



FOCUS ON RESPONSIBILITY

2013 CORPORATE RESPONSIBILITY REPORT



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ABOUT THIS REPORT

THIS IS LEPRINO FOODS COMPANY'S FIRST CORPORATE RESPONSIBILITY (CR) REPORT. THE REPORT IS INTENDED TO PROVIDE OUR STAKEHOLDERS WITH A BALANCED AND ACCURATE REPRESENTATION OF OUR CR APPROACH, COMMITMENTS AND PERFORMANCE.

THE REPORT COVERS OUR U.S. OPERATIONS ONLY: OUR DENVER, COLORADO, HEADQUARTERS AND OUR NINE U.S. PLANTS. OUR INTERNATIONAL OPERATIONS INCLUDE A JOINT VENTURE IN THE UNITED KINGDOM, A SALES AND CULINARY INNOVATIONS HUB IN SINGAPORE AND A REPRESENTATIVE OFFICE IN SHANGHAI, CHINA. UNLESS OTHERWISE NOTED, THE REPORT COVERS OUR 2013 FISCAL YEAR, WHICH RUNS FROM NOV. 1, 2012, TO OCT. 31, 2013. WE PLAN TO PUBLISH SUBSEQUENT REPORTS ON A BIENNIAL BASIS.

IN PREPARING THIS REPORT, WE WERE DILIGENT IN ENSURING THE ACCURACY OF THE INFORMATION PRESENTED, BUT WE DID NOT SEEK EXTERNAL ASSURANCE. PERFORMANCE DATA COVERS OUR HEADQUARTERS AND OUR U.S. PLANTS AT THE CLOSE OF THE REPORTING PERIOD, EXCEPT AS NOTED FOR THE ENVIRONMENTAL PERFORMANCE RESULTS THAT EXCLUDE OUR HEADQUARTERS.

TO GUIDE REPORT DEVELOPMENT, WE REFERENCED THE *STEWARDSHIP AND SUSTAINABILITY GUIDE FOR U.S. DAIRY* AND THE *SUSTAINABILITY REPORTING GUIDELINES* DEVELOPED BY THE GLOBAL REPORTING INITIATIVE (GRI). THE REPORTING INFORMATION SECTION ON PAGE 40 PROVIDES ADDITIONAL INFORMATION ON OUR USE OF THESE STANDARDS. THIS REPORT IS NOT INTENDED AS AN ADVERTISEMENT NOR AS PROMOTIONAL MATERIAL.

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WELCOME TO LEPRINO FOODS COMPANY'S 2013 FOCUS ON RESPONSIBILITY OUR FIRST CORPORATE RESPONSIBILITY REPORT

Every day we strive to be a trusted provider of high-quality cheese and nutrition products as we pursue our vision to be the World's Best Dairy Food and Ingredient Company. To achieve this, we need to get things right as well as do right: by our employees, customers and consumers, local and global communities, and the environment.

Fortunately, doing right is in our DNA. As we move into the third generation of Leprino family ownership, our culture of doing the right thing remains as strong as ever. At the same time, customers and consumers increasingly want assurance that the food they buy has been produced in a safe and environmentally and socially responsible way. As such, we recognize the importance of sharing our approach, commitments and performance related to corporate responsibility.

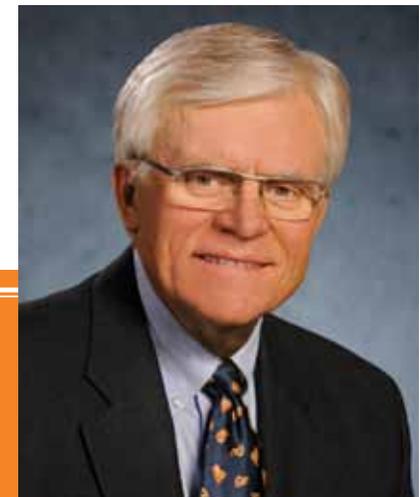
The confidence our customers have in Leprino Foods stems directly from the dedication, attention and exceptional service of our employees. Wherever our people work and in whatever capacity, we all follow a shared set of values that reflect our responsibilities in all we do.

An important part of being accountable is embracing our role in the big picture. The challenges that the world faces have broad implications across the food and agricultural sectors. And they require collaboration and industrywide solutions. Leprino Foods has always been a team player, leading and participating in dairy industry initiatives in areas such as food safety and sustainability. Through this combination of individual and collective action, we will continue to build on our strong heritage of doing what's right in the right way.

I hope you enjoy learning more about us and thank you for taking an interest in Leprino Foods.



Larry Jensen
President
Leprino Foods Company



“ THE CONFIDENCE OUR CUSTOMERS HAVE IN LEPRINO FOODS STEMS DIRECTLY FROM THE DEDICATION, ATTENTION AND EXCEPTIONAL SERVICE OF OUR EMPLOYEES. ”

ABOUT LEPRINO FOODS COMPANY

FOUNDED BY MIKE LEPRINO SR. MORE THAN 60 YEARS AGO, LEPRINO FOODS COMPANY IS A FAMILY-OWNED BUSINESS THAT PROVIDES HIGH-QUALITY CHEESE AND NUTRITION PRODUCTS TO MANY OF THE LARGEST FOOD AND RESTAURANT COMPANIES IN THE WORLD.

VISION

To be the World's Best dairy food and ingredient company.

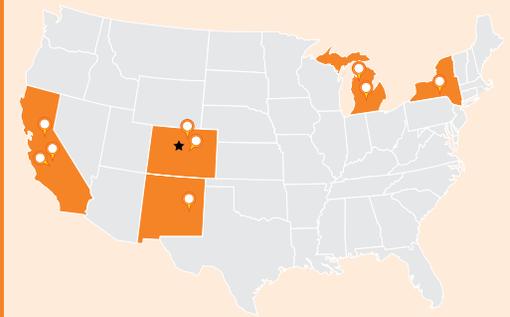
MISSION

We make every customer feel like our only customer, through Quality, Service, Competitive Price and Ethics.

WE EMPLOY MORE THAN 4,000 EMPLOYEES AT OUR U.S. LOCATIONS.

★ Our Denver, Colorado, headquarters is located on the same corner where the family's original grocery store once stood.

📍 Leprino Foods' production plants are some of the largest and most technologically advanced facilities in the world.



1950 | 1979 | 1986 | 1992 | 2000 | 2008 | 2009



MIKE LEPRINO BEGINS THE JOURNEY IN A SMALL ITALIAN GROCERY STORE.



NAME CHANGES TO LEPRINO FOODS COMPANY.

LEPRINO FOODS BEGINS EXPORTING LACTOSE TO JAPAN.

LEPRINO FOODS BECOMES AMERICA'S #1 PIZZA CHEESE SUPPLIER.

LEPRINO FOODS ENTERS INTO EUROPEAN JOINT VENTURE.

INNOVATION CENTER FOR U.S. DAIRY FORMS, AND LEPRINO FOODS JOINS ITS SUSTAINABILITY COUNCIL.

LEPRINO FOODS MAKES INITIAL COMMITMENT TO SUPPORT GENYOUTH'S FUEL UP TO PLAY 60 PROGRAM - FINANCIAL COMMITMENT NOW TOTALS \$1 MILLION.



THE FIRST CHEESE IS SOLD UNDER THE GINA MARIE BRAND.

QLC (QUALITY LOCKED CHEESE), THE WORLD'S FIRST INDIVIDUALLY QUICK FROZEN PROCESS, WHICH INCREASES THE SHELF LIFE AND PERFORMANCE OF CHEESE, IS LAUNCHED.

CHEESE PRODUCTS

Our cheese is found in many well-known pizzerias, restaurants, private-label packages and frozen foods. Varieties include:

- › MOZZARELLA
- › STRING CHEESE
- › PROVOLONE
- › CHEESE BLENDS
- › REDUCED FAT CHEESES

- › We produce over two billion pounds of cheese and dairy ingredients annually.
- › We hold more than 50 patents for mozzarella cheesemaking technologies.



2010

2012

2013

LEPRINO FOODS IS A LEADER IN THE INNOVATION CENTER FOR U.S. DAIRY'S FOOD SAFETY INITIATIVE.

LEPRINO FOODS OPENS SALES HUB IN SINGAPORE.

LEPRINO FOODS EXPANDS ITS INTERNATIONAL MARKET TO 40 COUNTRIES.

LEPRINO FOODS PLEDGES \$5 MILLION TO CAL POLY'S DAIRY SCIENCE DEPARTMENT.

ROSWELL PLANT RECEIVES XCEL ENERGY'S ENVIRONMENTAL LEADERSHIP AWARD.



LEPRINO FOODS SETS CORPORATE RESPONSIBILITY GOALS.

LEMOORE WEST PLANT RECEIVES ENERGY-EFFICIENCY EXCELLENCE AWARD FROM SOUTHERN CALIFORNIA GAS COMPANY.

GREELEY PLANT RECEIVES SILVER PARTNER STATUS IN THE COLORADO ENVIRONMENTAL LEADERSHIP PROGRAM.

LEPRINO FOODS RECEIVES GREEN SHIPPER AWARD FROM COLORADO MOTOR CARRIERS ASSOCIATION AND THE REGIONAL AIR QUALITY COUNCIL.

NUTRITION PRODUCTS

Our dairy nutrition products are used in infant formula, protein beverages, nutritional bars, yogurt, reduced-fat ice cream and other food products.

- › LACTOSE
- › HEAT STABLE PROTEINS
- › GELLING PROTEINS
- › WHEY PROTEIN ISOLATE
- › WHEY PROTEIN CONCENTRATES
- › WHEY PROTEIN HYDROLYSATES
- › SWEET WHEY

CORPORATE RESPONSIBILITY STRATEGY

CR VISION: GROWING STAKEHOLDER VALUE THROUGH CORPORATE RESPONSIBILITY CONSISTENT WITH OUR CORE VALUES



OUR APPROACH TO CORPORATE RESPONSIBILITY

Our Core Values of Quality, Service, Competitive Price and Ethics guide our actions, inform our decisions and shape our culture. While each employee at Leprino Foods is unique, we all work with this shared set of values—this common compass—which we apply in our day-to-day activities.

Building on these Core Values, we view corporate responsibility as a way to guide our uncompromising ethical commitment to our stakeholders and society at large. Our stakeholders include our employees, our shareholders, communities and customers, the consumers of our products, and others we interact with and impact as a business.

Beginning with ethics

Our Core Value of Ethics is at the heart of how we do business: We strive to do the right thing all the time. Leprino Foods sets high expectations for the ethical conduct of all employees. Employees sign a Code of Business Conduct when they are hired and reaffirm the code each year. In addition, managers

are evaluated for leadership competencies, which include an ethics component. Ethical behavior is central to everything we do and every decision we make as a company; it instills a strong sense of responsibility.

CORPORATE RESPONSIBILITY FRAMEWORK

We structure our CR strategy and approach within four broad categories, which involve our key stakeholders and address the economic, environmental and social aspects of our operations. Within each category, we identify areas of focus to prioritize our efforts.

Determining our areas of focus

To determine our areas of focus, we assessed our operations to identify the areas that have the most significant impacts and those that are most important to our business and key stakeholders. Our approach included guidance from recognized sustainability and corporate responsibility frameworks, which incorporate scientific research, industry expertise and input from multiple stakeholders.



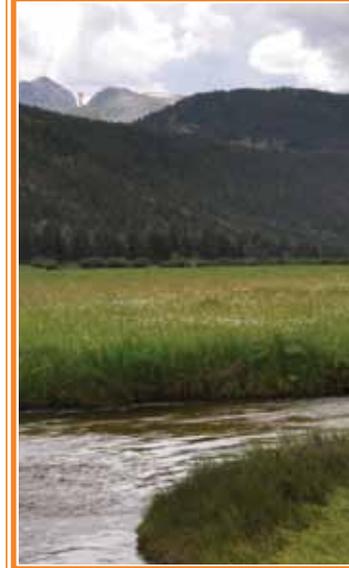
PRODUCT RESPONSIBILITY

Our commitment to delivering high-quality, nutritious and responsibly produced products to our customers and consumers.

We never stop working to earn and keep the confidence of our employees, our customers and the global community.

AREAS OF FOCUS:

- QUALITY AND FOOD SAFETY
- NUTRITION
- OUR DAIRY SUPPLY



ENVIRONMENTAL RESPONSIBILITY

Our commitment to compliance and the responsible use of natural resources.

Through our commitment to compliance, resource efficiency and innovation, we are dedicated to maximizing the value of our products by minimizing our impacts on the environment.

AREAS OF FOCUS:

- ENVIRONMENTAL COMPLIANCE
- ENERGY
- GREENHOUSE GAS EMISSIONS
- WATER

CORPORATE RESPONSIBILITY CATEGORIES AND AREAS OF FOCUS



WORKPLACE

Our commitment to ensuring employee health and safety and promoting an energized, empowered and engaged workforce.

Providing a safe and engaging environment in which our employees can thrive and build rewarding careers is at the core of our operations.

AREAS OF FOCUS:

- HEALTH AND SAFETY
- EMPLOYEE ENGAGEMENT



COMMUNITY

Our commitment to expanding relationships and benefiting our communities.

We strive to promote the health and vitality of our local communities and to make a difference close to home and across the industry.

AREAS OF FOCUS:

- ECONOMIC IMPACT
- DEVELOPMENT OF THE DAIRY PROFESSION
- COMMUNITY INVOLVEMENT AND SUPPORT

Management and oversight

Corporate responsibility has long been integrated into how we operate. In 2012, we adopted a new, more formal approach to better organize and direct our CR efforts. Initiated by the commitment of the Leprino family to support and help lead our organization, the approach included the identification of a CR manager, an executive sponsor, a steering committee and team leaders.

The Leprino Foods senior leadership team is ultimately accountable for the company's corporate responsibility. A cross-functional group of senior management representatives serves on the CR Steering Committee, which develops and directs initiatives and sets performance goals. CR teams in each area of focus guide and support organizational initiatives and engage employees. Integrating CR and operational efforts across the organization will contribute to reducing costs, minimizing environmental impacts and strengthening relationships with our employees, customers and communities.

Moving forward

We recognize that we are at the beginning of this formal CR initiative and have opportunities to enhance our approach and strategy. We are committed to the journey.

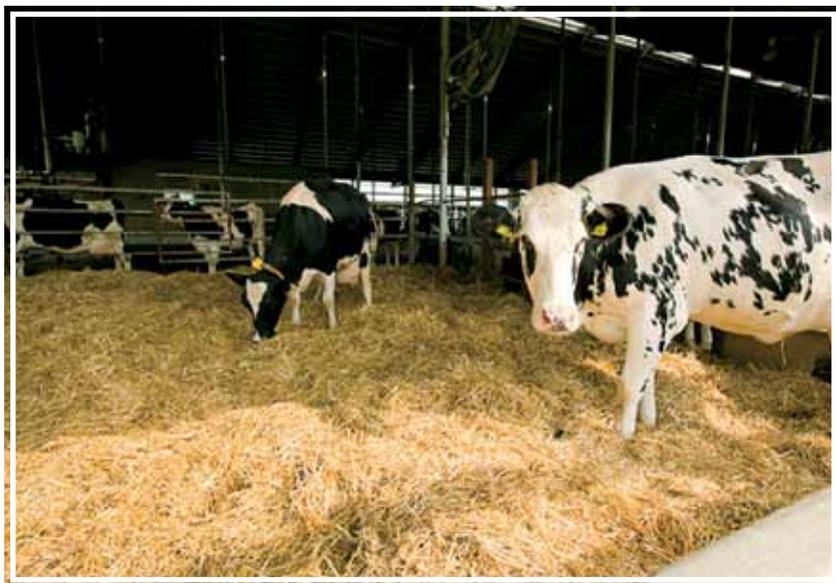
The CR Steering Committee and teams will continue to support our CR efforts in the areas that matter most, with an emphasis on engaging employees at all locations. We will share our progress in future reports.



SUPPORT FOR THE U.S. DAIRY INDUSTRY'S SUSTAINABILITY COMMITMENT

Leprino Foods plays an active leadership role in industrywide food safety and sustainability efforts. Our President is Chairman of the Board of Directors of the Innovation Center for U.S. Dairy. The Innovation Center provides a forum for the dairy industry to work together pre-competitively to overcome barriers and identify opportunities for long-term, sustainable growth.

To strengthen the sustainability of the dairy industry, the Innovation Center established the Sustainability Council, which is comprised of a diverse group of volunteers ranging from leaders in the dairy industry to representatives from academia, government agencies and nongovernmental organizations. In addition to our active involvement with the council, we participate in sustainability projects and initiatives.



Working together for shared progress

At the inaugural Sustainability Summit in 2008, we joined more than 250 representatives from the dairy value chain to develop a shared vision, goals and projects to guide the U.S. Dairy Sustainability Commitment. This commitment connects the dairy industry's collective efforts to develop solutions that contribute to a resilient and sustainable 21st century food system.

We serve on a working group involved in the development of the *Stewardship and Sustainability Guide for U.S. Dairy*. The Guide is a voluntary framework for tracking and communicating progress. Led by the Innovation Center, the development process follows a collaborative, science-based approach that includes input from experts and stakeholders from within and outside of the dairy industry. The Guide incorporates the findings of life cycle assessments (LCAs) to prioritize areas based on their impacts and opportunities for improvement (discussed further in the Environmental Responsibility section). We used version 1.3 of the Guide to develop this report as described in the Reporting Information section at the end of the report.

Our participation in other Innovation Center initiatives, including our role on its Food Safety Operating Committee, is highlighted throughout the report.

DAIRY INDUSTRY LEADERSHIP

Leprino Foods believes in contributing to the dairy industry through participation and leadership in national and international organizations such as the Innovation Center for U.S. Dairy, the Dairy Institute of California, the Dairy Practices Council, the International Dairy Foods Association (including participation on its Environmental and Worker Safety Committee), the Global Cheese Technology Forum, the U.S. Dairy Export Council and American Dairy Products Institute.

PRODUCT RESPONSIBILITY

OUR COMMITMENT TO DELIVERING HIGH-QUALITY, NUTRITIOUS AND RESPONSIBLY PRODUCED PRODUCTS TO OUR CUSTOMERS AND CONSUMERS



Product responsibility extends all along our value chain from our dairy supply to the production of our cheese and nutrition products in our world-class plants and to our customers and consumers. Our commitment to product responsibility is focused on the following areas: (i) quality and food safety, (ii) nutrition and (iii) our dairy supply.

LEPRINO QUALITY MISSION

LEPRINO QUALITY ENERGIZES, EMPOWERS AND ENGAGES EMPLOYEES TO CONTINUOUSLY IMPROVE OUR BUSINESS TO BE THE WORLD'S BEST WHILE CREATING OWNERSHIP THAT CULTIVATES RESPONSIBILITY AND ACCOUNTABILITY. WE ACHIEVE OUR ORGANIZATIONAL GOALS THROUGH LEADERSHIP, COMMUNICATION, CONTINUOUS IMPROVEMENT, INNOVATION, REWARDS AND RECOGNITION.

Everything we do connects to delivering the Leprino Foods products trusted by our customers and consumers to exceed expectations in the areas of taste, performance and safety. As an exclusive supplier or supplier of a core ingredient for many of our customers, we recognize that our customers count on us. And we never stop working to earn their confidence and trust.

We also understand the important role our products play in addressing the nutrition and health needs and preferences of a growing global population. In particular, economic growth is increasing the middle classes in emerging countries. As incomes rise, consumers look to improve the overall quality of their diets by substituting staples such as rice or wheat with fruits, vegetables and foods high in protein. Concentrating on efficiency and innovation will help us meet increasing demand for nutritious options that are responsibly and sustainably produced.

LEPRINO QUALITY

Our Core Value of Quality motivates our unrelenting drive to achieve the highest standards of excellence. Our products have been recognized worldwide because of their exceptional quality, consistency and dependability. To ensure that we meet our high standards for quality and exceed our customers' expectations, our quality management system focuses on prevention, continuous improvement and best practices.

At the core of our approach to managing quality is a true preventive mindset, which we call Preventing Problems Before They Happen. Supporting the Zero Tolerance mindset that we apply to food safety (discussed below), Preventing Problems Before They Happen promotes ways for employees to stay vigilant and focused on identifying and addressing potential issues.

FOCUS ON FOOD SAFETY

Producing safe food products is an inherent and critical aspect of our quality mission. As such, our food safety program is the cornerstone of our operations. We strive to ensure food safety in our plants, in our supply chain and across the industry.

Leading with a Zero Tolerance approach

At Leprino Foods, we refer to our approach to food safety as Zero Tolerance: It simply is not negotiable, and we do not compromise or take shortcuts when it comes to our responsibility to deliver safe products.

Our Zero Tolerance philosophy pervades all we do, from the ways we work to the design of our plants and our selection of some of the most advanced quality assurance technology in the world.

Working together, our Zero Tolerance philosophy and Preventing Problems Before They Happen mindset cultivate a food safety preventive control approach among our employees, suppliers and customers. Each year, Leprino Quality teams complete many projects that drive continual improvement in food safety.

Ensuring food safety in our plants

Our plants comply with stringent food safety regulations under the U.S. Food and Drug Administration (FDA). We work with FDA, state regulatory officials and industry leaders to establish safety regulations and practices to deliver wholesome products to customers and consumers.

Assessing food safety in our supply chain

Milk is among the most highly tested and safest food products. Across the dairy value chain, a network of stringent regulatory and voluntary food safety controls ensures that safe, high-quality milk and dairy products reach consumers. Milk goes through extensive testing at the farm and when it reaches our plants.

In addition, Leprino Foods maintains a supplier expectations manual that details our requirements for suppliers. Our qualification process assesses each supplier's food safety commitment, culture, quality program and personnel training as well as its regulatory inspections. We conduct an annual review and re-inspection for all suppliers of critical ingredients. We are in the process of evaluating our supply chain against the supply chain risk calculator tool developed by the Innovation Center for U.S. Dairy's Food Safety Operating Committee. This will enable us to gain valuable insight into our supply chain and better identify risks and opportunities for mitigation.



Advancing food safety across the industry

Leprino Foods is a leading advocate and champion of food safety. We invest in food safety research and contribute time and expertise to initiatives focused on advancing food safety across the industry. Because knowledge sharing is vital for ongoing improvement, we welcome opportunities to contribute our insights and learn from others.

Our Vice President of Food Safety and Regulatory Compliance serves on the Scientific Advisory Committee of the National Conference on Interstate Milk Shipments, a nonprofit government-industry cooperative organization whose goal is to “assure the safest possible milk supply for all the people.” In addition, our team members serve on committees and working groups dedicated to improving food safety, regularly speak at conferences and participate on panels related to food safety.

We played a key role in establishing the Innovation Center for U.S. Dairy's Food Safety Operating Committee. The committee's objective is to improve pathogen controls in all dairy processing facilities in order to help prevent food safety incidents and recalls. As part of our ongoing participation on the committee, we have contributed in several key areas such as dairy plant food safety workshops, supplier food safety assessment and management and traceability (see highlight).

OUR COMMITMENT TO TRACEABILITY BEST PRACTICES

We contributed to the development of voluntary processor best practices for enhanced traceability, “Guidance for Dairy Product Enhanced Traceability,” which the Innovation Center released in September 2013. Traceability is the ability to track any food that will be used for consumption through all stages of production, processing and distribution. Leprino Foods and several other leading processors have committed to the practices.

BUILDING A WORLD-CLASS FOOD PRODUCTION FACILITY

If it's worth doing, it's worth doing right. That's the Leprino way, and that was our approach to designing, building and staffing our newest plant in Greeley, Colorado—one of the largest and most technologically advanced cheese plants in the world today.

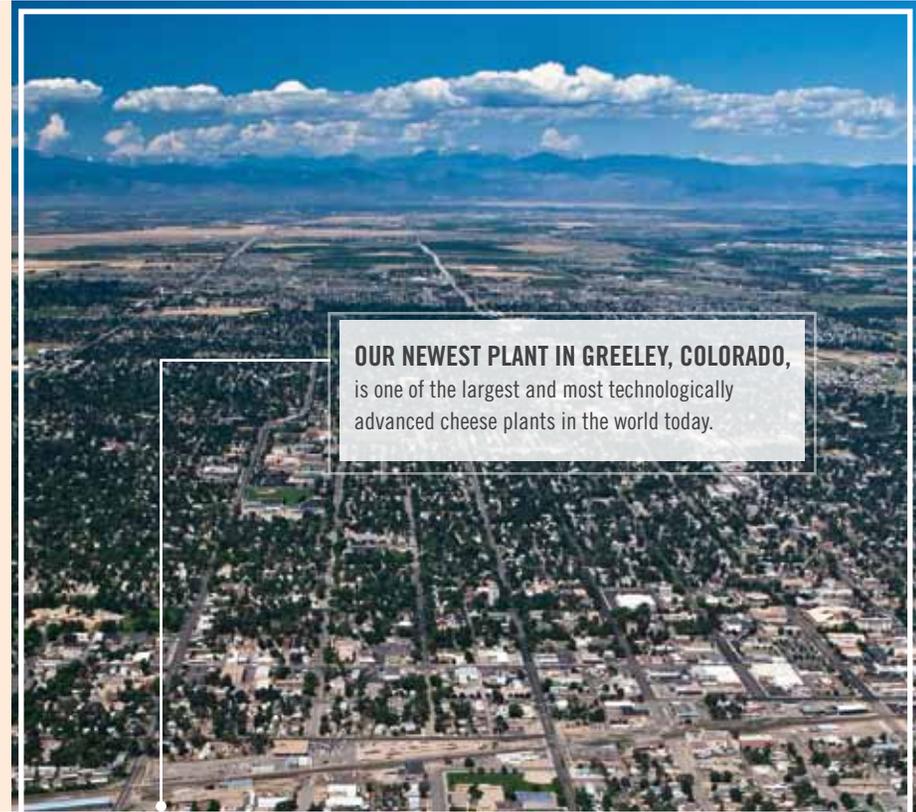
The plant is located in one of the top agricultural regions in the country with a long history of dairy farming, good transit corridors, access to water and a strong pool of qualified plant employees. Working with the city of Greeley, we chose to build the plant on a brownfield redevelopment area that formerly housed an abandoned sugar factory.

Our holistic design approach incorporated the best thinking of every department that would be working in the plant. We considered the ways our products and our people would move through the different environments to ensure the highest quality products and the utmost safety of our employees. Drawing on best practices from other industries, we selected the highest efficiency equipment and made “resource smart” decisions to leverage those efficiencies even further. Every area—from corridors and functional zones down to boot scrubbers and junction boxes—was designed with food safety, worker safety and efficiency in mind.

And we designed with the future in mind: The plant will accommodate future expansion with minimal interruption to existing production.

The Greeley plant exemplifies our uncompromising commitment to quality and food safety and supports our vision to be the World's Best Dairy Food and Ingredient Company.

Learn about the Greeley plant's economic impacts on page 34.



OUR NEWEST PLANT IN GREELEY, COLORADO, is one of the largest and most technologically advanced cheese plants in the world today.



FOCUS ON NUTRITION

Leprino Foods strives to make the highest quality cheese and nutrition products that contribute to balanced, healthy diets. Our cheese and nutrition products deliver dairy's inherent nutrition in a variety of ways to meet a range of dietary needs and taste preferences.

Our focus on nutrition is rooted in the important contribution of our products in supporting the nutritional needs of a global population. This represents a key opportunity for product development and innovation.

Delivering milk's inherent nutrition

With nine essential nutrients, milk is one of the most nutrient-rich foods. As part of the cheesemaking process, the curds are separated from the whey. Both parts are highly nutritious, so we strive to utilize every valuable component in the Grade A milk we receive. This approach is not only efficient, it maximizes nutrition for feeding a growing population.

“ WE STRIVE TO UTILIZE EVERY VALUABLE COMPONENT IN THE GRADE A MILK WE RECEIVE. ”

Leading with research

Our dedicated teams of market and product researchers, innovative culinary chefs and food scientists work to develop products that deliver dairy's goodness and outstanding quality. Both on our own and through collaborations with customers, universities and dairy industry groups, we invest in nutrition research to better understand the impact our products can have on health and wellness. We then work to develop and bring to market new products and innovative uses of our products.



Pursuing collaboration

In response to consumer preferences and market trends, many of our customers are looking to improve the nutrition profile of their product portfolios and menu offerings. To support these needs and meet customer product requests, we produce cheese in a range of varieties and nutrition products such as whey protein that enhance other food products.

Cheese products

Cheese provides excellent nutrition and complete protein for a growing world population. Cheese contributes essential nutrients for good health, including calcium, phosphorous, protein, vitamin A and zinc. In fact, cheese is the No. 2 source of dietary calcium for Americans.¹

We produce a variety of cheeses to meet nutritional needs without sacrificing taste, texture or performance, including reduced-fat and reduced-sodium options, as highlighted in our work with schools.

Working with schools to support child nutrition

We all recognize that good nutrition has to taste good to deliver its benefits; this is especially relevant in school cafeterias. Leprino Foods is a market leader in providing reduced-fat and reduced-sodium cheese for school lunch programs. And in school districts across the country, our culinary innovation chefs have worked hand in hand with other key suppliers to create great tasting, nutritious meals that meet federal and state nutrition standards and kids' taste preferences. For example, through collaboration with these other suppliers, we were able to help transform pizza programs in schools to fulfill nutritional standards and, importantly, satisfy students' appetites.



FUELING STUDENTS FOR HEALTHY LIFESTYLES

We work through industry partnerships to help promote child nutrition, health and fitness in schools. One such initiative is Fuel Up to Play 60, an in-school nutrition and physical activity program launched by National Dairy Council and the National Football League, in cooperation with the United States Department of Agriculture. Fuel Up to Play 60 empowers students to “get active and play” for at least 60 minutes daily and “fuel up” with nutrient-rich foods such as low-fat and fat-free dairy foods, fruits, vegetables and whole grains. Leprino Foods sponsors the program annually and supports specific program projects.

For example, we developed a line of string cheese with new flavors and reduced-fat mozzarella, Monterey Jack and Cheddar varieties for a Fuel Up to Play 60 pilot program in Colorado schools. In addition, our professional chefs collaborated with the schools and students to create fresh, healthy and enjoyable grab-and-go options for students moving quickly through food lines. This project reflects our ongoing collaborative efforts with our customers to develop nutrient-rich products and menu options.

Nutrition products

Our nutrition products deliver wholesome building blocks that enable healthy lifestyles. Our nutrition business focuses on health in four areas: infant, sports, adult and nutritional beverages.

Leprino Foods' unique lactose derivatives fill a wide range of nutritional needs such as the primary carbohydrate source in infant formula. Nowhere is our dedication to excellence, food safety, product quality and nutrition more apparent than in this critical use of our lactose products. Our lactose and other products undergo extensive testing and meet rigorous standards for product safety and quality, earning them the trust of customers and, most importantly, parents around the world.

Our whey products are used in foods and beverages such as sports nutrition, protein beverages and yogurt to increase the amount of protein and boost potential health benefits. Learn more about whey's benefits in the following section.



HIGH-QUALITY, "COMPLETE" PROTEIN SOURCES, SUCH AS CHEESE AND WHEY PROTEIN, SUPPLY ALL THE ESSENTIAL AMINO ACIDS THE BODY NEEDS TO BUILD AND MAINTAIN MUSCLE AND TO FUNCTION PROPERLY.

Power of protein

Our cheese and whey products deliver high-quality, "complete" protein, meaning they supply all the essential amino acids the body needs to build and maintain muscle and to function properly.

Because of its high-quality, easily digested protein and minerals, whey protein is increasingly used in products designed to improve health and wellness. A number of scientific studies to assess the benefits of higher-protein diets have included the use of whey protein. Findings from these studies indicate that consuming a higher-protein diet can help people maintain a healthy weight, curb hunger, build lean muscle (with regular resistance exercise), enhance exercise recovery and maintain muscle as they age.⁴

Whey protein is also one of the best sources of branched-chain amino acids, including leucine, which has been shown to stimulate muscle synthesis.⁵



SELECTED BY SOME OF THE LARGEST MAKERS OF INFANT FORMULA, OUR LACTOSE PRODUCTS HELP NOURISH MORE THAN THREE MILLION INFANTS PER DAY AROUND THE WORLD.³

FOCUS ON OUR DAIRY SUPPLY

We depend on dairy farmers to provide a steady flow of fresh Grade A milk to our plants every day. As such, building strong partnerships with leading milk producers and cooperatives is an essential first step in ensuring the purity and integrity of our products.

We locate our plants as close as possible to our dairy supply, a strategy that fosters strong bonds and mutually beneficial relationships with dairy farmers and cooperatives. This approach also minimizes the environmental impacts of milk transport and supports the local and regional economies in which our dairy suppliers operate. The Focus on Food Safety section on page 9 discusses how we work with suppliers to ensure the quality and safety of our milk supply.

Animal care

Responsible animal care is a priority not only for our dairy suppliers but also for Leprino Foods, our customers and consumers. Through the Innovation Center for U.S. Dairy, we support and participate in efforts to strengthen industrywide approaches to animal care to ensure they are comprehensive and effective.

Both cooperatives that supply our milk participate in the National Dairy FARM Program: Farmers Assuring Responsible Management, which was developed by the National Milk Producers Federation with the support of Dairy Management Inc. in 2009. Representing 70 percent of the U.S. milk supply, the National Dairy FARM program establishes consistent standards for animal care practices, including animal health, housing, nutrition, milking procedures and animal handling.⁶ The program also includes random third-party verifications of the application of program guidelines.

DEMONSTRATING OUR ETHICAL AND RESPONSIBLE PRODUCTION PRACTICES

As a key supplier to some of the food sector's largest brands, we recognize that our customers rely on us not only to deliver high-quality cheese and nutrition products but also to run our operations responsibly, safely and ethically. One such customer asked our Fort Morgan plant to undergo a third-party Sedex audit as part of its responsible sourcing audit program.

Sedex, the Supplier Ethical Data Exchange, is an international not-for-profit membership organization that helps drive improvements in global supply chains. Sedex develops third-party audit standards that evaluate suppliers based on a set of ethical and responsible labor practices, health and safety standards, and environmental and business practices.

The audit of the Fort Morgan plant found full conformity to the Sedex supplier standards and the customer's responsible sourcing audit program requirements. The audit report highlighted six examples of good practices in the areas of management systems and code implementation, safety and hygienic conditions, wages and benefits, environment practices and business practices. The process also provided valuable external validation of our companywide practices and standards, and we plan to expand audits to other plants in the future.



ENVIRONMENTAL RESPONSIBILITY

OUR COMMITMENT TO COMPLIANCE AND THE RESPONSIBLE USE OF NATURAL RESOURCES



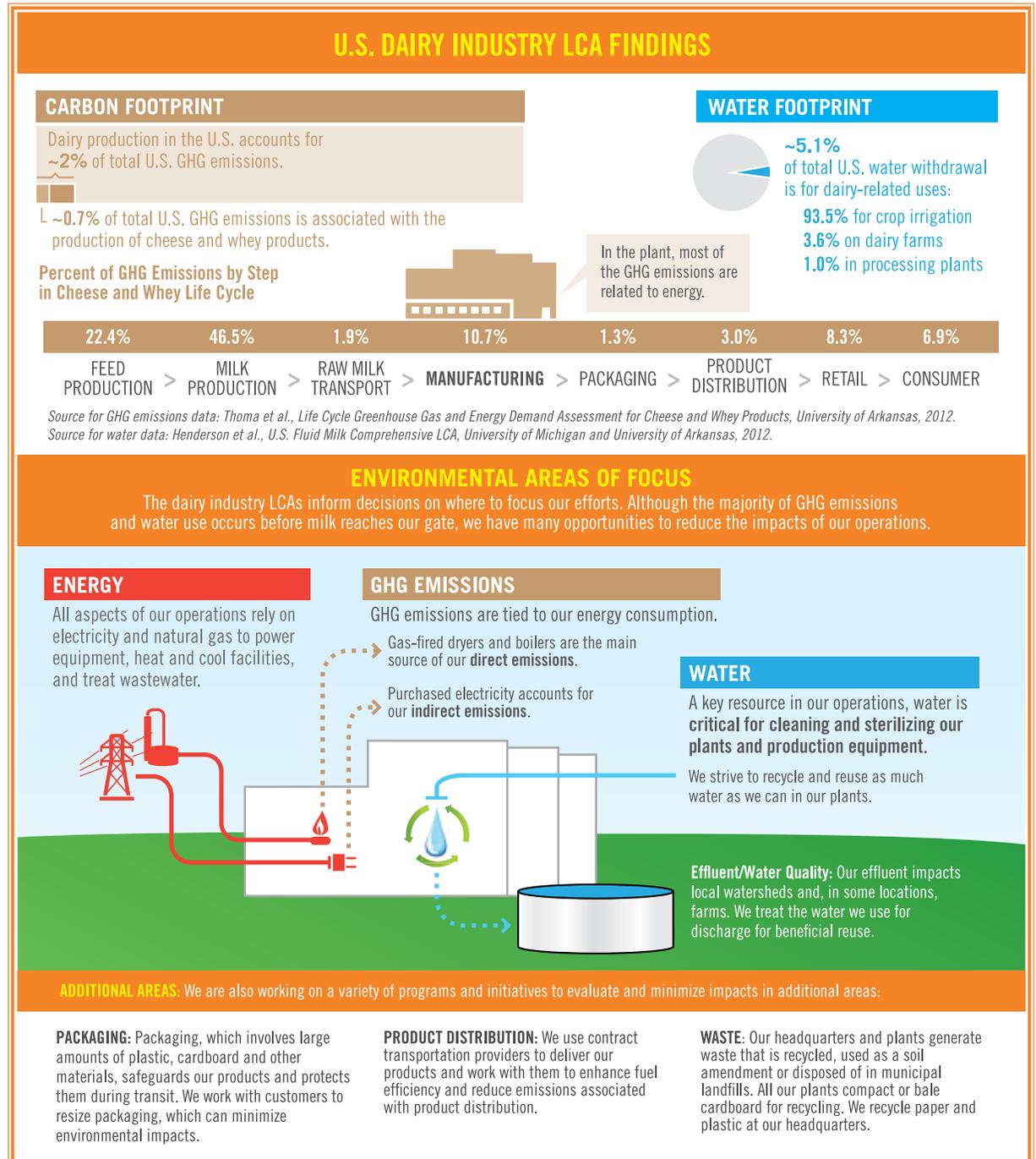
Environmental responsibility through good stewardship and compliance simply makes good business sense. Our Core Value of Quality emphasizes continuous improvement, best practices and investment in technology. Just as we strive to use every valuable component from milk, we are dedicated to making the best use of limited resources and minimizing the impact of our operations. This mindset of doing more with less is an inherent aspect of who we are.

ENVIRONMENTAL AREAS OF FOCUS

To better understand the environmental aspects and impacts of our operations, Leprino Foods participated in the Comprehensive Life Cycle Assessment for Cheese and Whey conducted by the Applied Sustainability Center at the University of Arkansas for the Innovation Center for U.S. Dairy.⁷ LCAs assess the environmental impacts associated with each stage in the life of a product from sourcing materials through manufacturing, distribution, consumption and final disposal. This approach provides a holistic view and helps identify the stages that contribute the most significant impacts and that represent opportunities for improvement.

The findings from the LCA, which was completed in 2012, provided valuable insights for the industry as a whole and for us as a company (see outer column). They helped us identify energy, greenhouse gas (GHG) emissions and water as our areas of focus and prioritize associated improvement efforts.

To evaluate our environmental impacts and drive companywide improvement, the Environmental Team established a two-phased plan beginning with our top priorities of environmental compliance, energy, GHG emissions and water in 2013, followed by the inclusion of water quality, transportation and waste in 2014.



Managing environmental impacts

Compliance, efficiency and conservation are the foundation of our approach to managing the environmental impacts of our operations. We aim to reduce the resource intensity and impacts of our operations while maintaining the highest standards of quality, food safety and environmental compliance.

Our leadership sets annual performance goals for each location. In 2013, we incorporated more specific environmental targets. We track and consolidate energy, GHG emissions and water data for reporting and review by plant managers and senior management.

At the plant level, factors such as the age and type of equipment, product mix, location and local regulatory requirements affect environmental management approaches. As such, plant managers each develop an annual plan to achieve the performance goals for their operations that meet or exceed our companywide goals.

ENVIRONMENTAL GOALS

We set the following five-year goals to reduce the energy, GHG emissions and water intensity of our operations by 10 percent by 2018 using 2013 as our baseline year:

- › **Reduce energy intensity by 10 percent** (million British thermal units [MMBtu] per 1,000 pounds [lbs.] of milk processed).
- › **Reduce GHG emissions intensity by 10 percent** (metric tons of carbon dioxide equivalent [MTCO₂e] per 1,000 lbs. of milk processed).
- › **Reduce water intensity by 10 percent** (gallons per 1,000 lbs. of milk processed).

The intensity measures are based on usage or consumption per 1,000 pounds of milk processed to enable us to compare performance across plants of varying sizes and production levels and to assess the organization as a whole.

LEPRINO FOODS GREELEY PLANT



FOCUS ON ENVIRONMENTAL COMPLIANCE

Full environmental compliance is an expectation and goal at Leprino Foods. This philosophy helps build credibility within our communities, fosters pride throughout our workforce and underscores our company culture of doing the right thing—even when no one is looking.

Managing environmental compliance

As a food manufacturing company, we believe in the value of strong relationships with the regulatory community. We work the U.S. Environmental Protection Agency (EPA) as well as state and local environmental agencies to foster effective working relationships and communication.

Our Environmental Compliance Manager oversees environmental compliance across all of our U.S. plants as well as our headquarters. Our environmental management system provides the policies, standard operating procedures, audit processes, training and feedback mechanisms to drive continual improvement.

ENVIRONMENTAL LEADERSHIP

The Colorado Department of Public Health and Environment awarded the Greeley plant Silver Partner status within the 2013-2014 Colorado Environmental Leadership Program. The award recognized the plant's environmental goals, compliance record and environmental management system commitment.



ROSWELL PLANT AND FARM: SEE INFOGRAPHIC ON PAGE 25.



LEMOORE WEST WASTEWATER HEAT RECOVERY SYSTEM

GOAL: REDUCE ENERGY INTENSITY BY 10 PERCENT FROM 2013 BASELINE BY 2018.

2013 ENERGY PERFORMANCE*

Total Energy Intensity (Direct and Indirect Energy)

0.52 MMBtu of energy (natural gas, other fuels and electricity) consumed per 1,000 lbs. of milk processed

› **Direct energy intensity:** 0.37 MMBtu of natural gas and other fuels consumed per 1,000 lbs. of milk processed

› **Indirect energy intensity:** 0.16 MMBtu of electricity used per 1,000 lbs. of milk processed

*Excludes headquarters

FOCUS ON ENERGY

We strive to maximize the use of every unit of energy we consume. Like all businesses, our operations rely on electricity and natural gas for everything from powering equipment to heating and cooling facilities and treating wastewater. In food production, energy plays a critical role in quality and food safety through heating and refrigeration.

Managing energy use and costs

Reducing our energy use not only helps the environment: quite frankly, it helps our bottom line. We evaluate each location's financial performance based on a number of targets, including energy cost reductions. Our plant management teams develop and implement energy reduction plans to meet their annual targets.

BY MEETING OUR 10 PERCENT REDUCTION GOAL FOR ENERGY INTENSITY, WE CAN REDUCE OUR ENERGY COSTS BY AS MUCH AS \$18 MILLION OVER FIVE YEARS.

Improving energy efficiency and conservation

Over the years, Leprino Foods has made significant investments in our production plants to enable us to produce high-quality products on a large scale while reducing our energy use and utility costs. We have been conducting energy audits to identify efficiency projects and technologies for implementation at our plants, as highlighted on the next page.

Energy audits at our Lemoore West plant, for example, led to the implementation of nine energy-efficiency projects. For one innovative project, we designed and built our own wastewater heat recovery system that captures heat from wastewater and uses it to heat water for use in other processes throughout the plant, which is estimated to save 60,000 MMBtu in energy annually. The California Energy Commission recognized the success of the project in a case study it published.

While we have accomplished a lot, there is still much we can do. Each plant will continue to focus on specific ways to achieve its energy reduction targets. In the longer term, further energy reduction opportunities will likely require more sophisticated approaches such as enhanced energy monitoring equipment to provide more detailed energy data and reveal new reduction opportunities.

IMPROVEMENTS IN ENERGY EFFICIENCY

Project	Estimated Annual Energy Reductions (MMBtu)	Estimated Annual GHG Reductions (MTCO ₂ e)
Heat recovery system: A secondary stack heat recovery system reuses energy in the plant.	60,000	3,180
Wastewater heat recovery unit: Transferring heat from wastewater to incoming water for cleaning purposes saves energy and results in easier treatment of the cooled outbound wastewater.	50,000	2,653
Lighting upgrades: High-efficiency lighting reduces energy use and associated energy and maintenance costs.	11,362	2,295
Compressed air systems: Addressing compressor system air leaks improves effectiveness and reduces energy use.	10,236	2,087
Steam systems: Repairing leaks and steam traps and insulating pipes for three boilers maximizes steam production efficiency.	2,360	118

TOTAL ESTIMATED ANNUAL GHG REDUCTIONS ARE EQUIVALENT TO AVOIDING THE CARBON DIOXIDE EMISSIONS OF 24,602,381 MILES/YEAR DRIVEN BY AN AVERAGE PASSENGER VEHICLE. SOURCE: U.S. EPA'S GREENHOUSE GAS EQUIVALENCIES CALCULATOR, [HTTP://WWW.EPA.GOV/CLEANENERGY/ENERGY-RESOURCES/CALCULATOR.HTML](http://www.epa.gov/cleanenergy/energy-resources/calculator.html).



IN NEW MEXICO, XCEL ENERGY PRESENTED AN ENVIRONMENTAL LEADERSHIP AWARD TO OUR ROSWELL PLANT FOR EXCELLENCE IN ENERGY EFFICIENCY.

GREEN SHIPPER AWARD: In 2013, the Colorado Motor Carriers Association and the Regional Air Quality Council honored Leprino Foods with a Green Shipper award in recognition of the major strides we have made in improving air quality and conserving energy in our transportation operations.

THE LEMOORE WEST PLANT RECEIVED AN ENERGY-EFFICIENCY EXCELLENCE AWARD FROM SOUTHERN CALIFORNIA GAS COMPANY.



SHARING BEST PRACTICES

Our energy reduction projects were included in a series of validated case studies published by the Innovation Center for U.S. Dairy. The studies are part of the Innovation Center's Dairy Plant Smart™ program, which promotes energy efficiency and best management practices that support economically viable environmental improvement projects for dairy processors.

Learn more at USDairy.com/PlantSmart.

FOCUS ON GHG EMISSIONS

Changes in the physical climate such as increased drought and flooding impact the entire food and agriculture sector. As a dairy product manufacturing company, we understand how a changing climate can create risks to our business, both directly and indirectly. In some regions, climate change can negatively impact the crop supply that feeds dairy cows, thereby affecting our milk supply. It can also limit our water supply. Additional risks are tied to regulatory considerations and increasing and volatile energy prices. All of these potential impacts have strategic, operational and financial implications.

GOAL: REDUCE GHG EMISSIONS INTENSITY BY 10 PERCENT FROM 2013 BASELINE BY 2018.

2013 GHG EMISSIONS PERFORMANCE*

Total GHG Emissions Intensity (Direct and Indirect)

0.046 MTCO₂e per 1,000 lbs. of milk processed

› **Direct emissions intensity (based on fuel usage):**
0.019 MTCO₂e per 1,000 lbs. of milk processed

› **Indirect emissions intensity (based on electricity usage):**
0.026 MTCO₂e per 1,000 lbs. of milk processed

*Excludes headquarters

Managing our GHG emissions

Energy consumed in the production of our products is the main source of our GHG emissions. As such, our main approach to reducing our carbon footprint is through the energy-efficiency and conservation efforts described on page 21.

We measure direct (scope 1) and indirect (scope 2) GHG emissions to inform our strategies for meeting our GHG emissions reduction goal. We are also evaluating additional sources of GHG emissions such as product packaging, product distribution and waste, as highlighted below.

California Cap-and-Trade Program: Our California operations are subject to the state's Cap-and-Trade Program that establishes a limit, or "cap," on permitted GHG emissions. Organizations must offset any emissions over their cap by purchasing carbon emission credits on an open carbon trading market. We are in full compliance with this program and will maintain our compliance record by continually monitoring our energy use and associated GHG emissions.

Improvements beyond our plants

We work with our contract transportation providers to improve fuel efficiency and reduce the emissions associated with the distribution of our products.



At the end of fiscal 2013, 78% of our carriers met U.S. EPA's SmartWay certification standards that help shippers improve fuel efficiency and save money.



In 2013, we increased the percentage of volume of product on rail carriers from 5% to 11%, which reduces the carbon footprint for product distribution.

FOCUS ON WATER

Water is a key resource in the production of cheese and whey products. Our stringent standards for food safety and cleanliness as well as various federal and state regulations require intensive cleaning, heating and sterilization routines at our plants. All of this requires water and its companion resource: energy.

Even though food quality and safety are non-negotiable, there are opportunities to reduce our water use. We continuously explore ways to apply technological improvements and simple common sense approaches to reduce the water intensity of our operations.

Managing water

We view water as a community resource. We consider the water used in our plants a “borrowed” commodity to be utilized as efficiently as possible, treated and then returned to the community for beneficial reuse. As such, we closely manage both water use and water quality.

Across our U.S. operations, we locate new or expanding production plants in areas with access to viable ground or surface water sources. Water availability, both today and over the long term, is a key factor in our plant siting decisions and is essential to ensuring the success of a facility well into the future.

To drive improvement, we set a goal to reduce the water intensity of our products by 10 percent over a five-year period beginning in 2013. Because our plants have distinct factors such as state and local water regulations and product mix, each implements its own approach for reducing water use and ensuring regulatory compliance for water quality.

Maximizing water use

We measure every gallon of water that enters and leaves our facilities. To manage our water use, we maximize water recycling/reuse and implement conservation and water-efficiency practices and technology.

› **Water recycling:** As a cheese producer, we have a unique source of water to supplement our water usage. The raw milk used to make our cheese and nutrition products is close to 90 percent water. Most of this water is recovered at the end of the cheesemaking and whey processing stages as condensate of whey, which we call “COW water.” We then reuse this COW water to the fullest extent possible in production processes.

We also recycle water in multiple production process cycles such as in “first flush” cleaning applications and in coolers and boilers. Our Roswell plant uses COW water to irrigate on-site crops that we sell to neighboring farmers, as highlighted on page 25.

› **Water efficiency:** The use of cleaning agents such as foam-based cleaners that require less water to rinse equipment is one example of a water-wise practice that helps reduce our water footprint.

› **Employee awareness:** Our plant employees play a key role in helping to conserve water. Through education of wise-water practices and engaging our employees to focus on conservation, we can make a big impact. For example, promoting common sense behaviors and cleaning practices such as reporting leaks and sweeping spilled dry matter with a broom rather than hosing it across a production floor can help reduce water use and maintain a clean and dry production space.



GOAL: REDUCE WATER INTENSITY BY 10 PERCENT FROM 2013 BASELINE BY 2018.

2013 WATER PERFORMANCE*

Water Intensity

169.18 gallons per 1,000 lbs. of milk processed

*Excludes headquarters



Ensuring water quality

As part of our commitment to environmental compliance and to being good neighbors in our communities, we are vigilant about the quality of water we treat and discharge for beneficial reuse.

The production plant water we treat includes residual traces of the minerals and salts from the milk. It also includes traces of the cleaning products and detergents used in our stringent quality and food safety processes. We are working with sanitation providers to find cleaning solutions that will maintain our high standards for food quality and safety while reducing the amount of end-use water treatment required. By reducing the intensity of treatment required on the back end, we also reduce the energy associated with the treatment process: exactly the type of win-win results we are looking for.

All our plants treat water on-site. The specific treatment processes vary by location based on a variety of factors such as the plant's physical attributes and production runs, where its effluent is discharged, the local and regional water discharge regulations, and the attributes of the water itself. We design and operate each of our wastewater treatment plants to address these local and regional factors.

In general, the water leaving our plants is stored in water treatment tanks or ponds where it is analyzed and treated. Once the treated water (effluent) reaches the appropriate criteria for discharge, it is returned to farm land, municipal treatment plants or surface waters. The feature on our Roswell plant on page 25 highlights this beneficial reuse of the water that we return.

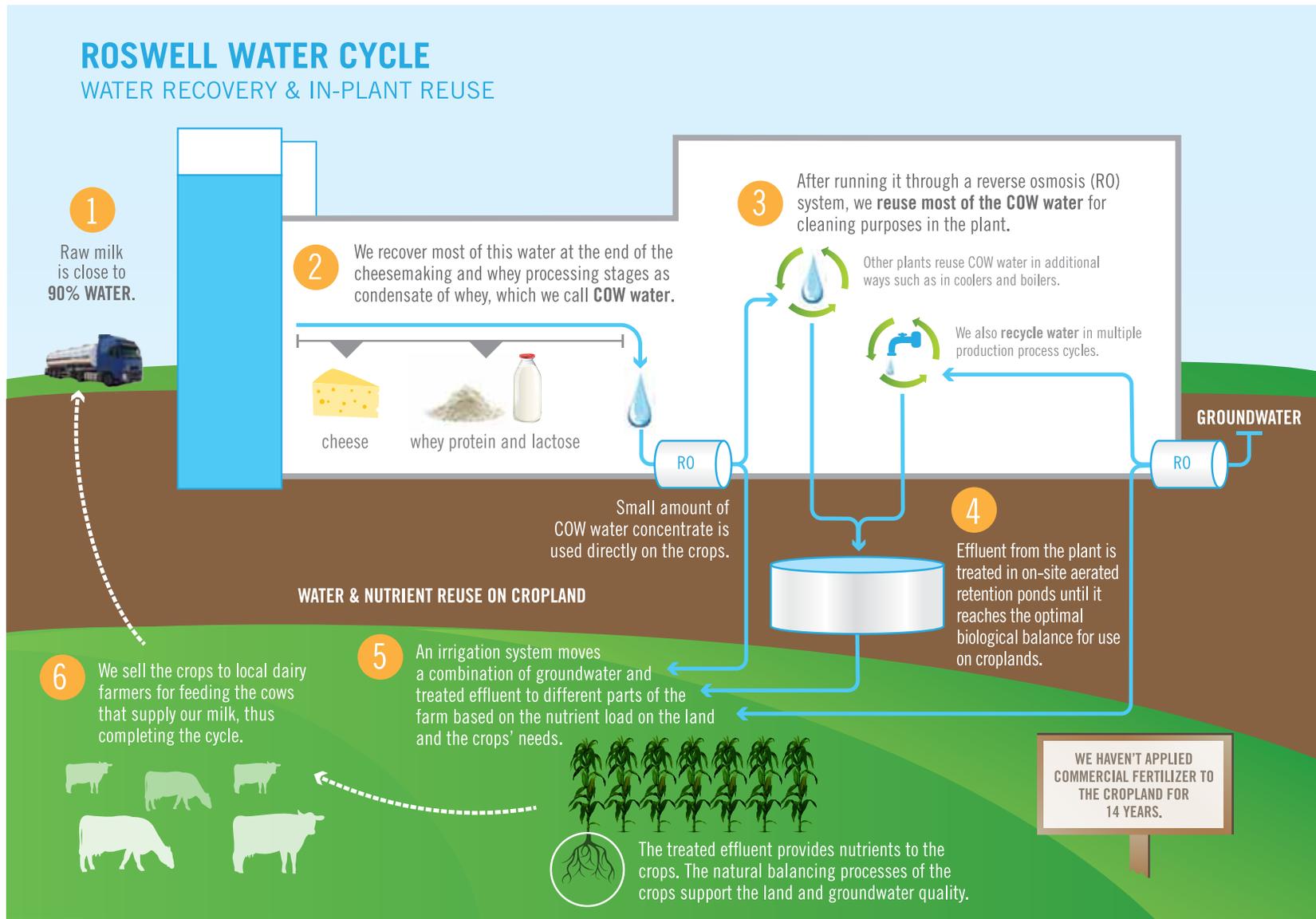
WATER STEWARDSHIP IN THE WEST

Water is the lifeblood of the Western United States, and the highest standards of water quality are critical to Greeley, Colorado, and the surrounding communities. The state-of-the-art wastewater treatment facility at our Greeley plant ensures those standards are met. Although our operations are water intensive, once the water used at the plant is treated, almost all of it is returned to the Cache Le Poudre River in withdrawal condition that can be beneficially used for agricultural, municipal and recreational purposes downstream.



Spotlight on Roswell

A look at our Roswell plant illustrates how we maximize water reuse in our plants and ensure the quality of the water we treat and discharge for beneficial reuse. Leprino Foods owns and manages several hundred acres of cropland adjacent to the Roswell plant. The crops, which we sell to local dairy farmers, provide a natural final step in the water treatment process through the uptake of nutrients that remain in the water. The system is a great example of doing more with less and optimizing our use of all available resources.



WORKPLACE

OUR COMMITMENT TO ENSURING EMPLOYEE HEALTH AND SAFETY AND PROMOTING AN ENERGIZED, EMPOWERED AND ENGAGED WORKFORCE



We've always recognized that the success of Leprino Foods is the collective result of our dedicated, talented and passionate employees. It's our people who will enable us to achieve our vision to be the World's Best dairy food and ingredient company. Providing a safe and engaging environment in which our employees can thrive and build rewarding careers is at the core of our operations.

FOCUS ON HEALTH AND SAFETY

Committing to high standards for the safety and health of our employees is a key component of demonstrating our Core Values. Our health and safety management systems are designed to share responsibility among everyone in the organization for the design of safe work processes, maintaining safe working conditions and promoting safe and healthy habits on and off the job.

The work environment in our plants poses occupational health and safety hazards similar to those of other industrial facilities in food manufacturing. Potential hazards that are more specifically associated with dairy processing operations include moving machinery, material handling and chemicals.

Safety performance

For the last two decades, Leprino Foods has consistently achieved safety rates far below industry averages. In 2013, we also began tracking performance relative to the food manufacturing industry sector, as defined by the Occupational Safety and Health Administration (OSHA) division of the Bureau of Labor Statistics (2013 Safety Performance). Leprino Foods has established a two-year goal of reaching the top quartile of the industry and is currently within 15 percent of this goal.

Our 2013 rate of recordable OSHA incidents was 3.06, which was an increase from 2.50 in the previous year. The DART (days of restricted work activity or job transfer) rate increased from 0.84 to 1.97. Although

our score is still better than the industry average, we were disappointed in the results, as we had hoped to improve on the best year of company performance ever in 2012. One variable affecting safety performance was a year with a higher than usual number of significant changes to processes, product mix or employment levels at many of our plants.

Management approach

Our employee safety and food safety programs work together within our Leprino Quality program to ensure the highest standards of excellence. We have degreed or credentialed safety professionals at all locations.

Our approach to health and safety places an emphasis on management systems to drive continuous improvement and best practices. In 2013, the company began a rigorous review of our plants to measure the maturity of key safety programs and drive continuous improvement in the processes that most influence injury and loss performance. Additionally, the reviews ensure processes are in place to achieve due diligence for safety compliance with state and federal laws and regulations.

The leadership of each facility is responsible and accountable for safety performance. The company regularly reviews safety performance, including accidents, progress toward annual goals, potential compliance risk and emerging trends within the company and the industry.



EMPLOYEE SAFETY GOALS

REDUCE RECORDABLE WORK-RELATED INJURIES AND ILLNESSES BY 10 PERCENT FROM PREVIOUS YEAR.

ACHIEVE INCIDENT RATES IN THE TOP QUARTILE OF THE FOOD MANUFACTURING INDUSTRY SECTOR.

2013 SAFETY PERFORMANCE

OSHA recordables incident rate and DART rate compared to food manufacturing industry rate quartiles (Bureau of Labor Statistics). Industry values used reflect weighted calculations based on location sizes.



Focusing on prevention

A focus on prevention is central to our quality-driven culture. To build a strong culture of safety, our Preventing Problems Before They Happen mindset raises awareness of potential issues and reinforces the role each employee plays in ensuring a safe work environment.

Engaging employees in health and safety management

Communication, training and employee involvement are key components in maintaining a safe environment. Each plant strives to maintain safety committees and wellness teams with cross-functional participation.

Each site dedicates a significant amount of time to safety training, communication and promotion activities. Daily pre-shift meetings and regular department safety meetings promote information sharing and communication among employees and managers. Most locations also have teams dedicated to improving critical aspects of safety such as warehouse operations, ammonia refrigeration, hazardous materials response and emergency planning.

Employee recognition programs and sharing success stories promote safety-first behaviors while showing our appreciation for the individuals and teams who are true champions for workplace safety.



FORKLIFT RODEO

RECOGNIZING TOP PERFORMING SITES

Currently, the Lemoore West, Fort Morgan and Allendale plants have reached our top quartile industry goal, with incident rates in the top 25th percentile.

- › **LEMOORE WEST**, which is our largest plant with close to 1,000 employees, maintains one of the strongest safety programs in the company. Every department has a high-performing safety team with shared responsibility between employees and management. Each team is responsible for performing certain safety activities and achieving goals to qualify for group incentives. One unique program at Lemoore West is the annual forklift skills rodeo competition (see photo on left). Families of employees gather around a forklift obstacle course as contestants compete in performing a number of difficult maneuvers in a safe manner.
- › **FORT MORGAN** generated the best incident rate performance of 2013 among our plants. The leadership team at this location has long been dedicated to a process of management involvement in the safety process called “Safety Excellence.” In this program, all leadership personnel are responsible for completing defined safety tasks throughout the year, which may include conducting training sessions, performing inspections or leading projects to reduce safety risk.
- › **ALLENDALE** achieved a top 25th percentile safety performance with a strong focus on the fundamentals of safety related to ergonomics, housekeeping and corrective actions. Allendale has integrated safety into many routine business functions such as incorporating corrective action processes with quality and safety.

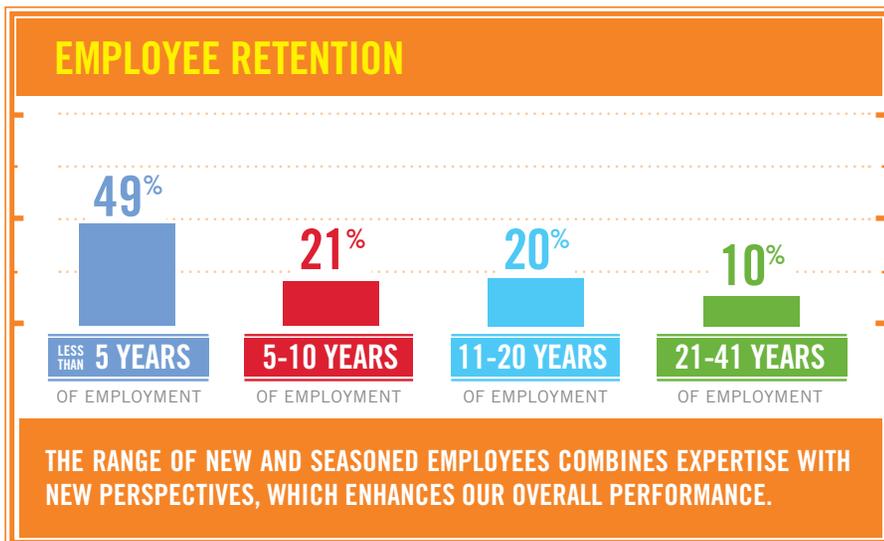
FOCUS ON EMPLOYEE ENGAGEMENT

We are dedicated to fostering employee engagement at all levels of the organization so that our team members can achieve personal and professional success. Leprino Quality, our approach to employee engagement, energizes, empowers and engages employees to continuously improve our business to be the World's Best while creating ownership that cultivates responsibility and accountability. We achieve our organizational goals through leadership, communication, continuous improvement, innovation, rewards and recognition.

Fostering long careers

Leprino Foods strives to be an employer of choice and encourages long, successful careers. One of the measures we use to evaluate employee satisfaction and engagement is employee retention. In 2013, 30 percent of our workforce had more than 10 years of service.

As a family company, we can't help but think about our employees as our extended family. And we're proud that, in addition to our long-time employees, we have members from two and three generations of families working at Leprino Foods.



Bringing on the best

Innovation, a central component of the Leprino difference, thrives on a variety of perspectives. This variety of perspectives is best attained through employment of individuals with a diverse set of experiences as well as people who bring different cultural and ethnic backgrounds and viewpoints to the workplace.

To help us maintain focus on this important issue of diversity in our workforce, we develop plans and measure our progress against identified goals. This is not without challenges; the rural location of some of our plants and the technical, highly skilled nature of many of our positions, for example, can limit the number of qualified candidates for certain positions and require us to recruit nationwide. Senior members from our Legal and Human Resources departments review performance during the year to evaluate progress and determine any areas that need attention. While we are confident that we can do better and will continue to focus our attention in this area, our diverse workforce across the United States reflects this commitment.

NUMBER OF EMPLOYEES

Location	State	Total
Denver	CO	517
Lemoore West	CA	967
Roswell	NM	567
Tracy	CA	323
Greeley	CO	319
Lemoore East	CA	297
Allendale	MI	271
Fort Morgan	CO	262
Waverly	NY	221
Remus	MI	153
Total		3,897



FEMALE



MINORITY

PERCENT OF U.S. EMPLOYEE TOTAL

ALMOST 90 PERCENT OF OUR EMPLOYEES WORK FULL TIME.

Providing robust benefits

Our comprehensive benefits package demonstrates our commitment to retaining an engaged workforce. The benefits package for full-time employees, which nearly 90 percent of our employees are, includes competitive compensation; a profit-sharing plan; a 401(k) retirement plan with employer matching; medical, dental, prescription and vision programs; paid time off; company-paid life and accident insurance; company-paid income replacement in the event of a disability; and, of course, product discounts on our cheese and whey products. Learn more at leprinofoods.com/careers/benefits/.



JMO RECRUITMENT EVENTS

The leadership skills and experience that junior military officers (JMOs) possess are a great fit with our quality-driven culture. To recruit for Leprino Foods' Production Management Trainee program, we host JMO recruiting events at different plants. Pre-qualified JMO candidates are invited to the plant that is hosting the event, where they participate in a full day of interviews. In fiscal 2013, we hosted JMO events at our Lemoore West, Allendale and Greeley plants and hired eight JMO candidates.



Training and developing our employees for success

To develop and retain the best talent, we provide ongoing training, professional and leadership development opportunities, and educational assistance as well as intern programs.

Our training program is critical to achieving our quality objectives. Our technical training program utilizes a blended learning approach to build knowledge and skills through the use of web-based tools and on-the-job training. We maintain a library of technical information, which we continuously improve through our work with some of the best cheesemakers and dairy experts in the industry.

OUR TRAINING PROGRAM
IS CRITICAL TO ACHIEVING OUR QUALITY OBJECTIVES.

Leadership development is critical to our current and future success. We offer a variety of approaches for leadership development, including classroom and web-based training, behavior and personality assessments, mentoring programs and coaching. The leadership development programs also incorporate individual development plans in an effort to identify and maximize individual strengths, while identifying and developing key opportunity areas.

PROGRAM FOR NEW COLLEGE GRADUATES

The Management Trainee program at Leprino Foods is a 12- to 18-month intensive program designed for new college graduates with degrees in food science, dairy science, dairy manufacturing and engineering as well as for JMO candidates. Trainees learn the full spectrum of operations while receiving hands-on experience, full company benefits and management placement. In 2013, we began a 24-month Finance Leadership Development program designed for new college graduates with degrees in finance, accounting or related fields.

Recognizing employee excellence

Although we tend not to seek much external attention as a company, we do like to recognize the exceptional efforts of our employees and teams. Recognition occurs regularly in more informal ways and formally through several companywide award programs.

Since 1969, Leprino Foods has recognized outstanding performance by employees who contribute to the achievement of our vision to be the World's Best through two annual awards: the Mike Leprino Sr. Award and the Gina Award. Other award programs include the Allen Cup, which recognizes the plant with the highest annual performance on a set of metrics, and the Leprino Quality program's annual awards for Company Team of the Year and specific Location Teams of the Year.

The Go the Extra Mile Awards can be given by any employee of the company to recognize employees who provide work or services that go beyond Leprino Foods' high expectations or who are always willing to "go the extra mile."



MIKE LEPRINO SR. AWARD



GINA AWARD

Promoting employee wellness

At Leprino Foods, we recognize the importance of promoting the health, safety and wellness of our employees so that they can live their lives to the fullest. Our wellness strategy looks at ways to support employee health and wellness, which not only helps reduce health costs—both for the company and for employees and their families—but also increases employee morale, productivity, safety and engagement. A range of companywide and location-specific initiatives fosters healthy lifestyle behaviors. Each location has a health and wellness team to promote company programs and resources as well as to develop unique initiatives for its particular location.

Helping employees assess and improve their health

Our medical plan includes a voluntary health assessment incentive program that provides a discount on insurance costs for healthy lifestyles. A third party administers the confidential assessment and provides Leprino Foods an aggregate health score to help evaluate the effectiveness of our health and wellness initiatives. Employees can participate in the health assessment incentive program or access free of charge any of its components to assess and improve their health:

- › Confidential online health assessment questionnaire
- › Free, confidential biometric screenings
- › Free, certified health coaching

GIVING BACK AFTER LOSING WEIGHT

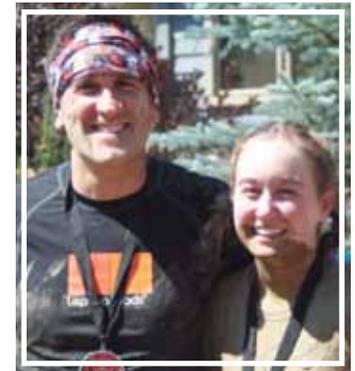
At the end of 2012, the Fort Morgan Warehouse team—named the Junk in the Trunk team—won the plant's Fit for Life Challenge by losing a total of 191.5 pounds. As part of the challenge, Leprino Foods matched the pounds lost by the winning team with a food donation to the local food pantry. Demonstrating its generous winning spirit, the team decided to sponsor a full food drive at the plant, which brought in an additional 1,600 pounds of food and \$400 in cash.

71% OF ELIGIBLE EMPLOYEES PARTICIPATE IN THE HEALTH INCENTIVE PROGRAM.

Fostering healthy lifestyles

Our wellness website, health and safety newsletter and bulletin boards help employees learn about ways to promote health, fitness and wellness. In addition, we encourage participation in events that promote health and support nutritious food choices.

› **Healthy events:** Locations host health fairs and hold weight-loss challenges that leverage friendly competition with team support, as highlighted on this page. We also encourage employee participation in events that promote physical activity, such as the annual Curds and Whey 5K (page 38), and reimburse a portion of registration fees for races, athletic classes and similar activities.



› **Healthy food choices:** We look for ways to introduce more nutritious menu options in our cafeterias and break areas. Many locations provide free fruit and healthy snacks to employees on occasion, an approach we are evaluating for expansion to all locations at certain times of the year.

COMMUNITY

OUR COMMITMENT TO EXPANDING RELATIONSHIPS AND BENEFITING OUR COMMUNITIES



For more than 60 years, Leprino Foods and our employees have been committed to giving back to the communities where we live and work as well as to the entire dairy industry. We contribute through the economic impact our business has on local and regional economies, our investment in developing the dairy profession and our community involvement and support efforts.

FOCUS ON ECONOMIC IMPACT

The success of our business brings direct and indirect economic benefits to the regions in which we operate. Many of our plants are located in rural regions where we are one of the larger employers in the area. By providing stable, full-time employment with benefits, we provide long-term job security for our employees. Our direct spending through payroll, taxes and the purchase of goods and services contributes real economic benefits in our communities of operation, supporting healthy city and state economies.

Supporting dairy farmers

Because we rely on local dairy farmers to deliver a steady supply of milk, our plants are sited in dairy-producing regions. Our partnerships with dairy farmers are mutually rewarding and create indirect economic benefits in the form of dairy farm and dairy support jobs in the local community.

For example, northern Colorado is one of the top agricultural regions in the country and has a strong history of dairy farming. Dairy farmers in Weld County—a top-20 dairy county in the U.S. in number of cows—and the surrounding area are well positioned to meet the current and future needs of our newest plant in Greeley. Our key milk supplier is coordinating with local dairy farmers and prospective producers to encourage expansion of their farms to generate the additional milk volume necessary to support our next potential phase of expansion. This growth also has drawn new agricultural product and service business development in Greeley.

The increased milk demand, new jobs at the plant and ancillary business needs not only help the dairy industry, but also help strengthen the Greeley economy. According to a 2007 economic impact study, the 20-year economic impact of our Greeley plant is \$1 billion in the city of Greeley, \$8.8 billion in Weld County and \$17.3 billion in the state of Colorado.⁸ Learn more about the Greeley plant on page 11.

Understanding our economic impact

In 2013, we developed initial estimates to help us better understand the direct and indirect economic impacts of our operations. Over the next year, we plan to collect more detailed data and refine our estimates to give us an even clearer picture of our economic impact on local communities.

\$10
BILLION

STATE AND LOCAL TAXES, PAYROLL CONTRIBUTIONS AND OUR ANNUAL MILK SPEND HAVE AN ESTIMATED ECONOMIC IMPACT OF ROUGHLY \$10 BILLION PER YEAR IN OUR LOCAL COMMUNITIES.⁹



38TH AVENUE FEST AT DENVER HEADQUARTERS

FOCUS ON THE DAIRY PROFESSION

Over the past few decades, the U.S. food manufacturing sector has faced a dwindling pool of qualified individuals to fill manufacturing management and technical positions. With nine plants to run, we recognize the current and long-term implications of this trend. We also recognize that the round-the-clock and year-round nature of milk production and processing provides additional challenges for recruiting in this industry.

To address these challenges, Leprino Foods partners with dairy industry peers and educational institutions to solicit, educate and develop the next generation of dairy professionals. We support dairy management degree programs for supervisory and managerial positions as well as technical vocational programs that train individuals for industrial maintenance positions in our plants. To promote enrollment in these programs, we fund several scholarships (see callout).

Investing in dairy science

One of the most significant investments we have made for the future of the dairy industry is our partnership with the California Polytechnic State University, San Luis Obispo (Cal Poly). **In October 2012, Leprino Foods provided a \$5 million grant to the Cal Poly Dairy Science Department.** The Leprino Foods grant, along with grant monies from other dairy companies in California, is funding a new Master of Professional Studies in Dairy Foods program—the first of its kind in the U.S.

Our grant also funded the Leprino Foods Dairy Innovation Institute, which serves as the main dairy research building on the campus. The institute is part of a broader industry effort to elevate Cal Poly as the premier dairy research center in North America and the world. The building is home to Cal Poly's Dairy Products Technology Center, which is exclusively dedicated to dairy foods research, technology transfer and education.



TO PROVIDE EDUCATIONAL OPPORTUNITIES FOR TOMORROW'S DAIRY PROFESSIONALS, WE FUND SCHOLARSHIPS AT CAL POLY, SOUTH DAKOTA STATE UNIVERSITY AND EASTERN NEW MEXICO UNIVERSITY-ROSWELL.

Developing local talent

We actively reach out to our communities to find skilled operations and maintenance technicians to help keep our plants in top condition. To attract and train local talent, we work closely with local schools and colleges, particularly in our rural locations.

In Roswell, we partnered with Eastern New Mexico University-Roswell (ENMU-R) to develop an associate degree program in mechanical maintenance. The two-year program is designed to provide students with the technical skills needed to join our Roswell plant maintenance staff. To raise awareness about the ENMU-R program, we regularly speak at job fairs and work with local high school placement offices. We also fund scholarships for high school seniors who apply to the program.

Within the company, our Roswell Youth Scholarship Program offers educational scholarships to local high school students for the ENMU-R multi-craft maintenance program as well as for mechanical engineering and chemical engineering programs in partnership with New Mexico Institute of Mining and Technology.

KEY AREAS OF SUPPORT



NUTRITION

To help in the areas of nutrition and hunger, we donate cheese and nutrition products to food banks, relief organizations, schools and community events.



EDUCATION

To support schools and education, our employees volunteer at schools, mentor students, support academic programs and donate school supplies and funds.



FITNESS

We encourage active lifestyles within our company and throughout our local communities. Our annual Curds and Whey 5K fun walk and run (page 38) is a Leprino Foods tradition.



LOCAL NEEDS

Helping to meet the unique needs of our local communities includes volunteering; donating funds, food and other needed items; and supporting local civic improvement projects.

FOCUS ON COMMUNITY INVOLVEMENT AND SUPPORT

Leprino Foods and our employees care about our communities. We are dedicated to fostering strong relationships, providing support as a company and encouraging our employees' involvement in their local communities. As a food company, we concentrate on the areas of nutrition, education, fitness and local needs (see table) with a special emphasis on youth.

Supporting America's youth

At the national level, our support of the GENYOUth Foundation encompasses our interest in supporting children's nutrition, fitness and education. Founded through a public-private partnership with National Dairy Council and the National Football League, GENYOUth works to inspire and educate youth to improve their nutrition and increase physical activity. Leprino Foods is a GENYOUth Foundation partner, and our president serves on its board of directors.



GENYOUth raises awareness about the growing body of research that demonstrates the vital connection that nutrition and physical activity have on children's learning and academic performance. Fuel Up to Play 60, GENYOUth's flagship program, is the largest health and wellness program in schools across the country. Our financial commitment to the program totals \$1 million. Read about our work with the Fuel Up to Play 60 program on page 13.

Learn more about the learning connection and GENYOUth's efforts at www.genyouthfoundation.org.

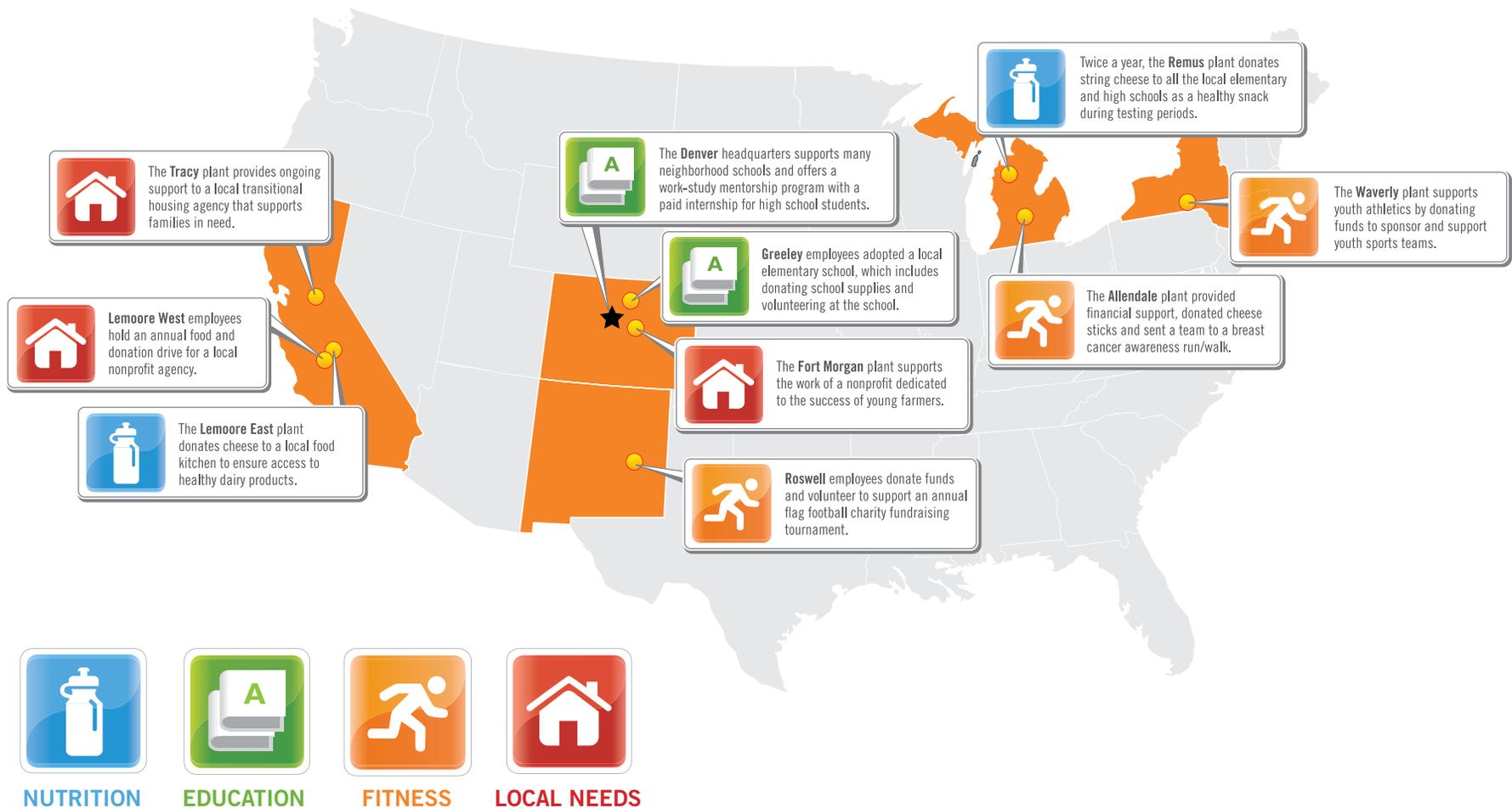
OUR CULINARY INNOVATION CHEFS COOK HUNDREDS OF PIZZAS WEEKLY IN OUR RESEARCH AND DEVELOPMENT KITCHENS AT OUR DENVER HEADQUARTERS. WE WORK WITH LOCAL FOOD BANKS TO DONATE UNUSED PIZZAS.

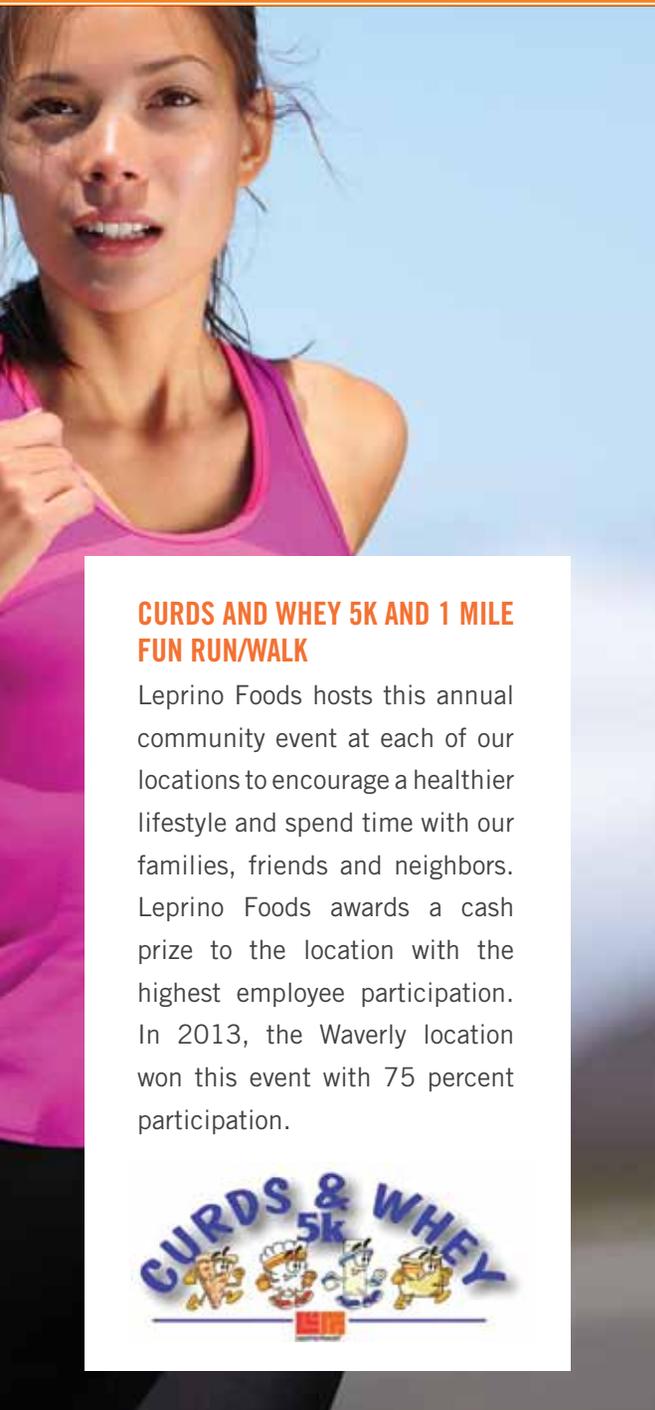
Giving back to our local communities

At the local level, we believe the best way to become a positive force in our communities is to empower representatives from each location to determine how best to support the unique needs of their community. As such, our approach has been to provide each location with an annual budget for charitable giving and community support and encourage employees to get involved in their communities.

10 LOCATIONS: COUNTLESS SUPPORT

By all means not a complete list, the following graphic highlights activities to support nutrition, fitness, education and local needs that occur at our locations across the country.





CURDS AND WHEY 5K AND 1 MILE FUN RUN/WALK

Leprino Foods hosts this annual community event at each of our locations to encourage a healthier lifestyle and spend time with our families, friends and neighbors. Leprino Foods awards a cash prize to the location with the highest employee participation. In 2013, the Waverly location won this event with 75 percent participation.



Sharing dairy's story

Leprino Foods engages in educational opportunities to promote awareness about the dairy industry within our communities. Due to safety concerns and the proprietary nature of our business, public plant tours are rare but do occur at our Roswell plant as described below. Instead, we primarily participate in local events, fairs and other engagement opportunities. By taking part in events such as those highlighted below, our employees get to know our neighbors and inform them about our operations.

- › The Roswell plant opens its doors to the local community during the city's annual Chile Cheese Festival. The city sells tickets to the Roswell plant tour with 100 percent of the sales going directly to the city of Roswell. During the tours, our employees share the plant's safe, high-quality production operations and provide pizza, drinks and souvenirs to visitors.
- › Employees at our Lemoore East and West plants participate in the Kings County Annual Farm Day event, which attracts more than 2,000 students and teachers. Employees share the basics of cheesemaking and serve healthy beverages enriched with Leprino Foods whey protein.
- › The Allendale plant sponsored the 2013 Kent County Breakfast on the Farm event, a community education and outreach event for community members to visit a local farm to learn more about agriculture in their region.

Looking forward

We plan to develop a broader strategic approach to community involvement. The goal is to provide companywide community involvement guidelines that align with and continue to support nutrition, fitness, education and local community needs. We are also assessing ways to collect data to better evaluate and communicate the impact of our community involvement over time.

CLOSING THOUGHTS: LOOKING AHEAD

THE END OF THIS REPORT IS JUST THE BEGINNING.



WE LOOK FORWARD TO SHARING OUR PROGRESS IN FUTURE REPORTS.

Please share feedback at CR@leprinofoods.com.

As a family-owned company, we understand the importance of taking the long view. We think in terms of how today's decisions and actions will impact future generations.

In publishing this first report, we have been able to assess where we are and set goals for where we want to go. Our commitment to corporate responsibility is a legacy that guides us as we pursue tomorrow's opportunities.

REPORTING INFORMATION

We referenced two voluntary reporting frameworks to inform report development.

Stewardship and Sustainability Guide for U.S. Dairy

We used the *Stewardship and Sustainability Guide for U.S. Dairy* (Version 1.3) to select, measure and communicate topics and indicators that have been developed for dairy food processors and manufacturers. Most of our areas of focus align with the topics in the Guide, which are considered to be most important for the dairy industry and its stakeholders for credible, transparent reporting. Where applicable, we reported our performance based on indicators in the Guide.

GRI Sustainability Reporting Guidelines

To guide the development of this report, we referenced the Global Reporting Initiative's *Sustainability Reporting Guidelines* (G4), the world's most widely accepted sustainability reporting framework.

The GRI Principles for Defining Report Content informed our efforts to assess, identify and prioritize the aspects of our operations that have the most significant impacts (both positive and negative) for our business, our stakeholders and society at large. Our areas of focus are the topics we consider most material to Leprino Foods and our key stakeholders.

The GRI Principles for Defining Report Quality provided guidance to ensure that the report provides a credible and transparent discussion of our approach to corporate responsibility. In addition, the report contains Standard Disclosures from GRI's *Sustainability Reporting Guidelines*. The Reference table lists those associated with the *Stewardship and Sustainability Guide for U.S. Dairy*. A GRI Content Index with all disclosures is available online at leprinofoods.com.

Reference table

The following table maps Processor and Manufacturer (PM) indicators from the *Stewardship and Sustainability Guide for U.S. Dairy* (Guide) and associated GRI G4 disclosures to their location in this report.

Focus Area & Indicator	Guide	GRI	Page
PRODUCT RESPONSIBILITY			
○ Customer Health and Safety		G4-PR1	8-10
ENVIRONMENTAL RESPONSIBILITY			
● Energy Intensity	PM Energy 1	G4-EN5	20
○ Energy Reductions		G4-EN6	21
● GHG Emissions Intensity	PM GHG 1	G4-EN18	22
● Water Efficiency	PM Water 2		23
○ Water Recycling and Reuse	PM Water 4		23
WORKPLACE			
○ Employment Opportunities	PM Employees 1	G4-10	30
● Employee Benefits	PM Employees 2	G4-LA2	30
● Employee Retention	PM Employees 3		29
○ Employee Engagement in Health and Safety Management	PM Employees 4		28
○ Occupational Health and Safety	PM Employees 5	G4-LA6	27
COMMUNITY			
○ Local Economic Impacts		G4-EC8	34
○ Community Volunteering	PM Community 1		37
○ Monetary and Product Donations	PM Community 2		37
○ Educational Opportunities	PM Community 3		38

● Indicates full disclosure ○ Indicates partial disclosure

ACKNOWLEDGEMENTS

We extend our appreciation to the Leprino family for their leadership and support for this project. We also thank all the Leprino Foods colleagues who contributed their time and expertise to the development of our first corporate responsibility report.

Leprino Foods would like to recognize the Innovation Center for U.S. Dairy for its leadership and tireless efforts to advance dairy's role in a sustainable 21st century food system.

We also thank the city of Greeley for its vision and collaborative, can-do approach to advancing sustainable agriculture in Colorado.

Leprino Foods acknowledges the organizations that contributed to this report: Concept Green LLC for project management and report development and HandleBrand for graphic design.

ENDNOTES

1. V. L. Fugoni III, D. R. Keast, E. E. Quann, N. Austead, "Food sources of calcium, phosphorus, vitamin D, and potassium in the U.S." Presented at Annual Meeting at Experimental Biology 2010, Anaheim, Calif. April 24-29, 2010.
2. Dairy Research Institute™, NHANES (2003-2006). Ages 2+ years. Data Source: Centers for Disease Control and Prevention, National Center for Health Statistics, National Health and Nutrition Examination Survey. Hyattsville, Md.: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention. 2003-2004; 2005-2006. Available at: www.cdc.gov/nchs/nhanes.htm.
3. The estimate for the average number of infants fed per day with formula that uses Leprino Foods' lactose as a key ingredient was calculated using certain estimates and assumptions to account for variability in actual usage. We used a standard percentage for the amount of lactose used and assumed eight 4-ounce servings per day. The percentage of lactose used varies by brand and type of formula, and the amount of formula per serving increases as babies grow.
4. "State of the Science: The Power of Whey Protein," National Dairy Council, 2013, <http://wheyprotein.nationaldairycouncil.org/wp-content/uploads/2012/02/WheyStateoftheScience.pdf>.
5. "Whey Protein Frequently Asked Questions," National Dairy Council, 2011, http://www.nationaldairycouncil.org/SiteCollectionDocuments/education_materials/whey_protein/WheyFAQHandout_FINALJune2011.pdf.
6. "National Dairy FARM Program: 2013 Year in Review," National Milk Producers Federation, 2013.
7. Thoma et al., "Life Cycle Greenhouse Gas and Energy Demand Assessment for Cheese and Whey Products," University of Arkansas, 2012.
8. Economic impact estimates are based on a private third-party assessment of the economic benefits of the Greeley plant performed by Upstate Colorado in 2007.
9. Estimated impact of our U.S. plants in fiscal 2013 is calculated using total multipliers from the U.S. Bureau of Economic Analysis for direct effect dollars and jobs by state for our industry. Annual tax contribution comprises state income taxes, local property taxes, sales and use taxes, franchise taxes, occupational taxes, state unemployment taxes and other taxes and fees, including the California Cap-and-Trade Program expenses for all U.S. production facilities. Milk spend calculation assumes an average hundredweight estimate for the total milk purchases for each plant.



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