



**MAPLE LEAF FOODS INC.**

**Financial Statements**

For the Year Ended  
December 31, 2021

# Consolidated Financial Statements

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# 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.

A handwritten signature in black ink that reads "KPMG LLP" with a horizontal line underneath.

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

<i>(In thousands of Canadian dollars)</i>	<i>Notes</i>	<b>As at December 31, 2021</b>	<b>As at December 31, 2020</b>
<b>ASSETS</b>			
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
<b>Total current assets</b>		<b>\$ 937,111</b>	<b>\$ 882,768</b>
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
<b>Total long term assets</b>		<b>\$ 3,448,695</b>	<b>\$ 2,977,437</b>
<b>Total assets</b>		<b>\$ 4,385,806</b>	<b>\$ 3,860,205</b>
<b>LIABILITIES AND EQUITY</b>			
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
<b>Total current liabilities</b>		<b>\$ 668,700</b>	<b>\$ 667,047</b>
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
<b>Total long-term liabilities</b>		<b>\$ 1,681,180</b>	<b>\$ 1,260,694</b>
<b>Total liabilities</b>		<b>\$ 2,349,880</b>	<b>\$ 1,927,741</b>
<b>Shareholders' equity</b>			
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)
<b>Total shareholders' equity</b>		<b>\$ 2,035,926</b>	<b>\$ 1,932,464</b>
<b>Total liabilities and equity</b>		<b>\$ 4,385,806</b>	<b>\$ 3,860,205</b>

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)

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

(In thousands of Canadian dollars)	Notes	Share capital	Retained earnings	Contributed surplus	Accumulated other comprehensive income (loss) <sup>(i)</sup>			Treasury stock	Total equity
					Foreign currency translation adjustment	Unrealized gains and losses on cash flow hedges	Unrealized gains on fair value of investments		
<b>Balance at December 31, 2020</b>		<b>\$ 838,969</b>	<b>1,124,973</b>	<b>5,866</b>	<b>3,002</b>	<b>(16,416)</b>	<b>—</b>	<b>(23,930)</b>	<b>\$1,932,464</b>
Net earnings		—	102,823	—	—	—	—	—	102,823
Other comprehensive income (loss) <sup>(ii)</sup>		—	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)
<b>Balance at December 31, 2021</b>		<b>\$ 847,016</b>	<b>1,212,244</b>	<b>5,371</b>	<b>2,037</b>	<b>(7,441)</b>	<b>2,945</b>	<b>(26,246)</b>	<b>\$2,035,926</b>

(In thousands of Canadian dollars)	Notes	Share capital	Retained earnings	Contributed surplus	Accumulated other comprehensive income (loss) <sup>(i)</sup>			Treasury stock	Total equity
					Foreign currency translation adjustment	Unrealized gains and losses on cash flow hedges	Unrealized gains on fair value of investments		
<b>Balance at December 31, 2019</b>		<b>\$ 840,005</b>	<b>1,137,450</b>	<b>—</b>	<b>4,274</b>	<b>(1,481)</b>	<b>—</b>	<b>(30,378)</b>	<b>\$1,949,870</b>
Net earnings		—	113,277	—	—	—	—	—	113,277
Other comprehensive income (loss) <sup>(ii)</sup>		—	(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)
<b>Balance at December 31, 2020</b>		<b>\$ 838,969</b>	<b>1,124,973</b>	<b>5,866</b>	<b>3,002</b>	<b>(16,416)</b>	<b>—</b>	<b>(23,930)</b>	<b>\$1,932,464</b>

<sup>(i)</sup> Items that are or may be subsequently reclassified to profit or loss.

<sup>(ii)</sup> 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 <sup>(i)</sup>
CASH PROVIDED BY (USED IN):			
<b>Operating activities</b>			
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
<b>Investing activities</b>			
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)
<b>Financing activities</b>			
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
<b>Increase in cash and cash equivalents</b>		<b>61,203</b>	<b>3,543</b>
Cash and cash equivalents, beginning of period		100,828	97,285
Cash and cash equivalents, end of period		\$ 162,031	\$ 100,828

<sup>(i)</sup> 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<sup>(i)</sup> 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.

<sup>(i)</sup> 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 cumulative 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:

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

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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**

	<b>As at December 31,</b>	
	<b>2021</b>	<b>2020</b>
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:

	<b>As at December 31,</b>	
	<b>2021</b>	<b>2020</b>
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
	<b>\$ 409,677</b>	<b>\$ 398,070</b>

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		Total
	Commercial	Parent	Commercial	Parent	
<b>Balance at December 31, 2020</b>	<b>\$ 92,357</b>	<b>25,199</b>	<b>5,442</b>	<b>2,650</b>	<b>\$ 125,648</b>
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)
<b>Balance at December 31, 2021</b>	<b>\$ 103,527</b>	<b>26,525</b>	<b>4,957</b>	<b>3,200</b>	<b>\$ 138,209</b>

	Hog stock		Poultry stock		Total
	Commercial	Parent	Commercial	Parent	
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)
<b>Balance at December 31, 2020</b>	<b>\$ 92,357</b>	<b>25,199</b>	<b>5,442</b>	<b>2,650</b>	<b>\$ 125,648</b>

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
<b>Current tax expense</b>		
Current year	\$ 64,207	\$ 52,541
	\$ 64,207	\$ 52,541
<b>Deferred tax (recovery) expense</b>		
Origination and reversal of temporary differences	\$ (19,054)	\$ (5,945)
Change in tax rates	1,730	—
	\$ (17,324)	\$ (5,945)
<b>Total income tax expense</b>	\$ 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
	<b>\$ 134,387</b>	<b>\$ 127,801</b>
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
	<b>\$ 240,860</b>	<b>\$ 223,647</b>
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)
<b>Net balance, December 31, 2021</b>	<b>\$ 61,472</b>	<b>743,959</b>	<b>579,220</b>	<b>804,514</b>	<b>\$ 2,189,165</b>

	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)
<b>Net balance, December 31, 2020</b>	<b>\$ 54,806</b>	<b>672,595</b>	<b>503,052</b>	<b>491,034</b>	<b>\$ 1,721,487</b>

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
<b>Net balance, December 31, 2020</b>		<b>\$ 54,806</b>	<b>672,595</b>	<b>503,052</b>	<b>491,034</b>	<b>\$ 1,721,487</b>
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 <sup>(i)</sup>		—	(20,822)	—	—	(20,822)
Depreciation		—	(33,859)	(103,584)	—	(137,443)
Foreign currency translation		(3)	38	65	(153)	(53)
Other <sup>(ii)</sup>		—	(1,884)	(2,337)	(574)	(4,795)
<b>Net balance, December 31, 2021</b>		<b>\$ 61,472</b>	<b>743,959</b>	<b>579,220</b>	<b>804,514</b>	<b>\$ 2,189,165</b>

		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 <sup>(ii)</sup>		—	(557)	(1,171)	—	(1,728)
Net balance, December 31, 2020	\$	54,806	672,595	503,052	491,034	\$ 1,721,487

<sup>(i)</sup> During the year the Company settled a previous legal claim resulting in a cash settlement.

<sup>(ii)</sup> 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)
<b>Net balance, December 31, 2021</b>	<b>\$ 152,032</b>	<b>3,706</b>	<b>5,924</b>	<b>—</b>	<b>\$ 161,662</b>

	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)
<b>Net balance, December 31, 2020</b>	<b>\$ 180,228</b>	<b>4,446</b>	<b>9,201</b>	<b>28,830</b>	<b>\$ 222,705</b>

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
<b>Net balance, December 31, 2020</b>	<b>\$ 180,228</b>	<b>4,446</b>	<b>9,201</b>	<b>28,830</b>	<b>\$ 222,705</b>
Additions	25,509	2,146	730	—	28,385
Depreciation	(31,169)	(2,751)	(2,933)	—	(36,853)
Dispositions, retirements, and other <sup>(i)</sup>	(22,384)	(135)	(1,061)	(28,830)	(52,410)
Foreign currency translation	(152)	—	(13)	—	(165)
<b>Net balance, December 31, 2021</b>	<b>\$ 152,032</b>	<b>3,706</b>	<b>5,924</b>	<b>—</b>	<b>\$ 161,662</b>

<sup>(i)</sup> 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)
<b>Net balance, December 31, 2020</b>	<b>\$ 180,228</b>	<b>4,446</b>	<b>9,201</b>	<b>28,830</b>	<b>\$ 222,705</b>

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
	<b>\$ 22,326</b>	<b>\$ 15,910</b>

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
	<b>\$ 658,673</b>	<b>\$ 652,501</b>

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
<b>Net balance, beginning of year</b>	<b>\$ 652,501</b>	<b>\$ 657,179</b>
Business combinations	7,643	—
Foreign currency translation	(1,471)	(4,678)
<b>Net balance, end of year</b>	<b>\$ 658,673</b>	<b>\$ 652,501</b>

### 13. INTANGIBLE ASSETS

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

	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)
<b>Net balance, December 31, 2021</b>	<b>\$ 49,605</b>	<b>9,799</b>	<b>19,759</b>	<b>105,413</b>	<b>\$ 184,576</b>

	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)
<b>Net balance, December 31, 2020</b>	<b>\$ 59,477</b>	<b>7,855</b>	<b>22,969</b>	<b>112,551</b>	<b>\$ 202,852</b>

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
<b>Net balance, December 31, 2020</b>	<b>\$ 59,477</b>	<b>7,855</b>	<b>22,969</b>	<b>112,551</b>	<b>\$ 202,852</b>
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)
<b>Net balance, December 31, 2021</b>	<b>\$ 49,605</b>	<b>9,799</b>	<b>19,759</b>	<b>105,413</b>	<b>\$ 184,576</b>

	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)
<b>Net balance, December 31, 2020</b>	<b>\$ 59,477</b>	<b>7,855</b>	<b>22,969</b>	<b>112,551</b>	<b>\$ 202,852</b>

#### 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:

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

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

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

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

			Restructuring and other related costs		
	Legal	Environmental	Severance and other employee related	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
<b>Total long-term debt</b>	<b>\$ 1,252,249</b>	<b>\$ 745,948</b>
Current	\$ 5,176	\$ 900
Non-current	1,247,073	745,048
<b>Total long-term debt</b>	<b>\$ 1,252,249</b>	<b>\$ 745,948</b>

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
<b>Total required repayments of long-term debt</b>	<b>\$ 1,253,596</b>

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
<b>Total long-term debt, beginning of period</b>	<b>\$ 745,948</b>	<b>\$ 539,328</b>
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)
<b>Total cash flow from long-term debt financing activities</b>	<b>\$ 500,297</b>	<b>\$ 215,601</b>
Foreign exchange revaluation	\$ 6,606	\$ (8,917)
Other non-cash changes	(602)	(64)
<b>Total non-cash changes</b>	<b>\$ 6,004</b>	<b>\$ (8,981)</b>
<b>Total long-term debt, end of period</b>	<b>\$ 1,252,249</b>	<b>\$ 745,948</b>

## 16. LEASE OBLIGATIONS

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

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

(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
<b>Total cash outflow of leases</b>	<b>\$ 43,749</b>	<b>\$ 45,040</b>

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
<b>Total lease obligation payments</b>	<b>\$ 202,345</b>

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 <sup>(i)</sup>	\$ 11,286	\$ 12,797
Short-term rent expense <sup>(ii)</sup>	\$ 10,013	\$ 7,004

<sup>(i)</sup> 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.

<sup>(ii)</sup> 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
		<b>\$ 81,265</b>	<b>\$ 55,849</b>

## 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:

	2021			2020		
	Other post- retirement benefits	Pension	Total	Other post- retirement benefits	Pension	Total
<b>Plan assets</b>						
<b>Fair value, beginning of year</b>	\$ —	1,109,042	\$ 1,109,042	\$ —	1,069,663	\$ 1,069,663
Interest income	—	25,972	25,972	—	32,241	32,241
Actuarial gains <sup>(i)</sup>	—	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)
<b>Fair value, end of year</b>	\$ —	1,090,027	\$ 1,090,027	\$ —	1,109,042	\$ 1,109,042
<b>Accrued benefit obligations:</b>						
<b>Balance, beginning of year</b>	\$ (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	—	—	—
<b>Balance, end of year</b>	\$ (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 <sup>(ii)</sup>	—	(1,107,525)	(1,107,525)	—	(1,208,172)	(1,208,172)
<b>Total benefit obligations</b>	\$ (48,245)	(1,139,543)	\$ (1,187,788)	\$ (52,864)	(1,244,117)	\$ (1,296,981)
Other	\$ —	132	\$ 132	\$ —	(1,007)	\$ (1,007)
<b>Accrued net benefit obligations, end of year</b>	\$ (48,245)	(49,384)	\$ (97,629)	\$ (52,864)	(136,082)	\$ (188,946)

<sup>(i)</sup> Return on plan assets greater than discount rate.

<sup>(ii)</sup> 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 <sup>(i)</sup>	(880)	—
Net pension benefit expense	\$ 42,368	\$ 41,305

<sup>(i)</sup> 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:

Actuarial Assumption	Sensitivity	Increase (decrease) in defined benefit obligations			
		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

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

<sup>(i)</sup> 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 <sup>(i)</sup>	Fair value		Notional amount <sup>(i)</sup>	Fair value	
		Asset <sup>(ii)</sup>	Liability <sup>(ii)</sup>		Asset <sup>(ii)</sup>	Liability <sup>(ii)</sup>
<b>Cash flow hedges</b>						
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
<b>Fair value hedges<sup>(iii)</sup></b>						
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
<b>Derivatives not designated in a formal hedging relationship</b>						
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
<b>Total fair value</b>		\$ 3,467	\$ 17,944		\$ 5,230	\$ 20,696
Current <sup>(ii)(iv)(v)</sup>		\$ 3,467	\$ 16,887		\$ 5,230	\$ 8,779
Non-current <sup>(iii)</sup>		—	1,057		—	11,917
<b>Total fair value</b>		\$ 3,467	\$ 17,944		\$ 5,230	\$ 20,696

<sup>(i)</sup> Unless otherwise stated, notional amounts are stated at the contractual Canadian dollar equivalent.

<sup>(ii)</sup> 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.

<sup>(iii)</sup> 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.

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

<sup>(v)</sup> 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
<b>Assets:</b>				
Foreign exchange contracts	\$ —	1,453	—	\$ 1,453
Commodity contracts <sup>(i)</sup>	1,747	267	—	2,014
	<b>\$ 1,747</b>	<b>1,720</b>	<b>—</b>	<b>\$ 3,467</b>
<b>Liabilities:</b>				
Foreign exchange contracts	\$ —	712	—	\$ 712
Interest rate swaps	—	17,232	—	17,232
	<b>\$ —</b>	<b>17,944</b>	<b>—</b>	<b>\$ 17,944</b>

<sup>(i)</sup> 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
<b>Cash flow hedges</b>	\$ (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	
	Continuing hedges	Discontinued hedges	Continuing hedges	Discontinued hedges
<b>Cash flow hedges</b>				
<b>Balance, beginning of year</b>	\$ (18,372)	\$ —	\$ 2,160	\$ —
Eligible change in fair value of interest rate swaps	12,807	—	(20,532)	—
<b>Balance, end of year</b>	\$ (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
<b>Cash flow hedges</b>	\$ 160	\$ (160)	\$ 124	\$ (117)
<b>Fair value hedges</b>	\$ (71)	\$ 49	\$ 2,970	\$ (3,104)
<b>Net investment in foreign operations</b>	\$ 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	
	Continuing hedges	Discontinued hedges	Continuing hedges	Discontinued hedges
<b>Cash flow hedges</b>				
<b>Balance, beginning of year</b>	\$ 117	\$ (3,931)	\$ 457	\$ (3,931)
Eligible change in fair value of foreign exchange contracts	43	—	(340)	—
<b>Balance, end of year</b>	\$ 160	\$ (3,931)	\$ 117	\$ (3,931)

	2021		2020	
	Continuing hedges	Discontinued hedges	Continuing hedges	Discontinued hedges
<b>Net investment in foreign operations</b>				
<b>Balance, beginning of year</b>	\$ 17,344	\$ (10,289)	\$ 8,427	\$ (10,289)
Eligible change in fair value of U.S. denominated drawings	2,716	—	8,917	—
<b>Balance, end of year</b>	\$ 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 <sup>(i)(ii)</sup>	Ineffective portion <sup>(i)</sup>	Effective portion <sup>(i)(ii)</sup>	Ineffective portion <sup>(i)</sup>
<b>Cash flow hedges</b>				
Foreign exchange contracts	\$ —	\$ (7)	\$ —	\$ 7
<b>Fair value hedges</b>				
Foreign exchange contracts	\$ (3,041)	\$ 112	\$ 2,066	\$ (74)

<sup>(i)</sup> Gains (losses) are recorded in cost of goods sold in the consolidated statements of net earnings.

<sup>(ii)</sup> 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)
<b>Cash flow hedges</b>				
Corn contracts <sup>(i)</sup>	\$ —	—	\$ 4.39	2,905
<b>Fair value hedges</b>				
Hog contracts <sup>(i)</sup>	\$ 88.54	221	\$ 75.52	800

<sup>(i)</sup> 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
<b>Cash flow hedges</b>	\$ —	\$ —	\$ 404	\$ (395)
<b>Fair value hedges</b>	\$ 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	
	Continuing hedges	Discontinued hedges	Continuing hedges	Discontinued hedges
<b>Cash flow hedges</b>				
Balance, beginning of year	\$ 395	\$ 291	\$ —	\$ —
Eligible change in fair value of commodity contracts	(395)	(291)	395	291
<b>Balance, end of year</b>	\$ —	\$ —	\$ 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 <sup>(i)(ii)</sup>	Ineffective portion <sup>(i)</sup>	Effective portion <sup>(i)(ii)</sup>	Ineffective portion <sup>(i)</sup>
<b>Cash flow hedges</b>				
Commodity contracts	\$ —	\$ (9)	\$ —	\$ 9
<b>Fair value hedges</b>				
Commodity contracts	\$ 2,094	\$ —	\$ (4,724)	\$ —

<sup>(i)</sup> Gains (losses) are recorded in cost of goods sold in the consolidated statements of net earnings.

<sup>(ii)</sup> 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
<b>Financial liabilities</b>					
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
<b>Total</b>	<b>\$ 641,581</b>	<b>1,296,695</b>	<b>42,342</b>	<b>83,349</b>	<b>\$ 2,063,967</b>

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"):

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

<sup>(i)</sup> In millions.

<sup>(ii)</sup> 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:

Range of exercise prices	Options outstanding			Options currently exercisable		Options subject to time vesting only	
	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
<b>Total Options</b>	<b>6,076,750</b>	<b>\$ 26.22</b>	<b>3.9</b>	<b>3,511,250</b>	<b>\$ 27.24</b>	<b>2,565,500</b>	<b>\$ 24.84</b>

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

Range of exercise prices	Options outstanding			Options currently exercisable		Options subject to time vesting only	
	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
<b>Total Options</b>	<b>5,889,550</b>	<b>\$ 25.48</b>	<b>3.7</b>	<b>3,546,925</b>	<b>\$ 25.41</b>	<b>2,342,625</b>	<b>\$ 25.35</b>

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<sup>(i)</sup>:

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

<sup>(i)</sup> Weighted average based on number of units granted.

<sup>(ii)</sup> Expected weighted average life.

<sup>(iii)</sup> 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
<b>Outstanding, beginning of year</b>	<b>1,550,135</b>	<b>\$ 24.99</b>	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
<b>Outstanding, end of year</b>	<b>1,742,421</b>	<b>\$ 23.59</b>	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<sup>(i)</sup>:

	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%

<sup>(i)</sup> 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
<b>Outstanding, beginning of year</b>	<b>277,299</b>	217,838
Additions: granted	53,033	53,251
Additions: dividends reinvested	7,739	6,210
Exercised	(30,588)	—
<b>Outstanding, end of year</b>	<b>307,483</b>	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 <sup>(i)</sup>	Total <sup>(ii)</sup>	Meat Protein Group	Plant Protein Group	Non-Allocated <sup>(i)</sup>	Total <sup>(ii)</sup>
<b>Sales</b>	<b>\$4,366,742</b>	<b>184,101</b>	<b>(29,761)</b>	<b>\$4,521,082</b>	<b>\$4,116,485</b>	<b>210,839</b>	<b>(23,602)</b>	<b>\$4,303,722</b>
<b>Gross profit (loss)</b>	<b>\$ 676,798</b>	<b>(12,815)</b>	<b>(4,908)</b>	<b>\$ 659,075</b>	<b>\$ 680,264</b>	<b>18,301</b>	<b>4,488</b>	<b>\$ 703,053</b>
<b>Selling, general and administrative expenses</b>	<b>\$ 334,274</b>	<b>132,793</b>	<b>—</b>	<b>\$ 467,067</b>	<b>\$ 346,644</b>	<b>144,015</b>	<b>—</b>	<b>\$ 490,659</b>
<b>Earnings (loss) before income taxes</b>	<b>\$ 336,101</b>	<b>(146,089)</b>	<b>(40,306)</b>	<b>\$ 149,706</b>	<b>\$ 330,201</b>	<b>(125,822)</b>	<b>(44,506)</b>	<b>\$ 159,873</b>
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
<b>Earnings (loss) from operations</b>	<b>\$ 342,524</b>	<b>(145,608)</b>	<b>(4,908)</b>	<b>\$ 192,008</b>	<b>\$ 333,620</b>	<b>(125,714)</b>	<b>4,488</b>	<b>\$ 212,394</b>
Start-up expenses from Construction Capital <sup>(iii)(iv)</sup>	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)
<b>Adjusted Operating Earnings</b>	<b>\$ 352,395</b>	<b>(142,079)</b>	<b>—</b>	<b>\$ 210,316</b>	<b>\$ 335,241</b>	<b>(125,714)</b>	<b>—</b>	<b>\$ 209,527</b>
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)
<b>Adjusted EBITDA</b>	<b>\$ 527,089</b>	<b>(127,187)</b>	<b>(444)</b>	<b>\$ 399,458</b>	<b>\$ 510,090</b>	<b>(111,405)</b>	<b>789</b>	<b>\$ 399,474</b>

<sup>(i)</sup> 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.

<sup>(ii)</sup> Totals may not add due to rounding.

<sup>(iii)</sup> 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.

<sup>(iv)</sup> Certain comparatives figures have been restated to conform with current year presentation.

The following summarizes capital expenditures by segments:

	2021	2020
Meat Protein Group	<b>\$ 513,921</b>	<b>\$ 448,725</b>
Plant Protein Group	<b>103,080</b>	<b>19,266</b>
Non-allocated capital expenditures	<b>12,438</b>	<b>22,698</b>
<b>Total capital expenditures</b>	<b>\$ 629,439</b>	<b>\$ 490,689</b>

## 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
<b>Sales</b>	<b>\$ 4,521,082</b>	<b>\$ 4,303,722</b>

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
<b>Total non-current assets<sup>(i)</sup></b>	<b>\$ 3,389,073</b>	<b>\$ 2,950,629</b>

<sup>(i)</sup> 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:

	<b>Purchase Price</b>
	<b>June 25, 2021</b>
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
<b>Total consideration paid in cash</b>	<b>\$ 62,113</b>

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:

	<b>June 25, 2021</b>		
	<b>Preliminary amounts</b>	<b>Adjustments</b>	<b>Final amounts</b>
<b>Current assets</b>			
Accounts receivable <sup>(i)</sup>	\$ 1,339	—	\$ 1,339
Prepaid and other assets	70	—	70
<b>Non-current assets</b>			
Property and equipment	13,651	(2,549)	11,102
Intangible assets - poultry quota	46,155	(3,317)	42,838
Goodwill	—	7,643	7,643
<b>Current liabilities</b>			
Accounts payable and accruals	(879)	—	(879)
<b>Total net assets acquired</b>	<b>\$ 60,336</b>	<b>1,777</b>	<b>\$ 62,113</b>

<sup>(i)</sup> 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.