



2018 CORPORATE SOCIAL RESPONSIBILITY REPORT



FROM FARMS TO FACILITY:
OUR JOURNEY
OF QUALITY &
SUSTAINABILITY



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IDAHO MILK



PRODUCTS

GRADE A

IdaPro™

MILK PROTEIN ISOLATE

MADE FROM PASTEURIZED MILK

Manufactured by
IDAHO MILK PRODUCTS, INC
2249 S. Tiger Drive, Jerome, ID 83338
www.idahomilkproducts.com

MADE IN THE USA

NET WEIGHT 20 KG (44.092 LBS)



CHAPTER 1 | **OUR STORY**

IN THE BEGINNING

The dawning of the world's freshest, highest-quality, most consistent dairy ingredients began with the ingenuity of dairy farming families located within miles of each other in South Central Idaho. Their vision of keeping their milk at home, processed locally, ensured not only the freshest ingredients but also attained a lighter environmental impact. They wanted to support regional communities by creating local, higher-paying jobs, both providing their new employees with fulfilling career opportunities and also delivering a sustained economic boost to the communities where those employees and their families live, work, and play.

These dairy families spent years researching how to make their shared dream a reality. During that time, they worked with the leading designers and builders of dairy processing plants, as well as the top equipment suppliers, to develop a closed-loop system that results in the freshest, most consistent dairy ingredients ever produced.

They also decided they could deliver on their vision only if they kept their scope as narrow as possible. As a result, they chose to limit their offerings to three products: milk protein concentrate and isolate (MPC/MPI), milk permeate powder (MPP), and pasteurized cream. To produce these products, they envisioned designing and building the most state-of-the-art, technologically advanced milk processing plant in existence.

The sun shone brightly in 2009 when Idaho Milk Products opened for production as the wholly owned, stand-alone business of our dairy owners. The one-of-a-kind production facility became the world's largest dedicated milk protein facility and the first Grade A designated milk protein processing plant.



Our plant is ideally situated, being within a 45-minute drive from each supplier dairy's milking parlors. The results: the freshest, most consistent milk product ingredients, leading to the best-tasting and best-performing end products.

Every day, throughout the entire year, we take in 3 million pounds (1.36 million kg) of fresh, raw milk that is chilled immediately after collection and delivered to our plant by a fleet of dedicated tankers.



We fractionate the milk into its macronutrient components of protein, carbohydrate, fat, and water through a series of innovative steps that leave the proteins less disturbed, leading to higher quality products.

We separate the fat to create IdaPro™ Cream, which often ships to customers on the very day of milking. We concentrate and dry the protein to create IdaPro® and IdaPlus MPC and MPI. We also concentrate, crystallize, and dry the carbohydrate and mineral fraction to create IdaPro® MPP.



However, delivering great products is only part of the equation in building the trust we have earned from our customers—we also strive to be great neighbors in every way. We operate as sustainably as possible, utilizing energy-efficient measures and waste management efforts through every step of the process, while also promoting the well-being of our employees, contributing to the health of the regional economy, and supporting the communities we call home.

OUR COMMITMENT TO RESPONSIBILITY

At our core, we are an agricultural company, founded, owned, and operated by longtime family dairy farmers. Our livelihood is tied directly to the land and livestock of our dairy owners. This understanding of our interdependency supports our belief that it is our responsibility to be conscientious stewards of the environment. We have chosen to conduct our business in a manner consistent with actions that protect the environment, support

the well-being of our employees, contribute to a healthy economy, and allow us to give back to our communities.

Beginning with the dairies and not ending until our customers receive their products, our focus on sustainable practices covers every portion of our supply chain. Since our inception, our closed-loop, proprietary system has minimized waste at every turn while also keeping our carbon footprint as small as possible.

HIGHLIGHTS

300 DEPENDENT JOBS
DELIVERING MORE THAN **\$13** MILLION in additional salary to the region's economy

↓ **2.6** MILLION KILOWATT HOURS
Annual Savings

297 MILLION POUNDS of water saved
—AND—
133 MILLION POUNDS of wastewater saved per year



Our employees enjoy a dynamic environment that fosters input, innovation, and career fulfillment.

Our employees, with their diversity of skills and experience, form a flexible and passionate team committed to maintaining a safe work environment for all. We also seek to create a culture that encourages employee engagement, inspires wellness, and leads to personal and professional growth.

As technologically advanced as it is, the world's largest dedicated milk protein facility cannot run on its own. It takes a sizeable, skilled staff to run smoothly and optimally. We seek to hire from the region and, whenever possible, we partner with local vendors. Our production facility is within a 45-minute drive from the milking parlors



We strive to maintain our region's economic viability through high-paying jobs and using local vendors.

that supply us; this ensures product freshness, efficiency, and lower environmental impact, in addition to supporting the local economy.

The families behind Idaho Milk Products have been dairy farmers in this region for over four decades. Generations have grown up here, and for them, South Central Idaho is not just home to Idaho Milk Products—it's home, period. As a company, we endeavor to maintain the vitality of this region as a great place to work and live by supporting our local communities in various ways, particularly focusing on the area's youth and the schools they attend.



We support the communities in which we live, work, and play.

WHERE WE STAND

Years of intensive research led to our fresh business approach, including the efficiencies of our proprietary closed system, our state-of-the-art production facility, our innovative production process, our commitment to quality, and our dedication to sustainability. We are proud of what we have been able to accomplish so far.

However, it is only a start. Our deliberate approach in designing and commissioning Idaho Milk Products does not mean we are resting on our accomplishments. We are committed to continuous improvement, always striving to be better today than we were yesterday—in all facets of our business.

This report details our efforts to date, and we will be updating our progress in all of our areas of commitment in future reports. In the meantime, please don't hesitate to contact our Sales and Account Management team with any questions you might have. We very much look forward to hearing from you.



WELCOME

from Daragh Maccabee, CEO

As the new CEO, I'm pleased to have the opportunity to share this update on our ongoing commitment to Corporate and Social Responsibility. From the outset, I express my gratitude to all of our team members, who focus every day on quality, sustainability, responsibility, and continuous improvement. That culture and commitment describes the heart of Idaho Milk Products.

Long term sustainability is the foundational value underlying everything we do. The story of Idaho Milk Products began with long-standing family-owned dairies coming together to create value-added processing capability, almost literally in their own backyards. Their vision to create a dairy ingredient production facility which pursued the same standards of excellence as employed on their own dairy farms, has helped guide our efforts to develop and grow Idaho Milk Products into the unique business that it is today.

Throughout my career, I have always believed in creating a business culture that focuses on corporate and social responsibility. It's both the right thing to do and is also supportive of long-term business success. Investing in and caring for our employees and their families, our customers and our stakeholders is the foundation. This reminds us why we come to work each day. Next, honoring and respecting the animals, land and natural resources that

we rely on, reminds us that we are part of an interconnected world. And finally, working with gratitude and the responsibility to share and support our community extends our positive impact.

Thank you for your interest in this report and in Idaho Milk Products. You will learn about our commitment to the safety, wellbeing and development of our employees. We'll remind you of our strong focus on the quality and consistency of our products. We will tell you about our efforts to reduce our impact on the environment at every stage of our process and our interest in embracing science and innovation as a key to ongoing improvements in sustainability. And finally, we'll give you examples of how we continuously strive to provide cultural and economic support to the community in which we live.

Most importantly, we understand that this is only a snapshot in time. We are committed to holding ourselves to the highest of standards and our pursuit of excellence in everything we do will never end.

Daragh Maccabee, CEO
Idaho Milk Products



CHAPTER 2

**PRODUCT
QUALITY
& SAFETY**

Very simply, we believe that the freshest, most consistent milk product ingredients lead to the best-tasting end products.



We set the standard for freshness as the first supplier on the planet to transition ultra-fresh milk products from our supplier dairies' milking parlors to final packaging in as little as 24 hours.

While fresh, high-quality ingredients are a top priority for us, we also ensure our products meet the highest safety standards. We built our state-of-the-art, FDA Grade A certified production facility with the highest product safety as an imperative. Since becoming operational, we have instituted several initiatives to take our efforts even further. It's all part of our dedication to providing our customers, and the end consumers, with the highest-quality and safest products possible.

Idaho Milk Products' supplier dairies also ensure that the cows' dietary intake and lactation scheduling are controlled and consistent, meaning approximately equal numbers of cows are at all stages of lactation throughout the year. This, together with careful control of the feed stock, results in minimal seasonal variation in casein-to-whey ratios and calcium-to-phosphorus-mineral ratios in the milk and, therefore, in our finished milk proteins. The nutritionally managed diet also ensures healthier and happier cows, during the milking season and consistently throughout the year.



ON THE FARMS

Animal Welfare Is a Top Priority

Our commitment to quality and safety begins at our supplier dairies. For generations, these family dairy farmers have treated their cows with respect and care—because doing so provides a better, more consistent, and safer product, and also because it’s simply the proper and ethical thing to do. In fact, to help ensure a healthy, safe, and wholesome milk supply, as well as to verify the care our farmers take with their livestock, our supplier dairies have implemented the National Dairy FARM (Farmers Assuring Responsible Management™) Program.

The FARM Program was created by the National Milk Producers Federation, with support from Dairy Management, Inc., to demonstrate and verify that U.S. dairy farmers are providing a

high level of animal care and quality assurance. It establishes an on-farm animal care program made up of consistent guidelines and best practices, as well as a system to enable third-party verification that the program’s guidelines are being followed.

In addition, all our owner dairies have instituted the prestigious Validus Animal Welfare Review Certification. Validus is a third-party auditor that has certified the cows at our owner dairies are properly cared for, housed appropriately, handled gently, fed healthy diets, and treated with care. We have implemented this additional step because we take animal welfare very seriously and believe it is a critical component of the ethical way in which we do business.



Details About Our Suppliers' Milking Herds

PER COW	AVERAGE
Daily dry feed	55 lbs (25 kg)
Age milking begins	19–21 months
Lactation cycle length	305 days
Lifespan lactation cycles	4–5
Milking schedule	2 times per day
Daily milk production	65–80 lbs (32–36 L)
Lifespan milk production	88,000 lbs (38,102 L)



Herd FAQs

Q: What is the average herd size?

A: The average herd size at our supplier dairies is 5,400 milking cows per barn.

Q: What is the proportion of cows by breed?

A: The herds at our supplier dairies are composed of approximately 44% Holstein and 56% Jersey breeds.

Q: What is the variety of feed (silage) each cow is given?

A: Feed is a mixture of alfalfa hay, corn silage, grain mix, and minerals.

Q: Are cows fed Idaho-grown crops?

A: A full 90% of the feed for the cows is Idaho grown. Mainly corn, alfalfa, and barley are grown in Idaho and fed to the cows. The other 10% are grain by-products following removal of certain human consumption products; examples are soy and canola meal following oil removal and cotton seed following cotton fiber removal.

Q: What is the protein source for the cows?

A: All of the protein is plant-based from high protein plants such as soy, corn, and alfalfa.

AT THE PLANT

Production Process

On arrival at the plant, milk is transferred to our refrigerated raw milk silos. We then quickly begin the separation process and pasteurize up to 300,000 pounds (136,000 kgs) of IdaPro™ Cream daily before shipping it to customers, often on the very day of milking. We also immediately pasteurize and filter the remaining skim milk, and then concentrate and dry the protein to create IdaPro® and IdaPlus Milk Proteins, specific to our customers' needs. Additionally, we concentrate, crystallize, and dry the carbohydrate and mineral fraction to create IdaPro® MPP.

Being focused on producing only three product types allows us to be singularly aligned around our goal of delivering the highest-quality, most consistent products possible. Custom designed and built for Idaho Milk Products, our towering, five-story-high milk protein dryer uses a low-heat process to achieve superior results. This gentle handling of the proteins produces consistent and functional products that perform exactly as our customers expect. Because the proteins have not been damaged by heat, the finished products provide exceptional functional properties and are of a very high nutritional quality for the end consumer.

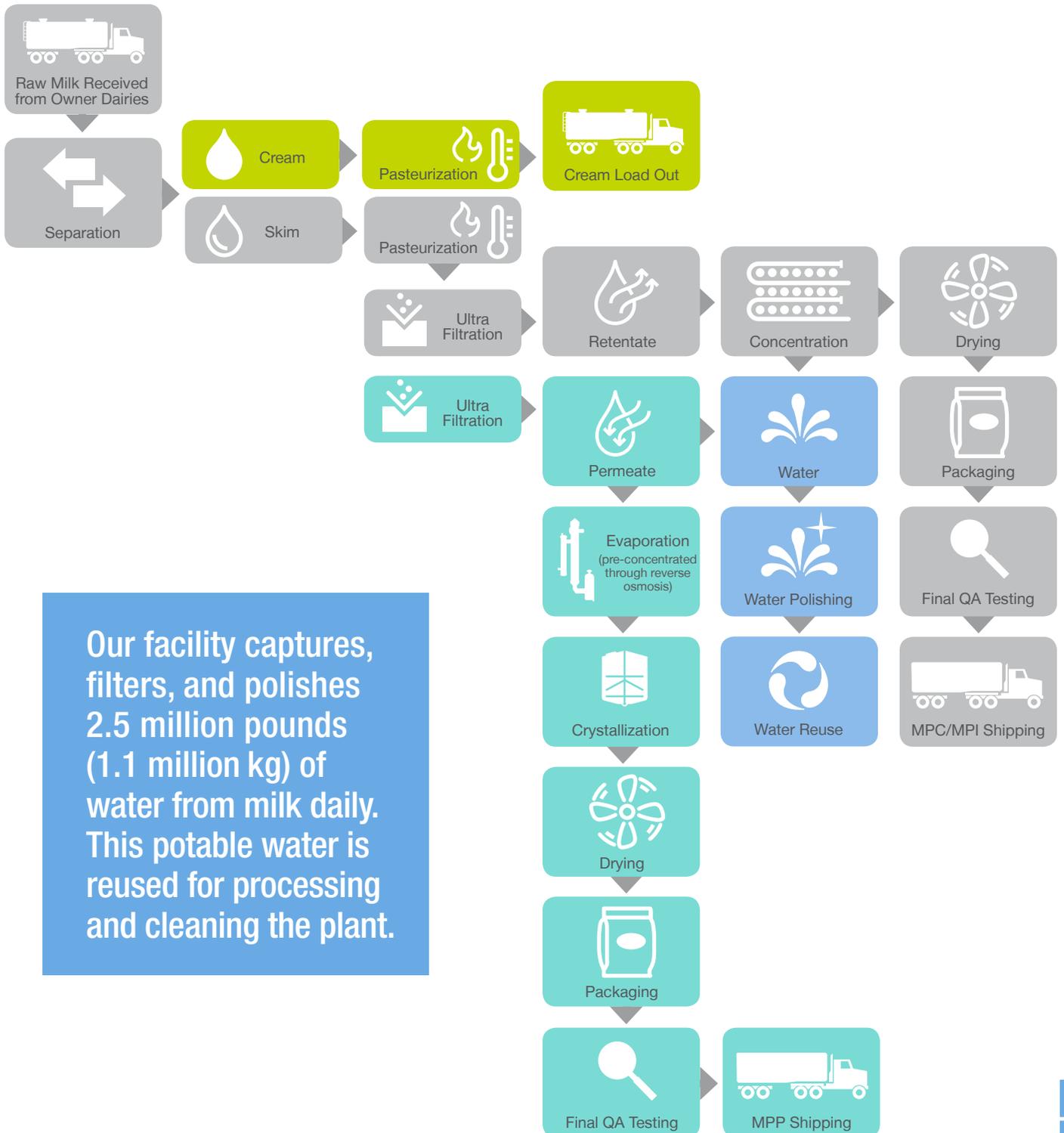


Sampling milk when it first arrives.



Monitoring the dryers in the dryer control room.

All Products Process Flow



AT THE PLANT

Product Safety

We designed the Idaho Milk Products plant to be among the most technologically advanced milk processing facilities in the world. It is also the safest, having been designed and built around a strict sanitary design.

The plant is unique for a dairy processing operation in that, keeping with the newest sanitary design guidelines, each distinct processing step is physically compartmentalized and separate from the other steps. All motor controls and delivery pipes for utilities and milk have been removed from the operating rooms and are located in specially designed interstitial

spaces above the processing area. This design allows us to maintain an unsurpassed high level of sanitation and hygiene within the processing environment. Further, in keeping with these guidelines, the plant utilizes a “utilidor” around the operating rooms—an access corridor that ensures each of the major processing rooms is accessed directly, not through another



An aerial view of the Idaho Milk Products processing plant under construction in 2008.

operating room. This keeps traffic to a minimum and maintains separation between raw product and finished product areas within the plant.

Within three years of commissioning our plant, in May 2012, we took our commitment to food safety even further when we attained our certification for Safe Quality Food (SQF) Level 3 by SGS Systems & Services Certification.

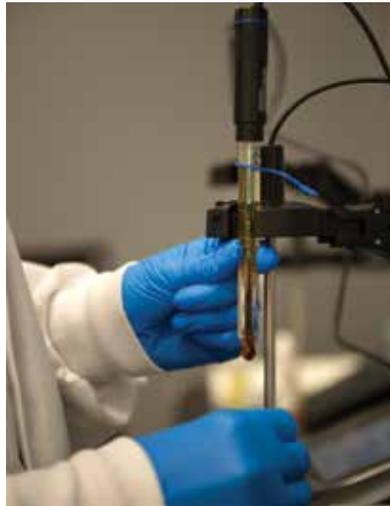
In order to attain certification, Idaho Milk Products underwent a rigorous three-day independent audit. The evaluation reviewed our management commitment, document and record control, specification and product development, dedication to food safety and food quality, internal auditing procedures, product recall and traceability, site security, building and equipment design and construction, and Good Manufacturing Practices as defined by the Food and Drug Administration (FDA).

The SQF Level 3 outlines the general food safety and quality management system requirements for a supplier involved in the manufacturing, processing, transport, storage, distribution, and supply of raw materials and ingredients or contract services. SQF

certification represents verification of a high standard of food safety measurements being implemented by food service providers. It is the only certification system recognized by the Global Food Safety Initiative that offers certification from primary production to food manufacturing, distribution, and agent/broker management.



AT THE PLANT



Product sample testing in the QA lab.

Quality Assurance

Our facility is directed by a single custom control software system that synchronizes and controls the actions of the plant as an integrated process from beginning to end. We have a fully staffed Quality Assurance (QA) department with full chemical and microbiological laboratories on-site. Our QA staff makes up 12% of our workforce. We employ infrared and near-infrared analytical equipment on the processing lines and in control rooms to provide instant analysis and feedback to our operators. We also use state-of-the-art analytical equipment along with conventional methodologies throughout the entire process to ensure the most stringent quality standards are met.

Our QA efforts begin on the production floor. Our employees constantly monitor and record critical operating parameters, including temperatures, valve settings, motor and pump speeds, pressure and back-pressure, and so on. Further analytical tests on the products in process are

performed by operations employees using the infrared and near-infrared analytical equipment in each of the control rooms in the plant. Samples are taken at each step of the process for further testing in the QA laboratories. These samples are taken both for in-process and finished goods. All the major parameters such as protein, fat, and carbohydrate levels are measured using both state-of-the-art analytical equipment as well as trusted wet chemistry procedures.

Except for the pathogen analyses of the samples that are performed by independent off-site accredited laboratories, we carry out all microbiological analyses on-site. We will not ship any product to customers until QA releases the production lot, having approved it with a Certificate of Analysis. These stringent QA standards ensure that our products are of the highest quality and utmost level of safety for our customers.

RATINGS & CERTIFICATIONS

We go to great lengths to ensure our products meet our own high standards, as well as those of our customers. We also strive to create products that can be enjoyed by as many different audiences as possible.

We also care about animal welfare and have worked tirelessly to ensure our milk suppliers are certified in their animal welfare practices.

As a result of these efforts, we have earned the following ratings and certifications for our plant, our products, and our suppliers.

FDA GRADE A

**SQF 2000 Code Level 3:
Comprehensive Food Safety and
Quality Management System**





CHAPTER 3

EFFICIENCY & ENVIRONMENTAL IMPACT

From our farms to our facility, Idaho Milk Products is designed to operate as efficiently and with as little impact on the environment as possible.



Our dairy owners have sustainably operated their farms for decades, and we continue to seek sustainable business partnerships and practices.

Their efforts include the use of anaerobic digesters to produce renewable “green” power from cow manure. In fact, our owner dairies generate almost 4 megawatts per hour through their digesters, enough energy to power over 3,200 homes all year round.

We purposely chose a location for our plant that was within a 45-minute drive from all of our owner dairies’ milking parlors. This ensures maximum freshness of the milk, benefits the local economy, and reduces hauling distances and vehicle emissions.

Additionally, we have chosen to partner with a contract hauler who is committed to operating in an eco-friendly manner and has been recognized by the Environmental Protection Agency (EPA) for its efforts to reduce CO₂ and other emissions. (See sidebar on page 31.)

When building our plant, we installed state-of-the-art equipment designed to meet or exceed



all EPA regulations and use as little electricity as possible. We also ensured that the water portion of the 3 million pounds (1.36 million kg) of milk brought in daily is filtered, treated, and reused in the processing and cleaning of the plant.

We are committed to continually updating our equipment to the newest earth-friendly technologies available. Our commitment has led to the installation of a dissolved air flotation (DAF) unit to treat all the plant wastewater, reducing our effluence by an additional 70%.

ON THE FARMS

Active Resource Management

Our commitment to sustainability begins at our supplier dairies, where the family farmers believe they have a responsibility to be conscientious stewards of the environment and have instituted several programs to fulfill that responsibility. As families who have lived directly from the land and their livestock for decades, they go to great lengths in making careful choices and carrying out active resource management to ensure future generations will be able to carry on that legacy.

Active resource management includes implementation of the National Dairy FARM Program. As detailed in chapter 2, the FARM Program provides dairy farmers with a way to both demonstrate and verify that they are

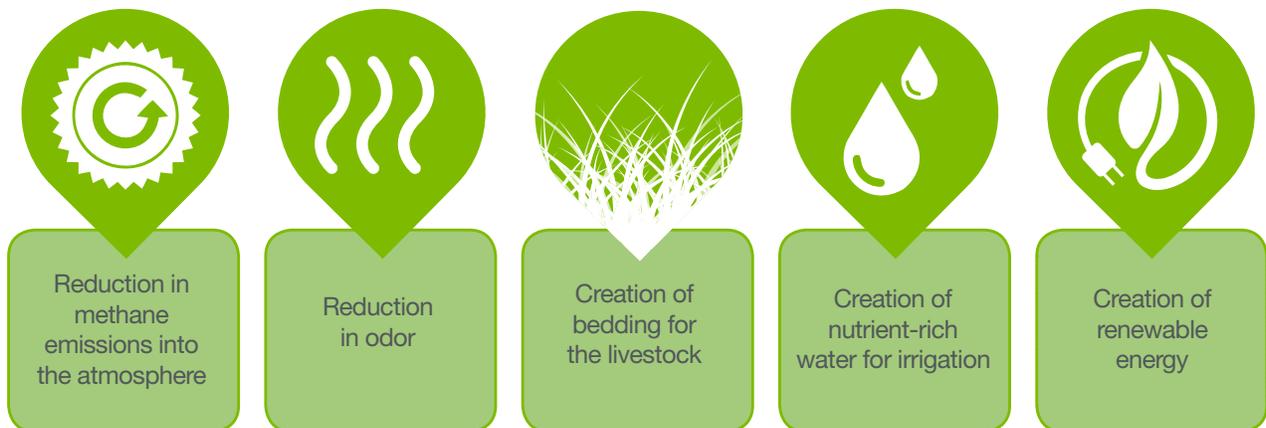
providing a high level of animal care and QA, thus responsibly caring for their herds and their lands.

However, our owner dairies don't stop there. Their commitment to ensure the highest level of animal welfare led them to institute the prestigious Validus Animal Welfare Review Certification. Validus is a third-party auditor that has certified that the cows at our owner dairies are housed appropriately, are healthy, and are properly cared for. We take animal welfare seriously, and the Validus Animal Welfare Review Certification is independent confirmation of our owner dairies' commitment to excellent animal welfare practices.



Renewable Energy Creation

Benefits of Manure-Based Anaerobic Digesters



All Idaho Milk Products owner dairies are turning waste into energy and other sustainable goods with the use of anaerobic digesters. One of Idaho Milk Products' owner dairies, Big Sky Dairy, has been using its digester since 2009. That digester processes between 150,000 and 180,000 gallons of manure per day. The digester separates solids and liquids into reusable forms and produces gas that is converted to electricity. The Big Sky Dairy digester produces 1.5 megawatts per hour, every day. The generated electricity is sold to Idaho Power for the local power grid.

Bettencourt Dairies, another owner dairy, began using anaerobic digesters before Idaho Milk Products even existed, installing its first in 2007

and a second in 2010. Together, the two digesters process 240,000 gallons of manure per day, resulting in the generation of 2.3 megawatts per hour. All told, our owner dairies generate enough electricity to power an entire small city, 365 days a year.

Beyond saving energy, the digesters also create over 65,000 cubic yards of bedding for the cows annually. In addition to producing renewable by-products, the owner dairies' digesters reduce emissions of methane, a powerful greenhouse gas making up 16% of emissions in the U.S. as of 2017. This, along with other measures, has helped Idaho Milk Products achieve a world-class low carbon footprint.

AT THE PLANT

Energy-Efficient Measures

With the opportunity to design and build the Idaho Milk Products production facility from the ground up, we set out to create a plant that would be as energy efficient as possible. We are committed to continually updating our equipment as more environmentally friendly technology becomes available.

We worked with experts at Idaho Power and Utah-based Cascade Energy Engineering to identify and implement Energy Efficiency Measures (EEMs). The implementation of EEMs has led to dramatic reductions in energy demand and remarkable increases in energy savings (see table). Due to the EEMs, our plant demands 4.2 million fewer kilowatt hours (kWh) annually than if we hadn't implemented the measures.

To put that in perspective, in 2017, the average annual electricity consumption for a residential utility customer in Idaho was almost 11,500 kWh. That means that since the plant's inception, energy savings from the plant's efficiency measures have saved enough power to supply about 370 Idaho homes every year.



Troubleshooting a variable frequency drive in the motor control center.

The EEMs we implemented in the design of our facility include the following:

PROCESSING PUMP VARIABLE FREQUENCY DRIVES (VFDs)

The process has 24 pumps, which can be controlled with either a control/throttling valve or a VFD. This measure includes selecting VFDs on the pumps where either option is possible.

TWO-STAGE VARIABLE SPEED COMPRESSORS

Two-stage compressors produce more air for the same power, allowing the compressors to operate at a lower percentage of full load. This measure also includes a cycling dryer instead of a non-cycling dryer.

LIGHTING

This measure upgrades the plant lighting from a system designed primarily around metal halide fixtures to a system designed primarily with fluorescent T8 fixtures. Also, lighting controls are specified to turn off the lights when possible using occupancy sensors.

COOLING TOWER FANS AND CONTROL UPGRADES

The refrigeration system provides chilled glycol to the plant. The system has four chiller packages and four corresponding cooling towers. This measure includes VFDs to control the cooling tower fans. Also, the control algorithms for sequencing the cooling towers and for determining the temperature control set point are modified.

BOILER FEED WATER PUMP VFDs

The boiler feed water pumps are designed to provide the required pressure at the maximum flow rate. As the required flow decreases, the pump discharge pressure increases. By reducing the pump speed, the required flow can be provided without increasing the pressure above the minimum requirement.

Idaho Milk Products energy efficiency measures demand and energy savings

EEM DESCRIPTIONS	DEMAND SAVINGS (kW/mo)	ENERGY SAVINGS (kW/yr)
Processing Pump VFD	103	1,554,186
Two-Stage VS Air Compressors	52	1,001,305
Lighting	34	1,000,599
Cooling Tower Fans and Control	33	583,942
Boiler Feed Water Pump	3	49,500
Total	225	4,189,532

AT THE PLANT

We are continuously seeking new ways to save energy and, in the last three years, we have invested to increase the reliability of our electrical system. This has reduced the impact from transient switching, surges, and frequency shifts. We also replaced florescent light bulbs rated at 40 watts per bulb with LED light bulbs rated at 16.5 watts per bulb. The annual energy savings totals over 1.3 million kWh.

We participate in the Idaho Power Flex Peak Program, which motivates participants to reduce their electric load during Idaho Power-initiated demand response events, six times per year. This saves 1,200 kilowatts each time for an annual savings of 7,200 kilowatts.



The membrane room where ultra-filtration takes place.

Our IdaPro[®] and IdaPlus Milk Proteins and IdaPro[®] Milk Permeate kilograms of CO₂ equivalent per kilogram of product produced is 8.7, a favorable value compared to the milk powder processing industry average of 9.0.

Carbon Footprint: kg CO₂-eq per kg of Product and Percent (%) Contribution

LIFE CYCLE STAGE	PROCESS	CREAM		MPC/MPP	
		kg CO ₂ -eq/kg	%	kg CO ₂ -eq/kg	%
Raw Milk Production	Dairy Farm	3.659	99.35	7.850	90.19
	Processing	0.024	0.65	0.820	9.49
Milk Product Production	Packaging	0.000	0.00	0.028	0.32
Total		3.700	100.00	8.700	100.00

Milk Processing Plant Carbon Footprint Details

CATEGORY	CREAM		MPC/MPP	
	kg CO ₂ -eq/kg	%	kg CO ₂ -eq/kg	%
Energy	0.008	0.220	0.738	8.48
Chemicals	0.003	0.010	0.045	0.52
Water	0.001	0.001	0.002	0.02
Transport (input materials)	0.016	0.004	0.035	0.40
Wastewater	0.000	0.004	0.006	0.06
Raw Milk Input	3.659	99.35	7.850	90.19
Packaging	0.000	0.000	0.024	0.28
Packaging Transport	0.000	0.000	0.003	0.04

AT THE PLANT

Wastewater Reduction

In addition to implementing EEMs, we designed our facility and process to preserve and reuse the water portion of the milk we bring in each day. Over the course of processing over 3 million pounds (1.36 million kg) of milk daily, our facility captures over 1 billion pounds (450 million kg) of water annually. That water is then filtered, treated, and reused, both for processing and the cleaning of the plant. As a result, we minimize the amount of additional water used, greatly easing the burden on the Southern Idaho environment and water supply.

However, our efforts to reuse as much water as possible did not stop the day we implemented our process. We continuously look for new and innovative ways to reduce our water usage. In 2012, we undertook a two-phase project to create additional water savings. In phase 1 of the project, we implemented procedures to ensure we were returning the maximum amount of water back to our boilers for reuse. This resulted in an additional savings of more than 87.6 million pounds (40 million kg) of water per year.



Testing water from the DAF unit.

Additional Wastewater Reduction Efforts

In phase 2 of the project, we found a way to reuse reverse osmosis water in our cooling system. This resulted in additional water savings of 209 million pounds (95 million kg) per year and an additional reduction of more than 133 million pounds (60 million kg) of wastewater.

We have a cross-functional team, led by an Environmental Coordinator, that focuses on wastewater treatment excellence. The team's actions have resulted in improved system reliability and lessening of plant effluent variability. It is Idaho Milk Products' ultimate goal to recycle 100% of the water we use by reusing treated water in agriculture and thereby eliminating discharge to the local municipal water system.

Idaho Milk Products' current wastewater treatment consists of the discharge being pH neutralized and sent to the city of Jerome for further treatment. All the solids that are discharged from the plant to the wastewater treatment plant are pumped to holding tanks called "shock tanks." The shock tank solids are then used as a valuable source of fuel for the digesters.

Through a large capital investment, we will be able to further reduce our total suspended solids by up to 70%. In early 2017, Idaho Milk Products added a dissolved air flotation (DAF) unit to treat all the plant wastewater. This system increases the amount of solids we collect. The DAF will provide significant benefits both for Idaho Milk Products and for the city of Jerome, as it will not have to treat our wastewater.

As an environmentally conscientious company, we are also collaborating with the city of Jerome to ensure compliance and excellence in wastewater treatment. We work together to develop combined solutions to ensure that the city of Jerome has 100% reliability and is in 100% compliance with the clean water standards.



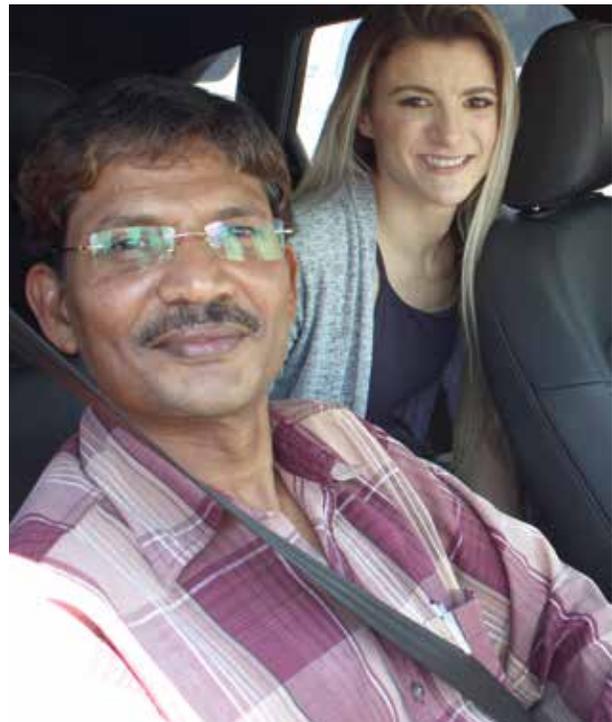
The DAF unit provides benefit to both Idaho Milk Products and the City of Jerome.

AT THE PLANT

Employee Involvement

Environmental awareness runs deep at Idaho Milk Products. Recently, the company adopted a two-mile section of Highway 25 in Jerome. Employees, along with family members and friends, volunteered to join in beautifying this section of the highway. Employees from throughout the company were represented: top management, QA, production, accounting, and sales and marketing.

During the summer of 2017, Idaho Milk Products initiated a carpooling challenge among employees with the aim of minimizing our collective carbon footprint. During the challenge period, employees were encouraged to carpool at least two shifts each week. This carpooling challenge was beneficial in many ways including reducing air pollution, increasing environmental awareness, saving money, and reducing road congestion, which has an additional environmental impact.

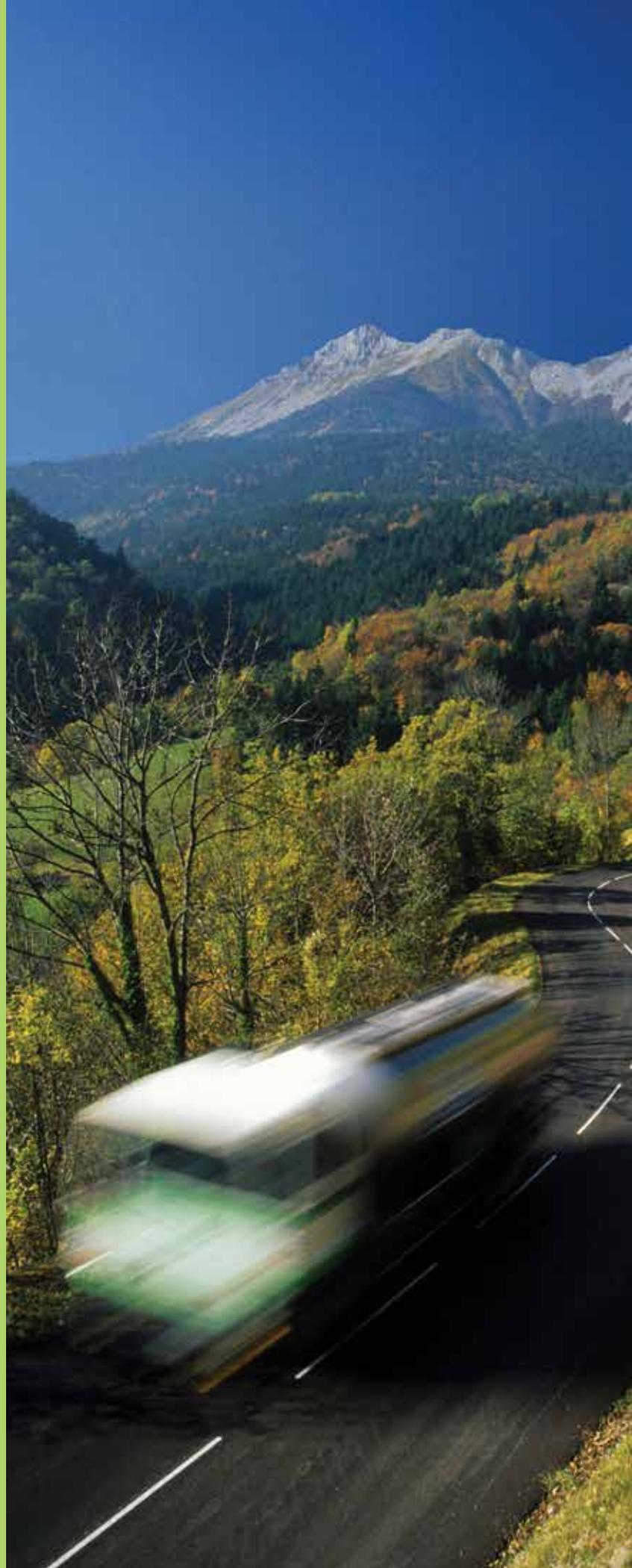


IDAHO MILK PRODUCTS' CONTRACT HAULER AWARDED BY THE EPA

Since 2010, Idaho Milk Products' contract hauler, LTI, Inc. (and its Milky Way division), has been part of the EPA SmartWay Transportation Partner program. The program helps businesses improve the sustainability of their freight supply chains. About 3,000 companies, representing a cross-section of the freight supply chain, participate in SmartWay.

LTI is among a very short list of companies to receive the program's SmartWay Excellence Award, which honors participants that move goods with the lowest levels of CO₂ and other emissions. The award signifies that LTI ranked in the top 1% of partners with superior environmental performance. LTI earned a top score in the Tanker Fleet Category based on its exceptional fuel economy, payload, idle time, and modern emissions equipment.

LTI specializes in the transport of liquid and dry bulk commodities, and its Milky Way division is a leading bulk milk hauler in the Pacific Northwest. The company seeks to minimize its impact on the environment by using highly efficient engines, lightweight equipment with enhanced aerodynamics, automatic tire inflation systems, and onboard computers to manage highway speed, progressive shifting, best routing options, and idle times. As Idaho Milk Products continues to grow and transition to an in-house milk hauling function, we aim to maintain and build on the exceptional standards of environmental responsibility set by LTI.





CHAPTER 4

EMPLOYEE SAFETY & ENGAGEMENT

Idaho Milk Products and its owner-dairies are committed to providing a safe and fulfilling employee workplace.





We employ several programs to ensure the safest possible work conditions.

Our culture fosters engaged employees who play an active role in shaping their own futures as well as the future of the company.



Idaho Milk Products is committed to the safety and welfare of all employees. As part of this commitment, we maintain a rigorous safety program, led by a Safety Coordinator, that actively involves all employees in identifying, preventing, and correcting workplace safety issues through education and awareness, with the ultimate goal of sending our employees home to their families safely each day. As part of our efforts, we continue to be 100% compliant with OSHA employee training requirements.

The Idaho Dairymen's Association (IDA) is leading the way in establishing a program focused on Dairy Worker Welfare with people safety as a top priority. Idaho Milk Products and its dairy owners are committed to partnering with IDA to achieve a step change in safety standards on dairies everywhere.

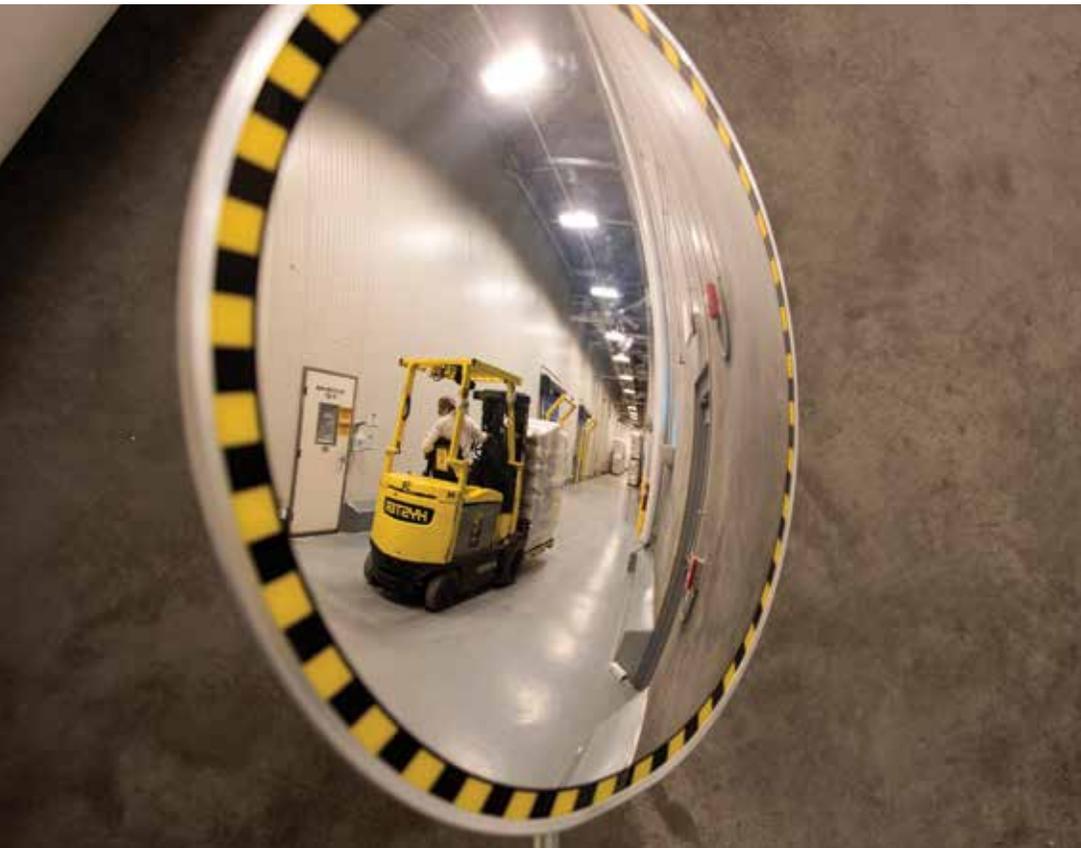
SAFETY

We are a member of the Southern Idaho Manufacturing Safety and Health Association (SIMSHA), in which safety managers and coordinators from various manufacturers meet monthly to share best practices and discuss ways to improve safety and reduce injuries at their workplaces.

Members of the group are available to share their knowledge and safety experience with any small business or farming operation that would like to make safety improvements. Our active involvement provides a safer work environment

for our employees and also helps employees at other companies through this shared knowledge.

At Idaho Milk Products, we strictly enforce the use of personal protective equipment and other safety measures. We also engage our employees with incentives for every quarter without a lost-time accident. The longer we go without an accident, the higher the quarterly reward, and employees take that seriously. As of this writing, we have gone over 800 days without a lost-time accident.



ENGAGEMENT

Employee Development and Training

We are committed to increasing employees' knowledge and skill sets through in-house and off-site training for employees in all departments. This includes continuing education credits for certifications and licenses, continuing education on production equipment, increasing employee knowledge base in specified areas, and generally developing our staff.

Idaho Milk Products has also worked with TechHelp to provide training for managers, supervisors, and other employees. TechHelp is Idaho's Manufacturing Extension Center—a collaboration between the state, the University of Idaho, Boise State University, and Idaho State University.

TechHelp's custom-designed yearlong program for Idaho Milk Products was led by professional trainers and manufacturing specialists. Overall, 50 Idaho Milk Products employees benefited from this training, 15 of whom have received promotions within the company.

Idaho Milk Products supports employees who are currently pursuing, or who wish to begin pursuing, college degrees that enhance their knowledge and skills and consequently provide growth and opportunity in their professional careers within the company.

2012	FIVE PARTICIPANTS: 1-AA LEVEL 1-BS LEVEL 1-MS LEVEL 2-CONTINUING EDUCATION
2013	SIX PARTICIPANTS: 2-AA LEVEL 1-BS LEVEL 1-MS LEVEL 2-CONTINUING EDUCATION TWO GRADUATES: 1-BS + 1-MS
2014	EIGHT PARTICIPANTS: 3-AA LEVEL 1-BS LEVEL 4-CONTINUING EDUCATION
2015	SEVEN PARTICIPANTS: 2-AA LEVEL 1-BS LEVEL 4-CONTINUING EDUCATION
2016	NINE PARTICIPANTS: 2-AA LEVEL 1-BS LEVEL 1-MS LEVEL 5-CONTINUING EDUCATION FOUR GRADUATES: 1-AA + 2-BS + 1-MS

Keeping Sight of a Goal | Tuition Reimbursement

Sam Macias, Laboratory Supervisor

In 2012, we established a reimbursement program to cover up to 50% of expenses incurred while pursuing post-secondary education, including the costs of tuition and books.

Daragh Maccabee, Idaho Milk Products CEO, explained: “Though we have a state-of-the-art manufacturing plant, nothing moves forward in our business without great people. The Idaho Milk Products’ tuition reimbursement program gives our employees a chance to personally grow and move forward in their careers while also helping staff the plant and offices with capable, educated people. This is a true win-win situation.”

Sam Macias graduated from the College of Southern Idaho with an associate’s degree in mathematics and data analysis. After joining Idaho Milk Products, he became aware of the tuition reimbursement program as one of the company’s great benefits.

“The tuition reimbursement program has provided me with a wonderful opportunity to expand my knowledge relevant to my position in the company. My goal is to continue forward, earning a bachelor’s degree so I will be better prepared to take on more responsibility in the company,” he said.

With the aid of the tuition reimbursement program, he has taken a number of classes in various disciplines to help him excel in his role and progress in his career at Idaho Milk Products.



ENGAGEMENT

Chasing Their Dreams | Scholarship Program

Mary E. Larios Memorial Scholarship Recipients



Brittney Williams is the daughter of Sheila Williams, Idaho Milk Products' Accounts Payable Specialist. After graduating from Gooding High School in May 2016, Brittney continued her education by pursuing a bachelor's of nursing at Lewis-Clark State College. She is currently transferring to the College of Southern Idaho. The financial assistance has greatly aided her in striving toward her goal of higher education and becoming a nurse.

Two other children of employees recently received the Mary E. Larios Memorial Scholarship and will start their higher education in the fall of 2017. Anndrea Horton, daughter of Tracy

Horton, Logistics Specialist, graduated from Jerome High School and will attend the College of Southern Idaho to pursue a degree in nursing.

After graduating from Canyon Ridge High School in Twin Falls, Pranay Marella, son of Dr. Chenchaiyah Marella, PhD, Director of Research and Product Development, will pursue a degree in software engineering at Mississippi State University.

The financial support to these three scholarship recipients will help to defray the high cost of higher education.

In 2012, Idaho Milk Products established the Mary E. Larios Memorial Scholarship for children of full-time employees. Mary was the daughter of an Idaho Milk Products employee. The company began offering the scholarship both to honor her and to support employees' children wishing to pursue a university or college education. In the program's six years, 21 children of employees have received funds from the program.

Grooming Tomorrow's Workforce | Internship Program

Idaho Milk Products regularly hires interns in various departments. We see interns as both a way to support our current staff in tackling today's workload and also as an opportunity to help prepare young adults for their careers. Interns bring a fresh work ethic and perspective into our company. This gives our staff exposure to these new perspectives and also gives them the opportunity to mentor and train the interns.

While at Idaho Milk Products, interns receive valuable experience in their given field while working in a company large enough to provide an established infrastructure and proven processes, yet small enough to allow them to be able to make real contributions to the work we do. During the summer of 2017, Idaho Milk Products hired four interns.



Sammy Mamer is a fourth-year student at the University of Idaho in food science with a minor in microbiology. She would like a career in Quality Assurance or Sensory Evaluation. She is currently working as the Quality Assurance Intern.



In the R&D department, Lisa Wilson is the Product Development Intern. She is from Tucson, Arizona, and moved to the area for her undergraduate degree in food science at BYU-Idaho. Lisa graduated in December 2016 and is now pursuing a career in the food industry. This internship is helping her to strengthen her food industry experience.



Katie Onaindia and Emily Walker are Marketing Interns. Katie grew up in Kimberly, Idaho. She is a health science major with a minor in business at Boise State. This internship is helping her pursue her career goals in healthcare administration by giving her both experience in business operations and the opportunity to develop her professional skills.



Emily is a second-year MBA student at Boise State University, after attaining a bachelor's degree in business administration with minors in nonprofit management and entrepreneurial management. Her career goal is to work in corporate social responsibility (CSR). During her internship, she is part of our CSR team, which is giving her valuable experience in this important up-and-coming field.

ENGAGEMENT

Employee Wellness Program

Every year, our employees participate in our Wellness Program. The focus of the program is to help employees and their families live healthy and active lives. In fact, as a company, Idaho Milk Products provides many opportunities to foster improved lifestyle choices, reduce health risk factors, improve overall well-being, and encourage a productive, fit workforce.

Employees have opportunities to learn about making healthy choices through our education

seminars. Then they can implement that knowledge through weight-loss and fat-reduction challenges, tobacco cessation programs, and yearly wellness screenings, all of which include incentives for participation. They can also learn about sound personal economic principles by meeting with advisers in financial wellness seminars.



Idaho Milk Products' 2017 RIM2RIM 12k team.

Idaho Milk Products' Own "Biggest Loser"

Celia Tinoco, Lab Lead

Each year, between October and November, we issue a challenge through the company's Wellness Program that offers cash prizes for top performers in several categories. Our "Biggest Loser" challenge gives employees the chance to take classes, meet with a professional trainer, and receive recipes to help develop a healthier lifestyle. The focus is on learning to eat better



and exercise regularly. This is what drew Celia Tinoco, a Lab Lead, to the challenge.

"My eating habits were terrible—I ate a lot of doughnuts in the morning and bought fast food for lunch. It was definitely time to start eating healthier—so I decided to participate," she said.

During the challenge, Celia ate less and was more active. She focused more on increasing her percentage of lean muscle and becoming healthier overall, rather than on losing weight. Celia has since taken what she learned during the challenge to improve her fitness moving forward.

"The challenge helped me see how changing little things in my eating and exercise habits proved beneficial in becoming more fit, and I also felt better. I have definitely welcomed the lifestyle change."

While Celia was the most successful in the challenge, as an entire group, employees lost a total of 169 pounds and 37 inches.



CHAPTER 5

ECONOMIC & COMMUNITY IMPACT

The family dairy owners of Idaho Milk Products have made South Central Idaho their home for generations.



Our owner dairies, along with the entire company, are committed to contributing to the economic well-being of the region.

We are also committed to supporting the communities in which we all live, work, and play. As a family-owned and operated business, we value community and a sense of place, and we are committed to ensuring future generations enjoy the same high quality of life we all have come to appreciate.



BOLSTERING THE REGION'S ECONOMY

In constructing our processing plant within a 45-minute drive from our supplier dairies, we are able to deliver on our promise of the freshest, highest-quality milk products available. This accessibility also helps in supporting the local economy as the dairies, benefiting from a more stable market for their milk, have been able to spend more with local businesses.

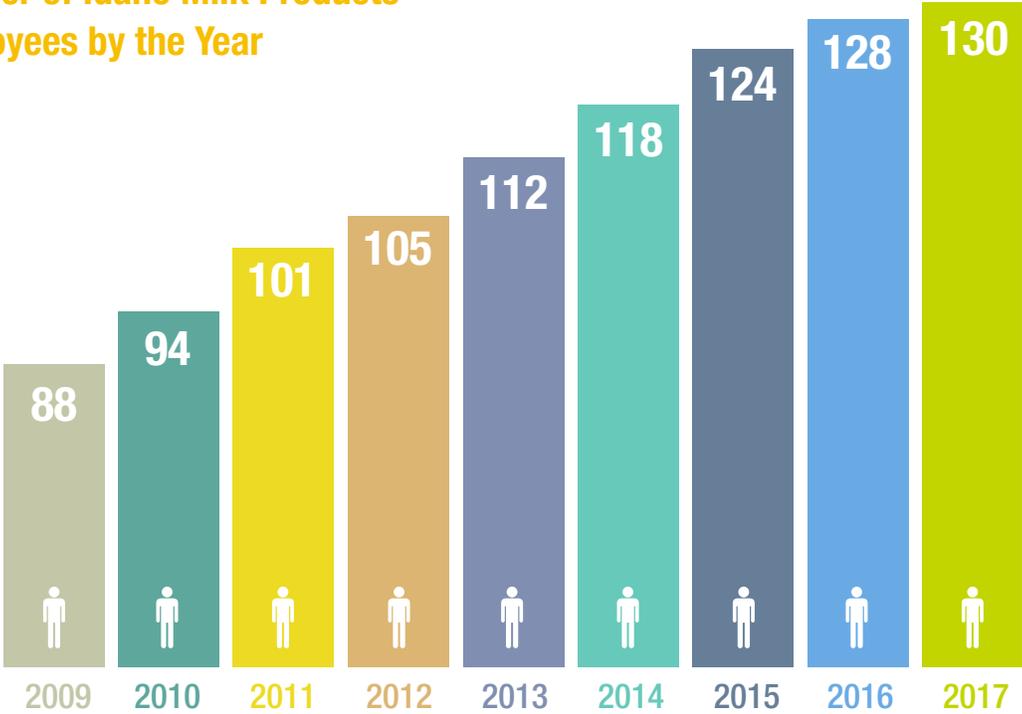
To strengthen local economic vitality, we are also committed to using local/regional suppliers and vendors whenever possible. Our operations fuel other local industries, including transportation and professional/business services.

The largest dedicated milk protein facility in the world requires a large and skilled staff, and our priority is to find that talent right here at home. Idaho Milk Products has grown every year since we opened our doors, and currently we employ over 130 people. Our operations have also created more than 300 dependent jobs delivering more than \$13 million in additional annual salary and wages to the region's economy.

In Idaho's Magic Valley, Idaho Milk Products ranks as the fourth largest employer out of 11 dairy product manufacturers and is in the top 60 companies across all industries.



Number of Idaho Milk Products Employees by the Year



Idaho Milk Products Economic Impact by the Numbers



SUPPORTING OUR COMMUNITIES

We value education and place an emphasis on supporting the children of our communities and the local schools they attend. Many generations of our owners' and employees' families have earned their primary and secondary educations at schools in South Central Idaho, so we often seek opportunities to contribute to the educational successes of our children.

In addition to supporting education, Idaho Milk Products has conducted employee-driven initiatives including adopting families during the holidays and raising money for local, national, and international disaster relief efforts. We formed a CSR team with employees representing departments from throughout the company. This team is tasked with the origination, planning, and implementation of sustainability initiatives.

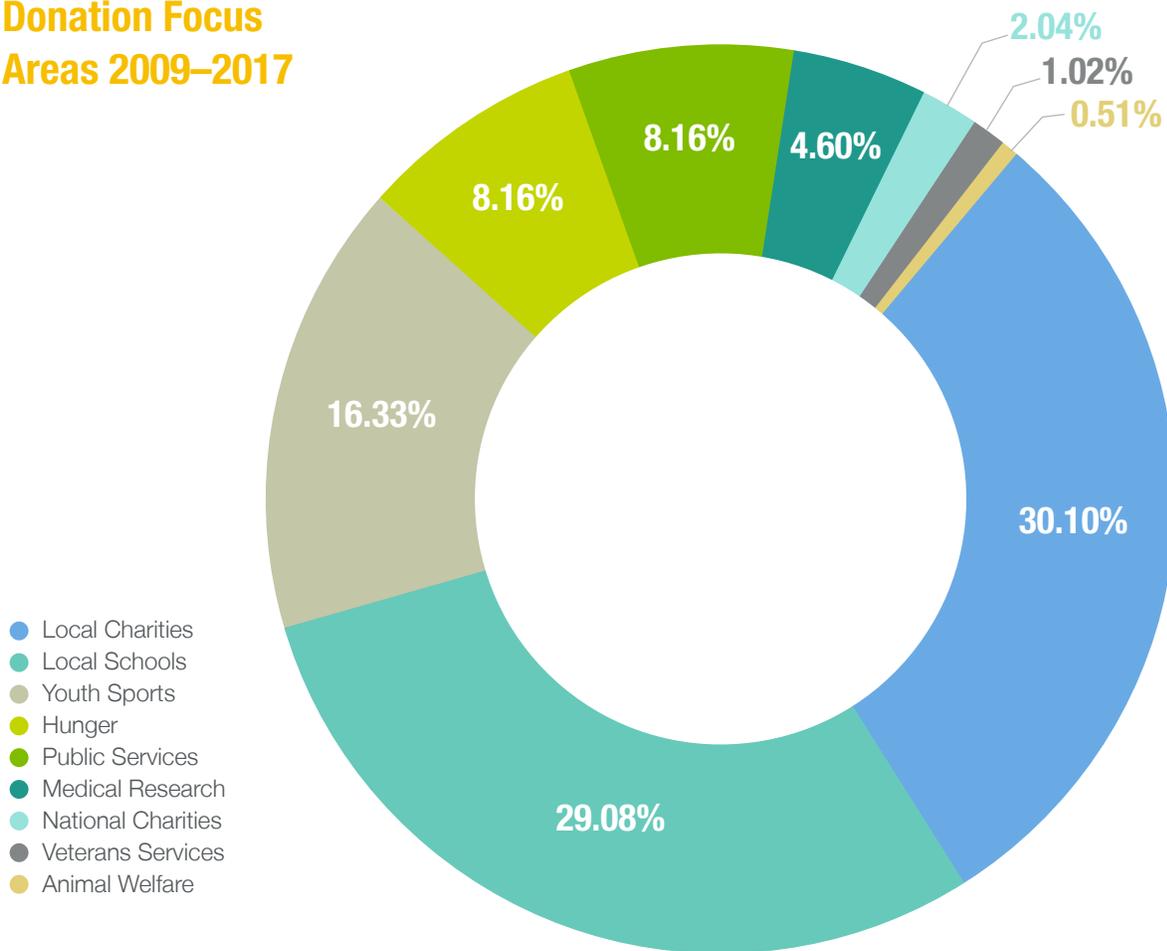
In the summer of 2017, we implemented two projects to better serve our communities. As a way to help beautify our area, Idaho Milk Products adopted a two-mile section of Highway 25 in Jerome. All employees, along with family members and friends 18 years of age and over, were encouraged to get out and volunteer, showing our pride in taking care of our roadways.

The other project was a school supply outreach in which we partnered with local organizations to maximize our impact. Our employees donated supplies themselves and also collected school supplies from others. Then they were encouraged to bring their family members to volunteer their time to assist with the preparation and distribution of the supplies. They gave school supplies to 700 local students in grades K–12. This program provided these families with necessary school supplies they might struggle to purchase on their own.



Beyond contributing to the viability of our economy, we are also committed to supporting the communities in which we all live, work, and play, and our charitable activities include both those carried out on a corporate level and those driven by employees.

Donation Focus Areas 2009–2017



It's Still Just the Beginning...

As we conclude this report, it's important to note that our sustainability story has only just begun. As was alluded to in our welcome letter, our journey of quality and sustainability really has no end. We are pleased with how we have been able to continue to deliver against our objectives to set higher standards for ensuring the safety of our people, maintaining the quality of our products and our service, operating responsibly and sustainably, supporting our employees, contributing to a healthy regional economy, and giving back to our communities. And of course, we will never rest, knowing there are always improvements that can be made.

We look forward to continual progress as we seek out those opportunities to be better and reach higher in all facets of our business, from our farms to our facility. You have our assurances, and we aim to succeed.



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