

Sustainable Dairy: Now and Tomorrow



Meet California Dairies, Inc.

The #1 dairy processing cooperative in the leading dairy state

About this report

This sustainability report is the first published by our cooperative, summarizing performance through December 31, 2013 on sustainability issues important to our customers, member-owner dairy farmers, neighbors and other stakeholders. It was prepared in reference to Global Reporting Initiative guidelines (www.GlobalReporting.org) and the Stewardship and Sustainability Guide for U.S. Dairy (USDairy.com), encompassing sustainability performance data for our six dairy processing facilities located in California. We also discuss sustainability practices related to environmental stewardship and animal well-being on our 472 member-owners' farms, also located in California.

We chose to embark on the path of voluntary sustainability reporting in the spirit of transparency and openness, with a commitment to report regularly on issues significant to our economic, environmental and social impacts. The 2013 data in this report reflect the most material aspects of our sustainability footprint and are intended to set a baseline for our operation, by which future reporting progress will be measured. Data included from years prior to 2013 in this report are intended to provide historical and performance context.

Considerable effort was taken to ensure the accuracy of the information in this report; however, it has not been audited by a third party. This report is not intended to be a solicitation or advertisement for the sale of products produced by California Dairies, Inc.; does not include guarantees about specifications, characteristics, uses or benefits of our products; and should not be relied upon for such purposes.

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Our Commitment: The world's leading source of sustainable dairy nutrition

At California Dairies Inc. (CDI), we are guided by our core values. We believe that we are stronger together, we do what is right, we take the lead and we work hard.

These values are visible daily at our six California plants and on the 472 family dairy farms of our member-owners, who work together to deliver high quality, nutritious dairy products to consumers. We do this with a goal of minimal impact to the environment, maximum value to people and communities, and a passion for meeting the nutritional needs of consumers, not just today, but for the foreseeable future. That's what sustainability means to us.

This sustainability report – the first in CDI's history – represents our cooperative's commitment to regularly update stakeholders about our economic, environmental and social responsibility efforts. In this first step, we assess our performance in areas important to our stakeholders, setting benchmarks for improvement.

Here you will learn about the award-winning efforts of our plants to achieve energy efficiency, conserve water resources and protect the environment. While CDI processed 11 billion pounds of milk in 2013 and posted record exports of skimmed milk powder and butter, our plants also reduced their carbon footprint and energy use. Water use efficiency and recycling improved, and we continued to invest in our employees and our communities, because we see sustainability as a commitment to long-term quality of life.

Meanwhile, our member dairies stepped forward to validate their long record of responsible animal care, while continuing to meet the nation's strictest standards for air and water quality protection.

We're proud and fortunate to be in the dairy business. Often called nature's perfect food, milk's naturally powerful and complete package of protein and nutrients practically defines sustainability. And our unique cooperative structure ensures that our processing and marketing efforts return economic value to dairy families, helping to build a sustainable industry and vibrant communities.

As CDI strives to become the leading source of dairy nutrition for a healthy world, we will remain committed to sharing information openly and honestly. Thank you for taking time to learn about CDI.

John Azevedo, *Chairman*

Andrei Mikhalevsky, *CEO*

CALIFORNIA DAIRIES, INC.

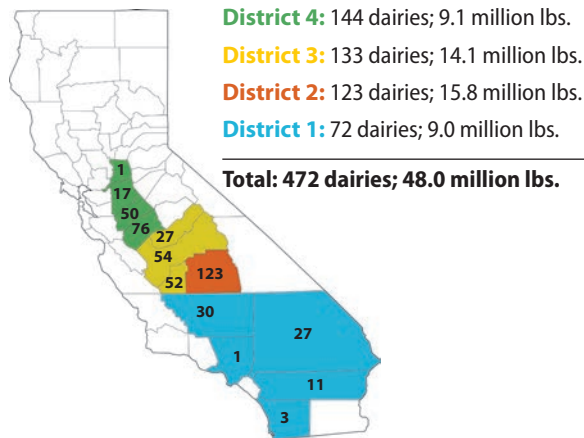


Strength in cooperation

CDI is a member-owned milk marketing and processing cooperative co-owned by 400 California dairy families. From San Diego County in the south to Sacramento County in the north, our independent, family-owned member dairies dot California’s rural landscape, collectively shipping 18 billion pounds of milk annually from their farms.

CDI’s cooperative structure benefits family dairy farmers by offering a reliable home for their milk, a fair opportunity to compete in today’s global market, and added value for dairy products. By keeping family dairy farms thriving, CDI also provides additional benefits beyond the farmgate, generating local jobs and economic activity in rural communities throughout California.

Number of dairies and average lbs. of milk per day



Quality products

BUTTER – CDI accounts for 22 percent of the U.S. butter market share, manufacturing more than 370 million pounds per year, and exporting 12 percent of production annually.

POWDER – CDI produces 780 million pounds of milk powder, representing 42 percent of the powder produced in the U.S. CDI exports 47 percent of its powder production.

FLUID MILK – CDI produces a variety of fluid products, including rBST-free milk, cream, condensed and ultra-filtered milk.

Other CDI business

CDI is the sole owner of Challenge Dairy Products, Inc., offering two leading and well-respected brands of butter — Challenge and Danish Creamery.



CDI is a shareholder in DairyAmerica, which markets milk powders in the U.S. and internationally. DairyAmerica handles approximately 50 percent of all milk powder produced in the U.S. and exports powder to more than 50 countries worldwide.



“CDI dairy families provide nutritious food, create local jobs and generate sustainable economic activity, while protecting our limited natural resources. I’m proud to be a member-owner of CDI.”

Brian Medeiros, CDI dairy farmer-owner

A California cooperative with a global impact

Rich California history

CDI is the result of a 1999 merger of three of California's most financially successful cooperatives: California Milk Producers, Danish Creamery and San Joaquin Valley Dairymen. All three cooperatives were rich in tradition with roots dating back to the turn of the 20th century. In 2013, CDI acquired the assets of Security Milk Producers Association, a California milk marketing cooperative, adding more than 30 member dairy farms to its membership.

Strategically located

CDI is well-positioned to meet customer delivery needs both domestically and abroad with plants located within 100 miles of major shipping ports, such as Los Angeles, Long Beach and Oakland. All dairy farms and processing plants are located in California with milk and dairy product sales in all 50 states and in more than 50 foreign countries. CDI plants offer different processing capabilities, allowing CDI to meet a wide variety of customer product needs.



Plant locations and processing capabilities:

ARTESIA — ①

Condensing and bulk fluid plant.

TIPTON — ②

Powdered milk, spreadable butter and condensed product plant.

VISALIA — ③

Powdered milk, butter and anhydrous milk fat plant, equipped with the largest single evaporator-dryer in North America.

FRESNO — ④

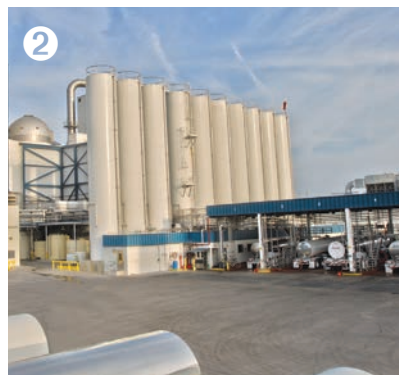
Powdered milk and butter plant.

LOS BANOS — ⑤

Condensed product, ultra-filtration milk, cream cheese and powdered milk plant.

TURLOCK — ⑥

Powdered milk and butter plant.



Our Planet: Energy use and efficiency

CDI is committed to identifying and implementing emerging technologies to maximize energy efficiency at our plants. This includes retrofitting lights to energy-saving LEDs and installing technologies such as energy efficient motors, variable frequency drives, and heat recovery systems.

In 2013, combined energy use at our six plants from natural gas and electricity sources was 4,134,913 million British thermal units (MMBTU), 2.3 percent less than total energy use in 2012. The combined energy efficiency of all CDI plants in 2013 was comparable to 2012, with the Fresno plant improving energy efficiency by 4.1 percent on a per pound of milk processed basis in 2013 compared to 2012.

We are committed to making future energy efficiency gains, investing in a new state-of-the-art, energy efficient evaporator system at the Visalia plant, expected to be fully integrated in 2016.

Total Energy Use All CDI plants

2.3%
reduction in 2013

2013: 4,134,913 MMBTU

2012: 4,233,249 MMBTU



Energy Efficiency All CDI plants

2013: 0.746 MMBTU
per ton of milk processed

2012: 0.742 MMBTU
per ton of milk processed

CDI Visalia plant recognized by Southern California Edison as energy efficiency leader

CDI began operating its newest milk processing plant in 2008 in Visalia, located in Tulare County, the heart of California dairy country. The highly efficient plant, home to North America's largest single evaporator-dryer unit, processed nearly 3 billion pounds of milk in 2013.

In 2010, Southern California Edison, the electricity supply company for much of southern California, recognized CDI with an Environmental Excellence Award for its outstanding leadership in energy efficiency.

Since the plant's construction, energy savings of nearly 23 million kilowatt-hours – enough to power more than 3,300 California homes for a year – have been realized, with the added benefit of reduced carbon dioxide emissions of more than 11,000 tons, according to Southern California Edison.



“CDI is very environmentally conscious. We’re committed to being good stewards. We’re looking down the road many years, identifying additional energy efficiency and savings measures to implement at all our processing plants.”

Mike Wyant, Vice President of Engineering

Our Planet: Climate change

Climate change is a serious challenge, requiring global action. For CDI, that action begins at our processing plants through assessment of greenhouse gas (GHG) emissions at all six plants and implementation of strategies to reduce the amount of GHGs emitted for every pound of milk we process.

In 2013, combined carbon dioxide equivalent (CO₂e) emissions at our six plants totaled 198,310 tons, 2.6 percent less than 2012 emissions. CO₂e emissions per ton of milk processed at our plants held steady in 2013 and 2012: 0.036 tons CO₂e per ton of milk processed.

In 2006, California became the first state – and remains the only state – in the U.S. to regulate GHG emissions by source, with the goal of reducing statewide emissions to 1990 levels by 2020. CDI is in full compliance with reporting and regulatory requirements prescribed by the California Air Resources Board's Cap-and-Trade Program.

Direct CO₂e emissions All CDI plants

2.6%
reduction in 2013

2013: 198,310 tons
2012: 203,502 tons



CO₂e efficiency All CDI plants

2013: 0.036 tons CO₂e
per ton of milk processed

2012: 0.036 tons CO₂e
per ton of milk processed

CDI Tipton plant: 10 years of greenhouse gas reductions through cogeneration

In 2005, CDI invested in a state-of-the-art combined heat and power (CHP) cogeneration system at its Tipton processing plant. The system provides an efficient, clean and reliable approach to generating power and thermal energy from a single fuel source onsite. This replaces power supplied by the utility, with the added benefit of reduced GHG emissions.

The cogeneration system is equipped with a heat recovery system that makes steam for the plant's evaporator-dryers. The system produces 4.6 megawatts of power and the overall plant efficiency exceeds 86 percent on a lower heating value basis, which is significantly more efficient than producing steam in a traditional package boiler and purchasing electricity from the local utility.

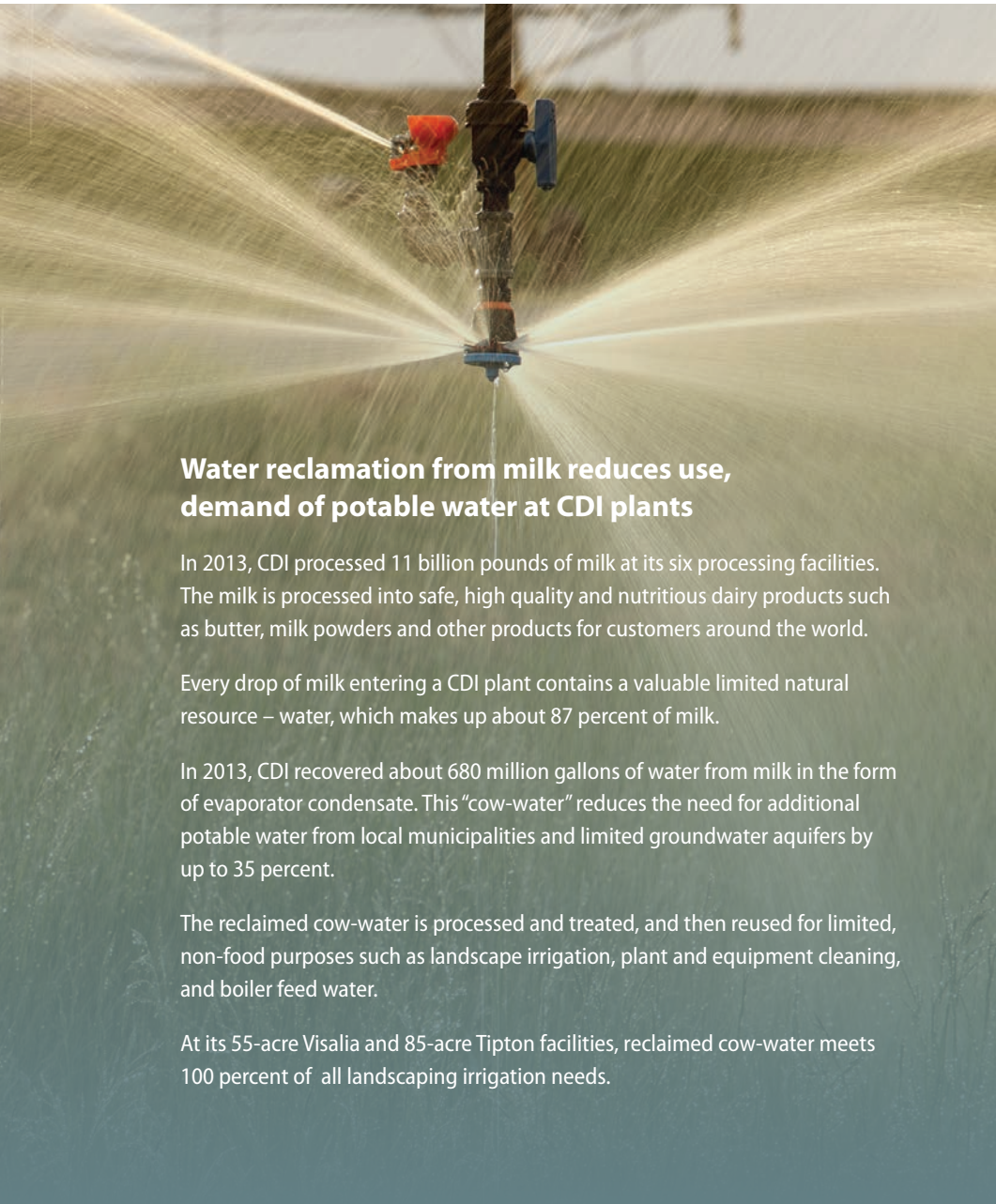
Since installation of the system in 2005, CDI has reduced GHG emissions by roughly 22,000 tons per year, the equivalent of taking about 4,200 cars off the road annually.



Our Planet: Water use, efficiency and recycling

CDI recognizes that water is a precious, finite resource to be used efficiently and effectively. Our goal is to continuously improve water use efficiency at all of our processing plants.

In 2013, potable water consumption at all CDI plants totaled 1,240,098,973 gallons, 2.6 percent less than 2012. In 2013, 0.96 gallons of water was used to process 1 gallon of milk, 3.6 percent less than 2011, with the Artesia plant improving water efficiency by 17.5 percent on a per gallon basis in 2013 compared to 2012.



Water reclamation from milk reduces use, demand of potable water at CDI plants

In 2013, CDI processed 11 billion pounds of milk at its six processing facilities. The milk is processed into safe, high quality and nutritious dairy products such as butter, milk powders and other products for customers around the world.

Every drop of milk entering a CDI plant contains a valuable limited natural resource – water, which makes up about 87 percent of milk.

In 2013, CDI recovered about 680 million gallons of water from milk in the form of evaporator condensate. This “cow-water” reduces the need for additional potable water from local municipalities and limited groundwater aquifers by up to 35 percent.

The reclaimed cow-water is processed and treated, and then reused for limited, non-food purposes such as landscape irrigation, plant and equipment cleaning, and boiler feed water.

At its 55-acre Visalia and 85-acre Tipton facilities, reclaimed cow-water meets 100 percent of all landscaping irrigation needs.

Water Consumption All CDI plants

2.6%
reduction in 2013

2013:
1,240,098,973
gallons
2012:
1,273,582,654
gallons

Water Efficiency All CDI plants

3.6%
increase in 2013

2013:
0.96 gallons of water
consumed per 1 gallon
of milk processed
2011:
1 gallon of water
consumed per 1 gallon
of milk processed

Water Recycling All CDI plants

3.2%
increase in 2013

2013:
225 million gallons
of water recycled
(15.4 percent of total water consumed)
2012:
218 million gallons
of water recycled
(14.6 percent of total water consumed)



Recycling and reuse of water at CDI plants is an integral process, practiced since the first day of operation. In 2013, CDI utilized 225 million gallons of reclaimed water from milk (cow-water) at its plants, an increase of 3.2 percent compared to 2012. Reclaimed cow water accounted for 15.4 percent of all water use at CDI plants in 2013.

Water from Tipton plant recharges local groundwater aquifer

CDI's Tipton plant takes water recycling to a whole new level, returning the water used in its plant – more than 300 million gallons annually – to local groundwater aquifers.

After multiple uses inside the plant, wastewater is processed onsite using advanced water treatment technology that exceeds municipal wastewater treatment standards. Following treatment, the processed water makes its way to one of nine settling basins situated on nearly 40 acres owned by CDI.

Water from the settling basins percolates beneath the soil, eventually reaching groundwater aquifers.

Strategically placed groundwater monitoring wells ensure that recharged water quality meets regulatory permit requirements.

“Water scarcity is a growing problem in California, putting tremendous pressure on groundwater supplies,” said Senior Vice President & Chief Strategy Officer Dr. Eric Erba. “In Tipton, CDI is returning more than 900,000 gallons of treated water per day back to the environment, which is 44 percent more water than the plant utilizes.”

Since 2011, CDI has invested more than \$3.7 million in water treatment and groundwater recharge at the Tipton plant.



Our Planet: Water discharge

CDI is committed to returning water to the environment responsibly according to local, state and federal wastewater discharge quality standards as prescribed in issued regulatory permits. In 2013, 1.49 gallons of water were discharged for every gallon of milk processed, 1.3 percent less than 2010, with our Visalia plant improving water discharge efficiency by 18 percent on a per gallon basis in 2013 compared to 2010. About 35 percent of water discharged by CDI is reclaimed cow-water (see story on page 8).

Water Discharge Efficiency All CDI plants

1.3%
reduction in 2013

2013:
1.49 gallons
of water discharged per
gallon of milk processed

2010:
1.51 gallons
of water discharged per
gallon of milk processed



Turlock plant awarded "Facility of the Year" by water environmental group

In 2010, the CDI Turlock plant was awarded the "Facility of the Year" by the California Water Environment Association (CWEA) in recognition for outstanding achievement in environmental protection and industrial wastewater control.

The Turlock plant earned the CWEA recognition for the following notable pre-treatment and stormwater efforts:

- ✓ Establishment of onsite storage tanks for high and low pH liquids
- ✓ Flow stabilization controlling pH and biochemical oxygen demand (BOD) variability
- ✓ 75+ percent reduction in acids/caustics for wastewater pH adjustment
- ✓ Stormwater protection
- ✓ Tank containment and loading area drainage through monitored water discharge
- ✓ Skilled management of large volumes of process water



Committed to responsible animal care

All of the milk used to produce high quality, safe and nutritious CDI dairy products begins at one of our member-owners' 472 dairy farms. Providing the best care for their animals is an important value practiced daily on these family-owned farms, and our member-owners recognize that responsible animal care is an expectation of their customers.



Animal well-being initiative

In 2010, CDI became one of the first dairy cooperatives to adopt the National Dairy FARM Program: Farmers Assuring Responsible Management. As an early adopter of the national animal well-being program, CDI actively participated in providing feedback during the program's development, which included a CDI member-owner volunteering as the first California dairy farm evaluated under the program.

FARM Program evaluations use a management checklist covering areas of production, such as nutrition, animal health, environment and facilities, and handling, movement and transportation, for all animals on the dairy farm.



The FARM Program includes a comprehensive set of animal care standards for all animals on the farm, developed by veterinarians, animal scientists and dairy farmers from across the nation.

CDI dairy farms are evaluated, in-person, by a certified evaluator according to FARM Program standards once every three years. Initial on-farm evaluations are followed by a third-party program evaluation process, in which independent experts verify results.

At the close of 2013, 305 CDI member-owner dairies, representing 65 percent of CDI milk, had been evaluated. CDI's goal is to evaluate 100 percent of our member-owner dairies by December 31, 2015. More information about the FARM Program is available at www.NationalDairyFarm.com

Member-owners: Committed to environmental stewardship

On our member-owners' farms, sustainability is a daily commitment to responsible animal care, stewardship of our planet's natural resources, and efficient energy use, all with the goal of continuous improvement.

CDI dairy farms successfully operate under the nation's strictest environmental regulations for air and water quality protection, making significant, continued investment to achieve compliance.

\$50 Million Invested. CDI dairy farms have invested more than \$50 million to comply with water quality standards since 2007.

Water Quality Compliance. CDI dairy farms have achieved high rates of compliance with water quality regulations.

Stringent Environmental Testing. Nearly 100 percent of CDI dairy farms report all nitrogen use and are required to apply nitrogen fertilizer under a Nutrient Management Plan (NMP) prepared by a certified professional agronomist. NMPs are subject to regular inspection by Regional Water Quality Control Boards. This includes regular sampling and laboratory testing of manure, soil, irrigation water and harvested crop tissue to account for on-farm nitrogen utilization.

Waste Management Plans. Nearly 100 percent—99.8 percent—of CDI dairy farms have a Waste Management Plan (WMP), which validates proper farm design for manure storage and handling to minimize discharges to the environment. These WMPs are certified by an engineer or equivalent professional.

Groundwater Quality. CDI dairy farms have invested more than \$1.5 million in a cooperative groundwater quality monitoring effort to test and verify that practices result in improved water quality.



Strict Air Quality Compliance. CDI dairy farms located in the San Joaquin Valley of California (more than 90 percent of member-owned dairies) operate under strict regional air quality rules, requiring dairies to adopt management measures to reduce emissions of dust and smog-forming emissions; most other CDI dairies operate under nearly equivalent rules.

Dust Controls. More than 79 percent of CDI dairy farms are implementing conservation practices to reduce fugitive dust, particulate matter or smog-forming emissions.

CDI member-owner action, progress on environmental stewardship

91% have implemented at least one new energy efficiency project

91% have replaced pumps/fans with variable speed drives

91% have participated in a California Dairy Quality Assurance Program environmental class

86% have installed energy-saving plate coolers to chill milk

66% have installed energy-saving lightbulbs—more than 7,000 lightbulbs

51% have incorporated GPS systems in tractors

48% have converted diesel engines to cleaner burning fuel or electric

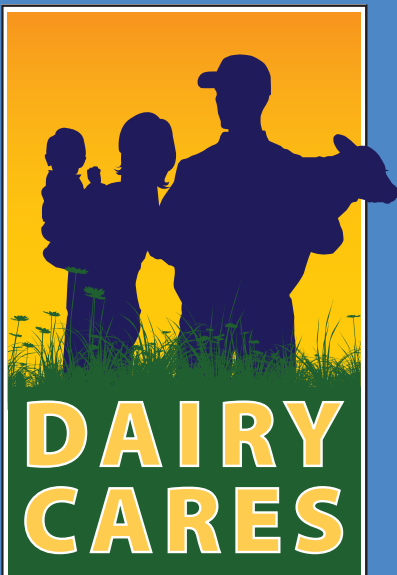
45% regularly compost manure

40% have participated in an energy audit from the utility

More than **6.8 megawatts** of power generated from solar

More than **2.6 megawatts** of power generated from anaerobic manure digestion

Source: Survey of CDI member dairies.



CDI is a founding member of California's sustainable dairy farming coalition

In 2001, CDI organized and joined with dairy-related groups in California to form Dairy Cares (www.DairyCares.com), a voluntary organization dedicated to ensuring the long-term sustainability of California farming families. As a founding member, CDI has invested more than \$1.5 million to date to improve research and understanding of sustainability issues related to dairy farming, such as air and water quality, climate change, land use and animal well-being.

CDI's longstanding investment in Dairy Cares is part of our ongoing commitment to support and develop sustainable dairy farming practices for a better California.

Investing in our people

CDI proudly provides Business Ethics and Code of Conduct education for all new hires and ongoing educational opportunities for all employees. CDI follows all local, state, and federal employment statutes and laws. We remain committed to a clear and comprehensive governance structure, which ensures compliance with all applicable environmental, fiscal, and other laws and regulations.



Quality people making quality products

CDI values investment in programs, policies and opportunities that enrich employee skills and quality of the work environment, foster a culture of cooperation and success, and attract and retain top talent.

In 2013, CDI employed 879 individuals; 79 of them were new hires.

In 2013, 48 percent of employees had 5 or more years' tenure at CDI and 28 percent had 10 or more years' tenure at CDI.



2013 employees = 879

2013 new hires = 79

5+ years' tenure = 48%

10+ years' tenure = 28%

CDI is committed to protecting the working rights and safety of its employees and all those involved in providing products and supplies, while recognizing and respecting cultural differences found throughout the world.

In 2013, CDI offered multiple opportunities for employees to participate in hazard alert meetings, safety suggestions, annual safety training and Take 5, a hazard review of an employee's work area. Approximately 95 percent of employees participated in CDI safety programs.

In 2013, CDI moved toward an employee driven and directed process. A safety steering team directs safety activities of the facility, enhancing the ability of employees' safety and health concerns to be addressed by management.

Each CDI plant maintains a captive shoe program, where shoes do not leave the property for the safety of the employee. Shoes rated with an appropriate slip coefficient for wet surfaces are provided to all plant employees by CDI. All plant employees also are provided with CDI uniforms.



Investing in our communities

\$9 million in local giving over last five years

CDI's member-owners reside and farm in communities throughout California, many having done so on the same dairy farms for generations. They value community and philanthropy, gladly giving to a variety of charitable and civic organizations benefitting their neighbors and those in need.

CDI corporate giving, combined with individual giving by its dairy farmer member-owners, totaled more than \$9 million over the past five years.

In 2013, CDI made more than \$38,000 in financial and food product contributions to charitable causes.

In 2012, CDI pledged \$125,000 to the University of California (UC) Regents for the construction, occupancy, equipping and operation of a Milk Processing Laboratory within the Department of Food Science and Technology at UC Davis.

CDI donation recipients since 2010

4-H Clubs and Future Farmers of America
 American Cancer Society
 American Heart Association
 American Legion
 Boy Scouts of America
 California Women for Agriculture
 Children's Hospital of Central California
 Community Regional Medical Center
 Higher and secondary education programs
 Kiwanis Clubs, Lions Clubs and Rotary Clubs
 School districts and school music programs
 Salvation Army
 Youth sports programs

(partial list of 587 recipients)

20 years of global giving

For more than 20 years, Challenge Dairy Products, a wholly owned subsidiary of CDI, has provided dairy and dairy-based humanitarian aid products, including ready-to-use therapeutic foods (RUTF) for severely malnourished children.



Challenge Dairy RUTF provide a complete source of energy, protein and micronutrients, developed to World Health Organization standards for the second phase of rehabilitating children suffering severe acute malnutrition.

In 2009, Challenge Dairy became the first U.S. food company to earn certified UNICEF-approved status as a supplier of RUTF. Through the program, Challenge Dairy is now supplying RUTF to UNICEF for Caribbean, Central American and Asian countries.

To date, CDI has provided more than 7.2 million pounds, or 24.1 million servings, of RUTF to UNICEF and USAID programs.



"Digital mammography is one of the latest and best technologies helping us with early breast cancer detection. We wouldn't have this tool if it wasn't for the support received from California Dairies, Inc."

Dr. Susan Barrows
 Board-Certified Radiologist,
 Community Regional Medical Center

Key Performance Indicators Summary

| OUR PLANET | |  | | |
|---------------------------|--|--|--|---------------------------------------|
| Guiding Principle | Metric | 2013 Baseline Performance | Performance Perspective | GRI/U.S. Dairy Reference ¹ |
| Energy use | MMBTU/tons milk processed | 0.746 MMBTU used per ton of milk processed by all CDI plants | 2.3% less total energy used in 2013 compared to 2012 | EN3; 4.3 |
| Greenhouse gas emissions | Tons of CO ₂ e/ton milk processed | 0.036 tons CO ₂ e emitted per ton of milk processed by all CDI plants | 2013 data equal to 2012 data | EN16; 4.8 |
| Water use | Total gallons water consumed | 1,240,098,973 gallons water consumed by all CDI plants | 2013 data represent a 2.6% decrease from 2012 | EN8; 4.11 |
| Water efficiency | Total gallons water consumed/gallon milk processed | 0.96 gallons water consumed per gallon milk processed by all CDI plants | 2013 data represent a 3.6% decrease from 2011 | EN8; 4.13 |
| Water recycling and reuse | Percentage, and total volume, of water recycled and reused | 15.4%, and 225 million gallons, of water recycled in 2013 | 2013 volume data represent a 3.2% increase over 2012 | EN10; 4.16 |
| Water discharge | Gallons water discharged/gallons milk processed | 1.49 gallons water discharged per gallon of milk processed by all CDI plants | 2013 discharged water data represent a 1.3% decrease from 2010 | EN21; 4.14 |

¹ Reference to Global Reporting Initiative G3.1 Indicator and/or Sustainability Guide for U.S. Dairy Version 1.2 page.



OUR FARMS



| Guiding Principle | Metric | 2013 Baseline Performance | Performance Perspective | GRI/U.S. Dairy Reference ¹ |
|---------------------------------------|---|---|---|---------------------------------------|
| Animal well-being | Number of members with completed FARM ² Program evaluations | 64% of farms, representing 65% of CDI milk evaluated according to program standards | FARM Program implemented on a voluntary basis in 2010 | 2.7 |
| Water quality protection ³ | Number of farms implementing a Nutrient Management Plan (NMP) prepared by a certified professional | 99.1% of farms implementing a NMP prepared by a certified professional | NMPs balance nutrients applied to crops with nutrients harvested, minimizing losses to the environment | n/a |
| Water quality protection | Number of farms with a Waste Management Plan (WMP) certified by an engineer/equivalent professional | 99.8% of farms with a WMP certified by an engineer/equivalent professional | WMPs validate proper facility design for manure storage and handling to minimize risk of spills or other environmental releases | n/a |
| Water quality protection | Number of farms participating in a groundwater monitoring program | 99.8% of farms participating in a groundwater monitoring program | Groundwater monitoring establishes an information base to track trends and refine management strategies | n/a |
| Air quality protection | Number of farms implementing management practices to reduce smog-forming emissions | 79% of farms implementing management practices to reduce smog-forming emissions | Reducing emissions improves regional air quality and human health | n/a |

² National Dairy Farmers Assuring Responsible Management Program, a comprehensive animal well-being program with independent third-party verification.

³ As of January 2015, Innovation Center for U.S. Dairy is still in the process of developing indicators and metrics for water quality.



OUR PEOPLE

| Guiding Principle | Metric | 2013 Baseline Performance | Performance Perspective | GRI/U.S. Dairy Reference ¹ |
|----------------------------|--|---|--|---------------------------------------|
| Employment opportunities | Number of jobs supplied | 879 CDI employees in 2013 | 851 CDI employees in 2010 | 4.19 |
| Employee retention | New employees in 2013; percentage of employees employed 5, 10 years with CDI | 79 new employees in 2013; 48% with 5+ years' tenure, 28% with 10+ years' tenure | New hires attributable to business growth | 4.23 |
| Employee safety management | Percentage of employees who participated in safety programs | Approximately 95% | Opportunities for participation in safety programs have steadily increased | 4.24 |



OUR COMMUNITIES

| Guiding Principle | Metric | 2013 Baseline Performance | Performance Perspective | GRI/U.S. Dairy Reference ¹ |
|--------------------------------|---|---|--|---------------------------------------|
| Monetary and product donations | Combined dollar value of monetary and product donations by CDI and individual giving by member-owners | More than \$9 million over past 5 years | Dairy farmers oversee local distribution of charitable contributions | 4.28 |

VISION STATEMENT

The leading source of
dairy nutrition for a healthy world.



WE BELIEVE THAT:

We are stronger together

We do what is right

We take the lead

We work hard

Stewardship of our limited natural resources is important to California Dairies, Inc. This report uses soy-based inks and is printed on recycled, sustainably sourced paper containing 30 percent post-consumer waste.

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