MAPLE LEAF

MAPLE LEAF FOODS INC.

Annual Report to Shareholders
For the Year Ended
December 31, 2021

Management’s Discussion and Analysis

Management's Discussion and Analysis

All dollar amounts are presented in Canadian dollars unless otherwise noted.

February 23, 2022

1. THE BUSINESS

Maple Leaf Foods Inc. ("Maple Leaf Foods" or the "Company") is a carbon neutral[(i)] company with a vision to be the most sustainable protein company on earth, responsibly producing food products under leading brands including Maple Leaf®, Maple Leaf Prime®, Maple Leaf Natural Selections®, Schneiders®, Schneiders® Country Naturals®, Mina®, Greenfield Natural Meat Co.®, Lightlife® and Field Roast™. The Company's portfolio includes prepared meats, ready-to-cook and ready-to-serve meals, snacks kits, value-added fresh pork and poultry, and plant protein products. The address of the Company's registered office is 6985 Financial Dr., Mississauga, Ontario, L5N 0A1, Canada. The Company employs approximately 13,500 people and does business primarily in Canada, the U.S. and Asia. The Company's shares trade on the Toronto Stock Exchange ("TSX") (MFI).

(i) See the Company's 2020 Sustainability Report that is available on the Maple Leaf Foods website at https://www.mapleleaffoods.com/sustainability.

2. FINANCIAL OVERVIEW

		As at or for the twelve months ended December 31,			
($ millions except earnings per share)		**2021**		2020	% Change
Sales	**$**	**4,521.1**	$	4,303.7	5.1 %
Net Earnings	**$**	**102.8**	$	113.3	(9.2)%
Basic Earnings per Share	**$**	**0.83**	$	0.92	(9.8)%
Adjusted Operating Earnings[(i)]	**$**	**210.3**	$	209.5	0.4 %
Adjusted Earnings per Share[(i)]	**$**	**1.03**	$	1.03	— %
Adjusted EBITDA - Meat Protein Group[(i)]	**$**	**527.1**	$	510.1	3.3 %
Sales - Plant Protein Group	**$**	**184.1**	$	210.8	(12.7)%
Free Cash Flow[(i)]	**$**	**(295.9)**	$	(119.3)	(148.0)%
Construction Capital[(i)]	**$**	**743.3**	$	440.6	68.7 %
Net Debt[(i)]	**$**	**(1,090.2)**	$	(645.1)	69.0 %

(i) Refer to section 32. Non-IFRS Financial Measures of this document for the definition of these non-IFRS measures.

Sales for 2021 were $4,521.1 million compared to $4,303.7 million last year, an increase of 5.1%, driven by favourable pricing, mix-shift towards branded product and growth in sustainable meats, partially offset by foreign exchange and the impact of an extra week in the fourth quarter of 2020.

Net earnings for 2021 were $102.8 million ($0.83 per basic share) compared to $113.3 million ($0.92 per basic share) last year. Strong commercial performance was more than offset by a reduction in net gains from non-cash fair value changes in biological assets and derivative contracts (2021: net loss of $4.9 million; 2020: net gain of $4.5 million), both of which are excluded in the calculation of Adjusted Operating Earnings. Net Earnings in the year were also impacted by start-up expenses of $13.4 million (2020: $1.6 million) associated with Construction Capital projects, which is also excluded from Adjusted Operating Earnings.

Adjusted Operating Earnings for 2021 were $210.3 million compared to $209.5 million last year, and Adjusted Earnings per Share for 2021 were $1.03 compared to $1.03 last year.

For further discussion on key metrics and a discussion of results by operating segment, refer to section 6. Operating Review below.

3. SELECTED FINANCIAL INFORMATION

The following table summarizes selected financial information for the three years ended December 31:

($ millions except earnings per share)	**2021**	2020	2019
Sales	**$ 4,521.1**	$ 4,303.7	$ 3,941.5
Net earnings	**$ 102.8**	$ 113.3	$ 74.6
Basic earnings per share	**$ 0.83**	$ 0.92	$ 0.60
Diluted earnings per share	**$ 0.82**	$ 0.91	$ 0.60
Total assets	**$ 4,385.8**	$ 3,860.2	$ 3,514.0
Total long-term liabilities	**$ 1,681.2**	$ 1,260.7	$ 1,029.1
Cash provided by operating activities	**$ 304.8**	$ 321.4	$ 270.2
Cash dividends per share	**$ 0.72**	$ 0.64	$ 0.58

The following table summarizes selected adjusted financial information for the two years ended December 31:

($ millions except EBITDA % margin, earnings per share, and RONA)[(i)]	**2021**	2020
Adjusted Operating Earnings	**$ 210.3**	$ 209.5
Adjusted EBITDA	**$ 399.5**	$ 399.5
Adjusted EBITDA Margin	**8.8%**	9.3%
Adjusted Earnings per Share	**$ 1.03**	$ 1.03
Construction Capital	**$ 743.3**	$ 440.6
Net Debt	**$ (1,090.2)**	$ (645.1)
Return on Net Assets ("RONA")	**4.5%**	5.3%
Free Cash Flow	**$ (295.9)**	$ (119.3)

[(i)] *Refer to section 32. Non-IFRS Financial Measures of this document for the definition of these non-IFRS measures.*

4. COMPANY VISION AND STRATEGIC PLAN

With a vision to become the most sustainable protein company on earth, Maple Leaf Foods is committed to creating shared value by delivering commercial and financial results and enhancing competitive advantage through addressing the significant environmental and social challenges faced by society today. The Company believes that the pursuit of its purpose to 'Raise the Good in Food' is a significant differentiator that will build trust and confidence among stakeholders.

Maple Leaf Foods has constructed a multi-faceted blueprint to articulate its purpose and guide the journey to achieving its vision.

The Company measures its progress towards becoming the most sustainable protein company on earth across four pillars:

- *Better Food* - Maple Leaf Foods is actively addressing the most pressing diet-related health issues faced by society, including reducing artificial ingredients, antibiotics use and sodium levels, and continually advancing leadership in food safety.
- *Better Planet* - The Company embraces a culture that focuses on reducing its environmental impact to sustainable levels by eliminating waste in any resource it consumes, including food, energy, water, packaging and time.
- *Better Care* - Maple Leaf Foods extends its strong values-based culture to how it treats animals, both those raised and sourced, and strives to be a leader in animal welfare.
- *Better Communities* - Through the Maple Leaf Centre for Action on Food Security, the Company works collaboratively with external organizations to reduce food insecurity, while fostering a work environment that keeps people safe, rewards excellence and empowers everyone to contribute their best.

In order to drive long-term shared value creation, Maple Leaf Foods has developed the following foundational strategies:

- *Leveraging leadership in sustainability* - Building off its milestone achievement in late 2019 of becoming the world's first major carbon neutral food company, Maple Leaf Foods amplified this commitment in 2021 through its brand marketing and packaging. These efforts, coupled with its ongoing advancements in animal welfare, such as converting 100% of its sow barns to be gestation crate free and minimizing use of antibiotics, helped drive strong double-digit sales growth in sustainable meats in 2021.
- *Eliminating waste and improving efficiency* - Maple Leaf Foods has a history of executing initiatives designed to improve efficiencies and contribute to profitability, backed by zero-based budgeting as a foundational element of its culture. In 2021, the

Company completed construction of its Bacon Centre of Excellence in Winnipeg, Manitoba. This state-of-the-art facility will improve efficiency by adding in-house capacity for pre-cooked, microwavable bacon to meet growing consumer demand. Maple Leaf Foods also advanced construction of its new poultry plant in London, Ontario, which will help optimize its poultry processing network while meeting the growing consumer demand for chicken.

- *Broadening reach into new geographies, channels and protein alternatives* - In 2021, the Company continued to grow its presence in foreign markets. The Meat Protein Group saw sustained sales momentum into the U.S. market, led by strong double-digit growth of its Greenfield Natural Meat Co. brand, and continued exports into Asian markets. The Plant Protein Group launched several new innovative plant-based products including pepperoni, the first pea-protein based hot dog in North America, and the first fresh plant-based chicken fillets and tenders.
- *Embracing a digital future across the business* - Maple Leaf continues to introduce mobile-first consumer grade digitized experiences and automated processes in an effort to improve productivity and enable more meaningful and creative work. In 2021 the Company introduced its Asset Reliability Mobility app in its facilities and co-developed with SAP an Intelligent Trade Claims Management platform to improve trade claims processing.
- *Investing in brands to build demand and consumer loyalty* - Leveraging Meat Protein Group brand renovation work completed in 2018, Maple Leaf Foods saw notable sales growth in 2021 across its portfolio of brands. The Company also deployed this playbook to its Plant Protein Group brands, and in 2021 completed the repositioning of its Lightlife® brand to focus on delivering simple and recognizable ingredients and reinforced the commitment of its Field Roast™ brands to deliver bold and adventurous taste.
- *Investing in people so talent thrives* - In 2021, Maple Leaf Foods reinforced its guiding leadership values through company-wide training and focus groups across the organization. The Company remains committed to developing people and enabling them to maximize their contributions.

5. RESPONSE TO COVID-19

As an essential service, Maple Leaf Foods is focused on protecting the health and well-being of its people, maintaining business continuity, and broadening its social outreach. To manage through this unprecedented environment, the Company has taken a number of measures in its business and operating practices that include heightened safety policies and procedures, as well as close communication and collaboration with public health authorities, including hosting on-site vaccination clinics. The measures enacted to protect the health and safety of employees have increased the Company’s cost structure due to higher labour, personal protective equipment, sanitation and other expenses associated with the pandemic. Continuing COVID-19 structural costs were incorporated in the Company's 2021 operating plan.

Overall, the Company believes its proactive and comprehensive efforts have, and should continue to mitigate adverse operational impacts. As the COVID-19 situation evolves, Maple Leaf Foods will continue to adapt and adopt best practices that prioritize the health and safety of its employees and the stability of the food supply, including adopting a vaccination mandate in 2022. As part of Maple Leaf Foods’ broader social responsibility since the pandemic began, the Company has provided extensive support to front-line staff, emergency food relief efforts and health care providers.

COVID-19 continues to have an impact on the global economy, leading to increased inflation, labour shortages and disruptions in the global supply chain. To date, the Company's leading brands, revenue management capabilities and robust supply chain have enabled it to manage these impacts. Maple Leaf Foods continues to monitor the ongoing environment and believes it is well positioned to face these headwinds.

6. OPERATING REVIEW

During the year ended December 31, 2021, the Company had two reportable segments. These segments offer different products, with separate organizational structures, brands, financial, and marketing strategies. The Company's chief operating decision makers regularly review internal reports for these segments: performance of the Meat Protein Group is based on revenue growth, Adjusted Operating Earnings and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), while the performance of the Plant Protein Group is based predominantly on revenue growth rates, gross margin optimization and controlling selling, general and administrative ("SG&A") investment levels, which generate high revenue growth rates.

The following table summarizes the Company's sales, gross profit, SG&A, Adjusted Operating Earnings, Adjusted EBITDA, and Adjusted EBITDA Margin by operating segment for the years ended December 31, 2021 and December 31, 2020.

	2021				2020			
($ millions)(i)	**Meat Protein Group**	**Plant Protein Group**	**Non-Allocated**(ii)	**Total**	Meat Protein Group	Plant Protein Group	Non-Allocated(ii)	Total
Sales	**$ 4,366.7**	**184.1**	**(29.8)**	**$ 4,521.1**	$ 4,116.5	210.8	(23.6)	$ 4,303.7
Gross profit (loss)	**$ 676.8**	**(12.8)**	**(4.9)**	**$ 659.1**	$ 680.3	18.3	4.5	$ 703.1
Selling, general and administrative expenses	**$ 334.3**	**132.8**	**—**	**$ 467.1**	$ 346.6	144.0	—	$ 490.7
Adjusted Operating Earnings(iii)	**$ 352.4**	**(142.1)**	**—**	**$ 210.3**	$ 335.2	(125.7)	—	$ 209.5
Adjusted EBITDA(iii)	**$ 527.1**	**(127.2)**	**(0.4)**	**$ 399.5**	$ 510.1	(111.4)	0.8	$ 399.5
Adjusted EBITDA Margin(iii)	**12.1%**	**(69.1%)**	**n/a**	**8.8%**	12.4%	(52.8%)	n/a	9.3%

(i) *Totals may not add due to rounding.*

(ii) *Non-allocated includes eliminations of inter-segment sales and associated cost of goods sold, changes in the fair value of biological assets and derivatives, and non-allocated costs which are comprised of expenses not separately identifiable to reportable segments and are not part of the measures used by the Company when assessing a segment's operating results.*

(iii) *Refer to section 32. Non-IFRS Financial Measures of this document for the definition of these non-IFRS measures.*

Meat Protein Group

The Meat Protein Group is comprised of prepared meats, ready-to-cook and ready-to-serve meals, snack kits, value-added fresh pork and poultry products that are sold to retail, foodservice and industrial channels, and agricultural operations in pork and poultry. The Meat Protein Group includes leading brands such as Maple Leaf®, Maple Leaf Prime®, Maple Leaf Natural Selections®, Schneiders®, Schneiders® Country Naturals®, Mina®, Greenfield Natural Meat Co.®, and other leading regional brands.

Sales for 2021 increased 6.1% to $4,366.7 million compared to $4,116.5 million last year. Sales growth was driven by pricing action implemented in 2021 to mitigate inflation and structural cost increases, growth in branded and sustainable meats, and higher poultry volumes, which more than offset the impact of an extra week in the fourth quarter of 2020, the impact of foreign exchange, lower pork volumes and lower sales to China.

Gross profit for 2021 was $676.8 million (gross margin(i) of 15.5%) compared to $680.3 million (gross margin(i) of 16.5%) last year. The decrease in gross profit resulted from labour and materials inflation and lower sales to China, partially offset by strong commercial performance including pricing and favourable product mix, as well as effective hedges. Gross profit for 2021 included start-up expenses(ii) of $9.9 million (2020: $1.6 million) associated with Construction Capital(ii) projects, which are excluded in the calculation of Adjusted Operating Earnings. Gross profit in 2020 was also impacted by heightened operating costs in response to COVID-19 to safeguard the Company's employees.

SG&A expenses for 2021 were $334.3 million compared to $346.6 million last year. The decrease in SG&A was largely driven by lower variable compensation.

Adjusted Operating Earnings for 2021 were $352.4 million compared to $335.2 million last year, driven by factors noted above.

Adjusted EBITDA for 2021 were $527.1 million compared to $510.1 million last year, driven by factors consistent with those noted above. Year-to-date Adjusted EBITDA Margin for 2021 was 12.1% compared to 12.4% last year, also driven by factors consistent with those noted above.

Plant Protein Group

The Plant Protein Group is comprised of refrigerated plant protein products, premium grain-based protein, and vegan cheese products sold to retail, foodservice and industrial channels. The Plant Protein Group includes the leading brands Lightlife® and Field Roast™.

Sales for 2021 were $184.1 million compared to $210.8 million last year, representing a decrease of 12.7%, or 6.4% after excluding the impacts of foreign exchange. The sales decline was driven by lower retail product volumes, including the impact of an extra week in the fourth quarter of 2020. This more than offset growth in food service volumes and pricing action implemented in the third quarter of 2020 to mitigate inflation and structural cost increases.

Gross profit for 2021 was a loss of $12.8 million (gross margin loss[(i)] of 7.0%) compared to a gross profit of $18.3 million (gross margin[(i)] of 8.7%) last year. The decrease in gross profit was attributed to lower sales volumes and strategic investments in capacity to build for anticipated demand, which has resulted in increased overhead and transitory costs, as well as inflationary pressures on distribution and other input costs. Gross profit for 2021 also included start-up expenses of $3.5 million (2020: $0.0 million) associated with Construction Capital[(ii)] projects which are excluded in the calculation of Adjusted Operating Earnings.

SG&A expenses for 2021 were $132.8 million (72.1% of sales) compared to $144.0 million (68.3% of sales) last year. The decrease in SG&A expenses was driven by foreign exchange and lower advertising and promotional expenses.

Adjusted Operating Earnings for 2021 were a loss of $142.1 million compared to a loss of $125.7 million last year. The decline in Adjusted Operating Earnings is consistent with the factors noted above.

(i) *Gross margin is defined as gross profit divided by sales.*

(ii) *Refer to section 32. Non-IFRS Financial Measures of this document for the definition of these non-IFRS measures.*

7. RESTRUCTURING AND OTHER RELATED COSTS

For the year ended December 31, 2021, the Company recorded restructuring and other related costs of $4.9 million. Of this amount, $3.5 million related to accelerated depreciation and $0.8 million related to severance and other employee costs as a result of the previously announced future closures of the Brampton, Toronto and St. Mary's poultry plants. The remaining $0.6 million related to employee related costs for other organizational restructuring initiatives.

For the year ended December 31, 2020, the Company recorded restructuring and other related costs of $4.3 million. Of this amount, $4.4 million related to accelerated depreciation and $0.1 million related to severance and other employee related costs as a result of the previously announced future closures of the Brampton, Toronto and St. Mary's poultry plants. The remaining $0.2 million reversal related to employee related costs for other organizational restructuring initiatives.

8. INTEREST EXPENSE AND OTHER FINANCING COSTS

Interest expense and other financing costs for 2021 were $22.9 million compared to $31.5 million in the prior year. The decrease was mainly due to higher capitalized interest, partially offset by higher borrowing levels from the Company's Credit Facility. Refer to section 11. Capital Resources of this document for further details.

9. INCOME TAXES

The Company's income tax expense for 2021 resulted in an effective tax rate of 31.3% (2020: 29.1%). The higher effective tax rate in 2021 is primarily due to the geographic mix of earnings and a lower rate of tax recovery recorded on losses. The effective tax rate in 2021 used in determining Adjusted Earnings per Share is 29.7% (2020: 27.7%). The higher effective tax rate in 2021 is due to the geographic mix of earnings and a lower rate of recovery recorded on losses. In 2021, the effective tax recovery rate on restructuring charges used in the computation of Adjusted Earnings per Share is 25.6% (2020: 25.6%).

10. ACQUISITIONS AND DIVESTITURES

On June 25, 2021, the Company completed the acquisition of a poultry processing facility and associated supply from Certm Inc. (formerly Cericola Farms Inc.), a privately held Canadian company for total consideration of $62.1 million (cash due at closing: $40.0 million; 2018 deposit $20.2 million and working capital adjustments of $1.9 million). This acquisition concludes the purchase and sale agreement dated June 27, 2018 pursuant to which the Company previously acquired two poultry plants and associated supply, which had been previously recorded as right-of-use asset with a corresponding lease obligation, with a put/call option to purchase a third processing facility. The Company has financed the transaction using a combination of cash on hand and drawings on existing credit facilities. The acquisition has been accounted for as a business combination. The Company recognized goodwill of $7.6 million which is attributable to synergies created by expanding the Company's share of regulated input supply.

The Company finalized the amounts recorded in the business combination during the fourth quarter of 2021.

During the year ended December 31, 2021, the Company recorded transaction costs pertaining to the acquisition of $0.1 million that have been excluded from the consideration paid and have been recognized as an expense in other expense.

For full details on the acquisition, refer to Note 29 of the Company's 2021 audited consolidated financial statements ("Consolidated Financial Statements").

11. CAPITAL RESOURCES

The consumer foods industry in which the Company operates is generally characterized by high sales volume and high turnover of inventories and accounts receivable. In general, accounts receivable and inventories are readily convertible into cash. Investment in working capital is affected by fluctuations in the price of raw materials, seasonal and other market-related fluctuations. The Company has consistently generated a strong base level of operating cash flow, even in periods of higher commodity prices and during the restructuring of its operations. These operating cash flows provide a base of underlying liquidity that the Company supplements with credit facilities and cash on hand to provide longer-term funding and to finance fluctuations in working capital levels.

The Company's cash balance as at December 31, 2021 was $162.0 million (2020: $100.8 million). Cash is held in demand and short-term investment deposits with Canadian financial institutions having long-term debt ratings of A or higher.

The composition of long-term debt is shown below:

	As at December 31,			
($ thousands)		**2021**		2020
Revolving line of credit	**$**	**555,219**	$	50,000
U.S. term credit		**334,828**		337,544
Canadian term credit		**350,000**		350,000
Government loans		**12,202**		8,404
Total long-term debt	**$**	**1,252,249**	$	745,948
Current	**$**	**5,176**	$	900
Non-current		**1,247,073**		745,048
Total long-term debt	**$**	**1,252,249**	$	745,948
Construction Capital[(i)] included in total long-term debt	**$**	**719,216**	$	431,707

[(i)] *Refer to section 32. Non-IFRS Financial Measures of this document for the definition of this non-IFRS measure.*

The Company has a syndicated credit facility (the "Credit Facility") consisting of a $1,300.0 million unsecured committed revolving line of credit maturing April 30, 2024 and two unsecured committed term credit facilities for US$265.0 million and $350.0 million maturing April 30, 2024 and April 30, 2023, respectively. The Credit Facility can be drawn in Canadian or U.S. dollars and bears interest payable monthly, based on Banker's Acceptance and Prime rates for Canadian dollar loans and the London Inter-bank Offered Rate ("Libor") for U.S. dollar loans. The Credit Facility is intended to meet the Company's funding requirements for capital investments in addition to providing appropriate levels of liquidity for general corporate purposes. On December 11, 2019, the Company amended the Credit Facility to reduce interest paid upon achievement of certain sustainability targets. Subsequent to the issuance of the Company's 2020 Sustainability Report, the Company successfully achieved these sustainability targets. This reduction has taken effect in the fourth quarter of 2021. There is no penalty for not achieving the targets. In addition to term credit, as at December 31, 2021 the Company had drawn letters of credit of $8.2 million on the Credit Facility (2020: $6.4 million).

The Credit Facility requires the maintenance of certain covenants. As at December 31, 2021, the Company was in compliance with all of these covenants.

The Company has additional uncommitted credit facilities for issuing letters of credit up to a maximum of $125.0 million (2020: $125.0 million). As at December 31, 2021, $66.8 million in letters of credit had been issued thereon (2020: $67.0 million).

The Company has various government loans on specific projects, with contractual interest rates ranging from non-interest bearing to 2.9% per annum (2020: 2.9%). These specific facilities are repayable over various terms and are maturing from 2022 to 2032. As at December 31, 2021, $12.2 million (2020: $8.4 million) was outstanding. All of these facilities are committed.

The Company has a three-year accounts receivable securitization facility (the "Securitization Facility") maturing July 19, 2022. The maximum cash advance available to the Company under the Securitization Facility is $120.0 million. The Securitization Facility provides cash funding with a proportion of the Company's receivables being sold, and provides the Company with competitively priced financing and further diversifies its funding sources. Under the Securitization Facility, the Company has sold certain of its trade accounts receivable, with very limited recourse, to an unconsolidated third-party trust financed by an international financial institution with a long-term AA- debt rating, for cash and short-term notes back to the Company. The receivables are sold at a discount to face value based on prevailing money market rates. The Company retains servicing responsibilities for these receivables.

As at December 31, 2021, trade accounts receivable being serviced under this program amounted to $145.6 million (2020: $134.8 million). In return for the sale of its trade receivables, the Company will receive cash of $112.3 million (2020: $103.2 million) and notes receivable in the amount of $33.3 million (2020: $31.6 million). The notes receivable are non-interest bearing and are settled on the settlement dates of the securitized accounts receivable. Due to the timing of receipts and disbursements, the Company may, from time to time, also record a receivable or payable related to the Securitization Facility. As at December 31, 2021, the Company recorded a net payable in the amount of $7.7 million (2020: $16.8 million net payable) in accounts payable and accruals.

The Securitization Facility is subject to certain restrictions, including the maintenance of covenants. The Company was in compliance with all of the requirements of this facility as at December 31, 2021. If the Securitization Facility were to be terminated, the Company would recognize the related amounts on the Company's 2021 audited consolidated balance sheets ("Consolidated Balance Sheets") and consider alternative financing if required.

12. CAPITAL EXPENDITURES

Capital expenditures for 2021 were $629.4 million compared to $490.7 million last year. The increase in capital expenditures was primarily attributable to the construction of the London, Ontario poultry facility, the build-out of the Indianapolis, Indiana plant protein facility and the expansion of the Bacon Centre of Excellence in Winnipeg, Manitoba.

The Company currently estimates its capital expenditures for the full year of 2022 will be in the range of $400 million to $500 million, with approximately 50% to be comprised of Construction Capital mainly attributable to the construction of the London, Ontario poultry facility as well as other projects to add growth and capacity in the prepared meats business and to expand hog production.

13. NORMAL COURSE ISSUER BID

On May 20, 2021 the Toronto Stock Exchange accepted the Company's notice of intention to commence a Normal Course Issuer Bid ("NCIB"), allowing the Company to repurchase, at its discretion, up to 7.5 million common shares in the open market or as otherwise permitted by the TSX, subject to the normal terms and limitations of such bids. Common shares purchased by the Company are cancelled. The program commenced on May 25, 2021 and will terminate on May 24, 2022, or on such earlier date as the Company completes its purchases pursuant to the notice of intention. Under this bid, during the year ended December 31, 2021, no shares were repurchased for cancellation.

On May 21, 2020 the TSX accepted the Company's notice of intention to commence an NCIB, allowing the Company to repurchase, at its discretion, up to 7.5 million common shares in the open market or as otherwise permitted by the TSX, subject to the normal terms and limitations of such bids. Common shares purchased by the Company are cancelled. The program commenced on May 25, 2020 and was terminated on May 24, 2021, or on such earlier date as the Company completes its purchases pursuant to the notice of intention. Under this bid, during the year ended December 31, 2021 and December 31, 2020, no shares were purchased for cancellation.

On May 17, 2019, the TSX accepted the Company's notice of intention to commence an NCIB, allowing the Company to repurchase, at its discretion, up to 7.5 million common shares in the open market or as otherwise permitted by the TSX, subject to the normal terms and limitations of such bids. Common shares purchased by the Company were cancelled. The program commenced on May 24, 2019 and was terminated on May 23, 2020. Under this bid during the year ended December 31, 2020, no shares were purchased for cancellation.

14. CASH FLOW AND FINANCING

Cash and cash equivalents were $162.0 million at the end of 2021, compared to $100.8 million in 2020. The increase in cash and cash equivalents for the year ended December 31, 2021 was primarily due to earnings, loans drawn on the Credit Facility and proceeds from a legal settlement, partially offset by investments in property and equipment, quarterly dividend payments, the acquisition of a business and investment in working capital.

Cash Flow from Operating Activities

Cash provided by operating activities for 2021 was $304.8 million compared to $321.4 million in 2020. The decrease was primarily due to lower earnings, higher income tax payments, and higher investment in working capital, partially offset by cash received as margin on derivatives.

Cash Flow from Investing Activities

Cash used in investing activities for $623.5 million for 2021 compared to $417.4 million in 2020. The increase was primarily due to higher investment in property and equipment, the acquisition of a business, and lower proceeds from the sale of long-term assets, partially offset by fewer purchases of investments and proceeds from a legal settlement in current year.

Cash Flow from Financing Activities

Cash provided by financing activities for 2021 was $379.9 million compared to $99.5 million in 2020. The increase was mainly due to larger loans drawn on the Credit Facility and higher exercise of stock options, partially offset by higher dividend payments.

15. CONTRACTUAL OBLIGATIONS

The following table provides information about certain of the Company's significant contractual obligations as at December 31, 2021. This table presents the undiscounted cash flows payable in respect of financial liabilities and commitments.

Undiscounted payments due by fiscal year:

($ thousands)	**Due within 1 year**	**Due between 1 and 3 years**	**Due between 3 and 5 years**	**Due after 5 years**	**Total**
Financial liabilities					
Accounts payable and accruals	$ 526,189	—	—	—	$ 526,189
Long-term debt	5,455	1,242,366	5,775	—	1,253,596
Foreign exchange contracts	712	—	—	—	712
Interest rate swaps	16,175	1,057	—	—	17,232
Lease obligations	29,157	53,272	36,567	83,349	202,345
Other liabilities	63,893	—	—	—	63,893
	$ 641,581	**1,296,695**	**42,342**	**83,349**	**$2,063,967**

The Company entered into a number of contracts related to the construction of new and expanded facilities. As at December 31, 2021 these contract commitments were approximately $245.0 million (2020: $465.0 million).

Management believes its cash flow, cash on hand, and available sources of financing provide the Company with resources to finance ongoing business requirements and its planned capital expenditure program for at least the next 12 months. Additional details concerning financing are set out in Note 15 and Note 20 of the Consolidated Financial Statements.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT ACTIVITIES

Through the normal course of business, the Company is exposed to financial and market risks that have the potential to affect its operating results. In order to manage these risks, the Company operates under risk management policies and guidelines which govern the management of price and market risk in the foreign exchange, interest rate, and commodity markets, as well as funding and investing activities.

The Company uses derivative financial instruments to manage price and market risk associated with core operating exposures and does not engage in significant trading activity of a speculative nature.

The Company's Risk Management Committee meets frequently to discuss current market conditions, review current risk management programs and trading activity, and approve any new hedging or trading strategies.

Financial Instruments

The Company's financial assets and liabilities are classified into the following categories:

Cash and cash equivalents	Fair value through profit or loss
Accounts receivable	Amortized cost
Notes receivable	Amortized cost
Accounts payable and accruals	Amortized cost
Long-term debt	Amortized cost
Derivative instruments[(i)]	Fair value through profit or loss
Investments	Fair value through other comprehensive income

(i) *These derivative instruments may be designated as cash flow hedges, fair value hedges or net investments in foreign operations hedges as appropriate. Derivatives designated as cash flow hedges are classified as fair value through other comprehensive income ("FVTOCI").*

The Company applies hedge accounting as appropriate and uses derivatives and other non-derivative financial instruments to manage its exposures to fluctuations in foreign exchange rates, interest rates, and commodity prices.

The fair values and notional amounts of derivative financial instruments as at December 31, are shown below:

	2021			2020		
	Notional	**Fair value**		Notional	Fair value	
($ thousands)	**amount**(i)	**Asset**(ii)	**Liability**(ii)	amount(i)	Asset(ii)	Liability(ii)
Cash flow hedges						
Foreign exchange contracts	**$ 48,810**	**$ 277**	**$ 117**	$ 28,139	$ 135	$ 11
Commodity contracts	**$ —**	**—**	**—**	$ 16,245	695	—
Interest rate swaps	**$ 469,828**	**—**	**5,565**	$ 472,544	—	18,372
		$ 277	**$ 5,682**		$ 830	$ 18,383
Fair value hedges(iii)						
Foreign exchange contracts	**$ 26,770**	**$ 149**	**$ 220**	$ 83,793	$ 2,970	$ —
Commodity contracts	**$ 24,747**	**325**	**—**	$ 76,957	—	1,769
		$ 474	**$ 220**		$ 2,970	$ 1,769
Derivatives not designated in a formal hedging relationship						
Interest rate swaps	**$ 481,942**	**$ —**	**$ 11,667**	$ —	$ —	$ —
Foreign exchange contracts	**$ 105,907**	**1,027**	**375**	$ 71,520	255	544
Commodity contracts	**$ 100,820**	**1,689**	**—**	$ 115,855	1,175	—
		$ 2,716	**$ 12,042**		$ 1,430	$ 544
Total fair value		**$ 3,467**	**$ 17,944**		$ 5,230	$ 20,696
Current(ii)(iv)(v)		**$ 3,467**	**$ 16,887**		$ 5,230	$ 8,779
Non-current(ii)		**—**	**1,057**		—	11,917
Total fair value		**$ 3,467**	**$ 17,944**		$ 5,230	$ 20,696

(i) *Unless otherwise stated, notional amounts are stated at the contractual Canadian dollar equivalent.*

(ii) *The current portion of derivative assets and liabilities are recorded in prepaid expenses and other assets and other current liabilities, respectively, in the Consolidated Balance Sheets. The non-current portion of derivative assets and liabilities are recorded in other long-term assets and other long-term liabilities, respectively, in the Consolidated Balance Sheets.*

(iii) *The carrying amount of the hedged items in the Consolidated Balance Sheets are recorded at the inverse of the associated hedging instruments and are equal to the accumulated fair value hedge adjustments less hedge ineffectiveness.*

(iv) *Short-term derivatives will impact profit or loss at various dates within the next 12 months.*

(v) *As at December 31, 2021, the above fair value of current assets has decreased by $0.5 million (December 31, 2020: increased by $7.4 million), and the above fair value of current liabilities has decreased by $0.0 million (December 31, 2020: $1.8 million) on the consolidated balance sheets, representing the difference in the fair market value of exchange traded commodity contracts and the initial margin requirements. The difference in margin requirements and fair market value is net settled in cash each day with the futures exchange and is recorded within cash and cash equivalents.*

The Company's financial assets and liabilities include accounts receivable, notes receivable and accounts payable and accruals for which fair value approximates the carrying value due to their short-term nature.

The carrying value of long-term debt as at December 31, 2021 and 2020 approximates its fair value. The fair value of the Company's long-term debt has been classified as Level 2 in the fair value hierarchy and was estimated based on discounted future cash flows using current rates for similar financial instruments subject to similar risks and maturities.

The Company's cash and cash equivalents, and derivative instruments are recorded at fair value. The fair value of cash and cash equivalents approximates carrying value due to the short-term nature of the assets and has been classified as Level 1 in the fair value hierarchy. The fair values of the Company's interest rate and foreign exchange derivative instruments were estimated using current market measures for interest rates and foreign exchange rates. Commodity futures and commodity options contracts are exchange-traded and over-the-counter. Fair value is determined based on exchange prices and other observable market data.

Net gains and losses on financial instruments recognized at fair value through profit or loss consist of realized and unrealized gains and losses on derivatives that were de-designated or were otherwise not in a formal hedging relationship.

For the year ended December 31, 2021, the Company recorded a gain of $3.9 million (2020: loss of $23.6 million) on financial instruments recognized at fair value through profit or loss.

The table below sets out fair value measurements of derivative financial instruments as at December 31, 2021 using the fair value hierarchy:

($ thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Foreign exchange contracts	$ —	1,453	—	$ 1,453
Commodity contracts[(i)]	1,747	267	—	2,014
	$ 1,747	**1,720**	**—**	**$ 3,467**
Liabilities:				
Foreign exchange contracts	$ —	712	—	$ 712
Interest rate swaps	—	17,232	—	17,232
	$ —	**17,944**	**—**	**$ 17,944**

(i) *Level 1 commodity contracts are net settled and recorded as a net asset or liability on the Consolidated Balance Sheets.*

There were no transfers between levels for the year ended December 31, 2021. Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

Capital

The Company's objective is to maintain a robust, cost-effective capital structure that ensures resilience, supports its long-term growth strategy, and maximizes operating flexibility. In allocating capital to investments to support its earnings goals, the Company establishes internal hurdle return rates for capital initiatives. Capital projects are generally financed with internal cash flows and senior debt where required.

The Company uses leverage in its capital structure to reduce the cost of capital. The Company's goal is to maintain its primary credit ratios at levels that are designed to provide continued access to investment-grade credit pricing and terms. The Company measures its credit profile using a number of metrics, some of which are non-IFRS measures, primarily cash and cash equivalents, less long-term debt and bank indebtedness ("Net Debt") and Adjusted EBITDA.

In addition to credit facilities and equity, the Company uses leases and a very limited recourse accounts receivable securitization program as additional sources of financing.

The Company has maintained a stable dividend distribution that is based on a long-term sustainable net earnings base. From time to time, the Company has purchased shares for cancellation pursuant to normal course issuer bids and to satisfy awards under its Restricted Share Unit Plan described in Note 23 of the Consolidated Financial Statements.

There have been no material changes to the Company's risk management activities during the year ended December 31, 2021.

Credit Risk

Credit risk refers to the risk of losses due to failure of the Company's customers and counterparties to meet their payment obligations.

In the normal course of business, the Company is exposed to credit risk from its customers, substantially all of which are in the retail, foodservice, and industrial channels. The Company performs ongoing credit evaluations of new and existing customers' financial condition and reviews the collectibility of its trade accounts receivable and other receivables in order to mitigate any possible credit losses. The Company records a loss allowance of expected credit losses for financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance at an amount equal to the lifetime expected credit losses if the credit risk on its financial assets has increased significantly since initial recognition. If credit risk has not significantly increased since initial recognition, the Company measures the loss allowance at an amount equal to the 12-month expected credit losses. Average accounts receivable days sales outstanding for the year is consistent with historic trends.

Management believes concentrations of credit risk with respect to accounts receivable are limited due to the generally high credit quality of the Company's major customers, the large number and geographic dispersion of smaller customers, and the operation of the accounts receivable securitization facility as described in Note 26 of the Consolidated Financial Statements. The Company does, however, conduct a significant amount of business with a small number of large grocery retailers. The Company's two largest customers as at December 31, 2021 comprise approximately 23.5% (2020: two largest customers representing 23.8%) of total sales.

The Company is also exposed to credit risk on its notes receivable from an unconsolidated structured entity in respect of the accounts receivable securitization program as described in Note 26 of the Consolidated Financial Statements. Management believes that this credit risk is limited by the long-term AA- debt rating held by the financial institution financing the third-party trust. The Company is exposed to credit risk on its cash and cash equivalents (comprising primarily of deposits with Canadian chartered banks) and non-exchange-traded derivative contracts. The Company mitigates this credit risk by transacting primarily with counterparties that are major international financial institutions with long-term debt ratings of A or higher. The Company's maximum exposure to credit risk at the balance sheet date consisted primarily of the carrying value of non-derivative financial assets and non-exchange-traded derivatives with positive fair values.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by monitoring forecasted and actual cash flows, minimizing reliance on any single source of credit, maintaining sufficient undrawn committed credit facilities and managing the maturity profiles of financial assets and financial liabilities to minimize re-financing risk.

As at December 31, 2021, the Company had available undrawn committed credit of $736.6 million (2020: $1,243.6 million) under the terms of its principal banking arrangements as described in Note 15 of the Consolidated Financial Statements. These banking arrangements are subject to certain covenants and other restrictions.

Market Risk

Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

The Company's interest rate risk arises from long-term borrowings issued at fixed rates that create fair value interest rate risk and variable-rate borrowings that create cash flow interest rate risk. In addition, the Company's cash balances are typically invested in short-term interest-bearing assets.

The Company manages its interest rate risk exposure by using a mix of fixed and variable-rate debt and periodically using interest rate derivatives to achieve the desired proportion of variable to fixed-rate debt.

As at December 31, 2021, the Company had variable-rate debt of $1,240.0 million with a weighted average interest rate of 2.4% (2020: $737.5 million at a weighted average interest rate of 2.0%). The Company has converted $469.8 million of the variable-rate debt to fixed-rate debt using interest rate swaps with a weighted average interest rate of 3.7% (2020: $472.5 million at a weighted average interest rate of 3.3%). In addition, the Company was exposed to floating interest rates on its accounts receivable securitization program. As at December 31, 2021, the cash advance received pursuant to this program was $120.0 million at a weighted average interest rate of 0.9% (2020: $120.0 million at a weighted average interest rate of 0.4%). The maximum amount available to the Company under these programs is $120.0 million (2020: $120.0 million).

As at December 31, 2021, the Company had fixed-rate debt of $12.2 million (2020: $8.4 million) with a weighted average effective interest rate of 3.5% (2020: 4.2%). Changes in market interest rates cause the fair value of long-term debt with fixed interest rates to fluctuate but do not affect net earnings, as the Company's debt is carried at amortized cost and the carrying value does not change as interest rates change.

Foreign Exchange Risk

Foreign exchange risk refers to the risk that the value of financial instruments or cash flows will fluctuate due to changes in foreign exchange rates.

The Company's foreign exchange risk arises primarily from transactions in currencies other than Canadian dollars, U.S. dollar-denominated borrowings, and investments in foreign operations. The primary currencies to which the Company is exposed to are the U.S. dollar and the Japanese yen.

The Company uses foreign exchange forward contracts to manage foreign exchange transaction exposures. The Company uses cross-currency interest rate swaps to manage the foreign exchange risk of U.S. dollar-denominated borrowings.

Commodity Price Risk

The Company is exposed to price risk related to commodities such as live hogs, fuel, and purchases of certain other agricultural commodities used as raw materials, including feed grains. The Company uses fixed price contracts with suppliers as well as exchange-traded and over-the-counter futures and options to manage its exposure to price fluctuations on operating results.

Derivatives designated as a hedge of an anticipated or forecasted transaction are accounted for either as cash flow or fair value hedges and are managed within the Company's hedge accounting portfolio.

The Company applies the “own use exception” classification to certain contracts that are entered into for the purpose of procuring commodities to be used in production and are not recognized on the balance sheets until delivery.

For a comprehensive discussion on the Company's risk management practices and derivative exposures, please refer to Note 20 of the Consolidated Financial Statements.

17. EMPLOYEE BENEFIT PLANS

The cost of pensions and other post-retirement benefits earned by employees is actuarially determined using the projected unit credit method calculated on service and Management's best estimate of salary escalation, retirement ages of employees and expected health care costs. Management employs external experts to advise it when deciding upon the appropriate estimates to use to value employee benefit plan obligations and expenses. These estimates are determined at the beginning of each year and re-evaluated if changes in factors influencing the plan and market conditions indicate that there may be a significant effect on the Company's Consolidated Financial Statements.

During 2021, the Company recorded a pre-tax gain of $98.1 million through other comprehensive income (loss) related to the re-measurement of plan assets and liabilities. This included a pre-tax gain of $78.0 million related to differences between plan experience compared to actuarial assumptions and a pre-tax gain of $17.9 million related to differences between plan assets compared to the discount rate.

During 2020, the Company recorded a pre-tax loss of $62.9 million through other comprehensive income (loss) related to the re-measurement of plan assets and liabilities. This includes a pre-tax loss of $127.9 million related to differences between plan experience compared to actuarial assumptions and a pre-tax gain of $66.1 million related to differences between plan assets compared to the discount rates.

The Company operates both defined contribution and defined benefit plans. The assets of the defined benefit plans are invested primarily in pooled funds that are subject to fluctuations in market prices. Discount rates used to measure plan liabilities are based on long-term market interest rates. Fluctuations in these market prices and rates can impact pension expense and funding requirements. The investment return before expenses on the Company's defined benefit pension plan assets was a gain of 4.0% in 2021 compared to a gain of 9.4% in 2020.

The Company's contributions are funded through cash flows generated from operations. Management anticipates that future cash flows from operations will be sufficient to fund expected future cash contributions. The Company's contributions to defined benefit plans during 2021 were $17.3 million (2020: $11.7 million).

The Company expects to contribute $35.8 million to the pension plans in 2022, inclusive of defined benefit, defined contribution and multi-employer plans.

18. TRANSACTIONS WITH RELATED PARTIES

Transactions between the Company and its consolidated entities have been eliminated in the Company's Consolidated Financial Statements.

The Company sponsors a number of defined benefit, defined contribution and post-retirement benefit plans. During the year ended December 31, 2021, the Company contributed $36.9 million (2020: $30.3 million) to these plans.

Key Management Personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly, including any external director of the Company.

Remuneration of Key Management Personnel of the Company is comprised of the following expenses:

($ thousands)	**2021**	2020
Short-term employee benefits		
Salaries, bonuses, and fees	**$ 11,975**	$ 15,575
Company car allowances	**380**	316
Other benefits	**131**	128
Total short-term employee benefits	**$ 12,486**	$ 16,019
Post-employment benefits	**777**	716
Share-based compensation	**13,769**	11,230
Total remuneration	**$ 27,032**	$ 27,965

During the year ended December 31, 2021, Key Management Personnel of the Company exercised 0.6 million share options (2020: 0.6 million share options) granted under the Maple Leaf Foods share option plans for an amount of $12.7 million (2020: $13.4 million).

The Company's largest shareholder is McCain Capital Inc. ("MCI"). The Company has been informed that Mr. Michael H. McCain, Chief Executive Officer and President of the Company, is the controlling shareholder of MCI. For the year ended December 31, 2021, the Company received services from MCI and companies directly or indirectly owned by MCI in the amount of $2.6 million (2020: $0.1 million), which represented the market value of these transactions with MCI. As at December 31, 2021, $0.6 million (2020: $0.0 million) was owed to MCI and companies directly or indirectly owned by MCI relating to these transactions.

McCain Financial Advisory Services ("MFAS"), is an entity jointly controlled by individuals including Mr. Michael H. McCain. For the years ended December 31, 2021 and 2020, the Company provided services to and received services from, MFAS for a nominal amount which represented the market value of the transactions.

19. GOVERNMENT INCENTIVES

During the year ended December 31, 2021, the Company recognized government incentives totaling $25.2 million (2020: $20.5 million).

During the year ended December 31, 2021, the Company recognized $20.0 million (2020: $10.4 million) of government incentives as a reduction in the cost of related assets. Of this amount, $12.3 million was received from the Government of Ontario and $4.2 million from the Government of Canada to assist with the design, development and construction of the London, Ontario poultry facility. In addition, the Company received $2.5 million from the Government of Manitoba and $1.0 million in other incentives.

During the year ended December 31, 2021, the Company recognized $5.2 million (2020: $10.1 million) of government incentives in net earnings. Of this amount, $3.0 million of ongoing incentives were received from the Government of Canada to support agricultural business. An additional $1.4 million of grants were received from the Ontario Government's COVID-19 Worker Income Protection Benefit which enabled the Company to prevent job losses and helped ensure a stable and secure supply chain. The Company qualified for the subsidy and the decision to participate in the program was carefully considered, taking into account a number of business imperatives including protecting staff and consideration of all stakeholders. In addition, the Company received $0.8 million in other incentives.

The Company currently recognizes $12.2 million of government debt on the consolidated balance sheets as described in Note 15 of the Consolidated Financial Statements. Of this amount, $7.8 million of debt is recognized from the Government of Canada to assist in innovation within the agricultural sector in Canada. In addition, $4.4 million of debt relates to the development of the Company's facility located in Hamilton, Ontario.

20. SHARE CAPITAL

As at December 31, 2021, there were 124,722,678 voting common shares issued and outstanding (2020: 123,936,266). As at February 17, 2022, there were 124,855,308 common shares issued and outstanding.

In each of the quarters of 2021, the Company declared and paid cash dividends of $0.18 (2020: $0.16) per voting common share, representing a total annual dividend of $0.72 (2020: $0.64) per voting common share and aggregate dividend payments of $89.1 million (2020: $78.9 million).

21. OTHER MATTERS

On February 23, 2022, the Board of Directors approved a quarterly dividend of $0.20 per share (an increase of $0.02 per share from the 2021 quarterly dividends), $0.80 per share on an annual basis, payable March 31, 2022 to shareholders of record at the close of business March 8, 2022. Unless indicated otherwise by the Company at or before the time the dividend is paid, the dividend will be considered an eligible dividend for the purposes of the “Enhanced Dividend Tax Credit System”.

22. MAPLE LEAF CENTRE FOR ACTION ON FOOD SECURITY

The Maple Leaf Centre for Action on Food Security (the “Centre”) is the primary expression of the Company's sustainability strategy pillar of better communities. The Centre is a registered charity working to reduce food insecurity through collaboration with other organizations and individuals, through advocating for critical policies and investing in programs required to make sustainable improvements in food security. Additional information regarding the Centre is available on its website at https://www.feedopportunity.com.

23. SUMMARY OF QUARTERLY RESULTS

The following is a summary of unaudited quarterly financial information for each quarter in the last two fiscal years:

	Fourth Quarter		Third Quarter		Second Quarter		First Quarter	
($ millions)[i]	**2021**	2020	2021	2020	2021	2020	2021	2020
Sales								
Meat Protein Group	**$1,085.2**	$1,080.3	$1,150.3	$1,014.4	$1,117.5	$1,040.4	$1,013.7	$ 981.4
Plant Protein Group	**45.5**	52.5	48.0	51.4	48.1	60.6	42.6	46.3
Non-allocated[ii]	**(10.2)**	(3.6)	(9.7)	(8.6)	(6.7)	(6.4)	(3.2)	(5.0)
Total Sales	**$1,120.5**	$1,129.2	$1,188.6	$1,057.2	$1,158.9	$1,094.6	$1,053.1	$1,022.8
Gross profit								
Meat Protein Group	**$ 152.2**	$ 185.7	$ 191.5	$ 160.6	$ 167.0	$ 176.6	$ 166.1	$ 157.3
Plant Protein Group	**(10.0)**	0.3	(3.3)	3.4	0.3	7.9	0.1	6.8
Non-allocated[ii]	**0.1**	(5.7)	(0.1)	64.1	(31.7)	(17.2)	26.7	(36.7)
Total Gross profit	**$ 142.3**	$ 180.3	$ 188.2	$ 228.1	$ 135.7	$ 167.3	$ 193.0	$ 127.4
SG&A								
Meat Protein Group	**$ 80.2**	$ 94.2	$ 85.9	$ 80.7	$ 81.2	$ 83.7	$ 87.1	$ 88.0
Plant Protein Group	**39.8**	32.5	34.4	46.5	29.8	34.1	28.8	30.9
Total SG&A	**$ 120.0**	$ 126.8	$ 120.3	$ 127.2	$ 110.9	$ 117.8	$ 115.9	$ 118.9
Net Earnings (loss)	**$ 1.9**	$ 25.4	$ 44.5	$ 66.0	$ 8.8	$ 25.7	$ 47.7	$ (3.7)
Earnings (Loss) Per Share[iii]								
Basic	**$ 0.02**	$ 0.20	$ 0.36	$ 0.54	$ 0.07	$ 0.21	$ 0.39	$ (0.03)
Diluted	**$ 0.01**	$ 0.20	$ 0.35	$ 0.53	$ 0.07	$ 0.21	$ 0.38	$ (0.03)
Adjusted Operating Earnings[iv]								
Meat Protein Group	**$ 77.8**	$ 92.0	$ 107.6	$ 80.4	$ 87.3	$ 93.3	$ 79.6	$ 69.6
Plant Protein Group	**(47.8)**	(32.3)	(37.1)	(43.1)	(29.1)	(26.3)	(28.1)	(24.1)
Total Adjusted Operating Earnings	**$ 30.0**	$ 59.8	$ 70.6	$ 37.3	$ 58.3	$ 67.0	$ 51.5	$ 45.5
Adjusted EBITDA[iv]								
Meat Protein Group	**$ 120.7**	$ 137.1	$ 151.3	$ 123.0	$ 131.2	$ 138.6	$ 123.9	$ 111.4
Plant Protein Group	**(43.9)**	(28.7)	(33.4)	(39.6)	(25.5)	(22.6)	(24.4)	(20.5)
Non-allocated[ii]	**(0.4)**	1.3	—	(0.5)	—	—	—	—
Total Adjusted EBITDA	**$ 76.3**	$ 109.6	$ 118.0	$ 83.0	$ 105.7	$ 116.0	$ 99.5	$ 90.9
Adjusted EBITDA Margin[iv]								
Meat Protein Group	**11.1 %**	12.7 %	13.2 %	12.1 %	11.7 %	13.3 %	12.2 %	11.4 %
Plant Protein Group	**(96.6)%**	(54.7)%	(69.6)%	(77.0)%	(53.1)%	(37.2)%	(57.2)%	(44.3)%
Total Adjusted EBITDA Margin	**6.8 %**	9.7 %	9.9 %	7.8 %	9.1 %	10.6 %	9.4 %	8.9 %

(i) *Totals may not add due to rounding.*

(ii) *Non-Allocated includes eliminations of inter-segment sales and associated cost of goods sold, and non-allocated costs which are comprised of income and expenses not separately identifiable to reportable segments and are not part of the measures used by the Company when assessing a segment's operating results.*

(iii) *Per share information is based on amounts attributable to common shareholders.*

(iv) *Refer to section 32. Non-IFRS Financial Measures of this document.*

Fluctuations in quarterly sales can be attributed to changes in pricing, volume, sales mix, acquisitions and the impact of foreign exchange translation.

Fluctuations in quarterly net earnings can be attributed to similar factors as noted above, pork and poultry industry processing margins, restructuring and other related costs, operating efficiencies, changes in the fair value of derivative and non-derivative financial instruments and biological assets, acquisitions, transitional costs incurred, provision adjustments, gains/losses on disposal of assets and changes in tax regulations.

For an explanation and analysis of quarterly results, refer to the Company's Management's Discussion and Analysis for each of the respective quarterly periods which are filed on SEDAR and also available on the Company's website at www.mapleleaffoods.com.

24. SUMMARY OF 2021 FOURTH QUARTER RESULTS

The following table summarizes the Company's sales, gross profit, SG&A expenses, Adjusted Operating Earnings, Adjusted EBITDA, and Adjusted EBITDA Margin by operating segment and net earnings, earnings per share and adjusted earnings per share for the total Company for the fourth quarters ended December 31, 2021 and December 31, 2020:

	Three months ended December 31, 2021				Three months ended December 31, 2020			
($ millions except earnings per share)[(i)]	**Meat Protein Group**	**Plant Protein Group**	**Non-Allocated**[(ii)]	**Total**	Meat Protein Group	Plant Protein Group	Non-Allocated[(ii)]	Total
Sales	**$ 1,085.2**	**45.5**	**(10.2)**	**$ 1,120.5**	$ 1,080.3	52.5	(3.6)	$ 1,129.2
Gross profit (loss)	**$ 152.2**	**(10.0)**	**0.1**	**$ 142.3**	$ 185.7	0.3	(5.7)	$ 180.3
Selling, general and administrative expenses	**$ 80.2**	**39.8**	**—**	**$ 120.0**	$ 94.2	32.5	—	$ 126.8
Adjusted Operating Earnings[(iii)]	**$ 77.8**	**(47.8)**	**—**	**$ 30.0**	$ 92.0	(32.3)	—	$ 59.8
Adjusted EBITDA[(iii)]	**$ 120.7**	**(43.9)**	**(0.4)**	**$ 76.3**	$ 137.1	(28.7)	1.3	$ 109.6
Adjusted EBITDA Margin[(iii)]	**11.1%**	**(96.6)%**	**n/a**	**6.8%**	12.7 %	(54.7)%	n/a	9.7%
Net Earnings	**n/a**	**n/a**	**n/a**	**$ 1.9**	n/a	n/a	n/a	$ 25.4
Basic Earnings per Share	**n/a**	**n/a**	**n/a**	**$ 0.02**	n/a	n/a	n/a	$ 0.20
Adjusted Earnings per Share[(iii)]	**n/a**	**n/a**	**n/a**	**$ 0.09**	n/a	n/a	n/a	$ 0.31

(i) *Totals may not add due to rounding.*

(ii) *Non-allocated includes eliminations of inter-segment sales and associated cost of goods sold, changes in the fair value of biological assets and derivatives, and non-allocated costs which are comprised of expenses not separately identifiable to reportable segments and are not part of the measures used by the Company when assessing a segment's operating results.*

(iii) *Refer to section 32. Non-IFRS Financial Measures of this document for the definition of these non-IFRS measures.*

Sales for the fourth quarter decreased 0.8% to $1,120.5 million compared to $1,129.2 million last year. Favourable pricing and mix were more than offset by foreign exchange and the impact of an extra week in the fourth quarter of 2020.

Net Earnings for the fourth quarter of 2021 were $1.9 million ($0.02 per basic share) compared to $25.4 million ($0.20 per basic share) last year. The decrease in net earnings reflects rising labour and production expenses and the impact of an extra week in the fourth quarter of 2020. Net earnings for the fourth quarter of 2021 also included start-up expenses[(ii)] of $7.7 million (2020: $0.5 million) associated with Construction Capital[(ii)] projects, which are excluded in the calculation of Adjusted Operating Earnings.

Adjusted Operating Earnings for the fourth quarter of 2021 were $30.0 million compared to $59.8 million, consistent with the factors noted above.

Adjusted EBITDA Margin for the fourth quarter decreased to 6.8% from 9.7% last year, consistent with the factors noted above.

Basic Earnings per Share was $0.02 for the fourth quarter of 2021 compared to $0.20 last year, consistent with the factors described above.

Adjusted Earnings per Share in the fourth quarter of 2021 was $0.09 compared to $0.31 last year.

Meat Protein Group

Sales for the fourth quarter increased 0.5% to $1,085.2 million compared to $1,080.3 million last year. Sales growth was driven by pricing action implemented in prior quarters to mitigate inflation and structural cost increases, and favourable mix-shift including growth in sustainable meats, more than offsetting the impact of an extra week in the fourth quarter of 2020 and foreign exchange fluctuations.

Gross profit for the fourth quarter of 2021 was $152.2 million (gross margin[(i)] of 14.0%) compared to $185.7 million (gross margin[(i)] of 17.2%) last year. The decrease was driven by labour and material availability, inflation, lower volumes due to lapping fourth quarter 2020 which had an extra week, and market headwinds. The fourth quarter of 2020 was also impacted by heightened operating costs in response to COVID-19 to safeguard the Company's employees. Gross profit for the fourth quarter of 2021 also included start-up expenses[(ii)] of $5.8 million (2020: $0.5 million) associated with Construction Capital[(ii)] projects which are excluded in the calculation of Adjusted Operating Earnings.

SG&A expenses for the fourth quarter of 2021 were $80.2 million (7.4% of sales), compared to $94.2 million (8.7% of sales) last year. The decrease in SG&A was largely driven by lower variable compensation.

Adjusted Operating Earnings for the fourth quarter of 2021 were $77.8 million compared to $92.0 million last year, driven by factors noted above.

Adjusted EBITDA Margin for the fourth quarter was 11.1% compared to 12.7% last year, consistent with factors noted above.

Plant Protein Group

Sales for the fourth quarter were $45.5 million compared to $52.5 million last year, representing a decline of 13.4%, or 10.3% after excluding the impact of foreign exchange. Sales decline was driven by the impact of an extra week in the fourth quarter of 2020, including lower retail product volumes which more than offset growth in food service volumes.

Gross profit for the fourth quarter of 2021 was a loss of $10.0 million (gross margin loss[i] of 21.9%) compared to a profit of $0.3 million (gross margin[i] of 0.5%) last year. The decrease in gross profit was attributed to lower sales volumes and strategic investments in capacity to build for anticipated demand which has resulted in increased overhead and transitory costs, as well as inflationary pressure on distribution and other input costs. Gross profit for the fourth quarter of 2021 also included start-up expenses[ii] of $2.0 million (2020: $0.0 million) associated with Construction Capital[ii] projects which are excluded in the calculation of Adjusted Operating Earnings.

SG&A expenses for the fourth quarter of 2021 were $39.8 million (87.6% of sales), compared to $32.5 million (61.9% of sales) last year. The increase in SG&A expenses was driven largely by the timing of advertising and promotional expenses.

Adjusted Operating Earnings for the fourth quarter of 2021 were a loss of $47.8 million compared to a loss of $32.3 million last year. The decline in Adjusted Operating Earnings is consistent with the factors noted above.

(i) *Gross margin is defined as gross profit divided by sales.*

(ii) *Refer to section 32. Non-IFRS Financial Measures of this document for the definition of these non-IFRS measures.*

25. DISCUSSION OF FACTORS IMPACTING THE COMPANY'S OPERATIONS AND RESULTS

Impact of Currency

The following table outlines the changes in currency rates that have affected the Company’s business and financial results:

(Unaudited)	**As at December 31, 2021**	Annual Averages **2021**	2020	2019	2018	2017	2016
Canadian dollars per U.S. dollar[i]	**$ 1.26**	**$ 1.25**	$ 1.34	$ 1.33	$ 1.30	$ 1.30	$ 1.32
Japanese yen per Canadian dollar[i]	**¥ 91.08**	**¥ 87.65**	¥ 79.68	¥ 82.18	¥ 85.25	¥ 86.47	¥ 82.10

(i) *Source: Bloomberg.*

During 2021, the U.S. dollar, on average weakened relative to the Canadian dollar by 6.5%. In general, a weaker U.S. dollar reduces the value of the Company's U.S. dollar denominated sales and the sales prices achieved by the Company’s primary pork processing and hog production operations. Conversely, it reduces the cost of raw materials and ingredients across the business. Over the longer-term, a weaker U.S. dollar decreases the relative competitiveness of the domestic Canadian packaged goods operation, as imports of competing products from the U.S. become more competitive while exporting into the U.S. market becomes less attractive.

During 2021, the Japanese yen, on average weakened relative to the Canadian dollar by 9.1%. In general, a weaker Japanese yen reduces export margins to Japan in the Company’s fresh pork business.

The Company ultimately seeks to manage currency fluctuations through pricing, cost reduction, or investment in value-added products.

The Company uses derivatives and other non-derivative financial instruments to manage its exposures to fluctuations in foreign exchange rates.

Market Influences for Pork Value Chain

The following table outlines the change in key commodity prices that affected the Company's business and financial results:

(Unaudited)	**As at December 31, 2021**	Annual Averages **2021**	2020	2019	2018	2017	2016
Pork cutout (US$ per cwt)[(i)(ii)]	**$ 91.35**	**$104.23**	$ 77.02	$ 77.04	$ 75.21	$ 84.13	$ 78.66
Hog market price per cwt (US$ per cwt)[(i)(ii)]	**$ 71.99**	**$ 92.88**	$ 60.22	$ 67.33	$ 65.12	$ 71.42	$ 65.09
Hog market price per cwt (CAD per cwt)[(i)(ii)]	**$ 90.97**	**$116.44**	$ 80.75	$ 89.34	$ 84.40	$ 92.72	$ 86.23
Corn (US$ per bushel)[(ii)(iii)]	**$ 5.93**	**$ 5.77**	$ 3.65	$ 3.83	$ 3.68	$ 3.60	$ 3.59

(i) *As at December 31, 2021, based on last published spot prices for the week ended December 31, 2021 (Sources: CME and USDA).*

(ii) *Annual averages based on five-day averages (Sources: CME and USDA).*

(iii) *Daily close prices of first nearby future (Sources: Bloomberg and CME).*

In aggregate for 2021, the impact of market pricing for hog and pork prices was favourable to the five-year average as a result of stronger hog production margins offsetting weaker pork processing margins.

The Company uses derivatives and other non-derivative financial instruments to manage its exposures to fluctuations in commodity prices.

Seasonality

The Company is sufficiently large and diversified, with a balanced portfolio, that seasonal factors within various parts of its operations tend to offset each other; therefore, in isolation, they do not have a material impact on the Company's consolidated earnings. For example, in general, margins on fresh pork products tend to be higher in the last half of the year when hog prices historically decline which in turn depresses earnings from raising hogs, maintaining balance within the Company's pork complex. Strong demand for grilled meat products positively affects categories such as wieners and fresh sausages in the summer, while back-to-school promotions support increased sales of sliced meats and lunch items in the fall. Higher demand for turkey and ham products occurs in the spring and fourth quarter holiday seasons. Seasonality has been impacted by COVID-19 as demand shifted from foodservice to retail and normal consumption patterns were disrupted by lockdowns.

26. ENVIRONMENT

Maple Leaf Foods is committed to maintaining high standards of environmental responsibility and positive relationships in the communities where it operates. It operates within the framework of an environmental policy entitled "Our Environmental Sustainability Commitment" that is approved by the Board of Directors' Safety and Sustainability Committee (the "Committee"). The Environmental Sustainability Commitment can be found at www.mapleleaffoods.com/sustainability.

The Company's environmental program is monitored on a regular basis by the Committee, including compliance with regulatory requirements and the use of internal environmental specialists and independent, external environmental experts. The Company continues to invest in environmental infrastructure related to water, waste, and air emissions to ensure that environmental standards continue to be met or exceeded, while implementing procedures to reduce the impact of operations on the environment.

In 2019, the Company amended its Credit Facility to become part of the first Sustainability-Linked Loan in Canada – a partnership with nine global banks to encourage maintenance of carbon neutrality and reductions in Green House Gas ("GHG") emissions. The Sustainability-Linked Loan consists of a $1,300.0 million unsecured committed revolving line of credit maturing April 30, 2024 and two unsecured committed term credit facilities for US$265.0 million and $350.0 million maturing April 30, 2024 and April 30, 2023, respectively. This Sustainability-Linked Loan is intended to meet the Company's funding requirements for capital investments and for general corporate purposes. Under the terms of the Sustainability-Linked Loan, the Company can benefit from lower interest rates upon achievement of certain sustainability targets and maintaining carbon neutrality. Subsequent to the issuance of the Company's 2020 Sustainability Report, the Company successfully achieved these sustainability targets. This reduction has taken effect in the fourth quarter of 2021.

Expenditures related to current environmental requirements are not expected to have a material effect on the financial position or earnings of the Company. However, it is possible that events could occur causing environmental expenditure to be significant and have a material adverse effect on the Company's financial condition or results of operations. Such events could include, but not be limited to, additional environmental regulation or the occurrence of an adverse event at one of the Company's locations. The Company currently has a provision of $2.4 million related to expected environmental remediation costs. Please refer to Note 14 of the consolidated financial statements for additional information. As a large food company there are health, environmental, and social issues that go beyond short-term profitability that Management believes must shape its business if the Company is to realize a sustainable future. Increasingly, moving beyond compliance to materially reducing the Company's environmental footprint is critical to addressing mounting environmental issues and realizing increased operating efficiencies and cost reductions. The Company is committed to reducing its environmental footprint by 50.0% by 2025 (against a 2014 baseline), encompassing the five areas where Maple Leaf Foods has the largest environmental impact: electricity, natural gas, water, solid waste and food waste.

The Company has developed environmental sustainability action plans at every operation to deliver on its environmental goals. In the fourth quarter of 2019, the Company publicly announced the development of a comprehensive carbon management strategy that included the setting and approval of Science-Based Targets ("SBTs") for GHG emissions reduction, and the achievement of becoming a carbon neutral company.

Science-Based Target

SBTs provide companies with a clearly defined pathway to future-proof growth by specifying how much and how quickly companies need to reduce GHG emissions to meet the requirements of the global Paris Climate Accord. On September 9, 2019, the Science-Based Target Initiative ("SBTi") approved Maple Leaf Foods' SBTs for GHG emissions reduction. As part of this approval, the SBTi verified Maple Leaf Foods' comprehensive carbon inventory that was developed in accordance with the internationally accepted Greenhouse Gas Protocol - developed by the World Resources Institute and World Business Council for Sustainable Development. Maple Leaf Foods committed to reduce its absolute Scope 1 & 2 GHG emissions by 30% and its Scope 3 GHG emissions by 30% (per 1,000kg of production) by 2030 (against a 2018 baseline).

By setting SBTs in 2019, Maple Leaf Foods has re-prioritized its approach to environmental sustainability to be in line with the best available climate science. The Company understands that it is critical now more than ever to reduce greenhouse gas emissions in order to avoid future negative impacts of climate change. The Company now views its previously established 50% by 2025 environmental reduction goals as important milestones on the pathway to reach its ambitious SBTs. Environmental footprint reduction roadmaps will continue to encompass the five areas where Maple Leaf Foods has the largest environmental impact: electricity, natural gas, water, solid waste and food waste. The Company will continue to implement its environmental sustainability action plans and track and report its environmental performance. In 2021, the Company continued to make progress towards the implementation of these plans and reducing its environmental footprint.

Carbon Neutral

Maple Leaf Foods achieved carbon neutrality by avoiding intensive emissions activities, reducing emissions by implementing energy efficiency projects and replacing carbon intensive energy with lower carbon or renewable sources. Lastly, for all remaining emissions that cannot be reduced or are currently unavoidable, the Company has invested in certified offset projects to bring its net GHG emissions to zero. Using the carbon inventory that was validated by the SBTi, Maple Leaf Foods reviewed every aspect of its business and identified opportunities to avoid and reduce emissions associated with its operations. The Company’s utility audit program identifies energy, water and waste reduction opportunities that have a high return on investment and positive impact on reducing its environmental footprint. The Company has implemented key projects across its facilities including a national LED lighting retrofit program, heat recovery projects, water conservation/reuse opportunities, and organics diversion and recycling programs. The Company is investigating technologies such as anaerobic digestion as a scalable solution to further reduce GHG emissions arising from our operations and is investing in regenerative agriculture to reduce the greenhouse gas emissions of its supply chain. Most of these projects drive investment to sustain the Company’s environmental performance into the future.

Details on the Company's environmental performance and carbon strategy can be found in the Company's sustainability reports which can be found at www.mapleleaffoods.com/sustainability.

27. RISK FACTORS

In carrying out its business and operations, the Company faces many risks. Many of these risks are described below, including those risks that the Company currently considers to be most material. These risk factors, along with other risks and uncertainties not currently known to the Company, or that the Company currently considers immaterial, could materially and adversely affect the Company’s performance, operating results and ability to pay dividends or return capital to shareholders. Such risks could cause actual events to differ materially from those described in any forward-looking statements, including any financial outlooks, targets or goals. Many of the risks are beyond the Company's control and, in spite of any efforts the Company may make to manage or mitigate its risk exposure, there is no guarantee that such risk management or mitigation activities will be successful. Readers should carefully consider the risk factors set out below, along with the other information contained in this document and the Company's other public filings before making an investment decision.

COVID-19

The Company’s business operations and financial condition may be materially adversely affected by public health emergencies, including the COVID-19 pandemic, as well as related government responses and consumer and customer behaviour. The risk of COVID-19 to the Company includes the physical and mental health and safety of its employees and contractors; the temporary suspension of operations in geographic locations in which the Company operates; disruption in global and local supply chains, impacting the availability of key inputs for the Company's operations as well as it ability to ship products to market; disruptions in international trade and access to markets; operational restrictions and restrictions on gatherings of individuals; delays in the completion of capital projects; counterparty credit risk; volatility in financial and commodity markets; shifts in customer and consumer demand; and supply chain disruptions; all or any of which could materially adversely affect the Company’s business operations and financial results. As the spread (and risk of spreading) of COVID-19 continues, governments may increase or extend restrictions, directives, orders or regulations that could adversely affect the Company’s operations, suppliers, customers, counterparties, employee health, workforce productivity, insurance premiums and coverage, and ability to advance its business strategy. Among the specific impacts that have been experienced since the onset of the pandemic include: increased costs to implement additional health and safety measures; higher absenteeism; restrictions on pork exports to China; decreased sales in foodservice channels; a shift in the sales mix; supply chain challenges; reduced ability to execute product innovation initiatives; temporary stoppages of work at certain capital projects; and periodic operational slow-downs at some plants.

The Company is following recommendations from applicable government agencies, public health authorities and leading international health organizations in order to maintain the continued safe operation of its business operations. It has implemented pandemic plans at all of its locations and is continuing to review and audit the effectiveness of these efforts to protect the ongoing health of its workforce. In addition, in 2022 the Company also adopted vaccine requirements for its workforce as a key element of its safety protocols to maintain a safe work environment. It is possible however, that such measures may not be effective. The full extent, effect and duration of the COVID-19 pandemic continues to be uncertain at this time and the degree to which it may continue to affect the Company’s business operations and financial results will depend on future developments, which cannot be predicted with certainty. Depending on the continued evolution of COVID-19, the impact of the pandemic may increase the effect of the other risks described in this Management Discussion and Analysis. It is also possible that parts of the workforce resist safety protocols that have been put in place, which may contribute to labour and employment disputes, and an increased risk that the Company's safe work protocols are challenged.

Competition, Market Conditions and the Activities of Competitors and Customers

The food industry is intensely competitive. In many product categories in which the Company operates there are low barriers to entry. Competition is based on factors such as product availability, product quality and taste, price, brand recognition, product variety, product packaging and design, shelf space, reputation, nutritional and other claims, effective promotions, and the ability to target changing consumer preferences. The Company may experience price pressure as a result of, among other things, competitors’ promotional effort and strategies to grab market share, as well as in product categories characterized by low capacity utilization.

Competitive pressures from existing competitors, as well as, new entrants into various markets could result in reduced sales, margins, profits, and market share, all of which could have a material adverse effect on the Company’s financial condition and results of operations. The Company has seen intense competitive pressure in the plant protein space, as new entrants and more traditional food companies vie for market share in this rapidly evolving market. The rapidly evolving nature of the plant protein business creates some volatility and unpredictability. If the Company's assumptions about the potential growth of the plant protein sector do not materialize, or if its assumptions about its ability to maintain and gain market share are incorrect, it is unlikely that the Company will be able to reach its 2029 sales and gross margin growth targets. There is no guarantee that the investment that the Company is making in marketing, advertising, and innovation will be successful in attracting market share or that it will deliver the anticipated long-term financial benefits underpinning the growth targets. In 2021, in the face of evidence of slower than expected market growth in the overall plant based protein market, the Company announced it would be doing a deeper analysis of the markets and evaluating its strategy.

Overall, the Company's ability to increase revenue and execute its business strategy depends in part on its ability to cost-effectively attract new customers and consumers and retain existing customers and consumers. If the Company is unable to do this, its business, financial condition and operating results may be materially adversely affected. Further, if customers or consumers do not perceive the Company's product offerings to be of sufficient value and quality, or if it fails to offer new and relevant product offerings, it may not be able to attract or retain customers or engage existing customers so that they continue to purchase products. For example, if growth in demand for sustainable meat does not materialize or if the expected benefits associated with brand renovation are not realized, the Company may not reach its Adjusted EBITDA targets in the Meat Protein Group or its consolidated growth targets.

The Company competes with other companies who may have greater financial and other resources, lower operating costs and lower cost of capital. In some instances, this could force the Company to lower prices, resulting in lower profitability or, in the alternative, cause it to lose market share if it fails to lower prices. In addition, some competitors may be more innovative, have more resources and/or be able to bring new products to market faster. This could put the Company at a disadvantage in keeping up with the pace of innovation and ability to introduce new products that appeal to evolving consumer trends. Innovation, speed to market and brand identification have been particularly important drivers in the plant protein market.

Overall, these competitive pressures could cause the Company to lose market share, which may require it to lower prices, increase marketing and advertising expenditures, and/or increase the use of discounting or promotional campaigns, each of which could adversely affect its margins, could result in a decrease in its operating results and profitability and cause it to miss the growth targets it has set.

Availability and Access to Capital

The ability of the Company to secure short-term and long-term financing on terms acceptable to the Company is critical to fund business growth and manage its liquidity. As a result of acquisitions and return of capital to shareholders through dividend increases and share buybacks, the Company is in a net debt position. Furthermore, the Company is embarking on a period of elevated capital expenditures as it invests in large scale and efficient processing capacity. The failure or inability of the Company to secure short-term and long-term financing in the future on terms that are commercially reasonable and acceptable to the Company could have a significant impact on the Company's opportunity for growth. Even if the Company does successfully raise additional capital when needed, if it issues equity securities, investors will be diluted, and if it raises additional debt, it will be further leveraged and could be subject to restrictive covenants, such as restrictions on paying dividends or being required to pledge assets.

Livestock Health and Risks Associated with Animal Disease

The Company's operations and the demand for the Company's products can be significantly affected by outbreaks of disease among hogs and poultry (collectively "livestock") or attributed to livestock whether it occurs within the Company's production operations or in the operations of third parties. Such diseases could adversely impact the health of the Company's own livestock and the health of the livestock of its suppliers. As well, an animal disease outbreak may reduce the availability of livestock for the Company's operations.

Governments may combat the spread of disease during outbreaks with measures that include among other things restrictions on the movement of meat and livestock between jurisdictions which results in supply excesses and shortages and price volatility which in some cases reaches extreme levels. In 2018, there was an outbreak of African Swine Fever in China which has continued to spread across various countries around the world. While restrictions have been put in place by the foreign jurisdictions to contain the spread of the disease in hog populations, there can be no assurance the outbreak will be contained or that the outbreak will not spread to areas that supply the Company with live hogs or that additional restrictions will be put in place that will impede the Company's access to other markets or create volatile market conditions. These could have a material adverse impact on the Company's operations and financial condition.

The Company monitors herd and flock health status and has strict bio-security procedures and employee training programs throughout its hog production system and ensures the animals receive veterinary medications as required. However, there is no guarantee these processes will not fail. In addition, not all livestock procured by the Company may be subject to these processes, as the majority of livestock processed by the Company is purchased from independent third parties. In addition to risks associated with maintaining the health of the Company's livestock, any outbreak of disease elsewhere in the world could reduce consumer confidence in the meat products affected by the particular disease and generate adverse publicity.

The Company has developed an internal contingency plan for dealing with animal disease occurrences and/or a more broad-based pandemic. It has taken steps to support the Canadian government in enhancing both the country's prevention measures and preparedness plans. There can be no assurance, however, that these prevention measures or plans will be successful in minimizing or containing the impact of an outbreak of animal disease. Accordingly, there can be no assurance that an outbreak of animal disease in Canada or elsewhere will not have a material adverse effect on the Company's financial condition and results of operations.

Further, the Company's risk analysis indicates that climate change could have an impact on the health of livestock. See the subheading entitled "Climate Change" for additional details on the potential intersection of animal health with climate change risks.

International Trade

The Company exports significant amounts of its products to customers outside of Canada. In addition, the Company imports various inputs and ingredients from other jurisdictions. To the extent that the Company is dependent on imports or export for its business, it is subject to inherent risks associated with international trade, including: change in the free flow of food products between countries; fluctuations in currency values; discriminatory fiscal policies; unexpected changes in local regulations and laws; and the uncertainty of enforcement of remedies in foreign jurisdictions. In addition, trade agreements between Canada and foreign jurisdictions could change and foreign jurisdictions could impose tariffs, quotas, trade barriers, and other similar restrictions on the Company's international sales, as well as subsidize competing agricultural products. International trade and the associated access to markets can be influenced by geopolitical events and disputes between Canada and other countries beyond the Company's control. As discussed under the subheading "Livestock Health and Risks Associated with Animal Disease", the threat of the spread of animal disease could result in significant disruption of international trade in the meat protein business, as governments use international trade barriers as a tool to help manage the spread of such diseases.

All of these risks could result in increased costs or decreased revenues, either of which could have a material adverse effect on the Company's financial condition and results of operations. For example, the Company has been affected by export restrictions on pork imposed by China, including restrictions on exports from the Company's primary pork processing plant in Brandon, Manitoba that were imposed in 2020 which had an adverse effect on the Company's pork sales and as a result the Company's overall operating results.

Food Safety, Customer and Consumer Liability and Product Recalls

The Company is subject to risks that affect the food industry in general, including risks posed by food spoilage, accidental contamination, product tampering, consumer product liability, and the potential costs and disruptions of a product recall. The Company's products are susceptible to contamination by organisms that can cause illness, or pathogens, such as certain strains of *Escherichia coli* (E. coli), *Salmonella* and *Listeria*. There is a risk that these pathogens could be present in certain products produced by the Company. The Company actively manages these risks by maintaining strict and rigorous controls and processes in its manufacturing facilities and distribution systems and by maintaining prudent levels of insurance. However, the Company cannot assure that such systems, even when working effectively, will eliminate the risks related to food safety. The Company could be required to recall certain of its products in the event of contamination or adverse test results or as a precautionary measure, similar to other recalls initiated in the past. There is also a risk that not all of the product subject to the recall will be properly identified, or that the recall will not be successful or not be enacted in a timely manner. Any product contamination could subject the Company to product liability claims, claims for economic losses by customers and others in the supply chain, adverse publicity and government scrutiny, investigation or intervention, resulting in increased costs and decreased sales. Many of these costs and losses are not covered by insurance. Any of these events could have a material adverse impact on the Company's financial condition and results of operations.

Execution of Capital Projects

The Company has multiple capital projects in development and underway. The successful completion of these projects is dependent on a number of factors, many of which are outside the Company's control. The timing for completion and capital costs of these projects may change depending on many factors some of which include the availability and cost of labour, materials and equipment, contractor non-performance, weather conditions and cost of engineering, construction and other consulting services. The Company may incur financing costs during the planning and construction phases of its growth projects, but the expected cash flows from the projects will not materialize until after they are completed. To the extent projects are completed significantly behind schedule or over budget, its business operations and results may be adversely affected. Project delays affect the timing of cash flows from such projects, which could have an impact on the Company's ability to reach its financial targets, meet conditions associated with grants or concessions previously secured for the projects and to fully execute its business strategy.

Cyber Security and Overall Management of the Company's Information Systems

The Company relies on information technology systems in all areas of its business and operations. These systems are subject to an increasing number of sophisticated cyber threats. The methods used to obtain unauthorized access, disable or degrade service or sabotage systems are constantly evolving. A cyber attack could disrupt the Company's business and operations, interfere with its ability to access critical data, result in a breach of sensitive information and/or expose it to ransom demands. As a result of such an event, Maple Leaf Foods' ability to operate, maintain business continuity, protect its intellectual property (including trade secrets) and achieve its strategic objectives could be compromised, and its operations, financial position and reputation could be negatively affected. It could also compromise the personal or confidential information of its employees and other third parties which could expose the Company to additional legal claims and regulatory action.

The Company maintains policies, processes, and procedures to address capabilities, performance, security, and system availability including resiliency and disaster recovery for systems, infrastructure, and data. Security protocols, along with information technology security policies, address compliance with information technology security standards, including those relating to information belonging to the Company's customers, employees and suppliers. The Company actively monitors, manages, and continues to enhance its ability to mitigate cyber risk through its enterprise-wide programs. However, there is no assurance that any of these measures will be successful.

The Company regularly implements process improvement initiatives to simplify and harmonize its systems and processes to optimize performance and reduce the risk of errors in financial reporting. There cannot be any guarantee that any such changes will improve current processes or operating results or reduce the risk of errors in financial reporting. Any of these failures could have a material adverse impact on the Company's financial condition and results of operations.

Climate Change

The potential effects of climate change could have a material impact on the Company and its operations, such risks include a range of physical, financial, compliance and reputational risks. As part of its sustainability strategy and vision to be the most sustainable protein company on earth, the Company has set environmental footprint reduction targets and has executed certain energy efficiency and GHG emission reduction projects. While the Company takes steps to assess the commercial viability of these initiatives, there is no assurance that the ongoing costs of these initiatives will continue to be economic. As new laws, regulations and industry standards related to emission reductions continue to evolve, it is possible that the Company's practices, processes and facilities will require significant modifications in order to comply. Further, it is possible that the changes necessary to reduce emissions will not be feasible or that the costs will be material, either of which could have a material adverse effect on the Company's operations and financial position.

Climate change considerations, including emissions associated with the Company's meat protein business, may also create reputational risk for the Company and challenge its ability to maintain market share for its meat protein products if consumers seek alternative, lower-carbon protein alternatives. The Company's mitigation strategies include its expansion into the growing plant protein business and its ambitious, voluntarily emission reduction strategy which has allowed it to be carbon neutral since 2019.

In 2020, Maple Leaf Foods conducted a physical climate risk assessment and climate scenario analysis, working with an independent third-party consultant, to better understand the climate-related risks and potential impacts to its livestock, assets, supply chain, and operations. This assessment focused on extreme temperatures, freeze-thaw (i.e., number of ice days), water stress and extreme wind and rainfall. These hazards were identified as most relevant to the business based on historical impacts, industry and academic reports and internal consultation with various internal functions, including operations, commodities management, sustainability, finance and risk management. Using global climate models, the Company identified the exposure of its assets, operations and supply chain to these hazards. Based on the results of this assessment, the main potential physical risks to the Company's business include:

- Extreme temperature days (over 30°C) are projected to increase across the Company's Canadian locations, particularly in Manitoba and Ontario, which have implications for processing and livestock health
- All regions in which the Company operates have medium to high risk of water stress due to temperature rise and increased drought risk, which can impact the availability of feed and water resources for sanitation
- All Canadian regions will experience a medium / high risk of extreme rain by 2030 under a 4°C scenario, which increases the risk of asset damage or operational disruptions
- The risk of freeze-thaw cycles impacting Maple Leaf Foods operations reduces over time in all Canadian regions due to overall temperature increase

Using this information, the Company has prioritized where it should focus its physical risk mitigation efforts. Current efforts to mitigate these risks include: diversifying its sourcing regions, maintaining temperature-controlled barns, maintaining contingency plans and protocols for extreme weather and transportation of livestock, insurance of assets and reducing water consumption as part of the Company's environmental footprint reduction goals. There is no guarantee that these risk mitigation efforts will be effective.

Strategic Risk Management

Successful identification and management of the strategic risks facing the Company from time to time is critical to the Company's success. Among other things, these risks include changes in technology, the food industry, customers, consumers, and competitors. As the Company invests in its branding advertising, and marketing strategies, there is no guarantee that such investments will be successful in generating the anticipated return on investment. In 2021 the Company announced that it was reviewing the market dynamics in the plant-protein category given much slower than anticipated market growth. The outcome of this analysis may result in the Company changing its strategies and/or the outlook for its performance. Failure to properly adapt to changes in strategic risks could have a material adverse effect on the Company's financial condition and results of operations.

Return of Capital to Shareholders is Not Guaranteed

The Company has a history of maintaining a normal course issuer bid in place which it may use to re-purchase its shares for cancellation. However, in recent years, in part due to the uncertainties created by COVID-19, the Company has reduced such purchases, and there can be no assurance that the Company will continue with share repurchases. The Company also pays dividends and reviews its dividend policy at least annually. The payment of dividends is at the discretion of the Board of Directors and there can be no assurance that the Company will maintain or increase its dividends in the future. Failure to continue with share repurchases and/or failure to pay or increase dividends may have a material adverse effect on the Company's share price.

Business Acquisitions and Divestitures

The Company has made acquisitions over the last two years and continues to review opportunities for strategic growth through acquisitions. Any acquisitions may involve large transactions or realignment of existing investments, and present financial, managerial and operational challenges, which, if not successfully overcome, may reduce the Company's profitability. These risks include: the diversion of Management's attention from existing core businesses; difficulties integrating or separating personnel, financial, and other systems; adverse effects on existing business relationships with suppliers and customers; inaccurate estimates of the rate of return on acquisitions or investments; inaccurate estimates of fair value made in the accounting for acquisitions and amortization of acquired intangible assets, which could reduce future reported earnings; potential loss of customers or key employees of acquired businesses; and indemnities and potential disputes with the buyers or sellers. Any of these items could materially adversely affect the Company's financial condition and results of operations.

The Company may, from time to time, determine that certain aspects of its operations are not required to be owned to support its core business operations and may seek to sell an operation if it believes it can realize sufficient value from its sale. Such a sale may divert Management's attention from existing core businesses during the sale process, create difficulties in separating personnel, financial, and other systems, and cause adverse effects on existing business relationships with suppliers and customers. Any of these items could materially adversely affect the Company's financial condition and result in a reduction of earnings beyond the earnings of any operation to be sold.

Pension Plan Assets and Liabilities

In the normal course of business, the Company provides post-retirement pension benefits to its employees under both defined contribution and defined benefit pension plan arrangements. The funded status of the plans significantly affects the net periodic benefit costs of the Company's pension plans and the ongoing funding requirements of those plans. Among other factors, changes in interest rates, mortality rates, early retirement rates, and the market value of plan assets can affect the level of plan funding required, increase the Company's future funding requirements, and cause volatility in the net periodic pension cost as well as the Company's financial results. Any increase in pension expense or funding requirements could have a material adverse impact on the Company's financial condition and results of operations.

Hog and Pork Market Cyclicality and Supply

The Company's results of operations and financial condition are partially dependent upon the cost and supply of hogs as well as the selling prices for fresh meat products, both of which are influenced by constantly changing market forces of supply and demand over which the Company has little or no control. These prices, for the most part, are denominated in or related to U.S. dollars, which adds further variability due to fluctuations in exchange rates. The North American primary pork processing markets are highly competitive, with major and regional companies competing in each market. The market prices for pork products regularly experience periods of supply and demand imbalance and are sensitive to changes in industry processing capacity. Other factors that can influence the supply and market price of live hogs include: fluctuations in the size of herds maintained by North American hog suppliers; environmental and conservation regulations; economic conditions; the relative cost of feed for hogs; weather; livestock diseases; and changes to foreign jurisdiction restrictions on drugs, vitamin and feed additives used in hogs raised in Canada. There can be no assurance that all or part of any such increased costs experienced by the Company from time to time can be passed along to consumers of the Company's products directly or in a timely manner or that meat restricted from certain foreign markets can be sold at acceptable prices. The factors described above may also impact the supply of hogs available for processing at the Company's pork processing plants by negatively impacting the financial strength of the various independent farming operations upon which the Company relies to meet its requirements for hogs. Any of these could have a material adverse effect on the Company's financial condition and results of operations.

Over the long term, a reduction in the availability of livestock at the Company's processing plant may result in higher transportation costs if livestock is sourced from more distant growing areas or result in higher capital costs if the Company is required to relocate processing facilities. There can be no assurance that those extra operating costs or capital costs can be passed on to customers which may have a material adverse effect on the Company's financial condition and results of operations.

The Company is increasing its sales of raised without antibiotic meat products and in turn expanding the portion of its hog supply raised without antibiotics. Animals raised without antibiotics have a higher cost of production and command higher prices. If the Company fails to find markets or buyers willing to pay the premium price for all the raised without antibiotic meat produced, a portion of the higher cost meat will be sold through lower price conventional channels.

Furthermore, the Company's supply of raised without antibiotic meats may be at a greater risk supply disruption in the event of an animal disease outbreak. Refer to the subheading "Livestock Health and Risks Associated with Animal Disease".

Availability of Plant Protein Ingredients

The Company's ability to secure a continuing supply of ingredients at competitive prices depends on many factors beyond its control, such as the number and size of farms that grow the source crops, the risks associated with farming businesses (including poor harvests impacting the quality of the crops), changes in national and world economic conditions and the Company's ability to forecast its ingredient requirements. The ingredients used in the Company's plant protein products are vulnerable to adverse weather conditions and natural disasters, such as floods, droughts, frosts, earthquakes, hurricanes and pestilence. Adverse weather conditions and natural disasters can lower crop yields and reduce crop size and quality, which in turn could reduce the available supply of, or increase the price of, quality ingredients. In addition, the Company may purchase some ingredients outside of the U.S. or Canada, and the availability of such ingredients may be affected by events in other countries. The Company also competes with other food producers in the procurement of ingredients, and this competition may increase in the future if consumer demand for plant protein products increases. If supplies of quality ingredients are reduced or there is greater demand for such ingredients from the Company and others, it may not be able to obtain sufficient supply that meets the Company's quality standards on favorable terms, or at all, which could impact the Company's ability to supply products to distributors and retailers and may adversely affect its business, growth plans, results of operations and financial condition.

Commodities and Hedging Strategies

The Company is a purchaser of, and its business is dependent on, certain commodities in the course of normal operations, such as feed grains, livestock, plant protein ingredients, and energy, such as oil-based fuel, natural gas, and electricity. Commodity prices are subject to fluctuation and such fluctuations are sometimes severe.

The Company may use commodity futures and options for hedging purposes to reduce the effect of changing prices in the short term, but such hedges may not be successful in mitigating this commodity price risk and may, in some circumstances, subject the Company to loss. On a longer-term basis, the Company attempts to manage the risk of increases in commodities and other input costs by increasing the prices it charges to its customers or switching to alternatives; however, no assurance can be given that customers will continue to purchase the Company's products if prices rise or that alternatives may be available or less costly. Any fluctuations in commodity prices that the Company is unable to properly hedge or mitigate could have a material adverse effect on the Company's financial condition and results of operations.

Supply Management

Under Canada's system of supply management, the Company's poultry operations are required to source substantially all live poultry for processing from Canadian farms which are collectively subject to restrictions on production under a quota system. Furthermore, the price at which the live poultry is available is also controlled. Any lack of balance between the supply management quotas, available processing capacity (particularly in light of COVID-19) and the demand for meat, may adversely impact the performance of the

Company's poultry business and as a consequence the Company's overall performance. It is also possible that the supply management system could limit the future availability of live poultry for processing impeding the Company's growth in the market or could create a circumstance where excesses impact the price of poultry meat without a corresponding adjustment to the controlled live poultry price. Furthermore, any dismantling of the supply management system could have negative effect on individual producers and disrupt the availability of live poultry in Canada. In that event, the Company may not be able to find alternative sources of live supply which could have a material adverse effect on the Company's financial condition and results of operations.

Legal Matters

In the normal course of its operations, the Company becomes involved in various legal and regulatory actions relating to its commercial activities and relationships, construction activities, employment matters, product liabilities, and other matters. Even if the Company is not found liable for these claims, the cost of defending these actions may be material.

Among the legal matters in which the Company is involved include an ongoing investigation by the Competition Bureau into the Canadian bread industry, including alleged price fixing and related securities disclosure issues. The investigation covers a time horizon that includes the period when the Company was a majority shareholder of Canada Bread Company, Limited ("Canada Bread"). The Company sold its interest in Canada Bread, which was a stand-alone public company, in 2014. The final outcome of the investigation and any other actions or any future claims cannot be predicted with certainty or reliably estimated. Unfavourable resolution of these or other legal matters could have a material adverse effect on the Company, its financial condition and its reputation.

The Company maintains typical insurance coverages for a company of its size and nature. As a result, insurance coverage may be available for some claims. However, in some circumstances, legal claims may not be covered by insurance or the insurance coverage may not be sufficient to cover the claimed losses. Further, even if an action is settled within insurance limits, this can result in increases to the Company's insurance premiums or adversely affect its ability to secure insurance coverage.

Legal liability risks may also increase depending on the jurisdiction. For example, the United States tends to be a more litigious environment and more unpredictable in terms of damages awards compared to Canada. As the Company looks to expand its sales in the United States, it may be exposed to increased litigation risk. Further, there is an increasing trend for customers to try to impose broad contractual indemnification obligations on suppliers like the Company. The Company seeks to mitigate this risk by negotiating more reasonable contractual terms, including limitations on liability. However, it is not always successful in negotiating such commercially reasonable terms, in which case it is faced with a decision to accept the increased liability exposure or to lose the business, either of which could materially adversely affect the Company's financial condition and results of operations.

Reliance on Other Manufacturers

The Company relies on contract manufacturers for production of some of it products for reasons such as, seasonal peak demand, unavailability of specialized equipment, or efficiency in the case of low volume product lines. Acceptable contract manufacturers may not always be available which could result in higher production costs, additional capital requirements or lost sales. While the Company maintains a strict quality and food safety protocol and monitoring regime, any deficiencies could result in product liability, recalls or other consequence that could negatively impact the Company's reputation and could have a material adverse effect on the Company's financial condition and results of operations.

Regulation

The Company's operations are subject to extensive regulation by government agencies in the countries in which it operates, including: the Canadian Food Inspection Agency; the Ministry of Agriculture in Canada; provincial Ministries of the Environment in Canada; the United States Food and Drug Administration; and the United States Department of Agriculture. These agencies regulate the processing, packaging, storage, distribution, advertising, and labeling of the Company's products, including food safety standards. The Company's manufacturing facilities and products are subject to inspection by federal, provincial, and local authorities.

The Company strives to maintain compliance with all laws and regulations and maintains all permits and licenses relating to its operations. Nevertheless, there can be no assurance that the Company is in compliance with all such laws and regulations, has all necessary permits and licenses, and will be able to comply with such laws and regulations, permits and licenses in the future. Failure by the Company to comply with applicable laws and regulations and permits and licenses could subject the Company to civil remedies, including lawsuits, fines, injunctions, recalls or seizures, as well as potential criminal sanctions, which could have a material adverse effect on the Company's reputation, financial condition and results of operations.

Various governments throughout the world are considering regulatory proposals relating to genetically modified organisms, drug residues in food ingredients, food safety, and market and environmental regulation that, if adopted, may increase the Company's costs. There can be no assurance that additional regulation will not be enacted. If any new regulations are enacted, the Company could experience a disruption in the supply or distribution of its products, increased operating costs, and significant additional cost for capital improvements. The Company may be unable to pass on the cost increases associated with such increased regulatory burden to its customers without incurring volume loss as a result of higher prices. Any of these events could have a material adverse effect on the Company's financial condition and results of operations.

Foreign Currencies

A portion of the Company's revenues and costs are either denominated in or directly linked to other currencies (primarily U.S. dollars and Japanese yen). In periods when the Canadian dollar has appreciated both rapidly and materially against these foreign currencies, revenues linked to U.S. dollars or Japanese yen are immediately reduced, while the Company's ability to change prices or realize natural hedges may lag the immediate currency change. The effect of such sudden changes in exchange rates can have a significant immediate impact on the Company's earnings. Due to the diversity of the Company's operations, normal fluctuations in other currencies do not generally have a material impact on the Company's profitability in the short term due to either natural hedges and offsetting currency exposures (for example, when revenues and costs are both linked to other currencies) or the ability in the near term to change prices of its products to offset adverse currency movements. However, as the Company competes in international markets, and faces competition in its domestic markets from U.S. competitors, significant changes in the Canadian to U.S. dollar exchange rate can have, and have had, significant effects on the Company's relative competitiveness in its domestic and international markets, as well as on its financial condition and results of operations.

Reputation and Public Opinion

The Company is committed to its vision of becoming the most sustainable protein company on earth and by making meaningful progress on its sustainability commitments. The Company strongly values its reputation as a credible, responsible corporate citizen with a track record of creating shareholder value. Maintaining a positive reputation in the eyes of its customers, consumers, communities, governments, regulatory bodies and the general public is important to its continued success.

The potential for deterioration of the Company's reputation may arise in many contexts and for many different reasons. As a result, reputational risk cannot be managed in isolation from other forms of risk. For example, any real or perceived quality or safety concerns, whether or not ultimately based on fact and whether or not involving the Company (such as incidents involving competitors, or the way in which products are handled by customers, consumers or others in the distribution chain after they leave the control of the Company), could cause negative publicity and reduced confidence in the Company, its brand or its products, which could in turn harm its reputation and operating results. Any loss of confidence on the part of consumers in the Company's products, brands, the ingredients it uses or in the safety and quality of its products would be difficult and costly to overcome.

The growing use of social and digital media by the Company, its consumers and third parties increases the speed and extent that information or misinformation and opinions can be shared. Negative publicity about the Company, its brands, or its products on social or digital media could seriously damage its reputation. If the Company does not maintain the favorable perception of its brands, the Company's sales and profits could be negatively impacted.

The Company is also subject to the activities of animal activists. Activist activities may spread information and misinformation about the Company and its operations in a variety of ways, including through protests and attempts to disrupt operations, as well as through various communication strategies, including the use of media and social media. These activities could adversely impact the reputation of the Company. Further, activist activities and protests may at times create health and safety risks to animals, the people working at the Company's plants, and to the protesters themselves.

Overall, negative public opinions or shifts in opinion whether about the Company, its brands, its industry or the overall environment in which it operates could materially adversely affect its reputation, business, strategy and operations, as well its financial condition and results of operations. Reputational risk intersects with many of the Company's other risks, and may therefore amplify these risks.

Consumer Trends

Success of the Company depends in part on the Company's ability to respond to market trends and produce innovative products that anticipate and respond to the changing tastes and dietary habits of consumers. From time-to-time certain products can be deemed to be more or less healthy, and this can impact consumer buying patterns. The Company's failure to anticipate, identify, or react to these changes or to innovate with new products that appeal to consumer preferences could result in declining demand and prices for the Company's products, which in turn could have a material adverse effect on the Company's financial condition and results of operations.

Environmental Regulation and Risks

The Company's operations are subject to extensive environmental laws and regulations pertaining to the discharge of materials into the environment (including GHGs) and the handling and disposition of wastes (including solid and hazardous wastes) or otherwise relating to protection of the environment. Failure to comply could have serious consequences, such as criminal as well as civil penalties, liability for damages, and negative publicity for the Company. No assurances can be given that additional environmental issues relating to presently known matters or identified sites or to other matters or sites will not require additional expenditures, or that requirements applicable to the Company or levies or taxes assessed against the Company will not be altered in ways that will require the Company to incur significant additional costs. In addition, certain facilities of the Company have been in operation for many years and, over time, the Company and other prior operators of such facilities may have generated and disposed of waste which is or may be considered to be hazardous. Future discovery of previously unknown contamination of property underlying or in the vicinity of the Company's present or former properties or manufacturing facilities and/or waste disposal sites could require the Company to incur material unforeseen expenses. Occurrences of any such events could have a material adverse effect on the Company's financial condition and results of operations.

Consolidating Customer Environment

As the retail grocery and foodservice trades continue to consolidate and customers grow larger and more sophisticated, the Company is required to adjust to changes in purchasing practices and changing customer requirements. Failure to do so could result in losing sales volumes and market share. The Company's sales and profitability could also be affected by deterioration in the financial condition of, or other adverse developments in, the relationship with one or more of its major customers. Foodservice channels in particular have been under strain during the COVID-19 pandemic, requiring the Company to adapt. Any of these events could have a material adverse effect on the Company's financial condition and results of operations.

Consolidation of Operations and Focus on Protein

Over the last several years, the Company has increasingly consolidated its operations into fewer facilities. For example, it completed a consolidation and upgrade of its prepared meats manufacturing network in 2015 and has reconfigured its prepared meats distribution systems into two large distribution centers. Currently, the Company is advancing construction of a new large-scale poultry processing plant to replace several of its older smaller scale plants in Ontario which will be closed. As a result of these consolidation initiatives, there is a risk that unforeseen disruption in such facilities could have a greater effect on the operations of the Company as a whole.

In addition, the Company made the decision several years ago to focus on being a protein company and divested the Company's non-protein related business. As a result, the Company is less diversified than it would be if it was engaged in other food businesses, making it susceptible to the trends in protein markets.

Weather

Weather conditions and changes in climate and other long-term trends may have a material effect on the availability and prices of the commodities the Company uses. Adverse weather conditions can also impact crop health which has implications for the quality, cost for the inputs for the Company's plant protein products, as well as animal feed in its meat business. Weather conditions, including extreme heat and extreme cold, can also pose safety concerns for workers and animals which can affect the Company's operations. In addition, weather conditions may also influence the Company's ability to complete capital projects on time, potentially resulting in delays and increasing costs of such capital projects.

Employees, Contractors and Labour Relations

The Company and its subsidiaries have approximately 13,500 full-time and part-time employees, which include salaried and union employees, many of whom are covered by collective agreements. These employees are located in various jurisdictions, each such jurisdiction having differing employment laws. While the Company maintains systems and procedures to comply with the applicable requirements, there is a risk that failures or lapses by individual managers could result in a violation or cause of action that could have a material adverse effect on the Company's financial condition and results of operations. Furthermore, if a collective agreement covering a significant number of employees or involving certain key employees were to expire or otherwise cease to have effect leading to a work stoppage, there can be no assurance that such work stoppage would not have a material adverse effect on the Company's financial condition and results of operations. The Company's success is also dependent on its ability to recruit and retain qualified personnel. The loss of one or more key personnel could have a material adverse effect on the Company's financial condition and results of operations. As the Company has managed through COVID-19 it has had to deal with increased labour shortages, absenteeism, and employee leaves. With the impacts of the pandemic continuing, the Company's ability to attract and retain talent, and adapt to employee work preferences may continue to be a challenge into the future.

Product Pricing

The Company's profitability is dependent, in large part, on the Company's ability to make pricing decisions regarding its products that, on one hand encourage consumers to buy, yet on the other hand recoup development and other costs associated with those products. Products that are priced too high will not sell and products priced too low will not generate an adequate return. Accordingly, any failure by the Company to properly price its products could have a material adverse effect on the Company's financial condition and results of operations.

Supply Chain Management

Successful management of the Company's supply chain is critical to the Company's success. Insufficient supply of products threatens the Company's ability to meet customer demands while over capacity threatens the Company's ability to generate competitive profit margins and effectively execute its capital projects and business plans. Accordingly, any failure by the Company to properly manage the Company's supply chain could have a material adverse effect on the Company's financial condition and results of operations. COVID-19 has had a significant impact on global supply chains, with critical inputs (including ingredients, equipment, packaging etc.) being at times in very short supply. Further these disruptions have impacted the Company's logistics and its ability to fill customer orders. For more information on the impact of COVID-19 on the Company's operation see the section titled "Response to COVID-19" and the subheading in this section titled "COVID-19."

28. CRITICAL ACCOUNTING ESTIMATES

The preparation of the Consolidated Financial Statements in accordance with IFRS requires Management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual amounts may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Judgements included in the Consolidated Financial Statements are decisions made by Management, based on analysis of relevant information available at the time the decision is made. Judgements relate to the application of accounting policies and decisions related to the measurement, recognition, and disclosure of financial information.

Information about areas of estimation uncertainty and critical judgements in applying accounting policies, that have the most significant effects on the amounts recognized in the Consolidated Financial Statements, are included both below and in the financial statement notes relating to items subject to significant estimate uncertainty and critical judgements.

Long-Lived Assets Valuation

The Company performs impairment testing annually for goodwill and indefinite life intangible assets. Goodwill, indefinite life intangibles, other long-lived assets and definite life intangibles are also tested for impairment when circumstances indicate that there may be impairment. Management judgement is involved in determining if there are circumstances indicating that testing for impairment is required, and in identifying Cash Generating Units (“CGUs”) for the purpose of impairment testing.

The Company assesses impairment by comparing the recoverable amount of a long-lived asset, CGU, or CGU group to its carrying value. The recoverable amount is defined as the higher of: (i) value in use; or (ii) fair value less cost to sell.

The determination of the recoverable amount involves significant assumptions, including those with respect to future cash inflows and outflows, discount rates, terminal growth rates, royalty rates with respect to indefinite life intangible assets, and asset lives. These assumptions could affect the Company’s future results if the current estimates of future performance and fair values change. These determinations will affect the amount of amortization expense on definite life assets recognized in future periods.

Measurement of Fair Values

A number of the Company’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When the measurement of fair values cannot be determined based on quoted prices in active markets, fair value is measured using valuation techniques and models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of estimation is required in establishing fair values. Changes in assumptions about the inputs to these models could affect the reported fair value of the Company’s financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Company uses market observable data to the extent that it is possible. To the extent that these estimates differ from those realized, the measured asset or liability, net earnings, and/or comprehensive income will be affected in future periods.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Notes 6, 11, 12, 13, 18, 20, 23 and 29 of the Consolidated Financial Statements.

Nature of Interests in Other Entities

Management applies significant judgement in assessing the nature of its interest in unconsolidated structured entities relating to its accounts receivable securitization facilities. The Company does not hold any equity interest in the structured entities and based on the terms of the agreements under which the entities are established, the Company does not receive the returns related to their operations and is exposed to limited recourse with respect to losses (refer to Note 26 of the Consolidated Financial Statements).

Valuation of Inventory

Management makes estimates of the future customer demand for products when establishing appropriate provisions for inventory. In making these estimates, Management considers the product life of inventory and the profitability of recent sales of inventory. In many cases, product produced by the Company turns quickly and inventory on-hand values are low, thus reducing the risk of inventory obsolescence. However, code or “best before” dates are very important in the determination of net realizable value of inventory. Management ensures that systems are in place to highlight and properly value inventory that may be approaching code dates. To the extent that actual losses on inventory differ from those estimated, inventory, net earnings, and comprehensive income will be affected in future periods.

Biological Assets

Biological assets are measured at each reporting date, at fair value less costs to sell, except when fair value cannot be reliably measured. If fair value cannot be reliably measured, biological assets are measured at cost less depreciation and impairment losses. Although a reliable measure of fair value may not be available at the point of initial recognition, it may subsequently become available. In such circumstances, biological assets are measured at fair value less costs to sell from the point at which the reliable measure of fair value becomes available. Gains and losses that arise on measuring biological assets at fair value less costs to sell are recognized in the statement of net earnings in the period in which they arise. Costs to sell include all costs that would be necessary to sell the biological assets, including costs necessary to get the biological assets to market. Management uses estimates over the future price per hog, foreign exchange rates, and estimated weight and cost of hogs at maturity in the determination of fair value. To the extent that actual values differ from estimates, biological assets, net earnings and comprehensive income will be affected in future periods.

Trade Merchandise Allowances and Other Trade Discounts

The Company provides for estimated payments to customers based on various trade programs and contracts that often include payments that are contingent upon attainment of specified sales volumes. Significant estimates used to determine these liabilities include: the projected level of sales volume for the relevant period, customer contracted rates for allowances, discounts, and rebates. These arrangements are complex and there are a significant number of customers and products affected. Management has systems and processes in place to estimate and value these obligations. To the extent that payments on trade discounts differ from estimates of the related liability, accounts payable and accruals, net earnings, and comprehensive income will be affected in future periods.

Employee Benefit Plans

The cost of pensions and other post-retirement benefits earned by employees is actuarially determined using the projected unit credit method prorated on service, and Management's best estimate of salary escalation and mortality rates. Discount rates used in actuarial calculations are based on long-term interest rates and can have a material effect on the amount of plan liabilities and expenses. Management employs external experts to advise the Company when deciding upon the appropriate estimates to use to value employee benefit plan obligations and expenses. The Company's plans invest in pooled funds which hold underlying equity, debt and other securities that are not quoted in an active market. Management relies on external experts to value these pooled funds. To the extent that these estimates differ from those realized, employee benefit plan assets and liabilities and comprehensive income will be affected in future periods.

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations were as follows:

	2021	2020
Period end discount rate	**2.90 %**	2.40 %
Rate of salary increase	**2.75 %**	2.75 %

Information about the sensitivity of the plan obligations to changes in assumptions is presented below:

				Increase (decrease) in defined benefit obligations		
($ thousands)						
Actuarial Assumption			**Sensitivity**	**Total pensions**	**Other post-retirement benefits**	**Total**
Period end discount rate	2.90 %	0.25 %	decrease	$ 37,789	$ 1,236	$ 39,025
		0.25 %	increase	$ (36,575)	$ (1,124)	$ (37,699)
Rate of salary increase	2.75 %	0.50 %	increase	$ 2,853	N/A	$ 2,853
Mortality	110% of 2014 Private Sector Canadian Pensioners' Mortality Table, projected generationally using scale MI-2017	Increase of 1 year in expected lifetime of plan participants		$ 38,262	$ 717	$ 38,979

Income Taxes

Provisions for income taxes are based on domestic and international statutory income tax rates and the amount of income earned in the jurisdictions in which the Company operates. Significant judgement is required in determining income tax provisions and the recoverability of deferred tax assets. The calculation of current and deferred income tax balances requires Management to make judgements regarding the carrying values of assets and liabilities that include estimates of future cash flows and earnings related to such assets and liabilities, the interpretation of income tax legislation in the jurisdictions in which the Company operates, and the timing of reversal of temporary differences. The Company establishes additional provisions for income taxes when, despite Management's opinion that the Company's tax positions are fully supportable, there is sufficient complexity or uncertainty in the application of legislation that certain tax positions may be reassessed by tax authorities. The Company adjusts these additional accruals in light of changing facts and circumstances. To the extent that these adjustments differ from original estimates, deferred tax assets and liabilities, net earnings, and comprehensive income will be affected in future periods.

Provisions

The Company evaluates all provisions at each reporting date. These provisions can be significant and are prepared using estimates of the costs of future activities. In certain instances, Management may determine that these provisions are no longer required or that certain provisions are insufficient as new events occur or as additional information is obtained. Provisions are separately identified and disclosed in the Consolidated Financial Statements. Changes to these estimates may affect the value of provisions, net earnings, and comprehensive income in future periods.

Share-Based Compensation

The Company uses estimates in the calculation of the liability and expenses for certain share-based incentive plans including, but not limited to, estimates of forfeitures, share price volatility, dividends, expected life of the award, and Company performance. These estimates are based on previous experience and may change throughout the life of an incentive plan. Such changes could impact the carrying value of contributed surplus, liabilities, net earnings, and comprehensive income in future periods.

Some of the Company’s share-based payment plans may be settled in either cash or equity instruments at the option of the Company. Management uses judgement in determining the appropriate accounting treatment for these plans, based on expectations and historical settlement decisions. Changes to accounting treatment based on Management’s judgement may impact contributed surplus, liabilities, net earnings, and comprehensive income in future periods.

Depreciation and Amortization

The Company’s property and equipment and definite life intangible assets are depreciated and amortized on a straight-line basis, considering the estimated useful lives of the assets and residual values. Right-of-use ("ROU") assets are depreciated on a straight-line basis, considering the shorter of the useful life of the underlying asset or the lease term. If it is reasonably certain at the commencement of the lease arrangement that the Company will exercise its purchase option or otherwise obtain ownership of the underlying asset at the end of the lease term, the ROU asset is depreciated over the useful life of the underlying asset. Changes to these estimates may affect the carrying value of these assets, net earnings, and comprehensive income in future periods.

Investments

The Company analyzes its private equity investment holdings for changes in fair value at each reporting period. The Company uses significant judgement in reviewing internally and externally available financial information to determine if there are indicators that the fair value of the holdings have changed. Changes to the estimated fair value may affect the value of investment asset, and comprehensive income in future periods.

Leases

The Company applies significant judgement in assessing whether a contract is or contains a lease. Such judgements include the determination of whether an asset or assets are specifically or implicitly identified in the contract, if the Company has the right to obtain substantially all the economic benefits from use of the asset or assets and whether the Company has the right to direct the use of the asset or assets. These judgements are made at the inception of a contract and may change if there are material changes to the agreement.

Estimates are used to determine the incremental borrowing rate of a lease when the interest rate implicit to the lease is not readily available. The Company's incremental borrowing rate is determined using a model which incorporates the Company's credit worthiness, the nature and quality of the underlying asset, geographic environments and the duration of the lease. The inputs used in determining the incremental borrowing rate are reviewed and updated quarterly. Changes to these estimates may affect the value of assets, liabilities, and net earnings in future periods.

The Company also applies significant judgement in determining whether it is reasonably certain to exercise lease extension options or purchase options in a contract by considering all relevant factors and circumstances that may create an economic incentive for the Company to exercise the option considering such factors as past experience, the terms and conditions of the contract, and the importance of the underlying assets to the Company’s operations.

Fair value of acquired intangible asset

The Company estimates the fair value of poultry quota acquired in a business combination using a discounted cash flow approach. The discounted cash flow approach is a valuation technique that calculates the fair value of an intangible asset based on the present value of future cash flows that the asset can be expected to generate in the future. This valuation involves subjectivity and estimation uncertainty, including assumptions related to forecasted profitability, poultry production growth rates, and discount rate.

29. SIGNIFICANT ACCOUNTING POLICIES

Accounting Standards Adopted During the Period

During the year ended December 31, 2021, the Company adopted certain International Financial Reporting Standards ("IFRS") and amendments. As required by International Accounting Standard ("IAS") 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the nature and the effect of these changes are disclosed below:

Interest Rate Benchmark Reform - Phase 2

Beginning January 1, 2021, the Company adopted the amendments to IFRS 9 *Financial Instruments* ("IFRS 9"), IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"), IFRS 7 *Financial Instruments: Disclosures* ("IFRS 7"), IFRS 4 *Insurance Contracts* ("IFRS 4") and IFRS 16 *Leases* ("IFRS 16") to address issues that affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments relate to modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements in applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting. The adoption of the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 did not have a material impact on the Company's Consolidated Financial Statements.

Accounting Pronouncements Issued But Not Yet Effective

Onerous Contracts - Cost of Fulfilling a Contract

On May 14, 2020, the International Accounting Standards Board ("IASB") issued an amendment to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The amendment specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to the contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling that contract. The amendment is effective on January 1, 2022 and is to be applied prospectively. The adoption of the amendment is not expected to have a material impact on the Consolidated Financial Statements.

Annual Improvements to IFRS (2018-2020) Cycle

On May 14, 2020, the IASB issued narrow-scope amendments to three standards as part of its annual improvement process. Amendments were made to clarify which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability in accordance with IFRS 9. The amendments also remove the requirement in IAS 41 *Agriculture* for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. Lastly, an amendment was made to IFRS 1 *First-time Adoption of International Financial Reporting Standards* for subsidiaries as a first-time adopter. These amendments are effective on January 1, 2022 and are to be applied prospectively. The adoption of the amendment is not expected to have a material impact on the Consolidated Financial Statements.

Classification of Liabilities as Current or Non-current

On January 23, 2020, an amendment was issued to IAS 1 *Presentation of Financial Statements* to address inconsistencies with how entities classify current and non-current liabilities. The amendment serves to address whether debt and other liabilities with an uncertain settlement date should be classified as current or non-current in the Consolidated Balance Sheets. This amendment is effective on January 1, 2023. The Company intends to adopt this amendment in its Consolidated Financial Statements or the annual period beginning January 1, 2023. The extent of the impact of the adoption of this amendment has not yet been determined.

Definition of Accounting Estimates (Amendments to IAS 8)

On February 12, 2021, the IASB issued *Definition of Accounting Estimates (Amendments to IAS 8)*. The amendments will require the disclosure of material accounting policy information rather than disclosing significant accounting policies and clarifies how to distinguish changes in accounting policies from changes in accounting estimates. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company intends to adopt this amendment in its Consolidated Financial Statements for the annual period beginning January 1, 2023. The extent of the impact of the adoption of this amendment has not yet been determined.

Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

On February 12, 2021, the IASB issued *Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements)*. The amendments help companies provide useful accounting policy disclosures. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company intends to adopt this amendment in its Consolidated Financial Statements for the annual period beginning January 1, 2023. The extent of the impact of the adoption of this amendment has not yet been determined.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

On May 7, 2021 the IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 *Income Taxes* (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company intends to adopt this amendment in its Consolidated Financial Statements for the annual period beginning January 1, 2023. The extent of the impact of the adoption of this amendment has not yet been determined.

All other IFRSs and amendments issued but not yet effective have been assessed by the Company and are not expected to have a material impact on the Consolidated Financial Statements.

30. DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management, under the direction and supervision of the Company's Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining disclosure controls and procedures. These controls and procedures are designed to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is accumulated and communicated to Management in a timely manner so that information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified in applicable securities legislation. Management, under the direction and supervision of the Company's Chief Executive Officer and Chief Financial Officer, is also responsible for establishing and maintaining internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

As required by National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings, the Company's Chief Executive Officer and Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's internal control over financial reporting and disclosure controls and procedures as at December 31, 2021 and have concluded that such controls and procedures are effective.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

There have been no changes in the Company's internal control over financial reporting that occurred during the period beginning on January 1, 2021, and ended on December 31, 2021, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

31. OUTLOOK

Maple Leaf Foods is a leading consumer protein company, supported by an iconic portfolio of brands, a solid balance sheet and capital structure that provide financial flexibility. Over the last several years, the Company has developed a foundation to pursue compelling growth vectors across its business and to create value for all stakeholders.

Meat Protein Group

In Meat Protein, the Company's strategy is to drive profitable growth. In 2017, Maple Leaf Foods articulated its target to reach an Adjusted EBITDA Margin of 14% - 16% in 2022.

Based on the current operating environment, Maple Leaf Foods expects that its Meat Protein Group will achieve the following in 2022:

- Mid-to-high single digit sales growth, driven by continued momentum in sustainable meats, leveraging brand leadership, and growth into the U.S. market.
- Adjusted EBITDA Margin expansion, reaching the lower end of the 14% - 16% target by the end of the year, driven by mix-shift benefits in prepared meats resulting from growth in sustainable meats and brand renovation, as well as operational efficiencies, and assuming pork complex conditions evolve in-line with the 5-year average.

Plant Protein Group

- In late 2021, the Company announced that it was re-evaluating its outlook for the Plant Protein Group and launching a comprehensive review of the overall plant protein category. This decision was driven by a pronounced slowdown in growth rates in the category, particularly in the second half of the year, which fueled the Company's imperative to identify and thoroughly assess the causes, near and long-term trends, and overall implications. While the Company's analysis is ongoing, the results to date confirm that the very high category growth rates previously predicted by many industry experts are unlikely to be achieved given current customer feedback, experience, buy rates and household penetration. Based on this new information, the Company believes that the category will continue to grow at more modest, but still attractive rates. Current estimates suggest that the category will grow at an average annual rate of 10% to 15%, making it a $6 to $10 billion market by 2030. Accordingly, the Company is pivoting its strategy and investment thesis for the Plant Protein Group and is setting a new goal to deliver neutral or better Adjusted EBITDA within the next 18 months. Work is ongoing to build out the strategy to support this pivot, as the Company recalibrates the investment to align with the market opportunity.

Capital

- The Company currently estimates its capital expenditures for the full year of 2022 will be in the range of $400 million to $500 million, with approximately 50% to be comprised of Construction Capital mainly attributable to the construction of the London, Ontario poultry facility as well as other projects to add growth and capacity in the prepared meats business and to expand hog production.
- The Company expects the London Ontario poultry facility to start to deliver approximately $100 million annually of additional Adjusted EBITDA once fully ramped up which is expected to be by the end of 2023. Additionally, the Company expects the Bacon Center of Excellence to contribute approximately $30 million annually of additional Adjusted EBITDA once fully ramped up which is expected to be in the second half of 2023.

The ongoing effects of COVID-19 are unpredictable and may impact a number of factors that drive growth in the business, including:

- Pork and poultry commodity and foreign exchange markets.
- Inflationary cost pressures.
- Disruptions in the global supply chain.
- Availability of labour.
- The balance between retail and foodservice demand.

For more information on the impact of COVID-19 on the business and the associated risks, refer to section 5. Response to COVID-19 and section 27. Risk Factors, and for more information on the factors that may influence our future performance, see section 33. Forward-Looking Statements.

The execution of the Company's financial and operational priorities are embedded in a commitment to deliver shared value for the benefit of all stakeholders. The Company's guiding pillars to be the "Most Sustainable Protein Company on Earth" include Better Food, Better Care, Better Communities, Better Planet and are core to how Maple Leaf Foods conducts itself. To that end, the Company's priorities include:

- *Better Food* - leading the real food movement and transitioning key brands to 100% "raised without antibiotics".
- *Better Care* - further advancement of animal care, after achieving our transition of all sows under management to open housing systems in 2021.
- *Better Communities* - investing approximately 1% of pre-tax profit to advance sustainable food security.
- *Better Planet* - continuing to amplify its commitment to carbon neutrality, while focusing on eliminating waste in any resources it consumes, including food, energy, water, packaging, and time.

32. NON-IFRS FINANCIAL MEASURES

The Company uses the following non-IFRS measures: Adjusted Operating Earnings, Adjusted Earnings per Share, Adjusted EBITDA, Adjusted EBITDA Margin, Construction Capital, Net Debt, Free Cash Flow and Return on Net Assets. Management believes that these non-IFRS measures provide useful information to investors in measuring the financial performance of the Company for the reasons outlined below. These measures do not have a standardized meaning prescribed by IFRS and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies and should not be construed as an alternative to other financial measures determined in accordance with IFRS.

Adjusted Operating Earnings, Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted Operating Earnings, Adjusted EBITDA and Adjusted EBITDA Margin are non-IFRS measures used by Management to evaluate financial operating results. Adjusted Operating Earnings is defined as earnings before income taxes adjusted for items that are not considered representative of ongoing operational activities of the business and items where the economic impact of the transactions will be reflected in earnings in future periods when the underlying asset is sold or transferred. Adjusted EBITDA is defined as Adjusted Operating Earnings plus depreciation and intangible asset amortization, adjusted for items included in other expense that are not considered representative of ongoing operational activities of the business. Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by sales.

The table below provide a reconciliation of earnings (loss) before income taxes as reported under IFRS in the Consolidated Financial Statements to Adjusted Operating Earnings and Adjusted EBITDA for the years ended December 31, as indicated below. Management believes that these non-IFRS measures are useful in assessing the performance of the Company's ongoing operations and its ability to generate cash flows to fund its cash requirements, including the Company's capital investment program.

	2021				2020			
($ millions)[(i)]	**Meat Protein Group**	**Plant Protein Group**	**Non-Allocated**[(ii)]	**Total**	Meat Protein Group	Plant Protein Group	Non-Allocated[(ii)]	Total
Earnings (loss) before income taxes	**$ 336.1**	**(146.1)**	**(40.3)**	**$ 149.7**	$ 330.2	(125.8)	(44.5)	$ 159.9
Interest expense and other financing costs	**—**	**—**	**22.9**	**22.9**	—	—	31.5	31.5
Other expense (income)	**1.5**	**0.5**	**12.5**	**14.5**	(0.9)	0.1	17.5	16.8
Restructuring and other related costs	**4.9**	**—**	**—**	**4.9**	4.3	—	—	4.3
Earnings (loss) from operations	**$ 342.5**	**(145.6)**	**(4.9)**	**$ 192.0**	$ 333.6	(125.7)	4.5	$ 212.4
Start-up expenses from Construction Capital[(iii)(iv)]	**9.9**	**3.5**	**—**	**13.4**	1.6	—	—	1.6
Change in fair value of biological assets	**—**	**—**	**6.5**	**6.5**	—	—	(0.7)	(0.7)
Unrealized gain on derivative contracts	**—**	**—**	**(1.6)**	**(1.6)**	—	—	(3.8)	(3.8)
Adjusted Operating Earnings	**$ 352.4**	**(142.1)**	**—**	**$ 210.3**	$ 335.2	(125.7)	—	$ 209.5
Depreciation and amortization	**180.2**	**15.4**	**—**	**195.6**	177.6	14.4	—	192.0
Items included in other income representative of ongoing operations[(v)]	**(5.5)**	**(0.5)**	**(0.4)**	**(6.5)**	(2.7)	(0.1)	0.8	(2.0)
Adjusted EBITDA	**$ 527.1**	**(127.2)**	**(0.4)**	**$ 399.5**	$ 510.1	(111.4)	0.8	$ 399.5
Adjusted EBITDA Margin	**12.1%**	**(69.1)%**	**n/a**	**8.8%**	12.4%	(52.8)%	n/a	9.3%

(i) *Totals may not add due to rounding.*

(ii) *Non-allocated includes eliminations of inter-segment sales and associated cost of goods sold, and non-allocated costs which are comprised of income and expenses not separately identifiable to reportable segments and are not part of the measures used by the Company when assessing a segment's operating results.*

(iii) *Start-up expenses are temporary costs as a result of operating new facilities that are or have been classified as Construction Capital. These costs can include training, product testing, yield and labour efficiency variances, duplicative overheads and other temporary expenses required to ramp-up production.*

(iv) *Certain comparatives figures have been restated to conform with current year presentation.*

(v) *2021 primarily includes legal settlements, gains and losses on the sale of long-term assets, and other miscellaneous expenses. 2020 primarily includes insurance settlements, gains and losses on sale of long-term assets and gains and losses on equity investments.*

Adjusted Earnings per Share

Adjusted Earnings per Share, a non-IFRS measure, is used by Management to evaluate financial operating results. It is defined as basic earnings per share and is adjusted on the same basis as Adjusted Operating Earnings. The table below provides a reconciliation of basic earnings per share as reported under IFRS in the audited consolidated statements of net earnings to Adjusted Earnings per Share for the years ended December 31, as indicated below. Management believes this basis is the most appropriate on which to evaluate financial results as they are representative of the ongoing operations of the Company. Adjusted Earnings per Share is calculated as Adjusted Earnings divided by the weighted average number of shares outstanding during the year.

($ per share)		**2021**		2020
Basic earnings per share	**$**	**0.83**	$	0.92
Restructuring and other related costs[(i)]		**0.03**		0.03
Items included in other expense not considered representative of ongoing operations[(ii)]		**0.06**		0.11
Start-up expenses from Construction Capital[(iii)(iv)]		**0.08**		0.01
Change in fair value of biological assets		**0.04**		—
Unrealized gain on derivative contracts		**(0.01)**		(0.02)
Adjusted Earnings per Share[(v)]	**$**	**1.03**	$	1.03

(i) *Includes per share impact of restructuring and other related costs, net of tax.*

(ii) *Primarily includes legal fees and provisions and transaction related costs, net of tax.*

(iii) *Start-up expenses are temporary costs as a result of operating new facilities that are or have been classified as Construction Capital. These costs can include training, product testing, yield and labour efficiency variances, duplicative overheads and other temporary expenses required to ramp-up production.*

(iv) *Certain comparatives figures have been restated to conform with current year presentation.*

(v) *Totals may not add due to rounding.*

Construction Capital

Construction Capital, a non-IFRS measure, is used by Management to evaluate the amount of capital resources invested in specific strategic development projects that have not yet entered commercial production. It is defined as investments and related financing charges in projects over $50.0 million that are related to longer-term strategic initiatives, with no returns expected for at least 12 months in the future and the asset will be re-categorized from Construction Capital once operational. Current strategic initiatives primarily include the investments in the London, Ontario poultry production facility, investments in plant protein capacity at the Walker Drive facility in Brampton, Ontario, and the plant protein production facilities in Indiana. The following table is a summary of Construction Capital activity and debt financing for the periods indicated below.

($ thousands)	**2021**	2020
Property and equipment and intangibles at January 1	**$ 2,062,683**	$ 1,739,195
Other capital and intangible assets at January 1[(i)]	**1,622,094**	1,632,365
Construction Capital at January 1	**$ 440,589**	$ 106,830
Additions[(ii)]	**494,048**	333,760
Transfers from Construction Capital[(iii)]	**(191,318)**	—
Construction Capital at December 31[(iv)]	**$ 743,319**	$ 440,590
Other capital and intangible assets at December 31[(i)]	**1,811,164**	1,622,093
Property and equipment and Intangibles at December 31	**$ 2,554,483**	$ 2,062,683
Construction Capital debt financing[(v)]	**$ 719,216**	$ 431,707

(i) *Other capital and intangible assets consists of property and equipment and intangibles that do not meet the definition of Construction Capital.*

(ii) *Certain comparatives figures have been restated to conform with current year presentation.*

(iii) *The Company completed the expansion of the Bacon Centre of Excellence in Winnipeg, Manitoba.*

(iv) *As at December 31, 2021, the net book value of construction capital includes $2.5 million related to intangible assets (2020: $1.2 million).*

(v) *Assumed to be fully funded by debt to the extent that the Company has Net Debt outstanding. Construction Capital debt financing excludes interest paid and capitalized.*

Net Debt

The following table reconciles Net Debt to amounts reported under IFRS in the Company's Consolidated Financial Statements as at December 31, as indicated below. The Company calculates Net Debt as cash and cash equivalents, less long-term debt and bank indebtedness. Management believes this measure is useful in assessing the amount of financial leverage employed.

	As at December 31,	
($ thousands)	**2021**	2020
Cash and cash equivalents	**$ 162,031**	$ 100,828
Current portion of long-term debt	**$ (5,176)**	$ (900)
Long-term debt	**(1,247,073)**	(745,048)
Total debt	**$(1,252,249)**	$ (745,948)
Net Debt	**$(1,090,218)**	$ (645,120)

Free Cash Flow

Free Cash Flow, a non-IFRS measure, is used by Management to evaluate cash flow after investing in the maintenance or expansion of the Company's asset base. It is defined as cash provided by operations, less cash additions to long-term assets and capitalized interest. The following table calculates Free Cash Flow for the periods indicated below:

	As at December 31,	
($ thousands)	**2021**	2020
Cash provided by operating activities	**$ 304,791**	$ 321,449
Additions to long-term assets	**(580,349)**	(432,540)
Interest paid and capitalized	**(20,344)**	(8,214)
Free Cash Flow	**$ (295,902)**	$ (119,305)

Return on Net Assets

RONA is calculated by dividing tax effected earnings from operations (adjusted for items which are not considered representative of the underlying operations of the business) by average monthly net assets. Net assets are defined as total assets (excluding cash and deferred tax assets) less non-interest bearing liabilities (excluding deferred tax liabilities). Management believes that RONA is an appropriate basis upon which to evaluate long-term financial performance.

Quarterly Non-IFRS Financial Measures

	Three months ended December 31, 2021				Three months ended December 31, 2020			
($ millions)[(i)] *(Unaudited)*	**Meat Protein Group**	**Plant Protein Group**	**Non-Allocated**[(ii)]	**Total**	Meat Protein Group	Plant Protein Group	Non-Allocated[(ii)]	Total
Earnings (loss) before income taxes	**$ 67.8**	**(49.9)**	**(10.7)**	**$ 7.3**	$ 89.4	(32.3)	(21.7)	$ 35.4
Interest expense and other financing costs	**—**	**—**	**6.5**	**6.5**	—	—	8.0	8.0
Other expense	**3.0**	**0.1**	**4.2**	**7.3**	0.9	—	8.0	8.9
Restructuring and other related costs	**1.2**	**—**	**—**	**1.2**	1.2	—	—	1.2
Earnings (loss) from operations	**$ 72.0**	**(49.8)**	**0.1**	**$ 22.3**	$ 91.5	(32.3)	(5.7)	$ 53.5
Start-up expenses from Construction Capital[(iii)(iv)]	**5.8**	**2.0**	**—**	**7.7**	0.5	—	—	0.5
Change in fair value of biological assets	**—**	**—**	**(0.3)**	**(0.3)**	—	—	(1.8)	(1.8)
Unrealized loss on derivative contracts	**—**	**—**	**0.2**	**0.2**	—	—	7.6	7.6
Adjusted Operating Earnings	**$ 77.8**	**(47.8)**	**—**	**$ 30.0**	$ 92.0	(32.3)	—	$ 59.8
Depreciation and amortization	**45.9**	**4.1**	**—**	**49.9**	46.5	3.6	—	50.0
Items included in other income (expense) representative of ongoing operations[(v)]	**(3.0)**	**(0.1)**	**(0.4)**	**(3.5)**	(1.4)	—	1.3	(0.2)
Adjusted EBITDA	**$ 120.7**	**(43.9)**	**(0.4)**	**$ 76.3**	$ 137.1	(28.7)	1.3	$ 109.6
Adjusted EBITDA Margin	**11.1 %**	**(96.6)%**	**n/a**	**6.8 %**	12.7 %	(54.7)%	n/a	9.7 %

	Three months ended September 30, 2021				Three months ended September 30, 2020			
($ millions)[(i)] *(Unaudited)*	**Meat Protein Group**	**Plant Protein Group**	**Non-Allocated**[(ii)]	**Total**	Meat Protein Group	Plant Protein Group	Non-Allocated[(ii)]	Total
Earnings (loss) before income taxes	**$ 105.3**	**(37.9)**	**(5.2)**	**$ 62.3**	$ 79.8	(43.2)	53.7	$ 90.4
Interest expense and other financing costs	**—**	**—**	**5.7**	**5.7**	—	—	7.5	7.5
Other expense	**(0.6)**	**0.2**	**(0.6)**	**(1.0)**	(1.6)	—	2.9	1.4
Restructuring and other related costs	**0.8**	**—**	**—**	**0.8**	1.7	—	—	1.7
Earnings (loss) from operations	**$ 105.6**	**(37.7)**	**(0.1)**	**$ 67.9**	$ 80.0	(43.1)	64.1	$ 100.9
Start-up expenses from Construction Capital[(iii)(iv)]	**2.0**	**0.6**	**—**	**2.6**	0.4	—	—	0.4
Change in fair value of biological assets	**—**	**—**	**(6.6)**	**(6.6)**	—	—	(40.2)	(40.2)
Unrealized loss on derivative contracts	**—**	**—**	**6.7**	**6.7**	—	—	(23.9)	(23.9)
Adjusted Operating Earnings	**$ 107.6**	**(37.1)**	**—**	**$ 70.6**	$ 80.4	(43.1)	—	$ 37.3
Depreciation and amortization	**43.1**	**3.9**	**—**	**47.0**	44.1	3.6	—	47.7
Items included in other income (expense) representative of ongoing operations[(v)]	**0.6**	**(0.2)**	**—**	**0.4**	(1.5)	0.0	(0.5)	(2.0)
Adjusted EBITDA	**$ 151.3**	**(33.4)**	**—**	**$ 118.0**	$ 123.0	(39.6)	(0.5)	$ 83.0
Adjusted EBITDA Margin	**13.2 %**	**(69.6)%**	**n/a**	**9.9 %**	12.1 %	(77.0)%	n/a	7.8 %

	Three months ended June 30, 2021				Three months ended June 30, 2020			
($ millions)[(i)] *(Unaudited)*	**Meat Protein Group**	**Plant Protein Group**	**Non-Allocated**[(ii)]	**Total**	Meat Protein Group	Plant Protein Group	Non-Allocated[(ii)]	Total
Earnings (loss) before income taxes	**$ 86.7**	**(29.6)**	**(42.9)**	**$ 14.2**	$ 92.8	(26.3)	(29.3)	$ 37.2
Interest expense and other financing costs	**—**	**—**	**5.7**	**5.7**	—	—	8.1	8.1
Other expense	**(2.0)**	**0.1**	**5.5**	**3.6**	(1.4)	—	4.1	2.7
Restructuring and other related costs	**1.2**	**—**	**—**	**1.2**	1.5	—	—	1.5
Earnings (loss) from operations	**$ 85.9**	**(29.5)**	**(31.7)**	**$ 24.7**	$ 92.9	(26.3)	(17.2)	$ 49.5
Start-up expenses from Construction Capital[(iii)(iv)]	**1.5**	**0.4**	**—**	**1.9**	0.4	—	—	0.4
Change in fair value of biological assets	**—**	**—**	**51.9**	**51.9**	—	—	26.7	26.7
Unrealized loss on derivative contracts	**—**	**—**	**(20.2)**	**(20.2)**	—	—	(9.5)	(9.5)
Adjusted Operating Earnings	**$ 87.3**	**(29.1)**	**—**	**$ 58.3**	$ 93.3	(26.3)	—	$ 67.0
Depreciation and amortization	**45.8**	**3.7**	**—**	**49.4**	44.0	3.7	—	47.7
Items included in other income (expense) representative of ongoing operations[(vi)]	**(1.9)**	**(0.1)**	**—**	**(2.0)**	1.4	—	—	1.3
Adjusted EBITDA	**$ 131.2**	**(25.5)**	**—**	**$ 105.7**	$ 138.6	(22.6)	—	$ 116.0
Adjusted EBITDA Margin	**11.7 %**	**(53.1)%**	**n/a**	**9.1 %**	13.3 %	(37.2)%	n/a	10.6 %

	Three months ended March 31, 2021				Three months ended March 31, 2020			
($ millions)[i] *(Unaudited)*	**Meat Protein Group**	**Plant Protein Group**	**Non-Allocated[ii]**	**Total**	Meat Protein Group	Plant Protein Group	Non-Allocated[ii]	Total
Earnings (loss) before income taxes	**$ 76.2**	**(28.7)**	**18.4**	**$ 65.9**	$ 68.2	(24.1)	(47.2)	$ (3.0)
Interest expense and other financing costs	**—**	**—**	**5.0**	**5.0**	—	—	7.9	7.9
Other expense	**1.1**	**0.1**	**3.3**	**4.5**	1.2	—	2.6	3.8
Restructuring and other related costs	**1.7**	**—**	**—**	**1.7**	(0.2)	—	—	(0.2)
Earnings (loss) from operations	**$ 79.0**	**(28.7)**	**26.7**	**$ 77.1**	$ 69.2	(24.1)	(36.7)	$ 8.5
Start-up expenses from Construction Capital[iv]	**0.6**	**0.6**	**—**	**1.2**	0.3	—	—	0.3
Change in fair value of biological assets	**—**	**—**	**(38.5)**	**(38.5)**	—	—	14.7	14.7
Unrealized loss on derivative contracts	**—**	**—**	**11.8**	**11.8**	—	—	22.0	22.0
Adjusted Operating Earnings	**$ 79.6**	**(28.1)**	**—**	**$ 51.5**	$ 69.6	(24.1)	—	$ 45.5
Depreciation and amortization	**45.5**	**3.8**	**—**	**49.2**	43.0	3.5	—	46.6
Items included in other income (expense) representative of ongoing operations[vi]	**(1.2)**	**(0.1)**	**—**	**(1.3)**	(1.2)	—	—	(1.2)
Adjusted EBITDA	**$ 123.9**	**(24.4)**	**—**	**$ 99.5**	$ 111.4	(20.5)	—	$ 90.9
Adjusted EBITDA Margin	**12.2 %**	**(57.2)%**	**n/a**	**9.4 %**	11.4 %	(44.3)%	n/a	8.9 %

(i) *Totals may not add due to rounding. Prior year comparatives have been restated to conform with current year presentation.*

(ii) *Non-allocated includes eliminations of inter-segment sales and associated cost of goods sold, and non-allocated costs which are comprised of income and expenses not separately identifiable to reportable segments and are not part of the measures used by the Company when assessing a segment's operating results.*

(iii) *Start-up expenses are temporary costs as a result of operating new facilities that are or have been classified as Construction Capital. These costs can include training, product testing, yield and labour efficiency variances, duplicative overheads and other temporary expenses required to ramp-up production.*

(iv) *Certain comparatives figures have been restated to conform with current year presentation.*

(v) *2021 primarily includes legal settlements, gains and losses on the sale of long-term assets, and other miscellaneous expenses. 2020 primarily includes gains and losses on sale of long-term assets and gains and losses on equity investments.*

(vi) *Primarily includes gain/loss on sale of long-term assets and other miscellaneous expenses.*

33. FORWARD-LOOKING STATEMENTS

This document contains, and the Company's oral and written public communications often contain, "forward-looking information" within the meaning of applicable securities law. These statements are based on current expectations, estimates, projections, beliefs, judgments and assumptions based on information available at the time the applicable forward-looking statement was made and in light of the Company's experience combined with its perception of historical trends. Such statements include, but are not limited to, statements with respect to objectives and goals, in addition to statements with respect to beliefs, plans, targets, goals, objectives, expectations, anticipations, estimates, and intentions. Forward-looking statements are typically identified by words such as "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "could", "would", "believe", "plan", "intend", "design", "target", "undertake", "view", "indicate", "maintain", "explore", "entail", "schedule", "objective", "strategy", "likely", "potential", "outlook", "aim", "propose", "goal", and similar expressions suggesting future events or future performance. These statements are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes the expectations reflected in the forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon.

Specific forward-looking information in this document may include, but is not limited to, statements with respect to:

- implications of COVID-19, including implications for supply chain, workforce availability and consumption patterns;
- future performance, including future financial objectives, goals and targets, category growth analysis, expected capital spend and expected SG&A expenditures for the Company and each of its operating segments;

- the execution of the Company's business strategy, including the development and expected timing of business initiatives, brand expansion and repositioning, plant protein category and investment thesis analysis, and other growth opportunities, as well as the impact thereof;
- the impact of international trade conditions on the Company's business, including access to markets, implications associated with the spread of foreign animal disease (such as African Swine Fever ("ASF")), and other social, economic and political factors that affect trade;
- competitive conditions and the Company's ability to position itself competitively in the markets in which it competes;
- capital projects, including planning, construction, estimated expenditures, schedules, approvals, expected capacity, in-service dates and anticipated benefits of construction of new facilities and expansions of existing facilities;
- the Company's dividend policy, including future levels and sustainability of cash dividends, the tax treatment thereof and future dividend payment dates;
- the impact of commodity prices on the Company's operations and financial performance, including the use and effectiveness of hedging instruments;
- expected future cash flows and the sufficiency thereof, sources of capital at attractive rates, future contractual obligations, future financing options, renewal of credit facilities, and availability of capital to fund growth plans, operating obligations and dividends;
- operating risks, including the execution, monitoring and continuous improvement of the Company's food safety programs, animal health initiatives and cost reduction initiatives;
- the implementation, cost and impact of environmental sustainability initiatives, as well as the anticipated future cost of remediating environmental liabilities;
- the adoption of new accounting standards and the impact of such adoption on the financial position of the Company;
- expectations regarding pension plan performance, including future pension plan assets, liabilities and contributions; and
- developments and implications of actual or potential legal actions.

Various factors or assumptions are typically applied by the Company in drawing conclusions or making the forecasts, projections, predictions or estimations set out in the forward-looking statements. These factors and assumptions are based on information currently available to the Company, including information obtained by the Company from third-party sources and include but are not limited to the following:

- expectations regarding the impact and future implications of COVID-19 and adaptations in operations, supply chain, customer and consumer behaviour, economic patterns and international trade;
- the competitive environment, associated market conditions and market share metrics, category growth or contraction, the expected behaviour of competitors and customers and trends in consumer preferences;
- the success of the Company's business strategy, including execution of the strategy in the Meat Protein Group and the outcome of the category analysis related to the strategy for the Plant Protein Groups;
- prevailing commodity prices, interest rates, tax rates and exchange rates;
- the economic condition of and the socio-political dynamics between Canada, the U.S., Japan and China, and the ability of the Company to access markets in these countries;
- the spread of foreign animal disease (including ASF), preparedness strategies to manage such spread, and implications for all protein markets;
- the availability of capital to fund future capital requirements associated with existing operations, assets and projects;
- expectations regarding participation in and funding of the Company's pension plans;
- the availability of insurance coverage to manage certain liability exposures;
- the extent of future liabilities and recoveries related to legal claims;
- prevailing regulatory, tax and environmental laws; and
- future operating costs and performance, including the Company's ability to achieve operating efficiencies and maintain high sales volumes, high turnover of inventories and high turnover of accounts receivable.

Readers are cautioned that these assumptions may prove to be incorrect in whole or in part. The Company's actual results may differ materially from those anticipated in any forward-looking statements.

Factors that could cause actual results or outcomes to differ materially from the results expressed, implied, or projected in the forward-looking statements contained in this document include, among other things, risks associated with the following:

- implications of COVID-19 on the operations and financial performance of the Company, as well the implications for macro socio-economic trends;
- competition, market conditions and the activities of competitors and customers, including the expansion or contraction of key categories (including plant protein);
- the health status of livestock, including the impact of potential pandemics;
- international trade and access to markets, as well as social, political and economic dynamics affecting same;
- availability of and access to capital;
- decision respecting the return of capital to shareholders;
- the execution of capital projects, including cost, schedule and regulatory variables;
- food safety, consumer liability and product recalls;
- cyber security and the maintenance and operation of the Company's information systems and processes;
- climate change;
- strategic risk management, including the outcome of the analysis of the plant protein category;
- acquisitions and divestitures;
- fluctuations in the debt and equity markets;
- fluctuations in interest rates and currency exchange rates;
- pension assets and liabilities;
- cyclical nature of the cost and supply of hogs and the competitive nature of the pork market generally;
- the effectiveness of commodity and interest rate hedging strategies;
- impact of changes in the market value of the biological assets and hedging instruments;
- the supply management system for poultry in Canada;
- availability of plant protein ingredients;
- intellectual property, including product innovation, product development, brand strategy and trademark protection;
- consolidation of operations and focus on protein;
- the use of contract manufacturers;
- reputation;
- weather;
- compliance with government regulation and adapting to changes in laws;
- actual and threatened legal claims;
- consumer trends and changes in consumer tastes and buying patterns;
- environmental regulation and potential environmental liabilities;
- consolidation in the retail environment;
- employment matters, including complying with employment laws across multiple jurisdictions, the potential for work stoppages due to non-renewal of collective agreements, recruiting and retaining qualified personnel, reliance on key personnel and succession planning;
- pricing of products;
- managing the Company's supply chain;
- changes in International Financial Reporting Standards and other accounting standards that the Company is required to adhere to for regulatory purposes; and
- other factors as set out under the heading "Risk Factors" in the Company's Management Discussion and Analysis for the year ended December 31, 2021.

The Company cautions readers that the foregoing list of factors is not exhaustive.

Readers are further cautioned that some of the forward-looking information, such as statements concerning future capital expenditures, Adjusted EBITDA Margin growth in the Meat Protein Group, expected sales and growth margin targets in the Plant Protein Group and SG&A spend, may be considered to be financial outlooks for purposes of applicable securities legislation. These financial outlooks are presented to evaluate potential future earnings and anticipated future uses of cash flows and may not be appropriate for other purposes. Readers should not assume these financial outlooks will be achieved.

More information about risk factors can be found under the heading “Risk Factors” in the Company's Annual Management's Discussion and Analysis for the year ended December 31, 2021, that is available on SEDAR at www.sedar.com. The reader should review such section in detail. Additional information concerning the Company, including the Company’s Annual Information Form, is available on SEDAR at www.sedar.com.

All forward-looking statements included herein speak only as of the date hereof. Unless required by law, the Company does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. All forward-looking statements contained herein are expressly qualified by this cautionary statement.

Consolidated Financial Statements

Independent Auditors' Report

To the Shareholders of Maple Leaf Foods Inc.

Opinion

We have audited the consolidated financial statements of Maple Leaf Foods Inc. (the Entity), which comprise:

- the consolidated balance sheets as at December 31, 2021 and December 31, 2020
- the consolidated statements of net earnings for the years then ended
- the consolidated statements of other comprehensive income (loss) for the years then ended
- the consolidated statements of changes in total equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated balance sheet of the Entity as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Evaluation of impairment of Goodwill and Indefinite life Intangible Assets

Description of the matter

We draw attention to Notes 2(d), 3(b), 3(k), 3(o), 12 and 13 to the financial statements. The Entity performs impairment testing annually for goodwill and indefinite life intangible assets and, when circumstances indicate that there may be impairment. The Entity has determined two CGU groups, Meat Protein and Plant Protein. The Entity has recorded goodwill and indefinite life intangible assets of $658,673 thousand and $365,318 thousand. The Entity assesses impairment by comparing the recoverable amount of each of the indefinite life intangible assets or CGU groups to its carrying value. The recoverable amount is the higher of its value in use or fair value less costs to sell. The value in use is determined using a discounted cash flow model. The fair value less costs to sell is the amount obtainable from the sale of an asset or CGU group in an arm’s length transaction between knowledgeable, willing parties, less costs of disposals. The determination of each of these amounts is subject to estimation uncertainty. The Entity’s significant assumptions used to determine the recoverable amount of CGU Groups and each indefinite life intangible asset include:

- future cash inflows and outflows;
- terminal growth rates;
- discount rates; and
- royalty rates in respect of indefinite life intangible assets.

Why the matter is a key audit matter

We identified the evaluation of impairment of goodwill and indefinite life intangible assets as a key audit matter. This matter represented an area of higher risk of misstatement given the magnitude of goodwill and indefinite life intangible assets and the high degree of estimation uncertainty in assessing the assumptions used to determine the recoverable amounts. Significant auditor judgement and the involvement of professionals with specialized skills and knowledge was required to evaluate the evidence supporting the Entity’s significant assumptions due to the sensitivity of the recoverable amounts to minor changes in certain significant assumptions.

Independent Auditors' Report

How the matter was addressed

The primary procedures we performed to address this key audit matter included the following:

For a selection of indefinite life intangible assets and all CGU groups:

- We evaluated the Entity’s historical future cash inflows and outflows in comparison to the actual results generated by the group of CGUs or indefinite life intangible asset to assess the Entity’s ability to predict future cash inflows and outflows.
- We evaluated the appropriateness of the Entity’s future cash inflows and outflows by understanding the Entity’s long-term strategy, taking into account historical actual results, conditions or events to assess adjustments or lack of adjustments, and changes in macroeconomic factors affecting the group of CGUs or indefinite life intangible asset.

We involved valuation professionals with specialized skills and knowledge, who assisted in assessing the discount rates, terminal growth rates, and royalty rates used in the recoverable amounts. The procedures performed include the following:

- Assessing the Entity’s discount rates against discount rate ranges that were independently developed using publicly available market and industry data, and consideration of trading metrics of comparable entities.
- Evaluated the terminal growth rates by considering the growth profile and overall macroeconomic conditions of the group of CGUs or indefinite life intangible asset.
- Assessing the royalty rates against profitability metrics and independent industry benchmarks.

Evaluation of the acquisition-date fair value of intangible asset

Description of the matter

We draw attention to Notes 2(d), 3(b) and 29 to the financial statements. On June 25, 2021, the Entity completed the acquisition of a poultry processing facility and associated supply from Certm Inc. (formerly Cericola Farms Inc.) for total consideration of $62,113 thousand. This acquisition concludes the purchase and sale agreement dated June 27, 2018 pursuant to which the Entity previously acquired two poultry plants and associated supply, with a put/call option to purchase a third processing facility.

The acquisition-date fair value of the intangible asset acquired, which consists of a poultry quota, was $42,838 thousand and was calculated by the Entity using a discounted cash flow approach. The Entity’s key assumptions in determining the acquisition-date fair value include forecasted gross margin, poultry production growth rates and discount rate.

Why the matter is a key audit matter

We identified the evaluation of the acquisition date fair value of intangible asset as a key audit matter. This matter represented an area of higher risk of misstatement given the degree of estimation uncertainty in assessing the assumptions used to determine the fair value of the poultry quota. Significant auditor judgment and the involvement of professionals with specialized skills and knowledge was required to evaluate the evidence supporting the Entity’s significant assumptions due to the sensitivity of the fair value of the poultry quota to minor changes in significant assumptions.

How the matter was addressed

The primary procedures we performed to address this key audit matter included the following:

We compared the expected cash flows to be generated by the acquired poultry quota to the historical results of the Entity’s existing poultry operations.

We performed sensitivity analysis on the forecasted poultry growth rates to assess the impact on the Entity’s fair value estimate.

We involved valuation professionals with specialized skills and knowledge, who assisted in assessing the valuation methodology as well as the discount rate. The procedures performed include the following:

- Evaluating the appropriateness of the valuation methodology used by the Entity to calculate the fair value of the acquired poultry quota.
- Evaluating the Entity's discount rate by comparing against discount rate ranges that were independently developed using publicly available market and industry data, and consideration of trading metrics of comparable entities.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management’s Discussion and Analysis and Annual Report filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

Independent Auditors' Report

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis and Annual Report filed with the relevant Canadian Securities Commissions. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditors' Report

- Obtain sufficient appropriate audit evidence regarding financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Kristen Carscallen.

February 23, 2022

Toronto, Canada

Consolidated Balance Sheets

(In thousands of Canadian dollars)	***Notes***	**As at December 31, 2021**	As at December 31, 2020
ASSETS			
Cash and cash equivalents		**$ 162,031**	$ 100,828
Accounts receivable	***4***	**167,082**	159,750
Notes receivable	***26***	**33,294**	31,550
Inventories	***5***	**409,677**	398,070
Biological assets	***6***	**138,209**	125,648
Income and other taxes recoverable		**1,830**	1,830
Prepaid expenses and other assets		**24,988**	64,517
Assets held for sale	***8***	**—**	575
Total current assets		**$ 937,111**	$ 882,768
Property and equipment	***9***	**2,189,165**	1,721,487
Right-of-use assets	***10***	**161,662**	222,705
Investments	***11***	**22,326**	15,910
Other long-term assets		**11,644**	9,568
Deferred tax asset	***7***	**39,907**	14,070
Goodwill	***12***	**658,673**	652,501
Intangible assets	***13***	**365,318**	341,196
Total long term assets		**$ 3,448,695**	$ 2,977,437
Total assets		**$ 4,385,806**	$ 3,860,205
LIABILITIES AND EQUITY			
Accounts payable and accruals		**$ 526,189**	$ 501,529
Current portion of provisions	***14***	**842**	1,529
Current portion of long-term debt	***15***	**5,176**	900
Current portion of lease obligations	***16***	**31,375**	79,601
Income taxes payable		**23,853**	27,639
Other current liabilities	***17***	**81,265**	55,849
Total current liabilities		**$ 668,700**	$ 667,047
Long-term debt	***15***	**1,247,073**	745,048
Lease obligations	***16***	**144,391**	160,636
Employee benefits	***18***	**97,629**	188,946
Provisions	***14***	**44,650**	44,230
Other long-term liabilities		**1,057**	11,918
Deferred tax liability	***7***	**146,380**	109,916
Total long-term liabilities		**$ 1,681,180**	$ 1,260,694
Total liabilities		**$ 2,349,880**	$ 1,927,741
Shareholders' equity			
Share capital	***19***	**$ 847,016**	$ 838,969
Retained earnings		**1,212,244**	1,124,973
Contributed surplus		**5,371**	5,866
Accumulated other comprehensive loss		**(2,459)**	(13,414)
Treasury stock	***19***	**(26,246)**	(23,930)
Total shareholders' equity		**$ 2,035,926**	$ 1,932,464
Total liabilities and equity		**$ 4,385,806**	$ 3,860,205

Commitments and contingencies (Note 28)

See accompanying Notes to the Consolidated Financial Statements.

On behalf of the Board:

MICHAEL H. MCCAIN **WILLIAM E. AZIZ**

Consolidated Statements of Net Earnings

Years ended December 31, (In thousands of Canadian dollars, except share amounts)	***Notes***	**2021**	2020
Sales		**$ 4,521,082**	$ 4,303,722
Cost of goods sold		**3,862,007**	3,600,669
Gross profit		**$ 659,075**	$ 703,053
Selling, general and administrative expenses		**467,067**	490,659
Earnings before the following:		**$ 192,008**	$ 212,394
Restructuring and other related costs	***14***	**4,910**	4,284
Other expense		**14,522**	16,757
Earnings before interest and income taxes		**$ 172,576**	$ 191,353
Interest expense and other financing costs	***21***	**22,870**	31,480
Earnings before income taxes		**$ 149,706**	$ 159,873
Income tax expense	***7***	**46,883**	46,596
Net earnings		**$ 102,823**	$ 113,277
Earnings per share attributable to common shareholders:	***22***		
Basic earnings per share		**$ 0.83**	$ 0.92
Diluted earnings per share		**$ 0.82**	$ 0.91
Weighted average number of shares (millions)	***22***		
Basic		**123.5**	123.1
Diluted		**124.7**	124.3

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Other Comprehensive Income (Loss)

Years ended December 31, *(In thousands of Canadian dollars)*	***Notes***	**2021**	2020
Net earnings		**$ 102,823**	$ 113,277
Other comprehensive income (loss)			
Actuarial gain (loss) that will not be reclassified to profit or loss			
(Net of tax of $24.6 million; 2020: $16.1 million)		**$ 73,502**	$ (46,822)
Items that are or may be reclassified subsequently to profit or loss:			
Change in fair value of investments	***11***	**$ 2,945**	$ —
(Net of tax of $1.0 million; 2020: $0.0 million)			
Change in accumulated foreign currency translation adjustment			
(Net of tax of $0.0 million; 2020: $0.0 million)		**(3,181)**	(8,814)
Change in foreign exchange on long-term debt designated as a net investment hedge			
(Net of tax of $0.5 million; 2020: $1.4 million)	***20***	**2,216**	7,542
Change in cash flow hedges			
(Net of tax of $3.2 million; 2020: $5.2 million)	***20***	**8,975**	(14,935)
Total items that are or may be reclassified subsequently to profit or loss		**$ 10,955**	$ (16,207)
Total other comprehensive income (loss)		**$ 84,457**	$ (63,029)
Comprehensive income		**$ 187,280**	$ 50,248

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Changes in Total Equity

					Accumulated other comprehensive income (loss)[(i)]				
(In thousands of Canadian dollars)	***Notes***	**Share capital**	**Retained earnings**	**Contributed surplus**	**Foreign currency translation adjustment**	**Unrealized gains and losses on cash flow hedges**	**Unrealized gains on fair value of investments**	**Treasury stock**	**Total equity**
Balance at December 31, 2020		**$ 838,969**	**1,124,973**	**5,866**	**3,002**	**(16,416)**	**—**	**(23,930)**	**$1,932,464**
Net earnings		**—**	**102,823**	**—**	**—**	**—**	**—**	**—**	**102,823**
Other comprehensive income (loss)[(ii)]		**—**	**73,502**	**—**	**(965)**	**8,975**	**2,945**	**—**	**84,457**
Dividends declared ($0.72 per share)		**—**	**(89,054)**	**—**	**—**	**—**	**—**	**—**	**(89,054)**
Share-based compensation expense	***23***	**—**	**—**	**21,960**	**—**	**—**	**—**	**—**	**21,960**
Deferred taxes on share-based compensation		**—**	**—**	**975**	**—**	**—**	**—**	**—**	**975**
Exercise of stock options		**16,414**	**—**	**(2,882)**	**—**	**—**	**—**	**—**	**13,532**
Shares purchased by RSU trust		**—**	**—**	**—**	**—**	**—**	**—**	**(7,508)**	**(7,508)**
Settlement of share-based compensation		**—**	**—**	**(9,679)**	**—**	**—**	**—**	**5,192**	**(4,487)**
Change in obligation for repurchase of shares	***19***	**(8,367)**	**—**	**(10,869)**	**—**	**—**	**—**	**—**	**(19,236)**
Balance at December 31, 2021		**$ 847,016**	**1,212,244**	**5,371**	**2,037**	**(7,441)**	**2,945**	**(26,246)**	**$2,035,926**

					Accumulated other comprehensive income (loss)[(i)]				
(In thousands of Canadian dollars)	*Notes*	Share capital	Retained earnings	Contributed surplus	Foreign currency translation adjustment	Unrealized gains and losses on cash flow hedges	Unrealized gains on fair value of investments	Treasury stock	Total equity
Balance at December 31, 2019		$ 840,005	1,137,450	—	4,274	(1,481)	—	(30,378)	$1,949,870
Net earnings		—	113,277	—	—	—	—	—	113,277
Other comprehensive income (loss)[(ii)]		—	(46,822)	—	(1,272)	(14,935)	—	—	(63,029)
Dividends declared ($0.64 per share)		—	(78,932)	—	—	—	—	—	(78,932)
Share-based compensation expense	*23*	—	—	17,301	—	—	—	—	17,301
Deferred taxes on share-based compensation		—	—	700	—	—	—	—	700
Exercise of stock options		1,012	—	—	—	—	—	—	1,012
Settlement of share-based compensation		—	—	(9,737)	—	—	—	6,448	(3,289)
Change in obligation for repurchase of shares		(2,048)	—	(2,398)	—	—	—	—	(4,446)
Balance at December 31, 2020		$ 838,969	1,124,973	5,866	3,002	(16,416)	—	(23,930)	$1,932,464

[(i)] *Items that are or may be subsequently reclassified to profit or loss.*

[(ii)] *Included in other comprehensive income (loss) is the change in actuarial gains and losses that will not be reclassified to profit or loss and has been reclassified to retained earnings.*

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Years ended December 31, *(In thousands of Canadian dollars)*	***Notes***	**2021**	2020[i]
CASH PROVIDED BY (USED IN):			
Operating activities			
Net earnings		**$ 102,823**	$ 113,277
Add (deduct) items not affecting cash:			
Change in fair value of biological assets	***6***	**6,474**	(687)
Depreciation and amortization		**200,855**	196,266
Share-based compensation	***23***	**21,960**	17,301
Deferred income taxes	***7***	**(17,325)**	(5,945)
Income tax current	***7***	**64,208**	52,541
Interest expense and other financing costs	***21***	**22,870**	31,480
Loss (gain) on sale of long-term assets		**3,819**	(2,024)
Asset impairment	***9***	**744**	1,377
Change in fair value of non-designated derivatives	***20***	**10,211**	(3,947)
Change in net pension obligation		**6,745**	9,286
Net income taxes paid	***7***	**(69,595)**	(26,212)
Interest paid, net of capitalized interest		**(22,088)**	(28,839)
Change in provision for restructuring and other related costs	***14***	**(6)**	(3,509)
Change in derivatives margin	***20***	**9,938**	(8,074)
Other		**2,057**	5,041
Change in non-cash operating working capital		**(38,899)**	(25,883)
Cash provided by operating activities		**$ 304,791**	$ 321,449
Investing activities			
Additions to long-term assets		**$ (580,349)**	$ (432,540)
Acquisition of business	***29***	**(41,928)**	—
Interest paid and capitalized	***21***	**(20,344)**	(8,214)
Proceeds from sale of long-term assets		**1,499**	37,373
Purchase of investments		**(3,184)**	(14,053)
Proceeds from legal settlement	***9***	**20,822**	—
Cash used in investing activities		**$ (623,484)**	$ (417,434)
Financing activities			
Dividends paid		**$ (89,054)**	$ (78,932)
Net increase in long-term debt	***15***	**500,297**	215,601
Payment of lease obligation	***16***	**(36,843)**	(37,554)
Exercise of stock options		**13,532**	1,012
Payment of financing fees		**(528)**	(599)
Purchase of treasury stock		**(7,508)**	—
Cash provided by financing activities		**$ 379,896**	$ 99,528
Increase in cash and cash equivalents		**61,203**	3,543
Cash and cash equivalents, beginning of period		**100,828**	97,285
Cash and cash equivalents, end of period		**$ 162,031**	$ 100,828

[i] *Certain comparative figures have been restated to conform with current year presentation.*

See accompanying Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

(Tabular amounts in thousands of Canadian dollars unless otherwise indicated)
Years ended December 31, 2021 and 2020

1. THE COMPANY

Maple Leaf Foods Inc. (“Maple Leaf Foods” or the "Company") is a carbon neutral[(i)] company with a vision to be the most sustainable protein company on earth, responsibly producing food products under leading brands including Maple Leaf®, Maple Leaf Prime®, Maple Leaf Natural Selections®, Schneiders®, Schneiders® Country Naturals®, Mina®, Greenfield Natural Meat Co.®, Lightlife® and Field Roast™. The Company's portfolio includes prepared meats, ready-to-cook and ready-to-serve meals, snacks kits, value-added fresh pork and poultry, and plant protein products. The address of the Company's registered office is 6985 Financial Dr., Mississauga, Ontario, L5N 0A1, Canada. The Company's 2021 audited consolidated financial statements ("Consolidated Financial Statements") as at and for the year ended December 31, 2021 include the accounts of the Company and its subsidiaries. The Company's results are organized into two segments: the Meat Protein Group and the Plant Protein Group. The composition of the Company is further described in Note 26.

(i) *See the Company's 2020 Sustainability Report that is available on the Maple Leaf Foods website at https://www.mapleleaffoods.com/sustainability.*

2. BASIS OF PREPARATION

(a) Statement of Compliance

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (“IASB”) and using the accounting policies described herein.

The Consolidated Financial Statements were authorized for issue by the Board of Directors on February 23, 2022.

(b) Basis of Measurement

The Consolidated Financial Statements have been prepared on a historical cost basis except for cash and cash equivalents, derivative instruments, biological assets, defined benefit plan assets, investments, and liabilities associated with certain share-based compensation, which are stated at fair value. Liabilities associated with employee benefits are stated at actuarially determined present values.

(c) Functional and Presentation Currency

The Consolidated Financial Statements are presented in Canadian dollars, which is the Company’s functional currency.

(d) Use of Estimates and Judgements

The preparation of the Consolidated Financial Statements in accordance with IFRS requires Management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual amounts may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Judgements included in the Consolidated Financial Statements are decisions made by Management, based on analysis of relevant information available at the time the decision is made. Judgements relate to the application of accounting policies and decisions related to the measurement, recognition, and disclosure of financial information.

Information about areas of estimation uncertainty and critical judgements in applying accounting policies, that have the most significant effects on the amounts recognized in the Consolidated Financial Statements, are included both below and in the statement notes relating to items subject to significant estimate uncertainty and critical judgements.

Long-Lived Assets Valuation

The Company performs impairment testing annually for goodwill and indefinite life intangible assets. Goodwill, indefinite life intangibles, other long-lived assets and definite life intangibles are also tested for impairment when circumstances indicate that there may be impairment. Management judgement is involved in determining if there are circumstances indicating that testing for impairment is required, and in identifying Cash Generating Units (“CGUs”) for the purpose of impairment testing.

The Company assesses impairment by comparing the recoverable amount of a long-lived asset, CGU, or CGU group to its carrying value. The recoverable amount is defined as the higher of: (i) value in use; or (ii) fair value less cost to sell.

The determination of the recoverable amount involves significant assumptions, including those with respect to future cash inflows and outflows, discount rates, terminal growth rates, royalty rates with respect to indefinite life intangible assets, and asset lives. These assumptions could affect the Company’s future results if the current estimates of future performance and fair values change. These determinations will affect the amount of amortization expense on definite life assets recognized in future periods.

Measurement of Fair Values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When the measurement of fair values cannot be determined based on quoted prices in active markets, fair value is measured using valuation techniques and models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of estimation is required in establishing fair values. Changes in assumptions about the inputs to these models could affect the reported fair value of the Company's financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Company uses market observable data to the extent that it is possible. To the extent that these estimates differ from those realized, the measured asset or liability, net earnings, and/or comprehensive income will be affected in future periods.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Notes 6, 11, 12, 13, 18, 20, 23 and 29.

Nature of Interests in Other Entities

Management applies significant judgement in assessing the nature of its interest in unconsolidated structured entities relating to its accounts receivable securitization facilities. The Company does not hold any equity interest in the structured entities and based on the terms of the agreements under which the entities are established, the Company does not receive the returns related to their operations and is exposed to limited recourse with respect to losses. Information about the nature of interest in other entities is disclosed in Note 26.

Valuation of Inventory

Management makes estimates of the future customer demand for products when establishing appropriate provisions for inventory. In making these estimates, Management considers the product life of inventory and the profitability of recent sales of inventory. In many cases, product produced by the Company turns quickly and inventory on-hand values are low, thus reducing the risk of inventory obsolescence. However, code or "best before" dates are very important in the determination of net realizable value of inventory. Management ensures that systems are in place to highlight and properly value inventory that may be approaching code dates. To the extent that actual losses on inventory differ from those estimated, inventory, net earnings, and comprehensive income will be affected in future periods.

Biological Assets

Biological assets are measured at each reporting date, at fair value less costs to sell, except when fair value cannot be reliably measured. If fair value cannot be reliably measured, biological assets are measured at cost less depreciation and impairment losses. Although a reliable measure of fair value may not be available at the point of initial recognition, it may subsequently become available. In such circumstances, biological assets are measured at fair value less costs to sell from the point at which the reliable measure of fair value becomes available. Gains and losses that arise on measuring biological assets at fair value less costs to sell are recognized in the statement of net earnings in the period in which they arise. Costs to sell include all costs that would be necessary to sell the biological assets, including costs necessary to get the biological assets to market. Management uses estimates over the future price per hog, foreign exchange rates, and estimated weight and cost of hogs at maturity in the determination of fair value. To the extent that actual values differ from estimates, biological assets, net earnings and comprehensive income will be affected in future periods.

Trade Merchandise Allowances and Other Trade Discounts

The Company provides for estimated payments to customers based on various trade programs and contracts that often include payments that are contingent upon attainment of specified sales volumes. Significant estimates used to determine these liabilities include: the projected level of sales volume for the relevant period, customer contracted rates for allowances, discounts, and rebates. These arrangements are complex and there are a significant number of customers and products affected. Management has systems and processes in place to estimate and value these obligations. To the extent that payments on trade discounts differ from estimates of the related liability, accounts payable and accruals, net earnings, and comprehensive income will be affected in future periods.

Employee Benefit Plans

The cost of pensions and other post-retirement benefits earned by employees is actuarially determined using the projected unit credit method prorated on service, and Management's best estimate of salary escalation and mortality rates. Discount rates used in actuarial calculations are based on long-term interest rates and can have a material effect on the amount of plan liabilities and expenses. Management employs external experts to advise the Company when deciding upon the appropriate estimates to use to value employee benefit plan obligations and expenses. The Company's plans invest in pooled funds which hold underlying equity, debt and other securities that are not quoted in an active market. Management relies on external experts to value these pooled funds. To the extent that these estimates differ from those realized, employee benefit plan assets and liabilities and comprehensive income will be affected in future periods.

Income Taxes

Provisions for income taxes are based on domestic and international statutory income tax rates and the amount of income earned in the jurisdictions in which the Company operates. Significant judgement is required in determining income tax provisions and the recoverability of deferred tax assets. The calculation of current and deferred income tax balances requires Management to make judgements regarding the carrying values of assets and liabilities that include estimates of future cash flows and earnings related to such assets and liabilities, the interpretation of income tax legislation in the jurisdictions in which the Company operates, and the timing of reversal of temporary differences. The Company establishes additional provisions for income taxes when, despite Management's opinion that the Company's tax positions are fully supportable, there is sufficient complexity or uncertainty in the application of legislation that certain tax positions may be reassessed by tax authorities. The Company adjusts these additional accruals in light of changing facts and circumstances. To the extent that these adjustments differ from original estimates, deferred tax assets and liabilities, net earnings, and comprehensive income will be affected in future periods.

Provisions

The Company evaluates all provisions at each reporting date. These provisions can be significant and are prepared using estimates of the costs of future activities. In certain instances, Management may determine that these provisions are no longer required or that certain provisions are insufficient as new events occur or as additional information is obtained. Provisions are separately identified and disclosed in the Consolidated Financial Statements. Changes to these estimates may affect the value of provisions, net earnings, and comprehensive income in future periods.

Share-Based Compensation

The Company uses estimates in the calculation of the liability and expenses for certain share-based incentive plans including, but not limited to, estimates of forfeitures, share price volatility, dividends, expected life of the award, and Company performance. These estimates are based on previous experience and may change throughout the life of an incentive plan. Such changes could impact the carrying value of contributed surplus, liabilities, net earnings, and comprehensive income in future periods.

Some of the Company's share-based payment plans may be settled in either cash or equity instruments at the option of the Company. Management uses judgement in determining the appropriate accounting treatment for these plans, based on expectations and historical settlement decisions. Changes to accounting treatment based on Management's judgement may impact contributed surplus, liabilities, net earnings, and comprehensive income in future periods.

Depreciation and Amortization

The Company's property and equipment and definite life intangible assets are depreciated and amortized on a straight-line basis, considering the estimated useful lives of the assets and residual values. Right-of-use ("ROU") assets are depreciated on a straight-line basis, considering the shorter of the useful life of the underlying asset or the lease term. If it is reasonably certain at the commencement of the lease arrangement that the Company will exercise its purchase option or otherwise obtain ownership of the underlying asset at the end of the lease term, the ROU asset is depreciated over the useful life of the underlying asset. Changes to these estimates may affect the carrying value of these assets, net earnings, and comprehensive income in future periods.

Investments

The Company analyzes its private equity investment holdings for changes in fair value at each reporting period. The Company uses significant judgement in reviewing internally and externally available financial information to determine if there are indicators that the fair value of the holdings have changed. Changes to the estimated fair value may affect the value of investment asset, and comprehensive income in future periods.

Leases

The Company applies significant judgement in assessing whether a contract is or contains a lease. Such judgements include the determination of whether an asset or assets are specifically or implicitly identified in the contract, if the Company has the right to obtain substantially all the economic benefits from use of the asset or assets and whether the Company has the right to direct the use of the asset or assets. These judgements are made at the inception of a contract and may change if there are material changes to the agreement.

Estimates are used to determine the incremental borrowing rate of a lease when the interest rate implicit to the lease is not readily available. The Company's incremental borrowing rate is determined using a model which incorporates the Company's credit worthiness, the nature and quality of the underlying asset, geographic environments and the duration of the lease. The inputs used in determining the incremental borrowing rate are reviewed and updated quarterly. Changes to these estimates may affect the value of assets, liabilities, and net earnings in future periods.

The Company also applies significant judgement in determining whether it is reasonably certain to exercise lease extension options or purchase options in a contract by considering all relevant factors and circumstances that may create an economic incentive for the Company to exercise the option considering such factors as past experience, the terms and conditions of the contract, and the importance of the underlying assets to the Company's operations.

Fair value of acquired intangible asset

The Company estimates the fair value of poultry quota acquired in a business combination using a discounted cash flow approach. The discounted cash flow approach is a valuation technique that calculates the fair value of an intangible asset based on the present value of future cash flows that the asset can be expected to generate in the future. This valuation involves subjectivity and estimation uncertainty, including assumptions related to forecasted profitability, poultry production growth rates, and discount rate.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries from the date that control commences until the date that control ceases. Control exists when the Company is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

All intercompany accounts and transactions have been eliminated on consolidation.

(b) Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date that control is transferred to the Company. In assessing control, the Company takes into consideration potential voting rights that are currently exercisable.

Goodwill is measured as the excess of the sum of the fair value of the consideration transferred in a business combination, the amount of any non-controlling interests in the acquiree, and the fair value of any previously held equity interest in the acquiree over the net of the acquisition date fair value of the identifiable assets acquired and the liabilities assumed. If the excess is negative, a bargain purchase gain is recognized immediately in earnings. Transaction costs, other than those associated with the issue of debt or equity, are recognized in earnings as incurred.

Goodwill is not amortized and is tested for impairment annually in the fourth quarter and as required when circumstances indicate that its carrying amount may not be recoverable. Goodwill is tested for impairment at the CGU group level by comparing the carrying amount to its recoverable amount, consistent with the methodology outlined in Note 3(k).

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured, and settlement is accounted for in equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in earnings.

(c) Fair Value Measurements

The Company measures certain financial and non-financial assets and liabilities at fair value at each balance sheet date. In addition, fair value measurements are disclosed for certain financial and non-financial assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and disclosure purposes is determined on such a basis, except for share-based payment transactions, and measurements that have some similarities to fair value but are not fair value, such as net realizable value or value in use.

Assets and liabilities, for which fair value is measured or disclosed in the Consolidated Financial Statements, are classified using a three-level fair value hierarchy that reflects the significance and transparency of the inputs used in making the fair value measurements. Each level is based on the following:

Level 1 - inputs are unadjusted quoted prices of identical assets or liabilities in active markets

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 - one or more significant inputs used in a valuation technique are unobservable in determining fair values of the asset or liability

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of an asset or liability in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

(d) Non-current Assets (or Disposal Groups) Held for Sale

The Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. The criteria for held for sale classification is regarded as met when a sale is highly probable, the asset or disposal group is available for immediate sale in its present condition, and Management is committed to the sale, which is expected to be completed within one year from the date of classification. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are not depreciated once classified as held for sale.

(e) Translation of Foreign Currencies

The accounts of the Company are presented in Canadian dollars. Transactions in foreign currencies are translated at the actual rates of exchange. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the Canadian dollar at the exchange rate for that date. Foreign exchange differences arising on translation are recognized in net earnings. Non-monetary assets and liabilities that are measured at historical cost are translated using the exchange rate at the date of the transaction.

The financial statements of foreign subsidiaries whose unit of measure is not the Canadian dollar are translated into Canadian dollars using the exchange rate in effect at the period-end for assets and liabilities, and the average exchange rates for the period for revenue, expenses, and cash flows. Foreign exchange differences arising on translation are recognized in accumulated other comprehensive income (loss) in total equity.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Company disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to the non-controlling interest. When the Company disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to net earnings.

Foreign exchange gains and losses arising from a receivable or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operations, are recognized in other comprehensive income (loss) in the cumulate foreign currency translation differences.

(f) Financial Instruments

The Company's financial assets, upon initial recognition, are measured at fair value and are classified as Fair Value through Profit or Loss ("FVTPL"), Fair Value through Other Comprehensive Income ("FVOCI"), or amortized cost. The classification is determined at initial recognition and is dependent on the business model in which a financial asset is managed and the characteristics of the contractual cash flows. Subsequent reclassification may only occur on the first day of the reporting period following a change to the business model. The classification of the Company's financial assets is disclosed in Note 20.

The Company's financial liabilities, upon initial recognition, are measured at fair value and are classified as amortized cost or FVTPL. A financial liability is classified as amortized cost at initial recognition unless it is classified as held-for-trading, is a derivative instrument or is specifically designated as FVTPL. Financial liabilities classified as amortized cost are subsequently measured using the effective interest method while financial liabilities at FVTPL are subsequently measured at fair value with changes in fair value recognized in the consolidated statements of net earnings in the period in which such changes arise.

The Company records a loss allowance of expected credit losses for financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance at an amount equal to the lifetime expected credit losses if the credit risk on its financial assets has increased significantly since initial recognition. If credit risk has not significantly increased since initial recognition, the Company measures the loss allowance at an amount equal to the 12-month expected credit losses.

Transaction costs, other than those related to financial instruments classified as fair value through profit or loss, which are expensed as incurred, are capitalized to the carrying amount of the instrument and amortized using the effective interest method.

(g) Hedge Accounting

The Company uses derivatives and other non-derivative financial instruments to manage its exposures to fluctuations in interest rates, foreign exchange rates, and commodity prices.

At the inception of a hedging relationship, the Company designates and formally documents the relationship between the hedging instrument and the hedged item, the risk management objective, and its strategy for undertaking the hedge. The documentation identifies the specific asset, liability, or anticipated cash flows being hedged, the risk that is being hedged, the type of hedging instrument used, and how effectiveness will be assessed.

The Company also formally assesses both at inception and at least quarterly thereafter, whether or not the derivatives that are used in hedging transactions are effective in offsetting the changes attributable to the hedged risks in the fair values or cash flows of the hedged items. If a hedging relationship becomes ineffective, it no longer qualifies for hedge accounting and any subsequent change in the fair value of the hedging instrument is recognized in the consolidated statements of net earnings.

When hedge accounting is permitted, the hedging relationship may be designated as a cash flow hedge, a fair value hedge, or a net investment in foreign operation hedge. For most cash flow hedges, the change in fair value of the hedging instrument is recorded, to the extent it is effective, in other comprehensive income (loss) until the hedged item affects net earnings. If the cash flow hedge is a forecast transaction that results in the recognition of a non-financial asset or liability, the Company removes that amount from the cash flow hedge reserve and includes it directly in the initial cost or other carrying amount of the asset or the liability. In a fair value hedge, the change in fair value of the hedging derivative is offset in the consolidated statements of net earnings by the change in fair value of the hedged item relating to the hedged risk. For a net investment in a foreign operations hedge, foreign exchange gains and losses on the designated financial instrument are recorded in accumulated other comprehensive income (loss) and are offset by the translation adjustments on the underlying net assets of the foreign operations.

Hedge ineffectiveness is measured and recorded in current period earnings in the consolidated statements of net earnings. When either a fair value hedge or cash flow hedge is discontinued, any cumulative adjustment to either the hedged item or other comprehensive income (loss) is recognized in net earnings, as the hedged item affects net earnings, or when the hedged item is derecognized for a net investment in a foreign operations hedge. If a designated hedge is no longer effective, the associated derivative instrument is subsequently carried at fair value through net earnings without any offset from the hedged item.

Derivatives that do not qualify for hedge accounting are carried at fair value on the consolidated balance sheets, and subsequent changes in their fair value are recorded in the consolidated statements of net earnings.

(h) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash balances, demand deposits and investments with an original maturity at the date of purchase of three months or less.

(i) Inventories

Inventories are valued at the lower of cost and net realizable value, with cost being determined substantially on a first-in, first-out basis. The cost of inventory includes direct product costs, direct labour, and an allocation of variable and fixed manufacturing overhead, including depreciation. When circumstances that previously caused inventories to have a write-down below cost no longer exist, or when there is clear evidence of an increase in the net realizable value, the amount of a write-down previously recorded is reversed through cost of goods sold.

(j) Biological Assets

Biological assets consist of live hogs, poultry, and eggs. For the purposes of valuation, these assets are categorized as either parent stock or commercial stock. Parent stock represents animals held and bred for the purpose of generating commercial stock and to replace parent stock nearing the end of its productive cycle. Commercial stock is held for the purposes of further processing or eventual sale, at which point it becomes inventory. The fair value of commercial stock is determined based on market prices of livestock of similar age, breed, and generic merit, less costs to sell the assets, including estimated costs necessary to transport the assets to market. Where reliable market prices of parent stock are not available, they are valued at cost less accumulated depreciation and any accumulated impairment losses. No active market exists for parent stock as they are rarely sold. Hog parent stock is depreciated on a straight-line basis over two to three years after considering residual values, whereas poultry parent stock is depreciated on a straight-line basis over six to eight months.

Biological assets are transferred into inventory at fair value less costs to sell at the point of delivery.

(k) Impairment or Disposal of Long-Lived Assets

The Company reviews long-lived assets or asset groups held and used, including property and equipment and intangible assets subject to amortization, for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Asset groups referred to as CGUs include an allocation of corporate assets and are reviewed at their lowest level for which identifiable cash inflows are largely independent of cash inflows of other assets or groups of assets. The recoverable amount is the greater of its value in use and its fair value less cost to sell.

Value in use is based on estimates of discounted future cash flows expected to be recovered from a CGU, CGU group or asset through its use. Management develops its cash flow projections based on past performance and its expectations of future market and business developments. Once calculated, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Fair value less cost to sell is the amount obtainable from the sale of an asset, CGU or CGU group in an arm’s-length transaction between knowledgeable, willing parties, less the costs of disposal. Costs of disposal are incremental costs directly attributable to the disposal of an asset or CGU, excluding financing costs and income tax expense.

An impairment loss is recognized in the consolidated statements of net earnings when the carrying amount of any asset, CGU, or CGU group exceeds its estimated recoverable amount. Impairment losses recognized in respect of CGUs or CGU group are allocated, first to reduce the carrying amount of any goodwill allocated to the CGU or CGU group, and then to reduce the net carrying amount of the other assets in the CGU or CGU group on a pro rata basis.

Impairment losses related to long-lived assets recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no previous impairment loss had been recognized.

(l) Property and Equipment

Property and equipment, with the exception of land, is recorded at cost less accumulated depreciation and any net accumulated impairment losses. Land is carried at cost and not depreciated. For qualifying assets, cost includes interest capitalized during the construction or development period. Construction-in-process assets are capitalized during construction and depreciation commences when the asset is available for use. Depreciation related to assets used in production is recorded in inventory and cost of goods sold. Depreciation related to non-production assets is recorded through selling, general, and administrative expense ("SG&A"). Depreciation is calculated on a straight-line basis, after taking into account residual values, over the following expected useful lives of the assets:

Buildings, including other components	10-40 years
Machinery and equipment	3-20 years

When parts of an item of property and equipment have different useful lives, those components are accounted for as separate items of property and equipment.

(m) Right-of-use Assets and Lease Obligations

At the inception of a contract, the Company assesses if the agreement is or contains a lease arrangement. A lease arrangement exists if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a ROU asset and lease obligation with respect to all lease arrangements where the lease term is greater than 12 months. Leases with a term of 12 months or less and variable rent expenses are recognized as an expense in the consolidated statements of net earnings when performance relating to those expenses has occurred.

The Company measures its lease obligation as the present value of the outstanding lease payments, discounted using the interest rate implicit in the lease and the term of the contract adjusted for reasonably certain renewal or termination options. If the interest rate implicit in the lease is not readily available, the payments are discounted using the Company's incremental borrowing rate. The lease obligation is subsequently measured by increasing the carrying amount for interest using the effective interest method. Lease payments are recognized as reductions to the carrying amount of the lease obligation.

A ROU asset is measured at the amount of the initial lease obligation and adjusted for any lease payments made at or before the commencement date of the lease less any incentives, initial direct costs, or the estimate of costs to restore the ROU asset at the conclusion of the lease term. ROU assets are depreciated on a straight-line basis over the shorter of the useful life of the underlying asset consistent with the Company's depreciation policy for property and equipment as outlined in Note 3(l), or the lease term. If it is reasonably certain at the commencement of the lease arrangement that the Company will exercise its purchase option or otherwise obtain ownership of the underlying asset at the end of the lease term, the ROU asset is depreciated over the useful life of the underlying asset.

The Company remeasures the lease obligation and ROU asset as a result of material modifications to a lease arrangement.

(n) Investments

Investments include equity ownership in private companies for which the Company does not exercise significant influence or control. When shares are initially acquired, fair value equates to the market price that the Company pays to acquire the shares. Fair value is assessed in subsequent periods using internally and externally available information to determine growth in value or indicators of impairment. Changes in fair value of these investments are recorded in other comprehensive income.

(o) Intangible Assets

Intangible assets include computer software, trademarks, recipes, customer relationships and poultry quota. Definite life intangible assets are measured at cost less accumulated amortization and any net accumulated impairment losses. Amortization is recognized in the consolidated statements of net earnings on a straight-line basis over the estimated useful lives of the following assets:

Computer software	3-10 years
Customer relationships	20-25 years
Recipes	5-20 years

Indefinite life intangibles including trademarks and poultry quota are tested for impairment annually in the fourth quarter and required when circumstances indicate that the net carrying value may not be recoverable. Refer to Note 3(k) for impairment method.

Upon recognition of an intangible asset, the Company determines if the asset has a definite or indefinite life. In making this determination, the Company considers the expected use, expiry of agreements, the nature of the asset, and whether the value of the asset decreases over time.

(p) Employee Benefit Plans

The Company provides post-employment benefits through defined benefit and defined contribution plans.

Defined Benefit Plans

The Company accrues obligations and costs in respect of employee defined benefit plans. The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected unit credit method prorated on service and Management's best estimate of salary escalation, retirement ages of employees, mortality rates, inflation and expected health care costs. Changes in these assumptions could affect future pension expenses. The fair value of plan assets and the present value of the obligation are used to calculate net interest cost or income. The discount rate used to value the defined benefit obligation is based on high-quality corporate bonds in the same currency in which the benefits are expected to be paid and with terms to maturity that, on average, match the terms of the defined benefit obligations. The discount rate used to value the current service cost is based on high-quality corporate bonds in the same currency in which the employer contributions are expected to be made in and with terms of maturity that, on average, match the expected remaining service period for active employees.

Actuarial gains and losses due to changes in defined benefit plan assets and obligations are recognized immediately in accumulated other comprehensive income (loss).

When the calculation results in a net benefit asset, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of future refunds from the plan or reductions in future contributions to the plan (the “asset ceiling”). To calculate the present value of economic benefits, consideration is given to minimum funding requirements that apply to the plan. Where it is anticipated that the Company will not be able to recover the value of the net defined benefit asset, after considering minimum funding requirements for future services, the net defined benefit asset is reduced to the amount of the asset ceiling. The impact of the asset ceiling is recognized in other comprehensive income (loss).

When future payment of minimum funding requirements related to past service would result in a net defined benefit asset “surplus” or an increase in a surplus, the minimum funding requirements are recognized as a liability, to the extent that the surplus would not be fully available as a refund or a reduction in future contributions. Re-measurement of this liability is recognized in other comprehensive income (loss) in the period in which the re-measurement occurs.

Defined Contribution Plans

The Company’s obligations for contributions to employee defined contribution pension plans are recognized in the consolidated statements of net earnings in the periods during which services are rendered by employees.

Multi-Employer Plans

The Company participates in multi-employer pension plans which are accounted for as defined contribution plans. The Company does not administer these plans as the administration and the investment of these assets are controlled by a board of trustees consisting of union and employer representatives. The Company’s responsibility to make contributions to these plans is established pursuant to collective bargaining agreements. The contributions made by the Company to the multi-employer plans are expensed when due.

(q) Share-Based Compensation

The Company applies the fair value method of accounting for share-based compensation. The fair value at grant date of stock options is estimated using the Black-Scholes option-pricing model. The fair value of restricted share units (“RSUs”), including performance share units (“PSUs”), is measured based on the fair value of the underlying shares on the grant date and expected achievement of performance conditions. Compensation cost is recognized on a straight-line basis over the expected vesting period of the share-based compensation. The Company estimates the number of units expected to vest at the grant date and revises the estimate as necessary if subsequent information indicates that the actual number of units vesting differs significantly from the original estimate. The fair value of deferred share units ("DSUs") is measured based on the fair value of the underlying shares at each reporting date.

The Company has share-based compensation plans which are able to be settled in either cash or equity instruments at the option of the Company. Each grant is accounted for based on the expected settlement method at the time of issue. The expectation is re-evaluated at the end of each reporting period.

(r) Provisions

Provisions are liabilities of the Company for which the amount and/or timing of settlement is uncertain. A provision is recognized in the Consolidated Financial Statements when the Company has a present legal or constructive obligation because of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

(s) Revenue Recognition

The majority of the Company's revenue is derived from the sale of products to retail and foodservice customers, as well as the sale of by-products to industrial and agricultural customers. The Company recognizes revenue for all sales at the fair value of the consideration received or receivable. Sales are net of a provision for variable consideration of estimated allowances and sales incentives provided to customers, such that it is highly probable that a significant reversal will not occur once the uncertainty related to the variable consideration is subsequently resolved. For all transactions, revenue is recognized when control of the goods has transferred, being at the point the customer receives and accepts the product. The customer may receive product either through delivery or by pick-up. There are no significant financing components associated with the Company's payment terms.

The Company generally does not accept returns of spoiled products from customers. For product that may not be returned, the Company, in certain cases, provides customers with allowances to cover any damage or spoilage, and such allowances are deducted from sales at the time of revenue recognition.

The value of sales incentives provided to customers are estimated using historical trends and are recognized at the time of sale as a reduction of revenue. Sales incentives include rebate and promotional programs provided to the Company's customers. These rebates are based on achievement of specified volume or growth in volume levels and other agreed promotional activities. In subsequent periods, the Company monitors the performance of customers against agreed upon obligations related to sales incentive programs and makes any adjustments to both revenue and sales incentive accruals as required.

The Company enters into repurchase agreements, which represent sales to third parties where the Company is required to buy-back the inventories sold or a good containing that inventory as a component. These sales and their associated cost of goods sold are not recognized in the consolidated statements of net earnings until their eventual third party sale.

(t) Borrowing Costs

Borrowing costs are primarily comprised of interest on the Company's indebtedness. Borrowing costs are capitalized when they are attributable to the acquisition, construction, or production of a qualifying asset. The Company defines qualifying assets as any asset that requires more than six months to prepare for its intended use. Borrowing costs attributable to qualifying assets are calculated using the Company's average borrowing cost excluding the costs associated with the derecognition of accounts receivables under securitization programs. Borrowing costs that are not attributable to a qualifying asset are expensed in the period in which they are incurred and reported within interest expense in the consolidated statements of net earnings.

(u) Government Incentives

Government incentives are not recognized until there is reasonable assurance that they will be received and that the Company will be in compliance with any conditions associated with the incentives. Incentives that compensate the Company for expenses or losses are recognized in earnings with the same classification as the related expense or loss in the same periods in which the expenses or losses are recognized.

Government incentives received with the primary condition that the Company should purchase, construct, or otherwise acquire non-current assets are recognized as a deduction from the associated asset on the consolidated balance sheets. The incentive is recognized in earnings over the useful life of the asset as a reduction of the related depreciation expense.

Government incentives that are receivable as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to the Company with no future related costs, are recognized in earnings in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government incentive, and is measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

(v) Income Taxes

Income tax expense is comprised of current and deferred tax. Income tax is recognized in the consolidated statements of net earnings, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income (loss).

Current tax expense represents the amount of income taxes payable, in respect of the taxable profit for the period, based on tax law that is enacted or substantially enacted at the reporting date, and is adjusted for changes in estimates of tax expense recognized in prior periods. A current tax liability or asset is recognized for income tax payable, or paid but recoverable in respect of all periods to date.

The Company uses the asset and liability method of accounting for income taxes. Accordingly, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years when those temporary differences are expected to be recovered or settled and in the manner in which those temporary differences are expected to be recovered or settled through sale or continued use. In addition, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in both net earnings and comprehensive income in the period in which the enactment or substantive enactment takes place.

A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences, to the extent that it is probable that future taxable income will be available to utilize such amounts. Deferred tax assets are reviewed at each reporting date and are adjusted to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

(w) Accounting Standards Adopted During the Period

During the year ended December 31, 2021, the Company adopted certain IFRS and amendments. As required by International Accounting Standard ("IAS") 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the nature and the effect of these changes are disclosed below:

Interest Rate Benchmark Reform - Phase 2

Beginning January 1, 2021, the Company adopted the amendments to IFRS 9 *Financial Instruments* ("IFRS 9"), IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"), IFRS 7 *Financial Instruments: Disclosures* ("IFRS 7"), IFRS 4 *Insurance Contracts* ("IFRS 4") and IFRS 16 *Leases* ("IFRS 16") to address issues that affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments relate to modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements in applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting. The adoption of the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 did not have a material impact on the Company's Consolidated Financial Statements.

(x) Accounting Pronouncements Issued But Not Yet Effective

Onerous Contracts - Cost of Fulfilling a Contract

On May 14, 2020, the IASB issued an amendment to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.* The amendment specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to the contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling that contract. The amendment is effective on January 1, 2022 and is to be applied prospectively. The adoption of the amendment is not expected to have a material impact on the Consolidated Financial Statements.

Annual Improvements to IFRS (2018-2020) Cycle

On May 14, 2020, the IASB issued narrow-scope amendments to three standards as part of its annual improvement process. Amendments were made to clarify which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability in accordance with IFRS 9. The amendments also remove the requirement in IAS 41 *Agriculture* for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. Lastly, an amendment was made to IFRS 1 *First-time Adoption of International Financial Reporting Standards* for subsidiaries as a first-time adopter. These amendments are effective on January 1, 2022 and are to be applied prospectively. The adoption of the amendment is not expected to have a material impact on the Consolidated Financial Statements.

Classification of Liabilities as Current or Non-current

On January 23, 2020, an amendment was issued to IAS 1 *Presentation of Financial Statements* to address inconsistencies with how entities classify current and non-current liabilities. The amendment serves to address whether debt and other liabilities with an uncertain settlement date should be classified as current or non-current in the Consolidated Balance Sheets. This amendment is effective on January 1, 2023. The Company intends to adopt this amendment in its Consolidated Financial Statements or the annual period beginning January 1, 2023. The extent of the impact of the adoption of this amendment has not yet been determined.

Definition of Accounting Estimates (Amendments to IAS 8)

On February 12, 2021, the IASB issued *Definition of Accounting Estimates (Amendments to IAS 8)*. The amendments will require the disclosure of material accounting policy information rather than disclosing significant accounting policies and clarifies how to distinguish changes in accounting policies from changes in accounting estimates. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company intends to adopt this amendment in its Consolidated Financial Statements for the annual period beginning January 1, 2023. The extent of the impact of the adoption of this amendment has not yet been determined.

Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

On February 12, 2021, the IASB issued *Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements)*. The amendments help companies provide useful accounting policy disclosures. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company intends to adopt this amendment in its Consolidated Financial Statements for the annual period beginning January 1, 2023. The extent of the impact of the adoption of this amendment has not yet been determined.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

On May 7, 2021 the IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 *Income Taxes* (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company intends to adopt this amendment in its Consolidated Financial Statements for the annual period beginning January 1, 2023. The extent of the impact of the adoption of this amendment has not yet been determined.

All other IFRSs and amendments issued but not yet effective have been assessed by the Company and are not expected to have a material impact on the Consolidated Financial Statements.

4. ACCOUNTS RECEIVABLE

	As at December 31,	
	2021	2020
Trade receivables	**$ 122,030**	$ 116,297
Less: Allowance for doubtful accounts	**(2,041)**	(2,080)
Net trade receivables	**$ 119,989**	$ 114,217
Other receivables:		
Commodity taxes receivable	**13,188**	17,590
Government receivable	**17,871**	11,424
Other	**16,034**	16,519
	$ 167,082	$ 159,750

The aging of trade receivables is as follows:

	As at December 31,	
	2021	2020
Current	**$ 94,110**	$ 90,983
Past due 0-30 days	**20,088**	19,658
Past due 31-60 days	**3,473**	2,266
Past due > 60 days	**4,359**	3,390
	$ 122,030	$ 116,297

Trade receivables are impaired when their estimated future cash flows are less than their contractual cash flows. The amount of impairment takes into account the financial condition of the customers, delinquencies in payments, collaterals and credit insurance coverage on the trade receivables.

The Company has sold certain of its trade accounts receivables under a securitization program as described in Note 26.

The Company's securitization program requires the sale of trade receivables to be treated as a sale from an accounting perspective and as a result, trade receivables sold under this program are derecognized from the Consolidated Balance Sheets as at December 31, 2021 and 2020.

5. INVENTORIES

	As at December 31,	
	2021	2020
Raw materials	**$ 73,580**	$ 69,594
Work in process	**33,964**	33,149
Finished goods	**217,937**	217,041
Packaging	**20,752**	21,212
Spare parts	**63,444**	57,074
	$ 409,677	$ 398,070

For the year ended December 31, 2021, inventory in the amount of $3,530.9 million (2020: $3,228.1 million) was expensed through cost of goods sold.

For the year ended December 31, 2021, inventories have been reduced by $10.7 million (2020: $10.2 million) as a result of write-downs to net realizable value. The write-downs are included in the amount expensed through cost of goods sold.

6. BIOLOGICAL ASSETS

	Hog stock		**Poultry stock**		
	Commercial	**Parent**	**Commercial**	**Parent**	**Total**
Balance at December 31, 2020	**$ 92,357**	**25,199**	**5,442**	**2,650**	**$ 125,648**
Additions and purchases	**424,731**	**6,835**	**80,853**	**4,132**	**516,551**
Depreciation	**—**	**(5,509)**	**—**	**(3,582)**	**(9,091)**
Change in fair value realized	**9,900**	**—**	**—**	**—**	**9,900**
Change in fair value unrealized	**(16,374)**	**—**	**—**	**—**	**(16,374)**
Further processing and sales	**(407,087)**	**—**	**(81,338)**	**—**	**(488,425)**
Balance at December 31, 2021	**$ 103,527**	**26,525**	**4,957**	**3,200**	**$ 138,209**

	Hog stock		Poultry stock		
	Commercial	Parent	Commercial	Parent	Total
Balance at December 31, 2019	$ 88,018	23,400	5,318	2,280	$ 119,016
Additions and purchases	373,326	7,122	81,187	3,812	465,447
Depreciation	—	(5,323)	—	(3,442)	(8,765)
Change in fair value realized	10,587	—	—	—	10,587
Change in fair value unrealized	(9,900)	—	—	—	(9,900)
Further processing and sales	(369,674)	—	(81,063)	—	(450,737)
Balance at December 31, 2020	$ 92,357	25,199	5,442	2,650	$ 125,648

Hog stock is comprised of approximately 0.9 million animals as at December 31, 2021 (2020: 0.9 million). During the years ended December 31, 2021 and 2020, substantially all hog stock was directly transferred to the Company's primary processing operations.

Poultry stock is comprised of approximately 8.1 million eggs and 0.3 million birds as at December 31, 2021 (2020: 8.3 million eggs and 0.2 million birds).

The change in fair value of commercial hog stock for the year was a loss of $6.5 million for the year ended December 31, 2021 (2020: gain of $0.7 million) recorded in cost of goods sold.

The fair value measures of commercial hog stock have been categorized as a Level 3 fair value based on inputs to the valuation techniques used. There were no transfers between levels for the year ended December 31, 2021.

The Company uses the market comparison approach to determine the fair value of its commercial hog stock. The valuation model is based on the market price of hog stock of similar age, weight, breed, and genetic make-up. The model is based on the U.S. dollar market price per cut weight and adjusted for foreign exchange, conversion from pounds to kilograms, and specific significant unobservable inputs, including a quality index adjustment and a market conversion factor, as defined below.

The quality index adjustment is a value adjustment based on the relative quality of a processed hog based on the lean yield (being the ratio between muscle and fat content) and total weight. Quality adjustments during the year ranged from 6.5% to 6.9% (2020: 6.5% to 6.8%). A higher (lower) quality adjustment percentage will result in an increase (decrease) to the fair market value of the commercial hog stock.

The market conversion factor is a market adjustment used to discount the formula from a U.S. market price to a Canadian pricing model. The market conversion factor experiences minimal fluctuation. A higher (lower) market conversion factor will result in an increase (decrease) to the fair market value of the commercial hog stock.

Commercial poultry stock are valued at cost as an indicator of fair value in the case where little biological transformation has taken place since initial cost occurrence or when the impact of the biological transformation on price is not expected to be material.

Where reliable market prices of parent stock are not available, they are valued at cost less accumulated depreciation and any accumulated impairment losses. No active liquid market exists for parent stock as they are rarely sold.

The Company's biological asset operations can be affected by outbreaks of disease among livestock. To mitigate this risk, the Company monitors herd health status and has strict bio-security procedures and employee training programs throughout its livestock production operation.

7. INCOME TAXES

The components of income tax expense were as follows:

		2021		2020
Current tax expense				
Current year	**$**	**64,207**	$	52,541
	$	**64,207**	$	52,541
Deferred tax (recovery) expense				
Origination and reversal of temporary differences	**$**	**(19,054)**	$	(5,945)
Change in tax rates		**1,730**		—
	$	**(17,324)**	$	(5,945)
Total income tax expense	**$**	**46,883**	$	46,596

Reconciliation of Effective Tax rate

Income tax expense varies from the amount that would be computed by applying the combined federal and provincial statutory income tax rates as a result of the following:

	2021	2020
Income tax expense (recovery) according to combined statutory rate of 26.2% (2020: 26.3%)	**$ 39,223**	$ 42,119
Increase (decrease) in income tax resulting from:		
Tax rate differences in other jurisdictions	**5,353**	3,044
Manufacturing and processing credit	**(1,670)**	(1,910)
Share based compensation	**1,347**	1,149
Non-deductible expenses and transaction costs	**2,169**	2,214
Unrecognized income tax benefit of losses	**60**	109
Adjustment for favorable tax audit resolution	**—**	(224)
Remeasurement of deferred tax assets	**739**	—
Other	**(338)**	95
	$ 46,883	$ 46,596

Income Tax Recognized in Other Comprehensive Income (Loss)

	2021	2020
Investments	**$ 950**	$ —
Derivative instruments	**3,839**	(3,872)
Pension adjustments	**24,560**	(16,092)
	$ 29,349	$ (19,964)

Deferred Tax Assets and Liabilities

Recognized Deferred Tax Assets and Liabilities

The Company has recognized deferred tax assets in the amount of approximately $134.4 million (2020: $127.8 million), relating primarily to future deductions for employee benefits, tax losses and deductions carried forward, and restructuring expenses. These deferred tax assets are recorded based on the Company's estimate that it will earn sufficient taxable profits to fully utilize its tax losses in the appropriate carry over periods.

The Company has recognized deferred tax liabilities in the amount of approximately $240.9 million (2020: $223.6 million), relating primarily to claims for tax depreciation in excess of accumulated book depreciation, cash basis farming adjustments, and the excess of book value over the tax cost of intangible assets.

	As at December 31,	
	2021	2020
Deferred tax assets:		
Tax losses and deductions carried forward	**$ 88,245**	$ 64,469
Accrued liabilities	**12,114**	11,604
Employee benefits	**31,922**	50,609
Other	**2,106**	1,119
	$ 134,387	$ 127,801
Deferred tax liabilities:		
Property and equipment	**$ 164,632**	$ 147,555
Cash basis farming	**28,464**	24,491
Goodwill and other intangible assets	**47,764**	51,601
	$ 240,860	$ 223,647
Classified in the Consolidated Financial Statements as:		
Deferred tax assets	**$ 39,907**	$ 14,070
Deferred tax liability	**$ 146,380**	$ 109,916

Unrecognized Deferred Tax Assets

The Company has no unrecognized deferred tax assets as at December 31, 2021 and 2020.

Unrecognized Deferred Tax Liabilities

Deferred tax is not recognized on the unremitted earnings of subsidiaries and other investments as the Company is in a position to control the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future. The unrecognized temporary difference at December 31, 2021 for the Company's subsidiaries was $625.5 million (2020: $497.9 million).

8. ASSETS HELD FOR SALE

On July 27, 2020, the Company closed the sale of its poultry plant in Drummondville, Québec and associated supply to Giannone Poultry of St. Cuthbert, Québec for proceeds of $37.4 million. A gain on sale of $3.7 million related to the transaction was recognized into other expense in 2020.

As at December 31, 2020, assets held for sale contained a vacant plant located in St. Anselme, Québec. On March 18, 2021, the Company closed the sale of this plant for proceeds of $0.5 million. A loss on sale of $0.0 million related to the transaction was recognized in other expense for the year.

As at December 31, 2021, there were no assets held for sale.

9. PROPERTY AND EQUIPMENT

	Land	**Buildings**	**Machinery and equipment**	**Under construction**	**Total**
Cost	**$ 61,472**	**1,157,129**	**1,651,974**	**804,514**	**$ 3,675,089**
Accumulated depreciation	**—**	**(413,170)**	**(1,072,754)**	**—**	**(1,485,924)**
Net balance, December 31, 2021	**$ 61,472**	**743,959**	**579,220**	**804,514**	**$ 2,189,165**

	Land	Buildings	Machinery and equipment	Under construction	Total
Cost	$ 54,806	1,051,165	1,481,617	491,034	$ 3,078,622
Accumulated depreciation	—	(378,570)	(978,565)	—	(1,357,135)
Net balance, December 31, 2020	$ 54,806	672,595	503,052	491,034	$ 1,721,487

The changes in net carrying amounts of property, plant and equipment during 2021 and 2020 were as follows:

	Notes		**Land**	**Buildings**	**Machinery and equipment**	**Under construction**	**Total**
Net balance, December 31, 2020		**$**	**54,806**	**672,595**	**503,052**	**491,034**	**$ 1,721,487**
Business combination	***29***		**6,029**	**1,911**	**3,162**	**—**	**11,102**
Additions			**—**	**—**	**—**	**620,433**	**620,433**
Transfers from under construction			**640**	**125,980**	**179,606**	**(306,226)**	**—**
Impairment			**—**	**—**	**(744)**	**—**	**(744)**
Settlement [(i)]			**—**	**(20,822)**	**—**	**—**	**(20,822)**
Depreciation			**—**	**(33,859)**	**(103,584)**	**—**	**(137,443)**
Foreign currency translation			**(3)**	**38**	**65**	**(153)**	**(53)**
Other [(ii)]			**—**	**(1,884)**	**(2,337)**	**(574)**	**(4,795)**
Net balance, December 31, 2021		**$**	**61,472**	**743,959**	**579,220**	**804,514**	**$ 2,189,165**

		Land	Buildings	Machinery and equipment	Under construction	Total
Net balance, December 31, 2019	$	50,374	646,599	473,149	216,360	$ 1,386,482
Additions		—	—	—	472,907	472,907
Transfers from under construction		4,443	63,359	129,468	(197,270)	—
Impairment		—	—	(1,218)	—	(1,218)
Depreciation		—	(36,411)	(96,597)	—	(133,008)
Foreign currency translation		(11)	(395)	(579)	(963)	(1,948)
Other [(ii)]		—	(557)	(1,171)	—	(1,728)
Net balance, December 31, 2020	$	54,806	672,595	503,052	491,034	$ 1,721,487

[(i)] *During the year the Company settled a previous legal claim resulting in a cash settlement.*

[(ii)] *Includes disposals, reclassifications and other adjustments.*

Borrowing Costs

For the year ended December 31, 2021, borrowing costs of $20.3 million were capitalized (2020: $8.2 million), using an average capitalization rate of 3.2% (2020: 3.7%).

10. RIGHT-OF-USE ASSETS

The Company enters into lease arrangements for land, buildings, vehicles, machinery and equipment, and other assets as part of its daily operations.

Land and building leases include the rental of office space, manufacturing and distribution facilities and barns. These leases vary in length, are typically over 5 years and may include several renewal options.

Vehicle leases primarily include leases of employee vehicles. Employee vehicle leases have an initial term of 3 years. As part of its leasing agreement for employee vehicles, the Company is required to pay a residual value guarantee to the lessor for the value of the leased vehicle at the end of the lease term. As at December 31, 2021, the Company's residual value guarantees on employee vehicles totaled $2.9 million (2020: $2.8 million).

Machinery and equipment leases include the rental of manufacturing machinery and computer hardware. These leases vary in duration and structure and typically do not exceed 10 years.

Right-of-use assets are comprised of:

		Land and Buildings	Vehicles	Machinery and Equipment	Other		Total
Cost	**$**	**220,133**	**8,456**	**13,355**	**—**	**$**	**241,944**
Accumulated depreciation		**(68,101)**	**(4,750)**	**(7,431)**	**—**		**(80,282)**
Net balance, December 31, 2021	**$**	**152,032**	**3,706**	**5,924**	**—**	**$**	**161,662**

		Land and Buildings	Vehicles	Machinery and Equipment	Other		Total
Cost	$	233,966	8,361	14,988	28,830	$	286,145
Accumulated depreciation		(53,738)	(3,915)	(5,787)	—		(63,440)
Net balance, December 31, 2020	$	180,228	4,446	9,201	28,830	$	222,705

Changes in the net balance of right-of-use assets during 2021 and 2020 were as follows:

		Land and Buildings	Vehicles	Machinery and Equipment	Other		Total
Net balance, December 31, 2020	**$**	**180,228**	**4,446**	**9,201**	**28,830**	**$**	**222,705**
Additions		**25,509**	**2,146**	**730**	**—**		**28,385**
Depreciation		**(31,169)**	**(2,751)**	**(2,933)**	**—**		**(36,853)**
Dispositions, retirements, and other[i]		**(22,384)**	**(135)**	**(1,061)**	**(28,830)**		**(52,410)**
Foreign currency translation		**(152)**	**—**	**(13)**	**—**		**(165)**
Net balance, December 31, 2021	**$**	**152,032**	**3,706**	**5,924**	**—**	**$**	**161,662**

[i] *Includes $(35.7) million pertaining to acquisitions. See Note 29.*

		Land and Buildings	Vehicles	Machinery and Equipment	Other		Total
Net Balance, December 31, 2019	$	181,510	4,958	12,128	28,830	$	227,426
Additions		31,490	3,112	517	—		35,119
Depreciation		(31,354)	(2,964)	(3,105)	—		(37,423)
Dispositions, retirements, and other		(1,248)	(653)	(327)	—		(2,228)
Foreign currency translation		(170)	(7)	(12)	—		(189)
Net balance, December 31, 2020	$	180,228	4,446	9,201	28,830	$	222,705

Lease obligations associated with the Company's right-of-use assets are described in Note 16.

11. INVESTMENTS

	As at December 31, 2021	As at December 31, 2020
Portfolio Investments	**$ 19,402**	$ 12,420
Other Investments	**2,924**	3,490
	$ 22,326	$ 15,910

The Company holds strategic long-term equity investments in private companies that are not quoted in an active market. Fair value for these investments is determined using available financial and market information which can include financial statements, company projections and evidence from external transactions in the private company's equity. Changes in fair value are recorded in other comprehensive income, as it best represents the Company's internal position to maintain a long-term interest in these holdings.

No dividends were recognized for the years ended December 31, 2021 and 2020.

12. GOODWILL

The net carrying value for goodwill was $658.7 million as at December 31, 2021 (2020: $652.5 million). There were no impairment losses recognized for the years ended December 31, 2021 and 2020.

For the purposes of annual impairment testing, goodwill is allocated to the Meat Protein and Plant Protein CGU groups, being the groups expected to benefit from the synergies of each business combination in which the goodwill arose:

	As at December 31,	
CGU Group	**2021**	2020
Meat Protein	**$ 477,353**	$ 469,710
Plant Protein	**181,320**	182,791
	$ 658,673	$ 652,501

Annual impairment testing involves determining the recoverable amount of the CGU group to which goodwill is allocated and comparing this to the carrying value of the respective CGU groups. The measurement of the recoverable amount of the CGU groups was calculated based on fair value less costs to sell. Where there was no market information available, fair value was determined by discounting the future cash flows generated from the continuing use of the CGU groups. The calculation of the fair value based on discounting the future cash flows was based on the following key assumptions:

- Cash inflows and outflows were projected based on the Company's long-term business plan. Cash flows for a further perpetual period were extrapolated using growth rates of 2.0% to 3.0% (2020: 2.0% to 3.0%).
- The business plan contains forecasts based on past experience of actual operating results in conjunction with anticipated future growth opportunities. While the forecast does assume some base business expansion, largely related to innovation, the primary engine of growth is strategic in nature and is consistent with the projects and expectations as articulated in the Company's strategic plan.
- Discount rates applied in determining the recoverable amount of the CGU groups were ranging from 8.2% to 12.2% (2020: 8.4% to 12.1%). The discount rates were estimated based on past experience and the weighted average cost of capital of each CGU group and other competitors in the industry.

The values assigned to the key assumptions represent Management's assessment of future trends in the industries in which the CGU groups operate and are based on both external and internal sources and historical trend data.

The change in the carrying amount of goodwill during 2021 and 2020 was as follows:

	2021	2020
Net balance, beginning of year	**$ 652,501**	$ 657,179
Business combinations	**7,643**	—
Foreign currency translation	**(1,471)**	(4,678)
Net balance, end of year	**$ 658,673**	$ 652,501

13. INTANGIBLE ASSETS

	As at December 31,	
	2021	2020
Definite life	**$ 184,576**	$ 202,852
Indefinite life	**180,742**	138,344
Total intangible assets	**$ 365,318**	$ 341,196

	Definite life				
	Software in use	**Software in process**	**Recipes**	**Customer relationships**	**Total**
Cost	**$ 175,302**	**9,799**	**32,696**	**131,659**	**$ 349,456**
Accumulated amortization	**(125,697)**	**—**	**(12,937)**	**(26,246)**	**(164,880)**
Net balance, December 31, 2021	**$ 49,605**	**9,799**	**19,759**	**105,413**	**$ 184,576**

	Software in use	Software in process	Recipes	Customer relationships	Total
Cost	$ 168,239	7,855	32,882	132,330	$ 341,306
Accumulated amortization	(108,762)	—	(9,913)	(19,779)	(138,454)
Net balance, December 31, 2020	$ 59,477	7,855	22,969	112,551	$ 202,852

The changes in net carrying amounts of definite life intangibles during 2021 and 2020 were as follows:

	Software in use	**Software in process**	**Recipes**	**Customer relationships**	**Total**
Net balance, December 31, 2020	**$ 59,477**	**7,855**	**22,969**	**112,551**	**$ 202,852**
Additions	**—**	**9,006**	**—**	**—**	**9,006**
Transfers	**7,063**	**(7,063)**	**—**	**—**	**—**
Amortization	**(16,935)**	**—**	**(3,074)**	**(6,550)**	**(26,559)**
Foreign currency translation	**—**	**1**	**(136)**	**(588)**	**(723)**
Net balance, December 31, 2021	**$ 49,605**	**9,799**	**19,759**	**105,413**	**$ 184,576**

	Software in use	Software in process	Recipes	Customer relationships	Total
Net balance, December 31, 2019	$ 44,589	20,643	26,543	121,147	$ 212,922
Additions	—	17,787	—	—	17,787
Transfers	30,575	(30,575)	—	—	—
Amortization	(15,688)	—	(3,263)	(6,884)	(25,835)
Foreign currency translation	1	—	(311)	(1,712)	(2,022)
Net balance, December 31, 2020	$ 59,477	7,855	22,969	112,551	$ 202,852

Amortization

Amortization is recorded through cost of goods sold or SG&A depending on the nature of the asset.

Borrowing Costs

For the years ended December 31, 2021 and 2020, there were no borrowing costs capitalized on intangible assets.

Indefinite Life Intangibles

Indefinite life intangible assets are comprised of trademarks and poultry production quota. The Company expects to renew the registration of the trademarks and poultry quota at each expiry date indefinitely and expects these assets to generate economic benefit in perpetuity. As such, the Company assessed these intangibles to have indefinite useful lives.

The changes in net carrying amounts of indefinite life intangibles during 2021 and 2020 were as follows:

		Indefinite life		
	Notes	**Trademarks**	**Quota**	**Total**
Net balance, December 31, 2020		**$ 118,191**	**20,153**	**$ 138,344**
Business Combination	***29***	**—**	**42,838**	**42,838**
Foreign currency translation		**(440)**	**—**	**(440)**
Net balance, December 31, 2021		**$ 117,751**	**62,991**	**$ 180,742**

	Trademarks	Quota	Total
Net balance, December 31, 2019	$ 119,638	20,153	$ 139,791
Foreign currency translation	(1,447)	—	(1,447)
Net balance, December 31, 2020	$ 118,191	20,153	$ 138,344

The indefinite life intangible assets are allocated between the Meat Protein and Plant Protein CGU groups as follows:

	As at December 31,	
CGU Group	**2021**	2020
Meat Protein	**$ 126,412**	$ 83,573
Plant Protein	**54,330**	54,771
	$ 180,742	$ 138,344

The Company performs annual impairment testing on its indefinite life intangible assets. Annual impairment testing, consistent with the impairment testing for goodwill as described in Note 12, involves determining the recoverable amount of each indefinite life intangible asset and comparing it to the net carrying value.

The recoverable amount of trademarks is calculated using the royalty savings approach, which involves present valuing the royalties earned by similar trademarks. The key assumptions used in this determination are:

	2021	2020
Royalty rate	**1.0 - 3.0%**	1.0 - 3.0%
Terminal growth rate	**2.0 - 3.0%**	1.0 - 3.0%
Discount rate	**8.2 - 12.2%**	8.4 - 12.1%

14. PROVISIONS

			Restructuring and other related costs		
	Legal	**Environmental**	**Severance and other employee related**	**Site closing and other cash costs**	**Total**
Balance at December 31, 2020	**$ 739**	**2,621**	**42,338**	**61**	**$ 45,759**
Charges	**—**	**—**	**3,109**	**37**	**3,146**
Reversals	**(89)**	**(140)**	**(1,705)**	**—**	**(1,934)**
Cash payments	**—**	**(32)**	**(1,398)**	**(49)**	**(1,479)**
Balance at December 31, 2021	**$ 650**	**2,449**	**42,344**	**49**	**$ 45,492**
Current					**$ 842**
Non-current					**44,650**
Total at December 31, 2021					**$ 45,492**

	Legal	Environmental	Restructuring and other related costs: Severance and other employee related	Restructuring and other related costs: Site closing and other cash costs	Total
Balance at December 31, 2019	$ 289	2,705	45,799	109	$ 48,902
Charges	850	—	3,445	84	4,379
Reversals	—	—	(3,573)	(48)	(3,621)
Cash payments	(400)	(84)	(3,333)	(84)	(3,901)
Balance at December 31, 2020	$ 739	2,621	42,338	61	$ 45,759
Current					$ 1,529
Non-current					44,230
Total at December 31, 2020					$ 45,759

Restructuring and Other Related Costs

For the year ended December 31, 2021, the Company recorded restructuring and other related costs of $4.9 million. Of this amount, $3.5 million related to accelerated depreciation and $0.8 million related to severance and other employee costs as a result of the previously announced future closures of the Brampton, Toronto and St. Mary's poultry plants. The remaining $0.6 million related to employee related costs for other organizational restructuring initiatives.

For the year ended December 31, 2020, the Company recorded restructuring and other related costs of $4.3 million. Of this amount, $4.4 million related to accelerated depreciation and $0.1 million related to severance and other employee related costs as a result of the previously announced future closures of the Brampton, Toronto and St. Mary's poultry plants. The remaining $0.2 million reversal related to employee related costs for other organizational restructuring initiatives.

15. LONG-TERM DEBT

	As at December 31, 2021	2020
Revolving line of credit	**$ 555,219**	$ 50,000
U.S. term credit	**334,828**	337,544
Canadian term credit	**350,000**	350,000
Government loans	**12,202**	8,404
Total long-term debt	**$ 1,252,249**	$ 745,948
Current	**$ 5,176**	$ 900
Non-current	**1,247,073**	745,048
Total long-term debt	**$ 1,252,249**	$ 745,948

The Company has a syndicated credit facility (the "Credit Facility") consisting of a $1,300.0 million unsecured committed revolving line of credit maturing April 30, 2024 and two unsecured committed term credit facilities for US$265.0 million and $350.0 million maturing April 30, 2024 and April 30, 2023, respectively. The Credit Facility can be drawn in Canadian or U.S. dollars and bears interest payable monthly, based on Banker's Acceptance and Prime rates for Canadian dollar loans and the London Inter-bank Offered Rate ("Libor") for U.S. dollar loans. The Credit Facility is intended to meet the Company's funding requirements for capital investments in addition to providing appropriate levels of liquidity for general corporate purposes. On December 11, 2019, the Company amended the Credit Facility to reduce interest paid upon achievement of certain sustainability targets. Subsequent to the issuance of the Company's 2020 Sustainability Report, the Company successfully achieved these sustainability targets. This reduction has taken effect in the fourth quarter of 2021. There is no penalty for not achieving the targets. In addition to term credit, as at December 31, 2021 the Company had drawn letters of credit of $8.2 million on the Credit Facility (2020: $6.4 million).

The Credit Facility requires the maintenance of certain covenants. As at December 31, 2021, the Company was in compliance with all of these covenants. The primary financial covenant requires that the Company maintain a Total Debt to Capitalization ratio below a specified threshold.

The Company has additional uncommitted credit facilities for issuing letters of credit up to a maximum of $125.0 million (2020: $125.0 million). As at December 31, 2021, $66.8 million in letters of credit had been issued thereon (2020: $67.0 million).

The Company has various government loans on specific projects, with contractual interest rates ranging from non-interest bearing to 2.9% per annum (2020: 2.9%). These specific facilities are repayable over various terms and are maturing from 2022 to 2032. As at December 31, 2021, $12.2 million (2020: $8.4 million) was outstanding. All of these facilities are committed.

The Company's estimated average effective cost of borrowing for 2021 was approximately 3.1% (2020: 3.6%). Required repayments of long-term debt are as follows:

2022	$ 5,455
2023	351,153
2024	891,213
2025	797
2026 and thereafter	4,978
Total required repayments of long-term debt	**$ 1,253,596**

The following table reconciles the changes in cash flows from financing activities for long-term debt for the period in the respective years:

	As at December 31,	
	2021	2020
Total long-term debt, beginning of period	**$ 745,948**	$ 539,328
Revolving and term credit facilities - net drawings	**$ 495,897**	$ 215,000
Government loans - new issuance	**5,484**	1,684
Government loans - repayments	**(1,084)**	(1,083)
Total cash flow from long-term debt financing activities	**$ 500,297**	$ 215,601
Foreign exchange revaluation	**$ 6,606**	$ (8,917)
Other non-cash changes	**(602)**	(64)
Total non-cash changes	**$ 6,004**	$ (8,981)
Total long-term debt, end of period	**$ 1,252,249**	$ 745,948

16. LEASE OBLIGATIONS

Changes in the balance of lease obligations during 2021 and 2020 were as follows:

	As at December 31,	
	2021	2020
Total lease obligations, beginning of period	**$ 240,237**	$ 243,518
Payments	**(43,749)**	(45,040)
Interest	**6,906**	8,673
Additions	**28,384**	35,600
Dispositions, retirements, and other[(i)]	**(55,852)**	(2,324)
Foreign currency translation	**(160)**	(190)
Total lease obligations, end of period	**$ 175,766**	$ 240,237
Current	**$ 31,375**	$ 79,601
Non-current	**144,391**	160,636
Total lease obligations, end of period	**$ 175,766**	$ 240,237

(i) Includes $39.6 million pertaining to acquisitions. See Note 29.

Total cash outflows arising from lease obligations during 2021 and 2020 were as follows:

	As at December 31,	
	2021	2020
Payment of lease obligations in Financing Activities	**$ 36,843**	$ 37,554
Payment of lease interest expense in Operating Activities	**6,906**	7,486
Total cash outflow of leases	**$ 43,749**	$ 45,040

The maturity of contractual undiscounted lease obligation payments are as follows:

Due within 1 year	**$ 29,157**
Due between 1 and 3 years	**53,272**
Due between 3 and 5 years	**36,567**
Due after 5 years	**83,349**
Total lease obligation payments	**$ 202,345**

The Company does not face a significant liquidity risk in regard to its lease obligations. See Note 20.

The following amounts were recognized in the consolidated statements of net earnings pertaining to leases:

	As at December 31,	
	2021	2020
Variable rent expense[(i)]	**$ 11,286**	$ 12,797
Short-term rent expense[(ii)]	**$ 10,013**	$ 7,004

(i) *Relates to property taxes and common area maintenance on buildings which are calculated annually. These payments make up 28.5% (2020: 28.4%) of fixed payments made in the year.*

(ii) *Pertains primarily to leases of property, equipment and vehicles with a contract term of less than one year.*

Right-of-use assets associated with the Company's lease obligations are described in Note 10.

17. OTHER CURRENT LIABILITIES

		As at December 31,	
	Notes	**2021**	2020
Derivative instruments	***20***	**$ 16,887**	$ 8,779
Obligation for repurchase of shares	***19***	**49,070**	29,835
Contract liabilities		**12,280**	11,522
Other		**3,028**	5,713
		$ 81,265	$ 55,849

18. EMPLOYEE BENEFITS

The Company sponsors several defined benefit pension programs for Canadian employees which are either final salary plans, career salary plans, service-based plans, or a combination thereof. The Company also sponsors a final salary defined benefit pension plan in the U.K. in which membership is closed with no members accruing benefits. These defined benefit plans require contributions to be made to separately administered funds. Certain retired employees are covered under a post-retirement benefit plan, which reimburses certain medical costs and provides life insurance coverage.

The Canadian plan is governed by the pension laws of Ontario. The U.K. plan is governed by the employment laws of the U.K.

The Company's pension funding policy is to contribute amounts sufficient, at a minimum, to meet local statutory funding requirements. For the Company's defined benefit pension plans, local regulatory bodies either define minimum funding requirements or approve funding plans submitted by the Company. From time to time the Company may make additional discretionary contributions considering actuarial assessments and other factors. The contributions that have been made to support ongoing plan obligations have been recorded in the respective asset or liability accounts on the consolidated balance sheets. Actuarial valuations for the Company's defined benefit pension plans are completed based on the regulations in place in the jurisdictions where the plans operate.

Information about the Company's defined benefit plans as at December 31, in aggregate, are as follows:

	Other post-retirement benefits	**Pension**	**2021 Total**	Other post-retirement benefits	Pension	2020 Total
Plan assets						
Fair value, beginning of year	**$ —**	**1,109,042**	**$ 1,109,042**	$ —	1,069,663	$ 1,069,663
Interest income	**—**	**25,972**	**25,972**	—	32,241	32,241
Actuarial gains(i)	**—**	**17,917**	**17,917**	—	66,056	66,056
Employer contributions	**—**	**10,155**	**10,155**	—	9,639	9,639
Employee contributions	**—**	**3,532**	**3,532**	—	3,445	3,445
Benefits paid	**—**	**(75,040)**	**(75,040)**	—	(69,218)	(69,218)
Administrative costs	**—**	**(1,551)**	**(1,551)**	—	(2,784)	(2,784)
Fair value, end of year	**$ —**	**1,090,027**	**$ 1,090,027**	$ —	1,109,042	$ 1,109,042
Accrued benefit obligations:						
Balance, beginning of year	**$ (52,864)**	**(1,244,117)**	**$ (1,296,981)**	$ (51,179)	(1,134,499)	$ (1,185,678)
Current service cost	**(87)**	**(20,339)**	**(20,426)**	(74)	(17,759)	(17,833)
Interest cost	**(1,230)**	**(29,666)**	**(30,896)**	(1,535)	(34,696)	(36,231)
Benefits paid from plan assets	**—**	**75,040**	**75,040**	—	69,218	69,218
Benefits paid directly from the Company	**2,924**	**7,165**	**10,089**	2,805	2,082	4,887
Actuarial gains (losses) - experience	**524**	**—**	**524**	699	(16,492)	(15,793)
Actuarial losses - financial assumptions	**2,488**	**75,026**	**77,514**	(3,580)	(108,526)	(112,106)
Employee contributions	**—**	**(3,532)**	**(3,532)**	—	(3,445)	(3,445)
Curtailments	**—**	**880**	**880**	—	—	—
Balance, end of year	**$ (48,245)**	**(1,139,543)**	**$ (1,187,788)**	$ (52,864)	(1,244,117)	$ (1,296,981)
Unfunded	**$ (48,245)**	**(32,018)**	**$ (80,263)**	$ (52,864)	(35,945)	$ (88,809)
Funded(ii)	**—**	**(1,107,525)**	**(1,107,525)**	—	(1,208,172)	(1,208,172)
Total benefit obligations	**$ (48,245)**	**(1,139,543)**	**$ (1,187,788)**	$ (52,864)	(1,244,117)	$ (1,296,981)
Other	**$ —**	**132**	**$ 132**	$ —	$ (1,007)	$ (1,007)
Accrued net benefit obligations, end of year	**$ (48,245)**	**(49,384)**	**$ (97,629)**	$ (52,864)	(136,082)	$ (188,946)

(i) *Return on plan assets greater than discount rate.*

(ii) *Includes wholly and partially funded plans.*

Pension benefit expense recognized in net earnings:

	2021	2020
Current service cost - defined benefit	**$ 20,339**	$ 17,759
Current service cost - defined contribution and multi-employer plans	**17,664**	18,308
Net interest cost	**3,694**	2,454
Administrative costs	**1,551**	2,784
Curtailments[(i)]	**(880)**	—
Net pension benefit expense	**$ 42,368**	$ 41,305

[(i)] *Included in other expense for the year.*

For the year ended December 31, 2021, the Company expensed salaries of $835.1 million (2020: $799.2 million), excluding pension and other post-retirement benefits.

Amounts recognized in other comprehensive income (loss) (before income taxes):

	2021	2020
Actuarial gain (loss)	**$ 98,062**	$ (62,937)

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations were as follows:

	2021	2020
Period end discount rate	**2.90%**	2.40%
Rate of salary increase	**2.75%**	2.75%

Plan assets were comprised of:

	As at December 31,	
	2021	2020
Equity securities	**45%**	47%
Debt securities	**49%**	48%
Other investments and cash	**6%**	5%
	100%	100%

As at December 31, 2021, the Company's plans were invested in pooled funds which hold underlying equity, debt and other securities and are not quoted in an active market.

Other post-retirement benefits expense recognized in net earnings:

	2021	2020
Current service cost	**$ 87**	$ 74
Interest cost	**1,230**	1,535
Other post-retirement benefits expense	**$ 1,317**	$ 1,609

Impact of changes in major assumptions:

				Increase (decrease) in defined benefit obligations		
Actuarial Assumption			**Sensitivity**	**Total pensions**	**Other post-retirement benefits**	**Total**
Period end discount rate	2.90 %	0.25 %	decrease	$ 37,789	1,236	$ 39,025
		0.25 %	increase	$ (36,575)	(1,124)	$ (37,699)
Rate of salary increase	2.75 %	0.50 %	increase	$ 2,853	N/A	$ 2,853
Mortality	110% of 2014 Private Sector Canadian Pensioners' Mortality Table, projected generationally using scale MI-2017	Increase of 1 year in expected lifetime of plan participants		$ 38,262	717	$ 38,979

Measurement dates:	
2021 expense	December 31, 2020
Balance sheet	December 31, 2021

The average expected maturity of the pension obligations is 13.6 years (2020: 13.6 years).

The Company expects to contribute $35.8 million to pension plans in 2022, inclusive of defined benefit plans, defined contribution plans and multi-employer plans.

Governance and Risk Management

The Company administers its pension plans through its Board of Directors. The Company's Board of Directors has established a governance structure and delegated to the Audit Committee and the Pension Investment Advisory Committee all aspects of the investment of the funds. The Company's Board of Directors has delegated to the Pension Policy and Administration Committee the authority to make amendments to the documents that govern the pension plans of an administrative or compliance nature, that relate to collective bargaining agreements entered into by the Company or that have a minimal financial impact on the plans.

In fulfilling their responsibilities, the Audit Committee and the Pension Investment Advisory Committee may delegate functions or responsibilities to, or otherwise utilize employees of the Company where appropriate. The Audit Committee and the Pension Investment Advisory Committee may rely on independent experts for certain aspects of the funds' operations. The Audit Committee or the Pension Investment Advisory Committee, as appropriate, retain responsibility and utilize suitable personnel for such activities and monitor the activities undertaken by the selected personnel.

The plan assets are invested primarily in well-diversified pooled funds that meet the constraints set out in legislation of the jurisdictions in which the plans operate. Further diversification criteria set out in investment funds' governing documents require the division of investments between equities and fixed income. There are no significant concentrations of risks.

Multi-Employer Plan

The Company contributes to the Canadian Commercial Workers Industry Pension Plan which is a multi-employer defined benefit plan for employees who are members of the United Food and Commercial Workers Canada union. This is a large-scale plan for union workers of multiple companies across Canada. Adequate information to account for these contributions as a defined benefit plan in the Company's statements is not available due to the size and number of contributing employers in the plan. Included in the pension benefit expense is $0.9 million (2020: $0.9 million) related to payments into this plan. The Company expects to contribute $0.9 million into this plan in 2022.

19. SHARE CAPITAL

	Common Shares		Treasury Stock	
(Thousands of shares)	**2021**	2020	**2021**	2020
Balance at December 31, 2020	**123,180**	122,930	**756**	960
Distributions under share-based compensation plans	**164**	204	**(164)**	(204)
Exercise of share options	**786**	46	**—**	—
Purchase of treasury stock	**(259)**	—	**259**	—
Balance at December 31, 2021	**123,871**	123,180	**851**	756

Common Shares

The authorized share capital consists of an unlimited number of common shares, an unlimited number of non-voting common shares, and an unlimited number of preference shares. These shares have no par value.

The holders of common shares are entitled to receive dividends as declared from time to time, and they are entitled to one vote per share at meetings of the Company.

Treasury Stock

Treasury stock is comprised of shares purchased by a trust in order to satisfy the requirements of the Company's Restricted Share Unit Plan, as described in Note 23.

Share Repurchase

On May 20, 2021 the Toronto Stock Exchange ("TSX") accepted the Company's notice of intention to commence a Normal Course Issuer Bid ("NCIB"), allowing the Company to repurchase, at its discretion, up to 7.5 million common shares in the open market or as otherwise permitted by the TSX, subject to the normal terms and limitations of such bids. Common shares purchased by the Company are cancelled. The program commenced on May 25, 2021 and will terminate on May 24, 2022, or on such earlier date as the Company completes its purchases pursuant to the notice of intention. Under this bid, during the year ended December 31, 2021, no shares were repurchased for cancellation.

On May 21, 2020 the TSX accepted the Company's notice of intention to commence an NCIB, allowing the Company to repurchase, at its discretion, up to 7.5 million common shares in the open market or as otherwise permitted by the TSX, subject to the normal terms and limitations of such bids. Common shares purchased by the Company are cancelled. The program commenced on May 25, 2020 and was terminated on May 24, 2021, or on such earlier date as the Company completes its purchases pursuant to the notice of intention. Under this bid, during the year ended December 31, 2021 and December 31, 2020, no shares were purchased for cancellation.

On May 17, 2019, the TSX accepted the Company's notice of intention to commence an NCIB, allowing the Company to repurchase, at its discretion, up to 7.5 million common shares in the open market or as otherwise permitted by the TSX, subject to the normal terms and limitations of such bids. Common shares purchased by the Company were cancelled. The program commenced on May 24, 2019 and was terminated on May 23, 2020. Under this bid during the year ended December 31, 2020, no shares were purchased for cancellation.

The Company entered into an Automatic Share Purchase Plan ("ASPP") with a broker that allows the purchase of common shares for cancellation under the NCIB at any time during predetermined trading blackout periods. As at December 31, 2021, an obligation for the repurchase of shares of $49.1 million (2020: $29.8 million) was recognized under the ASPP.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT ACTIVITIES

Capital

The Company's objective is to maintain a robust, cost-effective capital structure that ensures resilience, supports its long-term growth strategy, and maximizes operating flexibility. In allocating capital to investments to support its earnings goals, the Company establishes internal hurdle return rates for capital initiatives. Capital projects are generally financed with internal cash flows and senior debt where required.

The Company uses leverage in its capital structure to reduce the cost of capital. The Company's goal is to maintain its primary credit ratios at levels that are designed to provide continued access to investment-grade credit pricing and terms. The Company measures its credit profile using a number of metrics, some of which are non-IFRS measures, primarily cash and cash equivalents, less long-term debt and bank indebtedness ("Net Debt") and earnings before interest, taxes, depreciation and amortization ("EBITDA").

In addition to credit facilities and equity, the Company uses leases and a very limited recourse accounts receivable securitization program as additional sources of financing.

The Company has maintained a stable dividend distribution that is based on a long-term sustainable net earnings base. From time to time, the Company has purchased shares for cancellation pursuant to normal course issuer bids and to satisfy awards under its Restricted Share Unit Plan described in Note 23.

There have been no material changes to the Company's risk management activities during the year ended December 31, 2021.

Financial Instruments

The Company's financial assets and liabilities are classified into the following categories:

Cash and cash equivalents	FVTPL
Accounts receivable	Amortized cost
Notes receivable	Amortized cost
Accounts payable and accruals	Amortized cost
Long-term debt	Amortized cost
Derivative instruments[(i)]	FVTPL
Investments	FVTOCI

[(i)] *These derivative instruments may be designated as cash flow hedges, fair value hedges or net investments in foreign operations hedges as appropriate. Derivatives designated as cash flow hedges are classified as FVTOCI.*

The Company applies hedge accounting as appropriate and uses derivatives and other non-derivative financial instruments to manage its exposures to fluctuations in foreign exchange rates, interest rates, and commodity prices.

The fair values and notional amounts of derivative financial instruments as at December 31, are shown below:

	2021			2020		
	Notional amount(i)	**Fair value Asset(ii)**	**Fair value Liability(ii)**	Notional amount(i)	Fair value Asset(ii)	Fair value Liability(ii)
Cash flow hedges						
Foreign exchange contracts	**$ 48,810**	**$ 277**	**$ 117**	$ 28,139	$ 135	$ 11
Commodity contracts	**$ —**	**—**	**—**	$ 16,245	695	—
Interest rate swaps	**$ 469,828**	**—**	**5,565**	$ 472,544	—	18,372
		$ 277	**$ 5,682**		$ 830	$ 18,383
Fair value hedges(iii)						
Foreign exchange contracts	**$ 26,770**	**$ 149**	**$ 220**	$ 83,793	$ 2,970	$ —
Commodity contracts	**$ 24,747**	**325**	**—**	$ 76,957	—	1,769
		$ 474	**$ 220**		$ 2,970	$ 1,769
Derivatives not designated in a formal hedging relationship						
Interest rate swaps	**$ 481,942**	**$ —**	**$ 11,667**	$ —	$ —	$ —
Foreign exchange contracts	**$ 105,907**	**1,027**	**375**	$ 71,520	255	544
Commodity contracts	**$ 100,820**	**1,689**	**—**	$ 115,855	1,175	—
		$ 2,716	**$ 12,042**		$ 1,430	$ 544
Total fair value		**$ 3,467**	**$ 17,944**		$ 5,230	$ 20,696
Current(ii)(iv)(v)		**$ 3,467**	**$ 16,887**		$ 5,230	$ 8,779
Non-current(ii)		**—**	**1,057**		—	11,917
Total fair value		**$ 3,467**	**$ 17,944**		$ 5,230	$ 20,696

(i) *Unless otherwise stated, notional amounts are stated at the contractual Canadian dollar equivalent.*

(ii) *The current portion of derivative assets and liabilities are recorded in prepaid expenses and other assets and other current liabilities, respectively, in the Consolidated Balance Sheets. The non-current portion of derivative assets and liabilities are recorded in other long-term assets and other long-term liabilities, respectively, in the Consolidated Balance Sheets.*

(iii) *The carrying amount of the hedged items in the Consolidated Balance Sheets are recorded at the inverse of the associated hedging instruments and are equal to the accumulated fair value hedge adjustments less hedge ineffectiveness.*

(iv) *Short-term derivatives will impact profit or loss at various dates within the next 12 months.*

(v) *As at December 31, 2021, the above fair value of current assets has decreased by $0.5 million (December 31, 2020: increased by $7.4 million), and the above fair value of current liabilities has decreased by $0.0 million (December 31, 2020: $1.8 million) on the consolidated balance sheets, representing the difference in the fair market value of exchange traded commodity contracts and the initial margin requirements. The difference in margin requirements and fair market value is net settled in cash each day with the futures exchange and is recorded within cash and cash equivalents.*

The Company's financial assets and liabilities include accounts receivable, notes receivable and accounts payable and accruals for which fair value approximates the carrying value due to their short-term nature.

The carrying value of long-term debt as at December 31, 2021 and 2020 approximates its fair value. The fair value of the Company's long-term debt has been classified as Level 2 in the fair value hierarchy and was estimated based on discounted future cash flows using current rates for similar financial instruments subject to similar risks and maturities.

The Company's cash and cash equivalents, and derivative instruments are recorded at fair value. The fair value of cash and cash equivalents approximates carrying value due to the short-term nature of the assets and has been classified as Level 1 in the fair value hierarchy. The fair values of the Company's interest rate and foreign exchange derivative instruments were estimated using current market measures for interest rates and foreign exchange rates. Commodity futures and commodity options contracts are exchange-traded and over-the-counter. Fair value is determined based on exchange prices and other observable market data.

Net gains and losses on financial instruments recognized at fair value through profit or loss consist of realized and unrealized gains and losses on derivatives that were de-designated or were otherwise not in a formal hedging relationship.

For the year ended December 31, 2021, the Company recorded a gain of $3.9 million (2020: loss of $23.6 million) on financial instruments recognized at fair value through profit or loss.

The table below sets out fair value measurements of derivative financial instruments as at December 31, 2021 using the fair value hierarchy:

		Level 1	Level 2	Level 3		Total
Assets:						
Foreign exchange contracts	$	—	1,453	—	$	1,453
Commodity contracts[(i)]		1,747	267	—		2,014
	$	**1,747**	**1,720**	**—**	**$**	**3,467**
Liabilities:						
Foreign exchange contracts	$	—	712	—	$	712
Interest rate swaps		—	17,232	—		17,232
	$	**—**	**17,944**	**—**	**$**	**17,944**

(i) *Level 1 commodity contracts are net settled and recorded as a net asset or liability on the Consolidated Balance Sheets.*

There were no transfers between levels for the year ended December 31, 2021. Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

Accumulated other comprehensive income (loss)

The Company estimates that $3.2 million, net of tax of $1.1 million, of the unrealized loss included in accumulated other comprehensive income (loss) will be reclassified into net earnings within the next 12 months. The actual amount of this reclassification will be impacted by future changes in the fair value of financial instruments designated as cash flow hedges. The actual amount reclassified could differ from this estimated amount.

During the year ended December 31, 2021 a loss of $0.8 million net of tax of $0.3 million was released to earnings from accumulated other comprehensive (loss) income and included in the net change for the year (2020: loss of $3.6 million net of tax of $1.3 million).

The risks associated with the Company’s financial instruments and policies for managing these risks are detailed below.

Market Risk

Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

The Company’s interest rate risk arises from long-term borrowings issued at fixed rates that create fair value interest rate risk and variable-rate borrowings that create cash flow interest rate risk. In addition, the Company’s cash balances are typically invested in short-term interest-bearing assets.

The Company manages its interest rate risk exposure by using a mix of fixed and variable-rate debt and periodically using interest rate derivatives to achieve the desired proportion of variable to fixed-rate debt.

As at December 31, 2021, the Company had variable-rate debt of $1,240.0 million with a weighted average interest rate of 2.4% (2020: $737.5 million at a weighted average interest rate of 2.0%). The Company has converted $469.8 million of the variable-rate debt to fixed-rate debt using interest rate swaps with a weighted average interest rate of 3.7% (2020: $472.5 million at a weighted average interest rate of 3.3%). In addition, the Company was exposed to floating interest rates on its accounts receivable securitization program. As at December 31, 2021, the cash advance received pursuant to this program was $120.0 million at a weighted average interest rate of 0.9% (2020: $120.0 million at a weighted average interest rate of 0.4%). The maximum amount available to the Company under these programs is $120.0 million (2020: $120.0 million).

As at December 31, 2021, the Company had fixed-rate debt of $12.2 million (2020: $8.4 million) with a weighted average effective interest rate of 3.5% (2020: 4.2%). Changes in market interest rates cause the fair value of long-term debt with fixed interest rates to fluctuate but do not affect net earnings, as the Company’s debt is carried at amortized cost and the carrying value does not change as interest rates change.

As at December 31, 2021, 35.1% (2020: 55.5%) of the Company’s outstanding debt and revolving accounts receivable securitization program were not exposed to interest rate movements, after including the effect of interest rate swaps.

The Company's designated interest rate swaps are accounted for as cash flow hedges to reduce variability of floating rate interest payments of variable-rate debt. These interest rate swaps settle periodically against CDOR and USD LIBOR benchmarks and mature in 2023 and 2024, respectively, in line with the hedged items. The Company's cash flow hedges of USD LIBOR interest payments, which have a notional value of US$265.0 million, extend beyond the anticipated cessation date of USD LIBOR. The cessation of USD LIBOR and transition to a new benchmark could impact the effectiveness of the hedging relationship. The Company applies the amendments to IFRS 9 issued in September 2019 to those hedging relationships directly affected by IBOR reform and expects to either agree on fallback clauses with counterparties, renegotiate the swap contracts, or adhere to ISDA fallback protocols to manage the future transition of affected hedges.

The critical terms of designated interest rate swaps and the associated hedged items are closely aligned. The Company performs a qualitative assessment of the effectiveness, and it is expected that the value of the interest rate swaps and the value of the corresponding hedged items will systematically change in opposite directions in response to movements in the underlying interest rates. Sources of hedge ineffectiveness include the effect of the counterparty and the Company's own credit risk on the fair value of the interest rate swaps and a lack of access to negative benchmark interest rates on the Company's borrowings.

The change in fair values of interest rate hedges used as the basis for recognizing ineffectiveness for the year ended December 31, 2021 and 2020 were as follows:

	2021		2020	
	Hedging instruments	**Hedged items**	Hedging instruments	Hedged items
Cash flow hedges	**$ (5,565)**	**$ 5,578**	$ (18,372)	$ 18,513

Amounts recognized in the consolidated statements of other comprehensive income (loss) as at December 31, consist of:

	2021		2020	
Cash flow hedges	**Continuing hedges**	**Discontinued hedges**	Continuing hedges	Discontinued hedges
Balance, beginning of year	**$ (18,372)**	**$ —**	$ 2,160	$ —
Eligible change in fair value of interest rate swaps	**12,807**	**—**	(20,532)	—
Balance, end of year	**$ (5,565)**	**$ —**	$ (18,372)	$ —

It is estimated that, all else constant, an adverse hypothetical 10.0% change in the variable interest rate would result in a decrease in the fair value of the Company’s interest rate swaps of $0.9 million, with a decrease in earnings before taxes of $0.0 million and a decrease in other comprehensive income (loss) of $0.9 million.

Foreign Exchange Risk

Foreign exchange risk refers to the risk that the value of financial instruments or cash flows will fluctuate due to changes in foreign exchange rates.

The Company’s foreign exchange risk arises primarily from transactions in currencies other than Canadian dollars, U.S. dollar-denominated borrowings, and investments in foreign operations. The primary currencies to which the Company is exposed to are the U.S. dollar and the Japanese yen.

The Company uses foreign exchange forward contracts to manage foreign exchange transaction exposures. The Company uses forward contracts which are accounted for as fair value hedges to minimize the price risk assumed under forward priced contracts with suppliers. The Company also uses forward contracts which are accounted for as cash flow hedges as well as non-designated derivative instruments to minimize the price risk of anticipated transactions. The Company uses cross-currency interest rate swaps to manage the foreign exchange risk of U.S. dollar-denominated borrowings.

The critical terms of foreign exchange forward contracts and the associated hedged items are similar. The Company performs a quantitative assessment of the effectiveness, and it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying exchange rates. The main source of hedge ineffectiveness in these hedging relationships is the effect of the counterparty and the Company's own credit risk on the fair value of the foreign exchange contracts, which is not reflected in the fair value of the hedged item attributable to changes in foreign exchange rates. Other sources of ineffectiveness include differences in the underlying terms of the foreign exchange contracts and the hedged items.

The Company's designated foreign exchange forward contracts mature within one year. The average exchange rate of the Company's U.S. dollar denominated contracts is 1.27 (2020: 1.31).

As at December 31, 2021, the Company had US$637.2 million (2020: US$265.0 million) of U.S. dollar-denominated borrowings that were drawn on the Credit Facility of which US$265.0 million is designated as a net investment hedge of the Company's U.S. operations. Foreign exchange gains and losses on the designated drawings are recorded in shareholders' equity in accumulated other comprehensive income (loss) and offset translation adjustments on the underlying net assets of the U.S. operations, which are also recorded in accumulated other comprehensive income (loss).

The gain on the net investment hedge recorded in other comprehensive income (loss) for the year ended December 31, 2021 was $2.2 million, net of tax of $0.5 million (2020: gain of $7.5 million, net of tax of $1.4 million).

The critical terms of the designated U.S. dollar-denominated borrowings and the associated hedged items are the same. The Company performs a qualitative assessment of the effectiveness, and it is expected that the value of the designated U.S. dollar-denominated borrowings and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying exchange rates. There are no sources of hedge ineffectiveness.

The change in fair values of foreign exchange hedges used as the basis for recognizing ineffectiveness for the year ended December 31, 2021 and 2020 were as follows:

	2021		2020	
	Hedging instruments	**Hedged items**	Hedging instruments	Hedged items
Cash flow hedges	**$ 160**	**$ (160)**	$ 124	$ (117)
Fair value hedges	**$ (71)**	**$ 49**	$ 2,970	$ (3,104)
Net investment in foreign operations	**$ 20,060**	**$ (20,060)**	$ 17,344	$ (17,344)

Amounts recognized in the consolidated statements of other comprehensive income (loss) as at December 31, consist of:

	2021		2020	
Cash flow hedges	**Continuing hedges**	**Discontinued hedges**	Continuing hedges	Discontinued hedges
Balance, beginning of year	**$ 117**	**$ (3,931)**	$ 457	$ (3,931)
Eligible change in fair value of foreign exchange contracts	**43**	**—**	(340)	—
Balance, end of year	**$ 160**	**$ (3,931)**	$ 117	$ (3,931)

	2021		2020	
Net investment in foreign operations	**Continuing hedges**	**Discontinued hedges**	Continuing hedges	Discontinued hedges
Balance, beginning of year	**$ 17,344**	**$ (10,289)**	$ 8,427	$ (10,289)
Eligible change in fair value of U.S. denominated drawings	**2,716**	**—**	8,917	—
Balance, end of year	**$ 20,060**	**$ (10,289)**	$ 17,344	$ (10,289)

Gains (losses) related to the Company's designated derivative financial instruments recorded in the consolidated statements of net earnings as at December 31, were as follows:

	2021		2020	
	Effective portion(i)(ii)	**Ineffective portion(i)**	Effective portion(i)(ii)	Ineffective portion(i)
Cash flow hedges				
Foreign exchange contracts	**$ —**	**$ (7)**	$ —	$ 7
Fair value hedges				
Foreign exchange contracts	**$ (3,041)**	**$ 112**	$ 2,066	$ (74)

(i) *Gains (losses) are recorded in cost of goods sold in the consolidated statements of net earnings.*

(ii) *The effective portion recognized in earnings for cash flow hedges represents the accumulated other comprehensive income (loss) released to the consolidated statements of net earnings due to early termination of hedging relationships. The effective portion recognized in earnings for fair value hedges represents the change in fair value of hedging instruments; the change in the hedged items is recorded at the inverse of the associated hedging instruments within cost of goods sold in the consolidated statements of net earnings.*

It is estimated that, all else constant, an adverse hypothetical 10.0% change in the value of the Canadian dollar against all relevant currencies would result in a decrease in the fair value of the Company’s foreign exchange forward contracts of $5.8 million, with a decrease in earnings before taxes of $0.9 million and a decrease in other comprehensive income (loss) of $4.9 million. The impact on earnings before taxes does not include the offsetting impact of the foreign exchange risk inherent in the transactions being hedged.

It is estimated that, all else constant, an adverse hypothetical 10.0% change in the value of the Canadian dollar against all relevant currencies would result in a decrease in the fair value of the Company's cross-currency interest rate swaps of $47.1 million, with a decrease in earnings before taxes of $47.1 million and a decrease in other comprehensive income (loss) of $0.0 million. The impact on earnings before taxes is expected to be offset by the revaluation of U.S. dollar-denominated borrowings which were exchanged for Canadian dollars through the cross-currency interest rate swap transactions.

Commodity Price Risk

The Company is exposed to price risk related to commodities such as live hogs, fuel, and purchases of certain other agricultural commodities used as raw materials, including feed grains. The Company uses fixed price contracts with suppliers as well as exchange-traded and over-the-counter futures and options to manage its exposure to price fluctuations.

The Company uses futures which are accounted for as fair value hedges as well as non-designated derivative instruments to minimize the price risk assumed under forward priced contracts with suppliers. The Company also uses futures which are accounted for as cash flow hedges as well as non-designated derivative instruments to minimize the price risk of anticipated transactions. The Company does not use component hedging as part of its commodity price risk management.

The critical terms of the futures contracts and the associated hedged items are similar. The Company performs a quantitative assessment of the effectiveness, and it is expected that the value of the futures contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying commodity prices. Hedge ineffectiveness in these hedging relationships is due to timing differences in the term of the futures contracts and the hedged items.

The Company's designated commodity futures contracts mature within one year. The outstanding designated commodity futures contracts as at December 31, were as follows:

	2021		2020	
	Average Price (USD)	**Volume (000's)**	Average Price (USD)	Volume (000's)
Cash flow hedges				
Corn contracts [(i)]	**$ —**	**—**	$ 4.39	2,905
Fair value hedges				
Hog contracts [(i)]	**$ 88.54**	**221**	$ 75.52	800

[(i)] *Corn contracts' unit of measure is bushels where hog contracts' unit of measure is cwt*

The change in fair values of commodity hedges used as the basis for recognizing ineffectiveness for the year ended December 31, 2021 and 2020 were as follows:

	2021		2020	
	Hedging instruments	**Hedged items**	Hedging instruments	Hedged items
Cash flow hedges	**$ —**	**$ —**	$ 404	$ (395)
Fair value hedges	**$ 325**	**$ (325)**	$ (1,769)	$ 1,769

Amounts recognized in the consolidated statements of other comprehensive income (loss) as at December 31, consist of:

	2021		2020	
Cash flow hedges	**Continuing hedges**	**Discontinued hedges**	Continuing hedges	Discontinued hedges
Balance, beginning of year	**$ 395**	**$ 291**	$ —	$ —
Eligible change in fair value of commodity contracts	**(395)**	**(291)**	395	291
Balance, end of year	**$ —**	**$ —**	$ 395	$ 291

Gains (losses) related to the Company's designated derivative financial instruments recorded in the consolidated statements of net earnings as at December 31, were as follows:

	2021		2020	
	Effective portion(i)(ii)	**Ineffective portion(i)**	Effective portion(i)(ii)	Ineffective portion(i)
Cash flow hedges				
Commodity contracts	**$ —**	**$ (9)**	**$ —**	**$ 9**
Fair value hedges				
Commodity contracts	**$ 2,094**	**$ —**	**$ (4,724)**	**$ —**

(i) *Gains (losses) are recorded in cost of goods sold in the consolidated statements of net earnings.*

(ii) *The effective portion recognized in earnings for cash flow hedges represents the accumulated other comprehensive income (loss) released to the consolidated statements of net earnings due to early termination of hedging relationships. The effective portion recognized in earnings for fair value hedges represents the change in fair value of hedging instruments; the change in the hedged items is recorded at the inverse of the associated hedging instruments within cost of goods sold in the consolidated statements of net earnings.*

It is estimated that, all else constant, an adverse hypothetical 10.0% change in market prices of the underlying commodities would result in a decrease in the fair value of underlying outstanding derivative contracts of $2.9 million, with a decrease in earnings before taxes of $2.9 million and $0.0 million in other comprehensive income (loss). The impact on earnings before taxes does not include the offsetting impact of the commodity price risk inherent in the transactions being hedged.

Credit Risk

Credit risk refers to the risk of losses due to failure of the Company’s customers and counterparties to meet their payment obligations.

In the normal course of business, the Company is exposed to credit risk from its customers, substantially all of which are in the retail, foodservice, and industrial channels. The Company performs ongoing credit evaluations of new and existing customers’ financial condition and reviews the collectibility of its trade accounts receivable and other receivables in order to mitigate any possible credit losses. The Company records a loss allowance of expected credit losses for financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance at an amount equal to the lifetime expected credit losses if the credit risk on its financial assets has increased significantly since initial recognition. If credit risk has not significantly increased since initial recognition, the Company measures the loss allowance at an amount equal to the 12-month expected credit losses. Average accounts receivable days sales outstanding for the year is consistent with historic trends.

Management believes concentrations of credit risk with respect to accounts receivable are limited due to the generally high credit quality of the Company’s major customers, the large number and geographic dispersion of smaller customers, and the operation of the accounts receivable securitization facility as described in Note 26. The Company does, however, conduct a significant amount of business with a small number of large grocery retailers. The Company's two largest customers as at December 31, 2021 comprise approximately 23.5% (2020: two largest customers representing 23.8%) of total sales.

The Company is also exposed to credit risk on its notes receivable from an unconsolidated structured entity in respect of the accounts receivable securitization program as described in Note 26. Management believes that this credit risk is limited by the long-term AA- debt rating held by the financial institution financing the third-party trust. The Company is exposed to credit risk on its cash and cash equivalents (comprising primarily of deposits with Canadian chartered banks) and non-exchange-traded derivative contracts. The Company mitigates this credit risk by transacting primarily with counterparties that are major international financial institutions with long-term debt ratings of A or higher. The Company’s maximum exposure to credit risk at the balance sheet date consisted primarily of the carrying value of non-derivative financial assets and non-exchange-traded derivatives with positive fair values.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The contractual undiscounted cash flows payable in respect of financial liabilities as at the balance sheet date, were as follows:

	December 31, 2021				
	Due within 1 year	**Due between 1 and 3 years**	**Due between 3 and 5 years**	**Due after 5 years**	**Total**
Financial liabilities					
Accounts payable and accruals	$ 526,189	—	—	—	$ 526,189
Debt	5,455	1,242,366	5,775	—	1,253,596
Foreign exchange contracts	712	—	—	—	712
Interest rate swaps	16,175	1,057	—	—	17,232
Lease obligations	29,157	53,272	36,567	83,349	202,345
Other liabilities	63,893	—	—	—	63,893
Total	**$ 641,581**	**1,296,695**	**42,342**	**83,349**	**$ 2,063,967**

The Company manages liquidity risk by monitoring forecasted and actual cash flows, minimizing reliance on any single source of credit, maintaining sufficient undrawn committed credit facilities and managing the maturity profiles of financial assets and financial liabilities to minimize re-financing risk.

As at December 31, 2021, the Company had available undrawn committed credit of $736.6 million (2020: $1,243.6 million) under the terms of its principal banking arrangements as described in Note 15. These banking arrangements are subject to certain covenants and other restrictions.

21. INTEREST EXPENSE AND OTHER FINANCING COSTS

	2021	2020
Interest on borrowings from credit facility	**$ 28,921**	$ 20,350
Interest on lease obligations	**6,906**	8,673
Interest on securitized receivables	**1,100**	2,401
Interest on government loans	**332**	318
Deferred finance charges	**1,681**	1,687
Credit facility standby fees and other interest	**4,274**	6,265
	$ 43,214	$ 39,694
Interest paid and capitalized	**(20,344)**	(8,214)
	$ 22,870	$ 31,480

Interest paid during the year ended December 31, 2021 was $42.4 million (2020: $37.1 million).

22. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net earnings of the Company by the weighted average number of shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net earnings of the Company by the weighted average number of shares outstanding during the year, adjusted for the effects of potentially dilutive instruments.

The following table sets forth the calculation of basic and diluted earnings per share ("EPS"):

	2021			2020		
Twelve months ended December 31,	**Net earnings**	**Weighted average number of shares(i)**	**EPS**	Net earnings	Weighted average number of shares(i)	EPS
Basic	**$ 102,823**	**123.5**	**$ 0.83**	$ 113,277	123.1	$ 0.92
Stock options(ii)		**1.2**			1.2	
Diluted	**$ 102,823**	**124.7**	**$ 0.82**	$ 113,277	124.3	$ 0.91

(i) *In millions.*

(ii) *Excludes the effect of approximately 3.1 million (2020: 2.4 million) options and performance shares that are anti-dilutive.*

23. SHARE-BASED PAYMENT

Under the Maple Leaf Foods Share Option Plan in effect as at December 31, 2021, the Company may grant options to its employees and employees of its subsidiaries to purchase shares of common stock. Under the Maple Leaf Foods Restricted Share Unit Plan (adopted in 2006) ("the 2006 Plan") in effect as at December 31, 2021, the Company may grant RSUs and PSUs to its employees and employees of its subsidiaries entitling employees to receive common shares or cash at the Company's option. Options, RSUs, and PSUs are granted from time to time by the Human Resources and Compensation Committee or by the Board of Directors on the recommendation of the Human Resources and Compensation Committee. The vesting conditions for options, RSUs, and PSUs are specified by the Board of Directors and may include the continued service of the employee with the Company and/or other criteria based on measures of the Company's performance.

Under the Company's Share Purchase and Deferred Share Unit Plans, eligible Directors may elect to receive their retainer and fees in the form of DSUs or as common shares of the Company.

Stock Options

A summary of the status of the Company's outstanding stock options as at December 31, 2021 and 2020, and changes during these years are presented below:

	2021		2020	
	Options outstanding	**Weighted average exercise price**	Options outstanding	Weighted average exercise price
Outstanding, beginning of year	**5,889,550**	**$ 25.48**	4,558,250	$ 26.26
Granted	**1,251,750**	**$ 25.10**	1,431,750	$ 23.11
Exercised	**(1,053,450)**	**$ 20.18**	(46,100)	$ 21.95
Forfeited	**(11,100)**	**$ 28.38**	(54,350)	$ 31.37
Outstanding, end of year	**6,076,750**	**$ 26.22**	5,889,550	$ 25.48
Options currently exercisable	**3,511,250**	**$ 27.24**	3,546,925	$ 25.41

All outstanding stock options vest and become exercisable over a period not exceeding five years (time vesting) from the date of grant. The outstanding options have a term of seven years.

The number of options outstanding as at December 31, 2021, is as follows:

	Options outstanding			**Options currently exercisable**		**Options subject to time vesting only**	
Range of exercise prices	**Number outstanding**	**Weighted average exercise price**	**Weighted average remaining term of options (in years)**	**Number exercisable**	**Weighted average exercise price**	**Number outstanding**	**Weighted average exercise price**
$ 22.52 to $ 25.10	3,712,000	$ 23.62	4.3	1,498,150	$ 22.69	2,213,850	$ 24.24
$ 28.38 to $ 30.86	1,659,600	$ 29.42	3.3	1,321,350	$ 29.66	338,250	$ 28.46
$ 31.57 to $ 32.50	705,150	$ 32.45	3.2	691,750	$ 32.46	13,400	$ 31.57
Total Options	**6,076,750**	**$ 26.22**	**3.9**	**3,511,250**	**$ 27.24**	**2,565,500**	**$ 24.84**

The number of options outstanding as at December 31, 2020, is as follows:

	Options outstanding			Options currently exercisable		Options subject to time vesting only	
Range of exercise prices	Number outstanding	Weighted average exercise price	Weighted average remaining term of options (in years)	Number exercisable	Weighted average exercise price	Number outstanding	Weighted average exercise price
$ 20.28 to $ 24.91	3,513,700	$ 22.22	3.4	2,081,950	$ 21.61	1,431,750	$ 23.11
$ 28.38 to $ 30.86	1,670,700	$ 29.41	4.3	1,008,300	$ 30.06	662,400	$ 28.42
$ 31.57 to $ 32.50	705,150	$ 32.45	4.2	456,675	$ 32.47	248,475	$ 32.4
Total Options	5,889,550	$ 25.48	3.7	3,546,925	$ 25.41	2,342,625	$ 25.35

At grant date, each option series is measured at fair value based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility. The inputs used in this model for the options granted during the year ended December 31, 2021 and 2020 are shown in the table below[(i)]:

	2021	2020
Share price at grant date	**$26.38**	$22.83
Exercise price	**$25.10**	$23.11
Expected volatility	**26.4%**	23.3%
Option life (in years)[(ii)]	**4.5**	4.5
Expected dividend yield	**2.7%**	2.8%
Risk-free interest rate[(iii)]	**0.8%**	1.0%

(i) *Weighted average based on number of units granted.*

(ii) *Expected weighted average life.*

(iii) *Based on Government of Canada bonds.*

The fair value of options granted during the year ended December 31, 2021 was $5.8 million (2020: $4.5 million). Expenses relating to current and prior year options were $5.3 million (2020: $4.5 million).

Restricted Share Units and Performance Share Units

The awards granted under the 2006 Plan are satisfied either by shares to be purchased on the open market by a trust established for that purpose, or cash at the option of the Company at the time of vesting.

Under the 2006 Plan, one common share of the Company may be distributed for each RSU, and these units vest strictly over time. The PSUs are subject to both time and performance vesting. The PSUs provide the holder with up to two RSUs based on the achievement of predetermined Company performance targets. All outstanding RSUs and PSUs under the 2006 Plan vest over a period of approximately one to three years from the date of grant.

A summary of the status of the Company's RSU plans (including PSUs) as at December 31, 2021 and 2020 and changes during these periods is presented below:

	2021		2020	
	RSUs outstanding	**Weighted average fair value at grant**	RSUs outstanding	Weighted average fair value at grant
Outstanding, beginning of year	**1,550,135**	**$ 24.99**	1,245,915	$ 28.80
Granted	**572,810**	**$ 24.15**	692,815	$ 21.00
Exercised	**(319,791)**	**$ 30.61**	(329,381)	$ 30.26
Forfeited	**(60,733)**	**$ 27.56**	(59,214)	$ 28.51
Outstanding, end of year	**1,742,421**	**$ 23.59**	1,550,135	$ 24.99

All of the Company's outstanding RSUs are accounted for as equity-settled awards.

The fair value of RSUs and PSUs granted during the 2021 was $11.9 million (2020: $12.5 million). Expenses for the year ended December 31, 2021 relating to current and prior year RSUs and PSUs, were $15.5 million (2020: $11.3 million). No RSUs or PSUs were cash settled in the years ended December 31, 2021 and 2020.

The key assumptions used in the valuation of fair value of RSUs granted during the year are shown in the table below[(i)]:

	2021	2020
Expected RSU life (in years)	**3.1**	3.2
Forfeiture rate	**13.8%**	13.6%
Risk-free discount rate	**0.5%**	1.1%

[(i)] *Weighted average based on number of units granted.*

Deferred Share Units

If an eligible Director elects to receive his or her retainer and fees as common shares of the Corporation, the Company purchases shares at market rates on behalf of the participating Directors.

In 2013, the Company adopted a new share purchase and deferred share unit plan (the "2013 DSU Plan"), which replaced the Company's existing share purchase and deferred share unit plan. The 2013 DSU Plan allows the Company, at its discretion, the flexibility to satisfy DSUs in common shares, either issued from treasury or purchased by the Company on the open market.

Expenses for the year ended December 31, 2021 were $1.2 million (2020: $1.5 million).

A summary of the status of the Company's outstanding DSUs as at December 31, 2021 and 2020, and changes during these years are presented below:

Units outstanding	**2021**	2020
Outstanding, beginning of year	**277,299**	217,838
Additions: granted	**53,033**	53,251
Additions: dividends reinvested	**7,739**	6,210
Exercised	**(30,588)**	—
Outstanding, end of year	**307,483**	277,299

24. SEGMENTED FINANCIAL INFORMATION

During the year ended December 31, 2021, the Company had two reportable segments. These segments offer different products, with separate organizational structures, brands, financial, and marketing strategies. The Company's chief operating decision makers regularly review internal reports for these segments: performance of the Meat Protein Group is based on revenue growth, Adjusted Operating Earnings and Adjusted EBITDA, while the performance of the Plant Protein Group is based predominantly on revenue growth rates, gross margin optimization and controlling investment levels, which generate high revenue growth rates. Refer to the section, Non-IFRS Financial Measures, of the Company's Management's Discussion and Analysis for the year ended December 31, 2021, for the definitions of these non-IFRS financial measures. The operations of each segment are described as follows:

(a) The Meat Protein Group is comprised of prepared meats, ready-to-cook and ready-to-serve meals, value-added fresh pork and poultry products that are sold to retail, foodservice and industrial channels, and agricultural operations in pork and poultry. The Meat Protein Group includes leading brands such as Maple Leaf®, Maple Leaf Prime®, Maple Leaf Natural Selections®, Schneiders®, Schneiders® Country Naturals®, Mina®, Greenfield Natural Meat Co.®, and many leading regional brands.

(b) The Plant Protein Group is comprised of refrigerated plant protein products, premium grain-based protein and vegan cheese products sold to retail, foodservice and industrial channels. The Plant Protein Group includes the brands Lightlife® and Field Roast™.

	2021				2020			
	Meat Protein Group	**Plant Protein Group**	**Non-Allocated(i)**	**Total(ii)**	Meat Protein Group	Plant Protein Group	Non-Allocated(i)	Total(ii)
Sales	**$4,366,742**	**184,101**	**(29,761)**	**$4,521,082**	$4,116,485	210,839	(23,602)	$4,303,722
Gross profit (loss)	**$ 676,798**	**(12,815)**	**(4,908)**	**$ 659,075**	$ 680,264	18,301	4,488	$ 703,053
Selling, general and administrative expenses	**$ 334,274**	**132,793**	**—**	**$ 467,067**	$ 346,644	144,015	—	$ 490,659
Earnings (loss) before income taxes	**$ 336,101**	**(146,089)**	**(40,306)**	**$ 149,706**	$ 330,201	(125,822)	(44,506)	$ 159,873
Interest expense and other financing costs	**—**	**—**	**22,870**	**22,870**	—	—	31,480	31,480
Other expense (income)	**1,513**	**481**	**12,528**	**14,522**	(865)	108	17,514	16,757
Restructuring and other related costs	**4,910**	**—**	**—**	**4,910**	4,284	—	—	4,284
Earnings (loss) from operations	**$ 342,524**	**(145,608)**	**(4,908)**	**$ 192,008**	$ 333,620	(125,714)	4,488	$ 212,394
Start-up expenses from Construction Capital(iii)(iv)	**9,871**	**3,529**	**—**	**13,400**	1,621	—	—	1,621
Change in fair value of biological assets	**—**	**—**	**6,474**	**6,474**	—	—	(687)	(687)
Unrealized gain on derivative contracts	**—**	**—**	**(1,566)**	**(1,566)**	—	—	(3,801)	(3,801)
Adjusted Operating Earnings	**$ 352,395**	**(142,079)**	**—**	**$ 210,316**	$ 335,241	(125,714)	—	$ 209,527
Depreciation and amortization	**180,221**	**15,373**	**—**	**195,594**	177,564	14,417	—	191,981
Items included in other (expense) income representative of ongoing operations	**(5,527)**	**(481)**	**(444)**	**(6,452)**	(2,715)	(108)	789	(2,034)
Adjusted EBITDA	**$ 527,089**	**(127,187)**	**(444)**	**$ 399,458**	$ 510,090	(111,405)	789	$ 399,474

(i) *Non-Allocated includes eliminations of inter-segment sales and associated cost of goods sold, and non-allocated costs which are comprised of income and expenses not separately identifiable to reportable segments or are not part of the measures used by the Company when assessing a segment's operating results.*

(ii) *Totals may not add due to rounding.*

(iii) *Start-up expenses are temporary costs as a result of operating new facilities that are or have been classified as Construction Capital. These costs include but are not limited to training, product testing, yield and labour efficiency variances, duplicative overheads and other temporary expenses required to ramp-up production.*

(iv) *Certain comparatives figures have been restated to conform with current year presentation.*

The following summarizes capital expenditures by segments:

	2021	2020
Meat Protein Group	**$ 513,921**	$ 448,725
Plant Protein Group	**103,080**	19,266
Non-allocated capital expenditures	**12,438**	22,698
Total capital expenditures	**$ 629,439**	$ 490,689

Information About Geographic Areas

The following summarizes sales by country of origin:

	2021	2020
Canada	**$ 3,324,253**	$ 3,101,120
U.S.	**565,846**	500,616
Japan	**415,144**	431,107
China	**9,313**	126,807
Other	**206,526**	144,072
Sales	**$ 4,521,082**	$ 4,303,722

The following summarizes the location of non-current assets by country:

	As at December 31,	
	2021	2020
Canada	**$ 2,910,048**	$ 2,558,886
U.S.	**478,062**	391,538
Other	**963**	205
Total non-current assets(i)	**$ 3,389,073**	$ 2,950,629

(i) *Excludes financial instruments, investments designated as financial instruments, employee benefits, and deferred tax assets.*

Information About Major Customers

For the year ended December 31, 2021, the Company reported Meat and Plant Protein sales to two customers representing 12.2% and 11.3% (2020: 12.6% and 11.2%) of total sales. No other sales were made to any one customer that represented in excess of 10.0% of total sales.

25. GOVERNMENT INCENTIVES

During the year ended December 31, 2021, the Company recognized government incentives totaling $25.2 million (2020: $20.5 million).

During the year ended December 31, 2021, the Company recognized $20.0 million (2020: $10.4 million) of government incentives as a reduction in the cost of related assets. Of this amount, $12.3 million was received from the Government of Ontario and $4.2 million from the Government of Canada to assist with the design, development and construction of the London, Ontario poultry facility. In addition, the Company received $2.5 million from the Government of Manitoba and $1.0 million in other incentives.

During the year ended December 31, 2021, the Company recognized $5.2 million (2020: $10.1 million) of government incentives in net earnings. Of this amount, $3.0 million of ongoing incentives were received from the Government of Canada to support agricultural business. An additional $1.4 million of grants were received from the Ontario Government's COVID-19 Worker Income Protection Benefit which enabled the Company to prevent job losses and helped ensure a stable and secure supply chain. The Company qualified for the subsidy and the decision to participate in the program was carefully considered, taking into account a number of business imperatives including protecting staff and consideration of all stakeholders. In addition, the Company received $0.8 million in other incentives.

The Company currently recognizes $12.2 million of government debt on the consolidated balance sheets as described in Note 15 of the Consolidated Financial Statements. Of this amount, $7.8 million of debt is recognized from the Government of Canada to assist in innovation within the agricultural sector in Canada. In addition, $4.4 million of debt relates to the development of the Company's facility located in Hamilton, Ontario.

26. COMPOSITION OF THE COMPANY

Unconsolidated Structured Entity

The Company, as part of a securitization agreement, sells a portion of its receivables to an unconsolidated third-party trust.

The Company has a three-year accounts receivable securitization facility (the "Securitization Facility") maturing July 19, 2022. The maximum cash advance available to the Company under the Securitization Facility is $120.0 million (2020: $120.0 million). The Securitization Facility provides cash funding with a proportion of the Company's receivables being sold, and provides the Company with competitively priced financing and further diversifies its funding sources. Under the Securitization Facility, the Company has sold certain of its trade accounts receivable, with very limited recourse, to an unconsolidated third-party trust financed by an international financial institution with a long-term AA- debt rating, for cash and short-term notes back to the Company. The receivables are sold at a discount to face value based on prevailing money market rates. The Company retains servicing responsibilities for these receivables.

As at December 31, 2021, trade accounts receivable being serviced under this program amounted to $145.6 million (2020: $134.8 million). In return for the sale of its trade receivables, the Company will receive cash of $112.3 million (2020: $103.2 million) and notes receivable in the amount of $33.3 million (2020: $31.6 million). The notes receivable are non-interest bearing and are settled on the settlement dates of the securitized accounts receivable. Due to the timing of receipts and disbursements, the Company may, from time to time, also record a receivable or payable related to the Securitization Facility. As at December 31, 2021, the Company recorded a net payable in the amount of $7.7 million (2020: $16.8 million net payable) in accounts payable and accruals.

The Company's maximum exposure to loss due to its involvement with a structured entity is equal to the current carrying value of the interest in the notes receivable due from the structured entity. The Company has not recognized any income or losses with its interest in unconsolidated structured entities for the year ended December 31, 2021 and 2020.

27. RELATED PARTY TRANSACTIONS

The Company sponsors a number of defined benefit, defined contribution and post-retirement benefit plans. During the year ended December 31, 2021, the Company contributed $36.9 million (2020: $30.3 million) to these plans.

Key Management Personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly, including any external director of the Company.

Remuneration of Key Management Personnel of the Company is comprised of the following expenses:

	2021	2020
Short-term employee benefits		
Salaries, bonuses, and fees	**$ 11,975**	$ 15,575
Company car allowances	**380**	316
Other benefits	**131**	128
Total short-term employee benefits	**$ 12,486**	$ 16,019
Post-employment benefits	**777**	716
Share-based compensation	**13,769**	11,230
Total remuneration	**$ 27,032**	$ 27,965

During the year ended December 31, 2021, Key Management Personnel of the Company exercised 0.6 million share options (2020: 0.6 million share options) granted under the Maple Leaf Foods share option plans for an amount of $12.7 million (2020: $13.4 million).

The Company's largest shareholder is McCain Capital Inc. ("MCI"). The Company has been informed that Mr. Michael H. McCain, Chief Executive Officer and President of the Company, is the controlling shareholder of MCI. For the year ended December 31, 2021, the Company received services from MCI and companies directly or indirectly owned by MCI in the amount of $2.6 million (2020: $0.1 million), which represented the market value of these transactions with MCI. As at December 31, 2021, $0.6 million (2020: $0.0 million) was owed to MCI and companies directly or indirectly owned by MCI relating to these transactions.

McCain Financial Advisory Services ("MFAS"), is an entity jointly controlled by individuals including Mr. Michael H. McCain. For the years ended December 31, 2021 and 2020, the Company provided services to and received services from, MFAS for a nominal amount which represented the market value of the transactions.

28. COMMITMENTS AND CONTINGENCIES

The Company has been named as a defendant in several legal actions and is subject to various risks and contingencies arising in the normal course of business. Management is of the opinion that the outcome of these uncertainties will not have a material adverse effect on the Company's financial position.

In the normal course of its operations, the Company becomes involved in various legal and regulatory actions relating to its commercial activities and relationships, construction activities, employment matters, product liabilities, and other matters. Even if the Company is not found liable for these claims, the cost of defending these actions may be material.

Among the legal matters in which the Company is involved include an ongoing investigation by the Competition Bureau into the Canadian bread industry, including alleged price fixing and related securities disclosure issues. The investigation covers a time horizon that includes the period when the Company was a majority shareholder of Canada Bread Company, Limited ("Canada Bread"). The Company sold its interest in Canada Bread, which was a stand-alone public company, in 2014. The final outcome of the investigation, and any actions or any future claims associated with the alleged packaged bread pricing matter cannot be predicted with certainty or reliably estimated. Unfavourable resolution of these or other legal matters could have a material adverse effect on the Company, its financial condition and its reputation.

In the normal course of business, the Company and its subsidiaries enter into sales commitments with customers, and purchase commitments with suppliers. These commitments are for varying terms and can provide for fixed or variable prices. The Company believes that these contracts serve to reduce risk, and does not anticipate that losses will be incurred on these contracts.

The Company entered into a number of contracts related to the construction of new and expanded facilities. As at December 31, 2021 these contract commitments were approximately $245.0 million (2020: $465.0 million).

29. BUSINESS COMBINATIONS

(a) 2021 Acquisition

On June 25, 2021, the Company completed the acquisition of a poultry processing facility and associated supply from Certm Inc. (formerly Cericola Farms Inc.), a privately held Canadian company for total consideration of $62.1 million (cash due at closing: $40.0 million; 2018 deposit $20.2 million and working capital adjustments of $1.9 million). This acquisition concludes the purchase and sale agreement dated June 27, 2018 pursuant to which the Company previously acquired two poultry plants and associated supply, which had been previously recorded as right-of-use asset with a corresponding lease obligation, with a put/call option to purchase a third processing facility. The Company has financed the transaction using a combination of cash on hand and drawings on existing credit facilities. The acquisition has been accounted for as a business combination. The Company recognized goodwill of $7.6 million which is attributable to synergies created by expanding the Company's share of regulated input supply.

The Company finalized the amounts recorded in the business combination during the fourth quarter of 2021.

The final fair value of the consideration transferred for the poultry processing facility and associated poultry supply consists of the following:

		Purchase Price
		June 25, 2021
Purchase price paid upon closing of the put option	$	40,000
Cash deposit prepaid in the year ended December 31, 2018		20,185
Working capital and other adjustments		1,928
Total consideration paid in cash	**$**	**62,113**

During the fourth quarter of 2021 the Company finalized amounts recorded in the business combination which resulted in the following adjustments to the preliminary purchase price allocation:

		June 25, 2021			
		Preliminary amounts	**Adjustments**		**Final amounts**
Current assets					
Accounts receivable[(i)]	$	1,339	—	$	1,339
Prepaid and other assets		70	—		70
Non-current assets					
Property and equipment		13,651	(2,549)		11,102
Intangible assets - poultry quota		46,155	(3,317)		42,838
Goodwill		—	7,643		7,643
Current liabilities					
Accounts payable and accruals		(879)	—		(879)
Total net assets acquired	**$**	**60,336**	**1,777**	**$**	**62,113**

(i) *Pertain to trade receivables for which contractual cash flows not expected to be collected are not significant.*

(b) Transaction Costs

During the year ended December 31, 2021, the Company recorded transaction costs pertaining to the acquisition of $0.1 million that have been excluded from the consideration paid and have been recognized as an expense in other expense.