In an extraordinary year, the Hilmar team met challenges and stayed connected.

At Hilmar Cheese Company we improve lives.
WELCOME TO HILMAR CHEESE COMPANY

Making dairy products that contribute nutrition, enjoyment and value to people’s lives.

Hilmar Cheese Company, Inc., and its division, Hilmar Ingredients, serve customers in more than 50 countries. State-of-the-art production facilities in California and Texas convert high-quality milk received from local, independent dairy farms into a variety of nutritious cheeses and whey ingredients. Committed to continuous improvement, innovation and sustainability, Hilmar Cheese Company strives to make products that benefit all involved – from our customers and our suppliers to our employees and communities. Together, we improve lives.

HIGHLIGHTS OF 2020
These highlights reflect our commitment to the environment, the community and our employees

We donated thousands of pounds of cheese to support those in need

100% of our reclaimed water is recycled and reused, most for crop irrigation

Successful 21st annual holiday canned food drive

Completed materiality assessment

Awarded college scholarships to 42 students

The information presented reflects data collected for 2020.

CONTENTS

The Company
Letter From CEO 3
Our History 4
Our Purpose and Culture 5
Goals and Report 6
Environmental Stewardship 8
Our Employees 10
Economic Value 12
On the Farm 13
Community Engagement 14

SCOPE OF THIS REPORT

This report for calendar year 2020 is our eleventh annual report. It reflects the total company efforts from our Dalhart, Texas, manufacturing site; and Hilmar, California, manufacturing site and Headquarters & Innovation Center.

This report follows the industry-adopted U.S. Dairy Stewardship Commitment (www.usdairy.com), a voluntary guide for tracking and communicating progress. It also incorporates the methodology outlined by the Global Reporting Initiative (GRI), a nonprofit organization that develops and publishes guidelines for reporting on sustainability performance. This report supports the principles important to our customers. While some information in this report may have been audited, the complete report has not been audited and is not guaranteed. This report is not intended to be a solicitation or advertisement for the sale of products from Hilmar Cheese Company or Hilmar Ingredients.

More information about our sustainable practices can be found at hilmarcheese.com.
Welcome to our 11th Annual Corporate Sustainability Report. This past year has been like no other. Every day seemed to bring new challenges and impact as a result of the coronavirus pandemic. At Hilmar Cheese Company it changed the way we worked, from our on-site safety protocols, to remote work for many, to the resiliency of our end-to-end supply chain. It also proved to be a year of perseverance, unparalleled teamwork and great accomplishments.

I am tremendously proud of our team. They have risen to the challenge, adapted, and continued to push forward on the ambitious goals we’ve set for ourselves.

As we completed the second year of our Strategic Plan, we have made significant progress toward our goals. Here are a few highlights of our accomplishments:

• Building the A Team – We had a record-setting year in Safety. We enhanced our benefit program, improved training and efficiency, recognized more than 60 employees at our 2020 Academy Awards ceremony, led the organization through procedures and protocols around COVID-19, and ensured we have the right people, in the right places, working on the right things, in the right ways.

• Operational Excellence – We established a mindset of excellence through our best practices in six key initiatives: Process Excellence, Reliability for Results, Planning Excellence, Cost Excellence, Quality Amplified and Continuous Improvement. Our teams managed multiple projects within each key area with great success.

• Wow the Customer – We built integrated strategic marketing plans in both the cheese and ingredients businesses. As the pandemic evolved and markets shifted, we adapted and adjusted to meet the needs of our customers, strengthening our market positions and highlighting our innovation and flexibility.

Throughout the year, we focused on our goal to protect lives and livelihoods and remained steadfast in our purpose: to improve lives. Families were in need and we answered the call. Hilmar Cheese Company donated thousands of pounds of cheese through partnerships with the Texas High Plains Agriculture Pop-up Pantry and the Farm to Family program in California. Our employees contributed to our company food drive to support the St. Anthony’s Food Bank in Dalhart and Hilmar Helping Hands in Hilmar. In 2020 we worked together and we made a difference.

You can read more about these and other accomplishments in the following report.

David Ahlem
OUR HISTORY

In 1984, 12 Central California dairy farm families, seeking to maximize the value of their Jersey cows’ premium milk, created Hilmar Cheese Company. They invested heavily in research, the latest technology and employee excellence – a practice that continues to guide the privately held company today.

A true “American Dream” business story, the founders of Hilmar Cheese Company

Hilmar Cheese Company became the largest single-site cheese processor in the world

Added additional cheese processing

Constructed facilities to further process whey proteins (1992) and lactose (1994)

Opened California Visitor Center

Opened Texas manufacturing site

Built new milk receiving area to improve efficiency and accommodate additional milk trucks

Launched Hilmar Ingredients to market whey products


HILMAR, CA, FACILITIES
At Hilmar Cheese Company we improve lives.

OUR PURPOSE

Our Culture

Relationship Integrity

Teamwork Improvement

Excellence

100% of dairy farm families, who have a supply agreement with Hilmar Cheese Company, were FARM™ certified for dairy animal care.

*Farmers Assuring Responsible Management

Hilmar Ingredients named Dairy Exporter of the Year

Began production of lactoferrin, a bioactive whey protein

Headquarters & Innovation Center opened and was designated LEED Platinum™

Received the 2015 Outstanding Dairy Processing & Manufacturing Sustainability Award from Innovation Center for U.S. Dairy

Completed construction on a permeate facility in Dalhart, Texas

Unveiled largest hand-painted dairy mural in the U.S. at our Visitor Center


Dalhart, TX, Facility
<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>FOCUS</th>
<th>GOALS</th>
<th>2020 PROGRESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Stewardship</td>
<td>Energy Intensity</td>
<td>Reduce energy use per 1,000 pounds of product</td>
<td>The total amount of natural gas and electricity used per thousand pounds of product decreased from 2019. We made anaerobic digester system improvements that enhanced the biogas quality and reuse.</td>
</tr>
<tr>
<td></td>
<td>Greenhouse Gas Intensity</td>
<td>Decrease the amount of greenhouse gas (GHG) direct emissions per 1,000 pounds of product</td>
<td>Indirect Greenhouse Gas (GHG) decreased slightly from 2019. We completed the electrification of our forklift fleet and fine-tuned the boilers. We continue to evaluate options and alternatives that will have a direct impact on reducing overall GHG emissions.</td>
</tr>
<tr>
<td></td>
<td>Water Use and Efficiency</td>
<td>Minimize the amount of well water used for production</td>
<td>The amount of well water used per thousand pounds of product decreased slightly from 2019. We were able to reuse recycled water in non-food use processes, reducing the need for well water.</td>
</tr>
<tr>
<td></td>
<td>Water Recycling and Reuse</td>
<td>Recycle 100% of reclaimed water for reuse</td>
<td>100% of reclaimed water was recycled for facility landscaping, crop irrigation and internal reuse.</td>
</tr>
<tr>
<td></td>
<td>Water Quality</td>
<td>Improve water quality</td>
<td>We have a program and monitoring system that ensures routine compliance with water permit parameters.</td>
</tr>
<tr>
<td></td>
<td>Resource Recovery</td>
<td>Reduce and recycle to optimize recovery</td>
<td>We diverted almost 99% of solid waste from the landfill.</td>
</tr>
<tr>
<td></td>
<td>Supplier Responsibility</td>
<td>Develop and maintain relationships with suppliers who have similar sustainability goals</td>
<td>We will continue to audit and work with our suppliers.</td>
</tr>
<tr>
<td></td>
<td>Supplier Dairy Responsibility</td>
<td>Develop and maintain relationships with suppliers who have similar sustainability goals</td>
<td>100% of direct-ship dairies participate in the Leadership in Environmental And Dairy Stewardship (LEADS) program. We reviewed the LEADS program regarding environmental sustainability. A sample of dairy farms will participate in the Farmers Assuring Responsible Management (FARM) Environmental Stewardship module throughout 2021.</td>
</tr>
<tr>
<td></td>
<td>Product Safety and Quality</td>
<td>Implement and improve best practices</td>
<td>We have validated, verifiable food safety programs and management systems. We will continue to regularly review and update programs to reflect new food safety best practices. We will also continue to use the U.S. Dairy Traceability Guidelines.</td>
</tr>
<tr>
<td>CATEGORY</td>
<td>FOCUS</td>
<td>GOALS</td>
<td>2020 PROGRESS</td>
</tr>
<tr>
<td>-------------------</td>
<td>----------------------</td>
<td>----------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Employee</td>
<td>Safety</td>
<td>Decrease incidents and severity of workplace injuries</td>
<td>The company-wide Days Away Restricted and Transferred metric was 3.6. In 2020, we implemented additional safety protocols and procedures regarding COVID-19.</td>
</tr>
<tr>
<td>Investment</td>
<td>Training</td>
<td>Improve training programs and opportunities</td>
<td>We had 129 employees participate in a new coaching program, launched performance and development goals, added a 360 review program for leaders, enhanced our current benefit program and increased training efficiency. We will continue to grow training and leadership.</td>
</tr>
<tr>
<td></td>
<td>Tuition</td>
<td>Prepare employees for new roles and advancement</td>
<td>We reimbursed employees more than $100,130 in higher education fees. We plan to continue this program.</td>
</tr>
<tr>
<td></td>
<td>Economic</td>
<td>Stimulate the local economy</td>
<td>We utilized multiple outside consulting services.</td>
</tr>
<tr>
<td></td>
<td>Jobs and Local Support</td>
<td>Identify and contribute to projects with significant impact</td>
<td>We supported the Texas High Plains Agriculture Pop-up Pantry and the Farm to Family food assistance programs with thousands of pounds of cheese. We responded to the fires in California through the American Red Cross for disaster relief. During the year, we contributed to many youth, education, food security, health care, arts and agriculture programs.</td>
</tr>
<tr>
<td></td>
<td>Consumer Education</td>
<td>Increase consumer outreach</td>
<td>In January and February, more than 3,500 student participated in our Visitor Center educational program, and then we closed because of COVID-19. More than 2,000 students have been reached through our virtual education program.</td>
</tr>
</tbody>
</table>
PROGRESS AT OUR SITES

Information and charts presented in this section represent a combined effort for both manufacturing sites and our Hilmar Headquarters & Innovation Center.

We continued to make progress in many areas in 2020. We decreased both energy use and greenhouse gas emissions. We completed the electrification of our forklift fleet and fine-tuned the boilers. Improvements to our anaerobic digester system enhanced the biogas quality and our ability to use the gas.

We increased recycled water use per thousand pounds of production by 14% compared to 2019. We were able to reuse recycled water in non-food use processes, reducing the need for well water.

Water (all water sources)

- Total Usage
  - Gallons/10^3 lbs. of production
  - 2019 Combined: 1,462
  - 2020 Combined: 1,451

- Total Recycled
  - Gallons/10^3 lbs. of production
  - 2019 Combined: 657
  - 2020 Combined: 757

Energy

- Total Direct
  - MMBTUs/10^3 lbs. of production
  - 2019 Combined: 1.59
  - 2020 Combined: 1.50

- Total Indirect
  - Kilowatts/10^3 lbs. of production
  - 2019 Combined: 186
  - 2020 Combined: 183

1 We used less water, so we recycled less water
2 Indirect energy is provided by outside sources, such as electricity
WATER USE AND QUALITY

Both manufacturing facilities have water polishers. The water polishers allow us to capture almost 100% of the water that was originally part of the milk. This recycled, polished water is used to wash facilities and equipment.

Facilities in Hilmar and Dalhart have complex multistage water reclamation systems consisting of several steps including equalization, anaerobic and aerobic digestion and storage.

After the water goes through our water reclamation processes, it is used in a variety of ways:

- Recycled water to wash facilities and equipment
- Recycled water for facility landscaping
- Recycled water for nonfood uses
- Recycled water to irrigate crops, many used to feed the cows

BIOGAS DIGESTER

Our Hilmar and Dalhart water reclamation systems have biogas (methane) digesters. During anaerobic digestion, biomass (good bacteria) consumes organic material in the water and transforms it into methane. The methane is processed and used to fuel on-site boilers, reducing overall greenhouse gas emissions.

ENVIROMENTAL STEWARDSHIP

CONSERVATION

Almost 100% Water Recovery From Incoming Milk
All water not captured in finished products is recycled and recovered for further use

More than 20% Solar Energy
powers our Headquarters & Innovation Center

U.S. Dairy Sustainability Award Winner
Innovation Center for U.S. Dairy
Sustainability Award
Received the 2015 Outstanding Dairy Processing & Manufacturing Sustainability award from Innovation Center for U.S. Dairy

Greenhouse Gases

<table>
<thead>
<tr>
<th>0.083</th>
<th>0.078</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Direct</td>
<td>Metric tons CO₂e/10³ lbs. of production</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>0.058</th>
<th>0.057</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Indirect³</td>
<td>Metric tons CO₂e/10³ lbs. of production</td>
</tr>
</tbody>
</table>

Resource Recovery and Solid Waste Reduction

<table>
<thead>
<tr>
<th>98.88%</th>
<th>98.94%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waste Diversion</td>
<td>Solid waste diverted from a landfill</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>0.302</th>
<th>0.192</th>
</tr>
</thead>
<tbody>
<tr>
<td>Throughput Efficiency</td>
<td>(Total waste stream/unit of production) Solid waste diverted from a landfill Tons/10³ lbs. of production</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>52%</th>
<th>20%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource Utilization</td>
<td>Food repurposed as animal feed and nonfood composted</td>
</tr>
</tbody>
</table>

³ Indirect GHG is produced as a result of using electricity from outside sources
TAKING CARE OF OUR EMPLOYEES AND THEIR FAMILIES

Hilmar Cheese Company offers its employees a competitive wage and benefit-rich health and welfare programs. Our comprehensive health plan includes medical, dental, vision, prescription and hospitalization coverage with low out-of-pocket expense. In addition, we offer the following benefits:

- A 401(k) retirement savings program with financial advisory services
- Telephonic medical consultations
- Nutrition and weight management counseling, including Weight Watchers®
- Reduced membership fees at local gyms
- Annual benefit fairs and flu shot clinics
- Employee assistance program
- Chaplaincy support and professional coaching
- Life and disability benefits
- Supplemental life insurance offerings
- Flexible Spending Account programs
- Educational assistance benefits
- Paid time off, including vacation and floating holidays
- Instructor-led and web-based leadership development training

Most of these programs are available to benefit-eligible employees only. However, some are available to all employees, regardless of full-time status.

Hilmar Cheese Company employees also enjoy:

- Discounts on cheese and items sold in our Visitor Center
- Family activities, including BBQs

EMPLOYEE SAFETY

2020 was another record-setting safe year! Our team worked safely and quickly adapted to new coronavirus protocols. We installed barriers and required that each employee temperature-screen, wear a mask and socially distance. We implemented supportive isolation and illness policies.

We continue to measure leading indicators of training, safety teams, inspections and employee actions. Our company-wide Days Away, Restricted or Transferred (DART) rate was below the standard used by our industry.

EMPLOYEE RETENTION

We strive to make our employees feel valued, appreciated and part of our team. This chart reflects the employees who have been with us more than the year mark as measured against the positions we had available that year.
EMPLOYEE EDUCATION

Employees are provided company training along with the opportunity to continue their education at colleges and universities. In 2020, Hilmar Cheese Company reimbursed more than $100,130 in educational fees to help employees grow their horizons.

EMPLOYEE RECOGNITION

Our second Academy Awards ceremony was celebrated in February before the coronavirus pandemic. Academy Award events were held over multiple days in Hilmar, California and Dalhart, Texas to allow for hundreds of employees to participate.

Employees nominated their peers for the High Five Cultural Value Awards. Fifteen individuals who have lived, promoted and extended our cultural values throughout the year were honored. The Strategic Superstar Awards recognized an activity that shows initiative or contribution to our strategic plan. We are proud to recognize the contributions of our employees. Congratulations to each of the winners.
U.S. Dairy Stewardship Commitment

Hilmar Cheese Company, Inc. is proud to be part of the U.S. Dairy Stewardship Commitment. We are one of many dairy companies who represent more than 70 percent of the nation’s milk production who have voluntarily adopted the U.S. Dairy Stewardship Commitment. We contribute to U.S. dairy’s ability to track, aggregate and report on progress. We report our progress in the following areas: environment, animal care, food safety/traceability and community contributions.

Materiality Assessment

We conducted a materiality assessment that met the guidelines of the Global Reporting Initiative. A materiality assessment is a formal exercise aimed at engaging stakeholders to find out how important specific environmental, social and governance (ESG) issues are to them. Materiality is defined as the threshold at which key focus and risk areas become sufficiently important to be included in Hilmar Cheese Company’s sustainability strategy. Three primary areas were identified:

- GHG Emissions
- Resource Recovery (waste reduction)
- Workforce Development

The insights will be used to guide strategy, goal setting and communication.
Leadership in Environmental And Dairy Stewardship (LEADS) is Hilmar Cheese Company’s program of continuous improvement in animal care and sustainable farming practices. All of the dairy farm families, who have supply agreements with Hilmar Cheese Company, participate in LEADS. They share our belief that sustainability is a daily commitment to caring for people, our communities and our natural resources – while never forgetting the importance of providing affordable, nutritious dairy foods for consumers around the world.

DAIRY ANIMAL CARE

The national Farmers Assuring Responsible Management (FARM™) Animal Care program is the foundation of the LEADS dairy animal care requirements. FARM Animal Care is a nationwide, verifiable dairy animal well-being program developed in partnership with veterinarians, dairy farmers and university researchers. Through education, on-farm evaluations and objective, third-party verification, dairy farmers continually improve all areas of dairy animal care. We conduct dairy farm evaluations against the most current FARM Animal Care version 4.0.

DAIRY FARM ENVIRONMENTAL STEWARDSHIP

The national Farmers Assuring Responsible Management (FARM™) Environmental Stewardship program is a part of LEADS. This program uses an online assessment tool to help farmers evaluate their environmental progress relating to energy and greenhouse gas emissions.

In 2018, Hilmar Cheese Company signed the U.S. Dairy Stewardship Commitment. Part of this commitment is the use of stewardship metrics and accompanying measurement tools such as the national sampling protocol. We will be testing the FARM Environmental Stewardship module 2019-20 and adopting the sampling protocol in 2021.

Farms LEADING the Way

The National Dairy FARM™ (Farmers Assuring Responsible Management) Program is a nationwide, verifiable program to show customers and consumers that the dairy industry is taking the very best care of cows and the environment to produce safe, wholesome milk and adhering to the highest standards of workforce development.

CALIFORNIA

Migliazzo and Son’s Dairy has been selling milk to Hilmar Cheese Company since 1989. This Holstein dairy involves many family members with a focus on animal care.

TEXAS

Full Circle Jerseys has been selling milk to Hilmar Cheese Company since 2007. This Jersey dairy uses new technology to take great care of their cows.
Community support looked a little different in 2020. When the pandemic started, our focus was on food security. We partnered with organizations in California and Texas to provide more than 400,000 servings of cheese to families in need. As the pandemic progressed, many of our local community organizations needed help to survive. Employees contributed food and funds to matching donation programs to help many in need.

Our Visitor Center education program looked different too. More than 3,000 students visited the California Visitor Center before we closed to the public on March 16, 2020. We transitioned to monthly learning topics to support virtual education. Our annual scholarship program supported 42 students.

Throughout 2020, Hilmar Cheese Company’s community efforts focused on our Purpose, to improve lives.
Inspiring Young Minds

- 4-H, FFA and Scouts
- California Foundation for Agriculture in the Classroom
- Hilmar Cheese Company Scholarship Program
- Local colleges and junior colleges
- Universities with dairy processing programs
- Youth activities and sports

Agricultural Outreach

- California Jersey Association
- California Holstein Association
- California Women for Agriculture
- Texas Jersey Cattle Club
- County and state fairs
- Farm bureaus

Healthier Lives

- American Red Cross
- Emanuel Medical Center Foundation
- Mercy Medical Foundation
- Relay for Life for American Cancer Society
- Valley Children’s Hospital