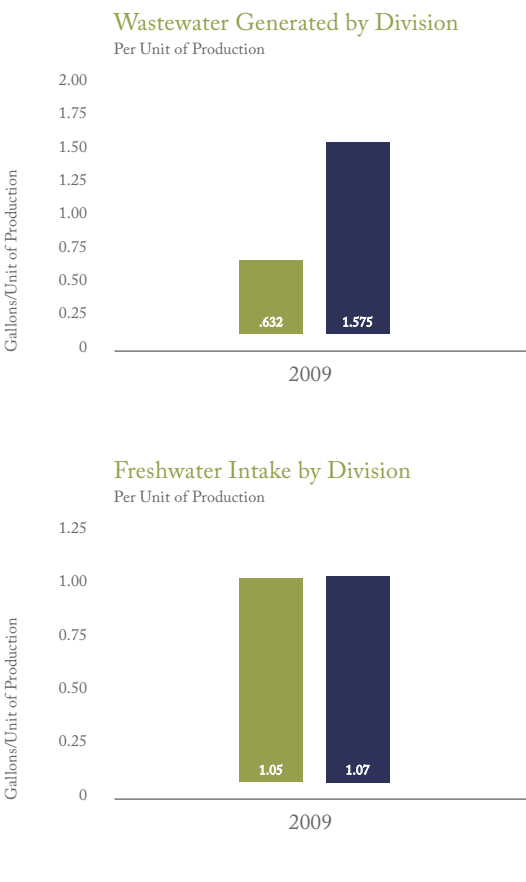
We have implemented a number of water-conservation efforts. Beyond routine improvement efforts, one of the more unique Darigold water conservation programs involves our utilization of “cow water,” the water evaporated from milk in the manufacturing of powdered milk. Darigold’s drying operations collect, sterilize, and store the water and then

use it for general cleaning and sanitation of the plant. This results in a significant reduction in the procurement of water. Our baseline data on our water usage in 2009 serve as the basis for formulating our water conservation management plan. With our freshwater usage at just over one billion gallons in 2009—about one gallon per pound or gallon of product—as well as 890 million gallons of waste water, we are striving to develop significant water conservation plans in the future.

Compliance
We are committed to continuous improvement of our environmental performance and to meeting or exceeding the requirements of all applicable environmental laws and regulations. When we have made a mistake, Darigold has cooperated with regulatory agencies in analyzing the environmental issue(s) and has developed cost-effective and scientifically based solutions and standards. In fiscal year 2010, we received three Notices of Violations (NOV) for failure to meet the terms of our environmental permits. Two NOVs were for pH violations and

one NOV was for exceeding seasonal flow limits. No fines or penalties were levied against Darigold in 2009. This is a significant improvement from the previous five years. We will continue to implement programs and procedures that are designed to achieve the goal of eliminating all compliance failure in the future.

Food Safety
Food safety is of paramount importance to Darigold. To ensure the safety of our products, we have implemented Hazard Analysis of Critical Control Points (HACCP) and participate in third-party audits in all of our plants. We work closely with regulatory authorities to meet all federal and state requirements. We have instituted a rigorous facility environmental-testing program, invested in state-of-the-art technology, and have developed and implemented sound food safety procedures. Darigold has formed continuous improvement teams focused on quality and food safety. We are currently working to have our internal quality and food safety systems compliant with the Global Food Safety Initiative (GFSI).



Environmental Management System Compliance Calendar

Facility	Environmental Policy Signed by VPs and CEO	Introduction to Plant Managers	Plant Point Person Identified & Trained	Plant Green Team Members Identified	Plant Green Team Rollout Meeting & Training	Certification Audit
Boise	Complete	Complete	Complete	Complete	Complete	March 2010
Caldwell	Complete	Complete	Complete	Complete	Complete	March 2010
Chehalis	Complete	Complete	Complete	Complete	Complete	June 2010
Issaquah	Complete	Complete	Complete	Complete	Complete	April 2010
Jerome	Complete	Complete	Complete	Complete	Complete	March 2010
Lynden	Complete	Complete	Complete	Complete	Complete	June 2010
Medford	Complete	Complete	Complete	Complete	Complete	July 2010
Portland	Complete	Complete	Complete	Complete	Complete	May 2010
Rainier	Complete	Complete	Complete	Complete	Complete	June 2010
Spokane	Complete	Complete	Complete	Complete	Complete	April 2010
Sunnyside	Complete	Complete	Complete	Complete	Complete	August 2010

Stewardship in Our Processing Plants

Challenge: Modern industrial operations currently lead to significant environmental impacts.

Response: Darigold has made a strong commitment to reducing our negative environmental impacts and promoting sustainability.

Environmental Management System
In 2008, Darigold’s management team developed an Environmental Policy for the company. The policy describes how Darigold will reduce its environmental impact and promote the sustainability of the natural resources, businesses, and communities upon which we depend. Each of the management team members personally committed themselves and their departments to upholding its terms.
One of the objectives stated in our Environmental Policy requires Darigold to “develop and apply systems of environmental management as part of day-to-day operational practice and on-going management reporting and control procedures.” Darigold is now in the beginning stages of implementing an integrated, environmental management program that will monitor environmental performance and be overseen by the corporate environmental team (implementation progress is shown in the table on p. 39).

The goal of Darigold’s Environmental Management System is to increase awareness of, and accountability for, environmental issues at the plant level. The program is complete enough to minimize the risk of non-compliance for Darigold operations, yet simple enough to allow plant employees to take ownership of environmental issues. The philosophy of the program is based on our belief that our “Green Team” approach—which leverages compliance awareness across almost all the sets of eyes and ears in the plant—is the most effective type of environmental compliance program. Action (or inaction) by a single employee at any level of the organization often determines the compliance status of a corporation, so it is important to build the understanding, skills and commitment of every employee.

The objectives of the program are to:

- Ensure all employees, at all levels, are aware of and take ownership for Darigold’s Environmental Policy.
- Implement a system that works to proactively achieve environmental compliance.
- Create and institutionalize an environmental management system that ensures compliance, defines and maintains accountability, is independent of personnel or organizational changes, allows flexible implementation, is cost effective, and is easy to manage. An environmental assessment program will be implemented to assess each plant annually. Corporate environmental personnel will work closely with the plants as issues arise, assuring that training and appropriate action plans are developed and implemented.



DARIGOLD ENVIRONMENTAL POLICY

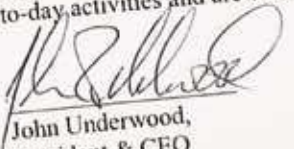
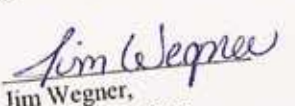
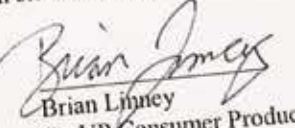
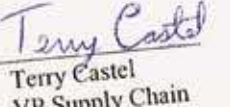
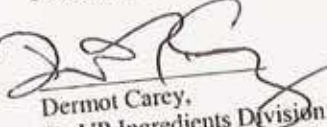
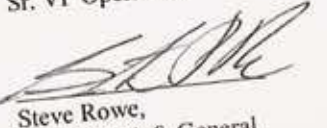


Darigold Inc. is committed to delivering its customers the highest quality, nutritious dairy products while reducing the environmental impact of our activities, preventing pollution and promoting the sustainability of the natural resources, businesses and communities upon which we depend.

Darigold is committed to continuous improvement of our environmental performance and to meeting or exceeding the requirements of all applicable environmental laws and regulations. We cooperate with regulatory agencies in analyzing environmental issues and developing cost-effective, scientifically based solutions and standards.

Environmental stewardship is a core part of Darigold’s vision. Darigold embraces our responsibility to be a good steward of the environment. To carry out this commitment, it is Darigold’s policy to:

- Provide our consumers, customers, employees, and communities with relevant and appropriate factual information about the environmental quality of Darigold products, packaging, and operations.
- Establish and nurture open, honest, and timely communications.
- Consider our potential environmental impacts in our daily business decision-making processes.
- Minimize the environmental impact of our products and packaging in their design, manufacture, distribution, use, and disposal whenever possible.
- Develop and apply systems of environmental management, as part of day-to-day operational practice and on-going management reporting and control procedures.
- Use standards of environmental impact assessment that are scientifically sound and generally acceptable within the present state of knowledge.
- Monitor and perform internal and external benchmarking of environmental performance and progress.
- Publish relevant and meaningful information on environmental performance and progressively introduce a more comprehensive reporting system.
- Continually assess our environmental technology, programs, and monitor progress toward environmental goals.
- We will annually review the company’s performance in implementing this policy and update it as needed.

It is the responsibility of Darigold leaders to ensure this policy is effectively communicated, understood and implemented throughout all operations. All employees are responsible for complying with this policy on their day-to-day activities and are encouraged to apply good environmental stewardship both at and beyond the workplace.

 John Underwood, President & CEO	 Jim Wegner, Sr. VP Operations	 Brian Linney Sr. VP Consumer Products	 Terry Castel VP Supply Chain
 Dermot Carey, Sr. VP Ingredients Division	 Steve Rowe, Sr. VP NDA & General Counsel, Darigold	 John E. Wells, Sr. VP & CFO	 Duane Harris Sr. VP HR

Stewardship in Our Supply Chain

Challenge: How do we reduce the environmental impact of our supply chain?

Response: Implement initiatives in partnership with our most advanced suppliers.

A great deal of our overall environmental impact is associated with the supply chain we employ to support the production of our products. From cow to customer, Darigold’s supply chain manages over 10 billion pounds of product movement annually. Whether it’s the movement of raw milk from farm to plant, or finished goods delivery to customers, we use a combination of in-house resources and strategic partners to manage this movement in an economical manner. We are therefore interested in understanding our environmental impact and working with our suppliers to reduce it. We have made good progress in a number of areas. In other cases, we have much still to accomplish. Looking forward, we plan to partner with our most advanced suppliers on a range of initiatives, including packaging, logistics efficiencies, waste reduction, and product innovations. In addition, we plan to support our other suppliers in becoming increasingly aware of their environmental impacts and in creating improvement plans for meeting our needs in more environmentally responsible ways. We are convinced that in pursuing these efforts, we can significantly reduce costs (and thereby increase the

value we generate) and simultaneously reduce environmental impacts—a “win-win” for all of us.

Hauling and Transportation
Darigold’s finished-goods delivery fleet—140 tractors and 210 trailers—travels over 5,500,000 miles per year, while our contracted tanker fleet picks up milk from over 330 farms daily, driving 25,000 miles—enough to circle the earth—every day. Both finished-goods delivery and the inbound-milk side of the business are focused on fuel savings and higher-capacity equipment to reduce costs and environmental footprints.

Darigold recently purchased 144 new heavy-haul, 53-foot tri-axle trailers, each with a maximum payload capacity of 56,500 pounds, a 35% improvement over the old trailers. In addition, their energy-efficient refrigeration units use 70% less fuel than the “reefers” they replaced.

Darigold’s fuel usage also has been reduced by aggressive actions, monitoring, and training. Average miles-per-gallon has improved from 4.9 mpg in 2006 to 5.4 mpg in 2009—even as our payloads have increased by 35%. This means that on a per-unit basis, our fuel efficiency

has improved nearly 50% in the past three years.

To achieve this improvement, Darigold:

- Reduced engine-idle time from 17% in 2007 to 5% in 2009.
- Placed on-board computers in each tractor to provide continuous driver feedback on MPG.
- Purchased ultra-light tractors.
- Set speed governors to a maximum 62 MPH.
- Set tractor engines with a 3-minute idling shut-off.
- Placed Auxiliary Power Units (APUs) in tractors to power the cabs on layovers.
- Specified state-of-the-art aerodynamic features, such as wind-dam fairings, side cowlings, smaller aluminum fuel tanks, aluminum wheels, etc.
- Ordered energy-efficient automatic transmissions for several locations, including San Jose and Hawaii.
- Began changing fuel filters monthly instead of every 30,000 miles.
- Began checking tire air pressure daily.
- Initiated a chain-removal program, effective Spring through Fall, saving 600 pounds of weight per vehicle.



6:15 AM
Morning Delivery
Kirkland, Washington

We’ve improved average miles-per-gallon from 4.9 mpg to 5.4 mpg, even as we increased payloads by 35%. This means that on a per-unit basis, our fuel efficiency has improved nearly 50% since 2006.

Our delivery-fleet initiatives have resulted in an annual reduction in diesel fuel consumption of 216,000 gallons—saving hundreds of thousands of dollars and **reducing our carbon footprint by 2,200 metric tons.**

Darigold’s fleet has also begun an aggressive backhaul (return-haul) program, eliminating 425,000 empty miles in 2009—while generating new profitable revenue.

All together, these delivery-fleet initiatives have resulted in an annual reduction in diesel-fuel consumption of 216,000 gallons—a savings of hundreds of thousands of dollars for our farmer-owners, and an annual reduction of 2,200 metric tons of CO₂ for the environment.

Similar to Darigold’s own fleet, the contracted raw-milk tanker fleet is working on improving miles per gallon and available weight capacity. In the last two years, 66 sets of ultra-strong, light-weight tanker sets have been placed into service. The new tankers are hauling 13% more milk than their predecessors with nearly the same fuel consumption. The tractors are manufactured to the lightest standards in the industry. The reduced tare weight means each trailer has a corresponding increase in available capacity, leading to a reduction in carbon emissions through fewer trips.

- Logistics**
- Over the past several years, we’ve been working to maximize the lading weight in all transportation modes. We achieved remarkable success in our boxcar load-out capacities. We increased the utilization of the cars by an estimated 15%. This resulted in taking approximately 160,000 miles or 322 tons of carbon off the roads in 2008 and 2009.
- Our 3PL (third party logistics) carrier selection process includes:
- Over The Road
- Fuel efficient carriers.
 - SmartWay certified.
 - Reload private fleets when possible for miles and cost reductions.
 - Use backhaul carriers as a rule.
 - Include carriers that have heavy haul capabilities when applicable.

- LTL (less than truckload shipping)
- Use consolidations for inbound and outbound shipments to reduce miles and cost.
 - Look for opportunities to maximize loading capacities for truckloads.
- Rail
- Use rail lines that have reciprocal switching capabilities.
 - If our customers are not rail side, work to develop a trans-load program.
 - Use intermodal containers when possible.
 - Use equipment with heaviest payload capacities.
- Our supply chain team is continually looking for off-site warehousing located closer to our manufacturing plants. In 2008 and 2009, we eliminated two off-site warehouses and qualified one closer to our plant. These actions resulted in taking approximately 25,000 highway miles—and 50 tons of carbon—off the road.



We are looking at all less-than-truckload and truckload customers and vendors for opportunities to maximize load capacities. We encourage and engage them to help fill backhaul lanes and to maximize orders.

Purchasing

Darigold’s purchasing department oversees the sourcing of packaging, ingredients, and MRO (maintenance, repair, and operations) supplies for the 11 Darigold plants. In addition to the traditional role of purchasing, sustainability and small business status have become important elements of material sourcing and may drive our buying decisions. Our purchasing team follows the company’s commitment to the environment and its neighbors by improving the sustainability of our packaging and by sourcing from small businesses when applicable.

Packaging Improvements

Our purchasing team recently initiated and managed a change to the 1-gallon, half-gallon, and quart bottle caps at the

five Darigold bottling plants. This change, using a new design, satisfied several objectives in one conversion. The existing cap was a dissimilar plastic from the jug itself. Having a different plastic posed a recycling problem, and the tear-away tab usually ended up in the garbage rather than the recycle bin. The new cap offers a robust thread pattern for a tighter fit and meets tamper-evident requirements. In addition, the new cap weighs 0.8 grams less than its predecessor, creating a 149,950 lb. annual reduction in plastic—an overall 24% reduction in cap weight.

Small/Disadvantaged Businesses

Darigold annually submits our Summary Sub-Contract Report to the US Department of Defense. Over a five-year period, Darigold’s average small-disadvantaged business spend is more than 13%. This includes small businesses, women-owned businesses, minority-owned businesses, and veteran-owned businesses.

Sustainable Forestry Initiative

Our purchasing team frequently reviews our materials to ensure that they are adequate for their applications and that consideration has been given to environmental concerns. Recently, purchasing reviewed the Darigold corrugated supplier base to verify that each supplier was using a paper source certified in the Sustainable Forestry Initiative (SFI). The SFI 2010-2014 Standard is based on principles and measures that promote sustainable forest management and consider all forest values. It includes unique fiber sourcing requirements to promote responsible forest management on all forest lands in North America.

SFI certification also extends to the market. When they see the SFI label on a product, consumers can be confident they are buying wood or paper from responsible sources. Beginning in 2010, Darigold will include the SFI logo on all of our corrugated consumer products to validate consumers’ confidence in the sustainability of these packaging materials.

Section 3

Community



Darigold supports Bike to Work Day with a chocolate milk sampling station in Seattle, Washington.

Caring for Our Customers, Our Employees, Our Neighbors

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At Darigold, we count ourselves fortunate to be in the business of supplying products that contribute significantly to consumers' nutrition and health. Here is a closer look at the nutritional value of dairy products and at our efforts to advance health and wellness through product formulation, partnerships with consumers, industry, schools, and the community. We also share data about, and some of the approaches we are taking to support, both our employees and the communities in which we live, work, and play.



Kelly Mann and son Miles
Darigold consumers
Seattle, Washington

Caring for Our Customers: Product Responsibility

Challenge: Modern society is struggling with health, wellness, and proper nutrition.

Response: Continually improve the health and wellness aspects of our products and with integrity, promote milk products as a healthy choice.

Dairy is the Original and Complete Nutritional Package

Although dairy’s superior nutritional qualities have been known for decades, today dairy has an even more powerful story to tell in the health and wellness arena, with new scientific studies highlighting its health benefits.

Consumers are looking for a dairy company they can trust to help them make wise and healthy choices. It is Darigold’s pledge to be consumers’ first choice when buying dairy products.

Darigold works closely with state Dairy Councils, the National Dairy Council and other leading food and health organizations, seeking guidance in the development of products that contribute to optimal health.

1% single-serve milk illustrates our commitment to health-and-wellness improvements



Product Responsibility: Nutritional Value of Dairy Products

Darigold recognizes that quality, taste, value and service are all important to our consumers. We are focused on continuously improving our recipes and ingredients to make foods that are exceptional in taste and high in nutrition. We also strive to help consumers balance their diets through education and outreach.

Our goal is to continue to build awareness of the inherent benefits of dairy products. Research shows that the top three reasons consumers give for drinking more milk than in the past are health related: trying to be healthier, need the calcium, contains nutrients my body needs. The top attributes associated with milk include: good source of calcium, builds strong bones, good source of Vitamin D, healthy choice, beneficial to joints and improves dental health.

Consumers are also gaining awareness of the science behind drinking chocolate milk after exercise. Chocolate milk has been shown to aid hydration and to help muscles recover after exercise.

Product Responsibility: Improving Our Products’ Health Benefits

Darigold continually makes health-and-wellness-focused improvements to a variety of our products in line with our consumers’ preferences.

In 2005, for example, the fat level in flavored 2% single-serve milks was lowered to 1%. In keeping with our company’s health and wellness platform, pectin-based yogurt with fiber and additional probiotics followed in 2006. In addition, sugar levels in the yogurt were lowered, with sucrose replacing high fructose corn syrup. In 2007, we began offering lactose-free milk for our lactose-intolerant consumers. From 2008 to 2009, we created multiple health-and-wellness-focused improvements. Probiotics were added to cottage cheese and sour cream. New products with pure and simple ingredients were rolled out, including two all-natural sour creams and a line of flavored half-and-half creamers.

Research and development is well underway for the 2010 roll-out of more health-and-wellness-focused products.



Rachel Yamamoto
Fifth Grader
Bellevue, Washington

“Mmmm...milk tastes so yummy—and it’s good for my bones.”

Caring for Our Customers: Partnering and Products to Encourage Healthy Eating

Our high-visibility school program demonstrates to the community Darigold’s commitment to health and wellness.

Partnering with the Dairy Industry
Darigold, along with the National Dairy Council, state Dairy Councils and the National Football league, is part of “Fuel Up to Play 60,” an in-school program to tackle sedentary lifestyles and poor nutrition. Our program commitment of 5+ years demonstrates Darigold’s leadership toward future generations’ health and wellness. Forty seven million Darigold Mini Half Pint cartons promoting “Fuel Up to Play 60” are sold into public schools annually. This high-visibility school program demonstrates to the community Darigold’s commitment to health and wellness.

Darigold continues open dialog with Seattle Public Schools and other school districts in the region to develop dairy products that meet school food service policies as well as serve restricted dietary needs.

Products in the line-up:

- Fat Free Chocolate Milk with reduced calories, sugar and sodium
- Low Fat Yogurt with pectin, fiber, sucrose and 4 probiotic cultures
- Low Fat Lactose Free 2% Milk in single serve half pints

Partnering with the Community
Health & wellness is now top of mind with consumers. Consumers are looking for enhanced “functional foods” such as dairy with naturally occurring functional nutrients. Darigold seeks opportunities to engage with the community on these benefits.

The Flavored Milk in Schools Challenge
Some schools and activist groups are looking to remove flavored milk from cafeterias due to issues relating to childhood obesity. This move could actually do more nutritional harm than good. Chocolate milk is the most popular milk choice in schools and studies have shown that kids will drink less milk (and get fewer nutrients) if it’s taken away.



Darigold has stepped up to the challenge by developing a fat-free chocolate milk that meets current guidelines for school nutrition programs while providing a flavor profile that kids enjoy.

Nutritional Attributes

- 150 calories per 8oz. serving
- 15gm added sugar per serving (26g total sugar)
- Fat-Free
- Lowest sodium content in chocolate school milk available

“Refuel with Chocolate Milk”

The connection between athletes and chocolate milk represents more than a promotion. Studies have shown that chocolate milk is an excellent recovery drink after exercise. Here’s why:

- Protein = contains all the essential amino acids to recover and maintain healthy muscles
- Carbohydrates = Refuels muscles during and after exercise

At left:
Darigold mascot “Smoooth” inspires kids to drink milk as part of their healthy choices.



- Milk is 87% water = Helps replace fluids and prevent dehydration
- 9 Essential Nutrients = Helps maintain strong bones, maintain normal muscle function and balance body fluids that are important to prevent cramps.
 - Calcium
 - Vitamin B12
 - Riboflavin (Vitamin B2)
 - Magnesium
 - Niacin
 - Potassium
 - Phosphorous
 - Vitamin A
 - Vitamin D

Since 2007 Darigold has focused on efforts to bring the science of refueling with chocolate milk to more than 60,000 consumers who exercise regularly.

Sponsorships

Darigold is a visible sponsor of many large-scale community events.

- Flying Wheels (Seattle)
- Seattle to Portland Bike Ride (Centralia & Portland)
- Seattle Marathon (Seattle)

- Rainier Challenge Soccer Tournament (Renton)
- Relay for Life (Tacoma)
- Issaquah Triathlon (Issaquah)

“Maintaining Health”

In addition to athletic audiences, Darigold is focused on reaching over 100,000 of our general consumers annually with health and wellness dairy messages.

Product Labeling

The primary purpose of Darigold packaging is to protect our products, deliver them safely, and communicate key information to our customers and consumers.

Dairy is among the most regulated foods. Darigold maintains a close working relationship with the Food and Drug Administration (FDA) and the Federal Trade Commission (FTC), and is compliant with the Department of Agriculture in the corresponding states in which we sell our products. The FDA’s labeling laws are spelled out to us in Title 21 of the Code of Federal Regulations (CFR), Part 101. The CFR tells us that every label on food must clearly show the consumer

what is in the package, how much is in the package, the nutrition information for the food, and how to contact the food manufacturer. Mistakes are very rare, and if they are noticed by a regulatory agency, we work with them to immediately rectify any deficiencies that may have occurred. Darigold has not had to pull any labeling due to misleading or incorrect labels that may harm the consumer.

Product Audits

Our quality, technical services and regulatory programs that control labeling, standards of identity and container net content are regularly audited by third-party auditors and regulatory officials. Any discrepancies are immediately addressed and resolved.

Records dating back as far as 2001 show no weights and measures violations. We are continuously checking weights in all Consumer Products plants, at least once per hour and more often in most plants. We react to any deviation by making adjustments to filling equipment to bring us back into compliance.

At Darigold, we continue to focus on creating a progressive, team-oriented culture—one that engages and respects all employees throughout their Darigold career.

It is in our culture of respect and engagement that our employees thrive and contribute to one of the nation’s largest agricultural cooperatives. Through the use of innovative technology and our efficient, flexible production capabilities, our employees deliver value-added products and customer-driven solutions. We are proud of our history and even more excited about our future.

We are continually working to create the best possible workplace environment, in order to attract and retain talented individuals who will grow their careers and be part of the Darigold family for generations to come.

Our employment policies and practices demonstrate our commitment to fair treatment of all employees wherever we operate. At a minimum, we comply with local, state and federal laws, but our policies cultivate a higher standard. The following section provides an overview of some of the ways in which we create a rewarding work environment.

Our Workforce

	Total Number of Employees	Full-Time Employees	Total Turn Over
2010	1,324	98%	14%
2009	1,307	97%	15%

	Total Males in Workforce	Total Females in Workforce	Total Minorities in Workforce
2010	84%	16%	24%
2009	85%	15%	22%

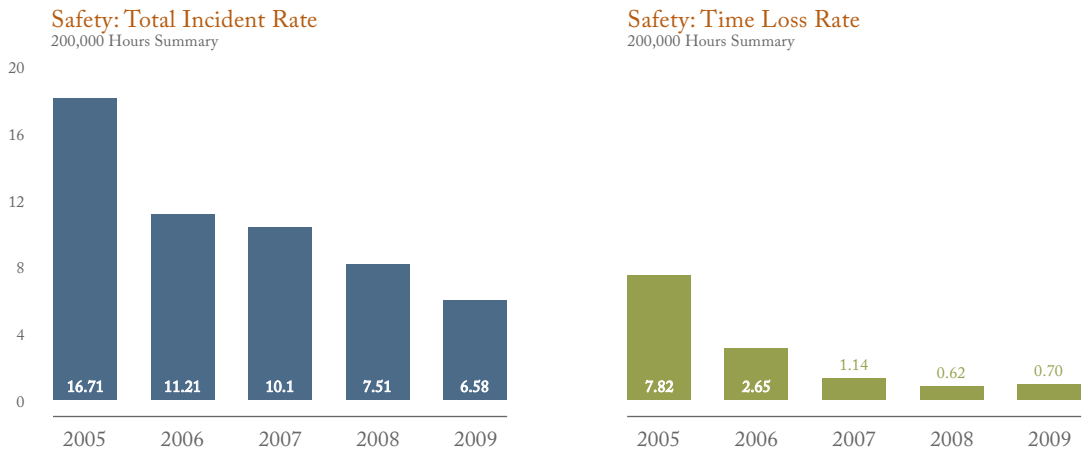
Workforce, Diversity, and Inclusion
On the whole, our ethnic make-up is reflective of the communities in which our facilities are located.

At Darigold, a high level of staff retention and motivation is important to ensure the best possible performance at all levels. To cultivate such an environment, we work to ensure our workforce represents the communities in which we work by embracing diversity and equality while encouraging an inclusive environment that attracts and retains the best talent. While the dairy industry tends to be male-oriented, and in the Northwest primarily white, we are striving to attract more females and minorities to

our company through recruiting efforts utilizing community outreach and a targeted university recruiting program.

Equal Opportunity and Non-Discrimination
We want the best people to work for us and we don’t discriminate on the basis of race, color, national origin, gender, gender identity and expression, age, sexual orientation, veteran status, disability, marital status, creed, religion, or genetic information.

Since 2007, we have had four incidents of discrimination filed against Darigold. Three of the incidents were based on race discrimination, and the fourth was based on disability. In all four cases,



Darigold responded immediately and in all four cases, the government entity conducting the investigation found the claims were unsubstantiated and Darigold prevailed.

It is never the intent of Darigold to discriminate. If claims of discrimination do arise, we respond immediately to address the situation.

Learning and Development
As an employer of choice, we are committed to providing a challenging and rewarding work environment. From performance and talent management to recognition and rewards, we make every effort to ensure our employees have the required knowledge and skill development necessary to succeed and are prepared to assume increased accountability throughout their careers. In fiscal 2010, we identified key learning opportunities that would close knowledge gaps and improve our employees’ ability to achieve business results that are aligned with our strategic plan. As part of this initiative, our headquarters employees participated in 841 person-hours of training throughout the year, a 50% increase over 2008. In addition, our plant employees received substantial

training throughout the year, and beginning in 2010, we will be explicitly tracking these training hours. In fiscal year 2011, we will launch a comprehensive leadership training program for all supervisors, managers, directors, and executives. As we move forward, we are committed to enhancing our employees’ knowledge, skills, and abilities while advancing a culture based on collaboration, inclusion, and mutual respect.

Safety
At Darigold, we strongly believe employees are our greatest resource. We owe them a safe environment in which to work. To ensure our people are protected, we have developed our “10 Key” process in which each plant team is audited yearly to measure how well they act and react to employee concerns and how committed each employee is to work safety. We have also developed a yearly Safety Audit. This audit is an in-depth process to identify potential safety issues in each of our plants. This process includes discussions with plant employees on plant priorities, length of time for repairs, and feedback from our management teams.

Visual Production Meetings, held daily in every plant, are an important tool for employee feedback. An integral part of our process is that all employees receive yearly safety training on all topics required by both regulatory agencies and Darigold. Plants are recognized yearly for reduction of incidents, and year-on-year improvements. In addition, as plants hit milestones for improvement, all plant employees are rewarded with lunches.

We have further expanded our effort with a Family Summer Safety program to emphasize to family members how important working safely and returning home safely is to every family.

Since 2005, these efforts have helped us reduce our lost-time rate by 91% and our total-incident rate by 61%. In 2009, our Time Loss rate was .70 per 200,000 hours, while the Total Incident rate was 6.58 per 200,000 hours. At the beginning of 2010, we started experiencing a slight increase in our incident rates. We attribute this increase to an aging workforce and labor reductions in several of our operations. We are now actively involved in implementing additional analysis, training, coaching, and work design changes to remedy these issues.

Caring for Our Employees

A key part of our **positive work environment** are the competitive benefits we offer.

A key part of our positive work environment are the competitive benefits we offer. Eligible Darigold employees and their family members may participate in the benefits plan listed below. The choices are many — and that’s by design, part of our goal to meet the needs of all of our employees, no matter where they are in their career or personal life cycle.

Medical Plans: Employees have the choice of three PPO Medical Plans. All of the medical plan choices offer important protection against the potentially high cost of medical care and all cover the same types of medical services, such as hospitalization, surgery and doctors. The plan also includes wellness coverage for services that help employees stay healthy.

Vision: Provided as part of medical coverage.

24-Hour Nurse Line: 24/7 access to qualified nurses to answer health-related questions.

Dental: Employees have the choice between two PPO Dental Plans

Paid Time Off: All full-time employees are eligible to accrue paid time off each year.



Tom Phommarath running a half-pint milk filler at our Rainier plant in Seattle, Washington

401(k): Darigold provides the opportunity to save for the future and to reduce current income taxes at the same time through a tax-qualified 401(k) Savings Plan.

Holidays: Employees enjoy 72 hours each year.

Transit/Transportation Subsidy: Employees who ride the bus 10 times a month are eligible for a free bus pass. Vanpool and RideShare subsidies are available as well.

Tuition Reimbursement: Financial support is provided for employees to obtain relevant degrees.

Employee Assistance Program: Employees and family members have 24/7 access to phone and online support for financial questions, legal information, work-life needs, and more.

Giving: Darigold matches up to a maximum of \$5,000 per calendar year to eligible charities, for each eligible employee.

Contributing to Our Communities:
Caring About the Neighbors With
Whom We Live, Work and Play

Darigold for many years has played an active, relevant role throughout the Pacific Northwest. Through promoting employee volunteerism, supporting a wide range of community organizations, and simply being a good neighbor, we are trusted as positive contributors to our communities.

Our corporate obligation to serve communities extends far beyond our core business. Our leadership in charitable giving is exemplified by our Employee Matching Gift Program. Darigold matches dollar for dollar all employee contributions to civic, cultural, educational and philanthropic organizations. Organizations benefiting from this program include Puget Sound National Public Radio, National Multiple Sclerosis Society, Washington State University, and many others. Through cash and product contributions, we contribute to numerous events and organizations that resonate with our farmers, employees, and customers. These forms of annual giving promote goodwill and demonstrate our long-standing commitment to being a good corporate citizen.



Darigold is committed to actively supporting our local communities, creating richer, healthier lives for each new generation.

Darigold contributes to community well-being in all of our 11 plant locations throughout Washington, Oregon, and Idaho. These localized programs demonstrate connectivity to community, are often employee-driven,

and stem from a purpose consistent with sustainability principles. Examples of recipients of localized giving include Chambers of Commerce, Boy Scouts of America, various food-banks, and school districts, among many others.

In Closing

In our first Corporate Social Responsibility report, we have endeavored to honestly and straightforwardly share our current performance in key social, environmental, and economic areas. In general, our performance reflects steady, and sometimes exceptional improvements in recent years. Compared to our competitors or to our own historical benchmarks, we can all feel proud that we are performing reasonably well in most areas. We are acutely aware, however, that we are not yet up to the performance standards of the most advanced companies in the world today with regard to sustainability or CSR. Additionally, we are behind where we intend to be in several important areas for us. Now that we have formalized our understanding of our current baseline performance, our next step will be to establish specific targets for improvement and then to drive toward achieving them. Many of the CSR challenges in front of us do not have easy solutions. We believe we can make progress, and we look to collaborate—with customers, suppliers, our industry, our member-owners, and our employees—as we strive to turn that belief into reality. It is our firm commitment to make significant progress in our CSR performance. We intend to be bold. We fully expect to achieve significant breakthroughs, as well as to accelerate our continuous improvement efforts. CSR is a fundamental strategic priority for us, and we believe it will be an important basis for us to achieve competitive advantage. We look forward to sharing with you the story of our progress.



CSR Steering Committee:
(Standing, L to R) Mike Bevers, Dean Van Tuinen, Helen Yee, Bruce Bennett, Mike Campbell, Terry Smith, Jan Roberts, Jeff Colyar, Michelle Carter, Clark Olsen, Susan Son
(Seated, L to R) Jonathan Maltos, Consultant Lorinda Rowledge, Project Manager Kim Kennedy, Consultant Russell Barton
(Not Pictured) Executive Sponsor Steve Rowe, Wayne Cottrell, Randy Eronimous, Nicko Fusso, Antone Mickelson, Joe Portmann

Corporate Governance
Darigold and its parent company, the Northwest Dairy Association, have a long-standing commitment to good corporate governance practices. These practices provide a framework for our board of directors and management to pursue the strategic objectives of the company and to ensure its long-term vitality for the benefit of our dairy farming member-owners and other stakeholders.

Our Board consists primarily of directors democratically elected from among our membership, each of whom represents a specific geographic district. In addition, two independent, non-employee directors also sit on the Darigold Board. Our board Chair is a non-employee director, and all board committees are composed entirely of non-employee directors. All directors stand for re-election every three years, and may be removed for cause prior to the end of their term.

The company is firmly committed to integrity in its financial reporting and control activities. Company policies establish our high expectations and standards of ethical behavior in the workplace, especially in the area of financial reporting and control. The company employs an independent internal auditor who reports directly to the Audit Committee.

A framework exists that includes definitive policies and procedures, standards, and regular auditing activities to ensure our business is appropriately controlled and our financial reporting complies with all regulatory standards. Our management assertions regarding the integrity of our financial reports and internal control systems are supported by our internal audit function and our external auditors.

Corporate Social Responsibility Governance
Our Sustainability initiative is endorsed by our Board of Directors and led by our CEO and a senior vice-president Executive Sponsor. The Management Committee reviews the work quarterly. Day-to-day leadership for the initiative is provided by a Project Manager. The Project Manager chairs a Corporate Social Responsibility Steering Committee, which consists of directors from all functions of the company. In addition, a cross-functional communications team helps share the sustainability story and increase employee engagement, while our environment team leads the implementation of our Environmental Management System and all our environmental activities in all 11 Darigold plants.

Invitation for Feedback and Dialogue

We encourage you to comment on our first Corporate Social Responsibility Report. We look forward to creating new and stronger dialogues with our interested stakeholders as we drive to improve our CSR performance. Help us better understand. Support us as we work together. Join us as we journey down this critical path. We welcome your insight, and appreciate your faith in our ability to improve.


Steve Rowe
CSR Executive Sponsor


Kim Kennedy
CSR Project Manager



Share your thoughts with us at:
csr_report_feedback@darigold.com

Or by mail:
P.O. Box 34377
Seattle, WA 98124-1377

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Report Application Level: Self-declared Level C, with all required G3 Profile Disclosures, and a minimum of 10 Performance Indicators, with at least one in each of social, economic, and environment



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On the cover:

David and Jania Wolff

Darigold father and daughter farmer-owners

Central Point, Oregon