

OUR COMMITMENT TO SUSTAINABILITY

2022



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., serves 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.

Relationship **Integrity**
TEAMWORK Improvement
EXCELLENCE



STEWARDSHIP COMMITMENT

Hilmar Cheese Company, Inc. is proud to be part of the U.S. Dairy Stewardship Commitment. We report our progress in the following areas: environment, animal care, food safety/traceability and community contributions.

CONTENTS

The Company	
CEO Letter	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 2022 is our thirteenth 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.

A LETTER FROM OUR CEO

Our new state-of-the-art production facility in Dodge City, Kansas, takes center stage in our 13th annual Corporate Sustainability Report.

On September 30, 2023, we were joined by Kansas Governor Laura Kelly, other officials and many local leaders to break ground on our new cheese and whey processing facility, which will showcase sustainability through state-of-the-art instrumentation and control systems.

We're using recycled water to process protein, clean the facility and equipment, and reclaim waste heat. The latest equipment, instrumentation and automated controls technology will reduce overall energy use. This new facility will create 250 new jobs, create opportunities for the Dodge City community and promote growth for Kansas dairy producers.

Throughout the year, our team worked hard to continue to fulfill our purpose of improving lives. We made progress on our sustainability path, celebrated employee accomplishments, and wowed our customers.



Davis to identify opportunities to improve production processes and equipment that would reduce GHG and energy use. We improved water recycling and reuse in our boilers (more on page 8).

We recognized employees and operational excellence by numerous teams at our 4th Annual Academy Awards ceremonies. We also celebrated with employees and their families at appreciation events at local pumpkin patches and the Dalhart site hosted a family insider tour day. This is all part of how we cultivate an exceptional culture at Hilmar.

We wowed our customers with the "Better Cheddar." In a blind taste test with other cheddar cheeses, our Mild Cheddar and Vintage Sharp Cheddar were unanimously selected.

We are very excited about the year ahead. We remain steadfast in our purpose – our why – to Improve Lives. This includes the lives of our employees, our customers, our dairy farm producers, the communities where we operate, and all of you by making the world that we live in sustainable and by delivering on the full nutritional and economic value of dairy. Thank you for learning more about Hilmar Cheese Company in the pages ahead.



David Ahlem, CEO and President of Hilmar Cheese Company, Inc.

On sustainability, we have established Greenhouse Gas (GHG) baseline numbers to use as we develop reduction goals and plans. We worked with the University of California



David Ahlem


OUR LEGACY

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



Opened California Visitor Center



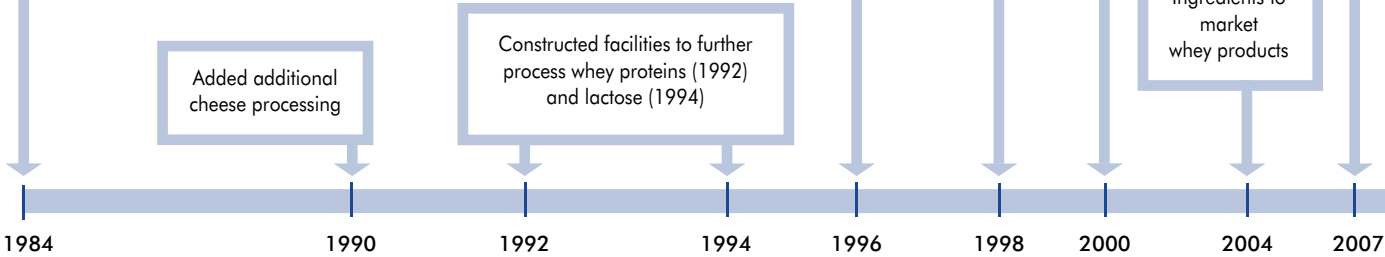
Opened Texas manufacturing site



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

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

Launched Hilmar Ingredients to market whey products



HILMAR, CA, FACILITIES

OUR PURPOSE

At Hilmar Cheese Company **we improve lives.**

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



Headquarters & Innovation Center opened and was designated LEED Platinum™



U.S. Dairy Sustainability Award Winner
Innovation Center for U.S. Dairy.

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



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

Hilmar Ingredients named Dairy Exporter of the Year

Began production of lactoferrin, a bioactive whey protein

Announced plans for a new cheese and whey facility in Dodge City, Kansas

2009

2011

2013

2014

2015

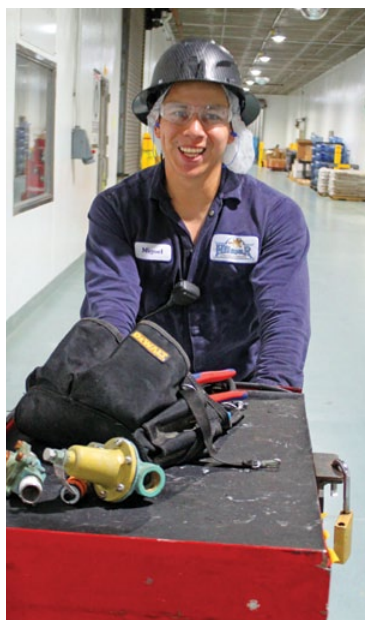
2018

2021

DALHART, TX, FACILITY



GOALS AND REPORT



CATEGORY	FOCUS	GOALS	2022 PROGRESS
Environmental Stewardship	Energy Intensity	Reduce energy use per 1,000 pounds of product	The total amount of natural gas and electricity used per thousand pounds of product decreased from 2021. We continue to replace older equipment with newer, more energy efficient equipment and recover more heat from our processes.
	Greenhouse Gas Intensity	Decrease the amount of greenhouse gas (GHG) direct emissions per 1,000 pounds of product	Indirect Greenhouse Gas (GHG) decreased slightly from 2021. We continue to implement options and alternatives that will have a direct impact on reducing overall GHG emissions.
	Water Use and Efficiency	Minimize the amount of well water used for production	The amount of well water used was reduced by 2.7% when compared to 2021. Our water reduction and water reuse efficiency continues to improve.
	Water Recycling and Reuse	Recycle 100% of reclaimed water for reuse	100% of reclaimed water was recycled for facility landscaping, crop irrigation and internal reuse.
	Water Quality	Improve water quality	We have a program and monitoring system that ensures routine compliance with water permit parameters.
	Resource Recovery	Reduce and recycle to optimize recovery	We diverted 99% of solid waste from a landfill. We continue to focus on waste reduction and improve uses of recycled materials.
	Supplier Responsibility	Develop and maintain relationships with suppliers who have similar sustainability goals	We will continue to audit and work with our suppliers.
	Supplier Dairy Responsibility	Develop and maintain relationships with suppliers who have similar sustainability goals	100% of direct-ship dairies participate in Leadership in Environmental And Dairy Stewardship (LEADS) program. Supplying dairy farms participate in the Farmers Assuring Responsible Management (FARM) Animal Care module and Environmental Stewardship module.
	Product Safety and Quality	Implement and improve best practices	We have validated, verifiable food safety programs and management systems. We will continue to regularly review and update programs to reflect new food safety tools/practices for continuous improvement. We will also continue to use the U.S. Dairy Traceability Guidelines.

GOALS AND REPORT

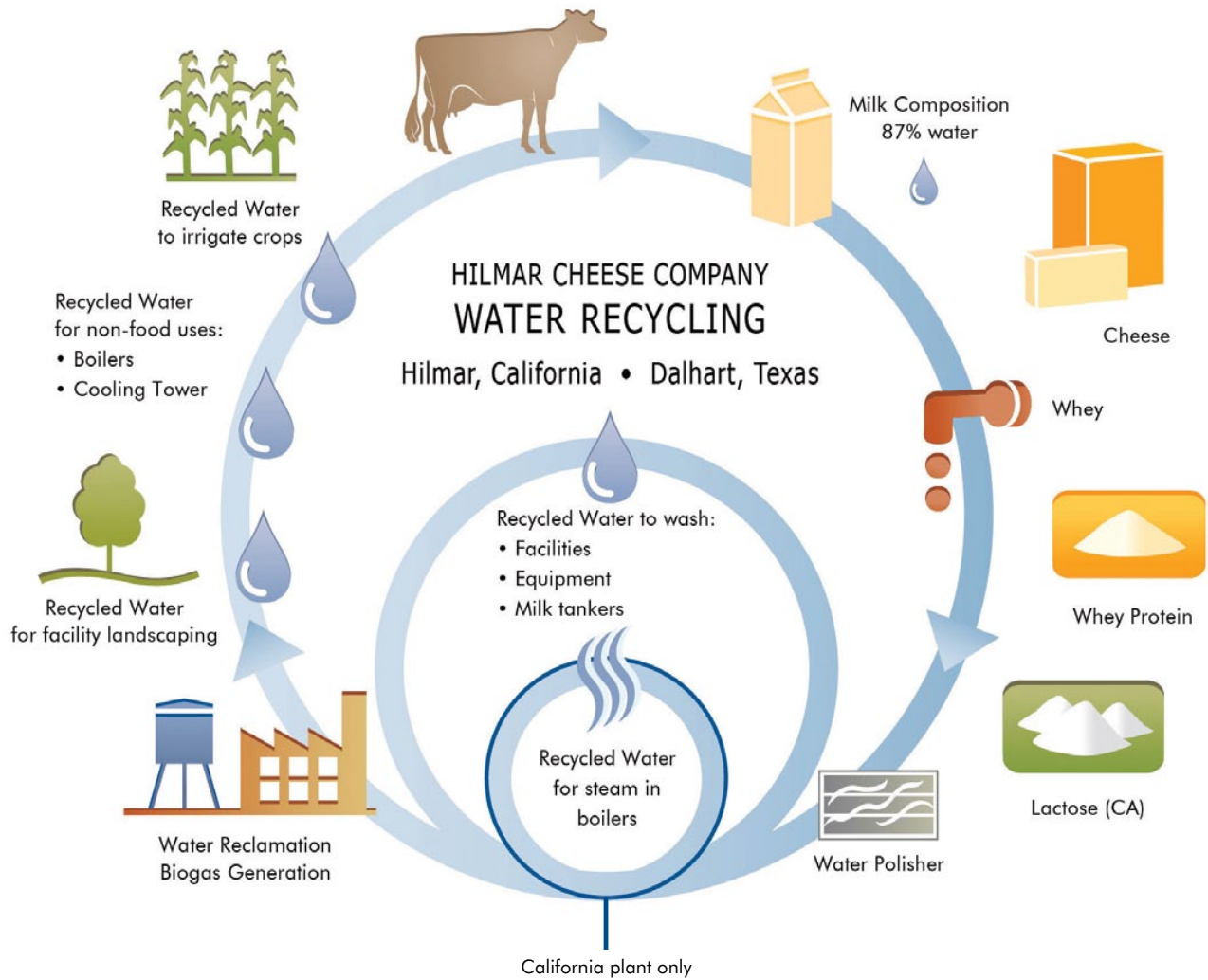


CATEGORY	FOCUS	GOALS	2022 PROGRESS
Employee Investment	Safety	Decrease incidents and severity of workplace injuries	The company-wide Days Away Restricted and Transferred improved 2022 to 4.8. We gleaned valuable information from our safety culture survey and have made positive changes geared towards encouraging and supporting safe work behaviors including "Influence Model" training and adoption, "Make It Safe, Make It Home" program development and safety stand-down meetings.
	Training	Improve training programs and opportunities	We worked to embed a learning culture throughout the business by putting special emphasis on Production Supervisors in 2022. We reimagined the Production Supervisor Training (PST) program and improved the offerings during the Supervisor Development Trainings. On a broader scale, we continued to evaluate our leadership level offerings and develop training modules to meet the needs of all levels of the organization.
	Tuition	Prepare employees for new roles and advancement	We reimbursed employees more than \$184,500 in higher education fees. We plan to continue this program.



CATEGORY	FOCUS	GOALS	2022 PROGRESS
Economic	Local Jobs and Support	Stimulate the local economy	We added 70 new positions and utilized multiple outside consulting services.

CATEGORY	FOCUS	GOALS	2022 PROGRESS
Engagement	Community Philanthropy	Identify and contribute to projects with significant impact	We made our "largest" donation - a silo to the Merced County Fire Department. Major contributions included the Awesome Spot, Modesto Children's Museum, Stratford Youth Sports and more. During the year, we contributed to many youth, education, food security, health care, arts and agriculture programs.
	Consumer Education	Increase consumer outreach	More than 5,000 student were able to participate in our Visitor Center educational program. Public tours were offered during the summer and visitor numbers increased as Covid restrictions were lifted.



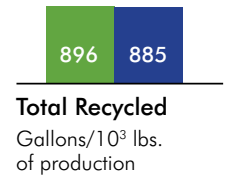
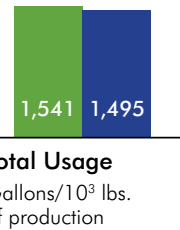
PROGRESS AT OUR SITES

Hilmar Cheese Company completed a boiler project that reduced water use and was more energy efficient.

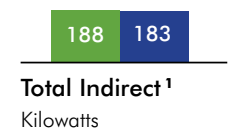
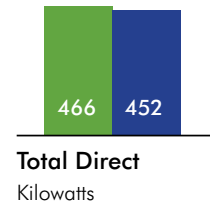
We switched from a conventional boiler water treatment to one that reduces blowdown, a process to remove the concentration of impurities formed during evaporation. This new treatment saves more than five million gallons of water per year. The energy efficiency also reduced natural gas use and decreased GHG generation.

Our water recycling process continues to improve. We use more reclaimed water in our boilers and cooling towers.

Water (all water sources)



Energy



¹ 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 California and Texas 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 California and Texas 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.

RECYCLED WATER FOR STEAM

The California site water reclamation process added a third loop with the ability to use our recycled water for steam in boilers.

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

PROGRESS AT OUR SITES

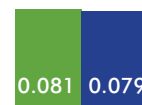
We worked with consultants and UC Davis to identify ways to reduce water usage and GHG. We are scoping plans for future reduction.

For waste diversion, we used a more accurate calculation in 2022, that will be used going forward.

Change in throughput efficiency was caused by preventive maintenance. Every 5-6 years we clean out our retention ponds. This material is used as agricultural soil nutrients.



Greenhouse Gases

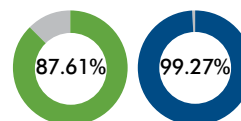


Total Direct
Metric tons CO₂e

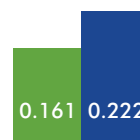


Total Indirect²
Metric tons CO₂e

Resource Recovery and Solid Waste Reduction



Waste Diversion
Solid waste diverted from a landfill



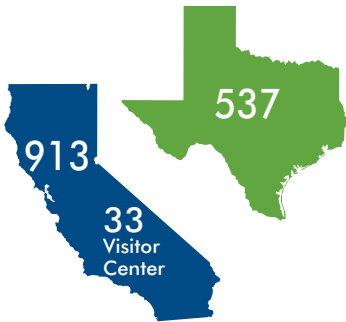
Throughput Efficiency
Total waste stream/10³ unit of production

² Indirect GHG is produced as a result of using electricity from outside sources

EMPLOYEE DEMOGRAPHICS



1,484 Total Employees
all sites (full) and part time (VC)



50% of Total Employee Population With 5+ Years Tenure



128 Employees Promoted From Within

TAKING CARE OF OUR EMPLOYEES AND THEIR FAMILIES

Hilmar Cheese Company offers its employees a competitive wage and benefit-rich health and well-being 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 WW®
- Reduced membership fees at local gyms
- Annual seasonal flu shot clinics
- Employee assistance program
- Chaplaincy support and professional coaching
- Life and disability benefits
- Supplemental life insurance offerings
- Flexible Spending Account programs
- Health Savings Account opportunities
- 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 and events

EMPLOYEE SAFETY

This year we launched a new safety theme: "Make it safe, make it home." The safety teams used the theme to emphasize training and employee actions.

Safe work behaviors continue to be rewarded through our program. We also added "Influence Model" training for leadership.



EMPLOYEE EDUCATION

Employees are provided company training along with the opportunity to continue their education at colleges and universities. In 2022, Hilmar Cheese Company reimbursed more than \$184,500 in educational fees to help employees grow their horizons.

EMPLOYEE RECOGNITION

We recognized and celebrated employee accomplishments at our fourth Academy Awards ceremonies. The California Protein team was awarded the Superstar Plant of the Year for superior performance in safety, quality and productivity. Many teams were recognized for their specific contributions with the Strategic Superstar Awards. Fifteen individuals received the High Five Cultural Value Award for promoting our cultural values throughout the year. Congratulations to all of the winners.



High Five Award



Strategic Superstars



Strategic Superstars



Superstar Plant of the Year — California Protein

JOB CREATION



70 New Positions



11 Paid Interns

TOTAL EXPORTS



15% of Our Products

Cheese, Whey Protein,
and Lactose



Dodge City Cheese and Whey Processing new site construction

GROUND-BREAKING CEREMONY FOR THIRD MANUFACTURING SITE IN DODGE CITY KANSAS

On September 30, 2022, Hilmar Cheese Company, Inc. broke ground on the site of its future state-of-the-art cheese and whey protein processing plant in Dodge City, Kansas.

Kansas Governor Laura Kelly, Senator Jerry Moran, Chairman of the Ford County Commissioners Chris Boys and many other officials and community members joined Hilmar's board of directors, executive team and employees to celebrate.

The Dodge City facility will incorporate the latest technology and advancements in conservation and sustainability. State-of-the-art instrumentation and control systems will minimize the water needed to keep the plant clean and minimize energy usage. Recycled water will be used further in processing protein, to clean the facility and equipment and to reclaim waste heat. The equipment will utilize the latest technology, such as upgraded spray nozzles for more efficient cleaning. The process will reuse rinse water. The latest equipment, instrumentation and automated controls technology will reduce overall energy use. The sustainability effort continues throughout the site with native and drought tolerant landscaping. These features will decrease Green House Gas (GHG) footprint and minimize water use.

Dodge City has a local and skilled labor force, a supportive and expanding agricultural region, and an excellent transportation network.

The new facility is expected to create 250 new jobs and represents more than \$600 million in capital investment.



Manure Management Separation



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.

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 also part of LEADS. This program uses an online assessment tool to help farmers evaluate their environmental progress relating to energy and greenhouse gas emissions. Dairy farms with supply agreements participate in this program.

Hilmar Cheese Company's direct supply independent milk producers are making progress on GHG initiatives as well. This past year there was a substantial amount of work completed on manure management projects. These were a mix of solar drying, composting and digester projects with approximately \$10,000,000 of investment that will result in roughly 50,000 tons of annual GHG reductions in the near future. In 2023, we are expecting an additional \$29,000,000 of investment resulting in approximately 74,000 tons of annual future GHG reductions.

Farms LEADING the Way



Founding Hilmar Cheese Company partner Vern (and Mary) Wickstrom were honored with the Hilmar Citizen of the Year award. This award recognizes their volunteer roles and contributions to the local community.



Founding Hilmar Cheese Company partner and Chairman of the Board Jim (and Carol) Ahlem and his family dairy were recognized as a Hilmar Chamber Business of the month for the critical role the dairy business plays in the community.

Cream of the Crop

Congratulations to the winners of this year's Cream of the Crop award for the highest quality milk.

CALIFORNIA

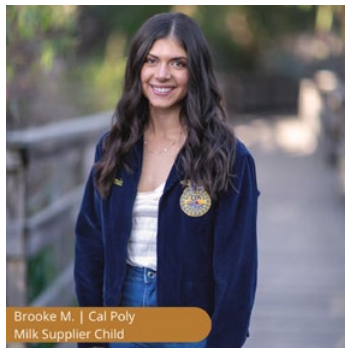
UC Davis Dairy has been selling milk to Hilmar Cheese Company since 2002.

TEXAS

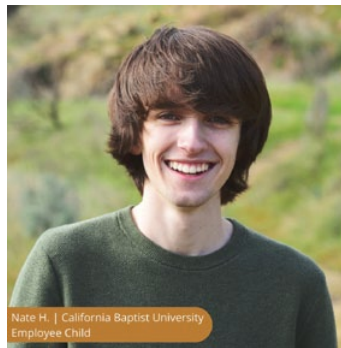
Skyward Dairy has been selling milk to Hilmar Cheese Company since 2007.



Tristan C. | CSU Fresno
Agriculture Major



Brooke M. | Cal Poly
Milk Supplier Child



Nate H. | California Baptist University
Employee Child



Jordyn, Visitor Center Staff

COMMUNITY ENGAGEMENT

Hilmar Cheese Company made our “largest” (by size) donation in history. We donated a 30,000 gallon, 42’ tall silo to the Merced County Fire Department for their new Castle Training Facility that first responders will use throughout the Central Valley. This silo will be used to simulate real-life emergency scenarios involving agricultural and food processing equipment.

The Visitor Center resumed our educational school tour program and human resources participated in many career days. Our annual scholarship program contributed to the education of 55 students.

This was the second year of our local site giving committees. These committees of volunteer employees met regularly to find, discuss and decide on specific community projects that make a difference in our local communities.

We continue to fulfill our purpose - to improve lives.

Community Outreach



- Hilmar Helping Hands
- Merced County Rescue Mission
- Salvation Army
- St. Anthony’s Food Ministry
- Local Fire Departments

The Arts



- Carnegie Arts Center
- Dallam-Hartley Counties Museum
- Gallo Center for the Arts
- Turlock Community Theatre



Food Security & Healthier Lives



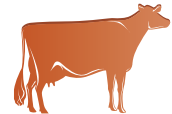
- American Red Cross
- Emanuel Medical Center Foundation
- Dallam-Hartley Counties Healthcare Foundation
- Relay for Life for American Cancer Society
- Valley Children's Hospital

Inspiring Young Minds



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

Agricultural Outreach



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



Headquarters & Innovation Center

8901 North Lander Avenue, P.O. Box 910, Hilmar, CA 95324 USA

T: 209.667.6076

hilmarcheese.com and hilmaringredients.com

Hilmar Manufacturing Site

9001 North Lander Avenue, P.O. Box 910, Hilmar, CA 95324 USA

T: 209.667.6076

Dalhart Manufacturing Site

12400 US Highway 385, P.O. Box 1300, Dalhart, TX 79022 USA

T: 806.244.8800

Visitor Center at Hilmar Cheese Company

9001 North Lander Avenue, P.O. Box 910, Hilmar, CA 95324 USA

T: 209.656.1196 or 800.577.5772 Fax: 209.656.1116

visithilmarcheese.com

