



# OUR COMMITMENT TO SUSTAINABILITY

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**2023**



**IMPROVING LIVES  
TOGETHER**

## A Letter from Our President and CEO

Hilmar made tremendous strides in 2023 in many areas. Here are a few of the highlights:

- We made significant progress on our new state-of-the-art cheese and whey processing facility in Dodge City, Kansas, which is scheduled to open in late 2024.
- We launched our new brand and logo in July, showcasing our booth and products at the Institute of Food Technologists. This combined our Hilmar Ingredients and Hilmar Cheese divisions into one brand, #OneHilmar.
- Throughout our facilities, we worked to improve our environmental sustainability. In California, for example, we increased our biogas production by improving the anaerobic digestion process. We use this biogas in our boilers to reduce waste, trucking, chemical use, energy consumption and our Greenhouse Gas footprint. Special thanks to our teams that oversee the water reclamation operations.



We also refreshed The Hilmar Way book. The book was expanded to take a cultural look at our Purpose, Vision and Values. The Hilmar Way brings us together as one community and guides our actions and decisions.

As we strive to be the best in the world, throughout our sites we will continue to Cultivate an Exceptional Culture, Set the Standard in Operational Excellence, and Wow our Customers.

**We are off to a great start for 2024 and are excited to partner with all of you as we continue Improving Lives Together.**

David Ahlem, CEO

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## Scope of this Report

This report for calendar year 2023 is our 14th annual report. It reflects the total company efforts from our Dalhart, Texas, manufacturing site; and Hilmar, California, manufacturing site and Headquarters & Innovation Center.

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

**More information about our sustainable practices can be found at [hilmar.com](http://hilmar.com).**



New brand identity launched in 2023

Construction of the sustainability-focused Dodge City manufacturing site.

# OUR SUSTAINABILITY BELIEFS

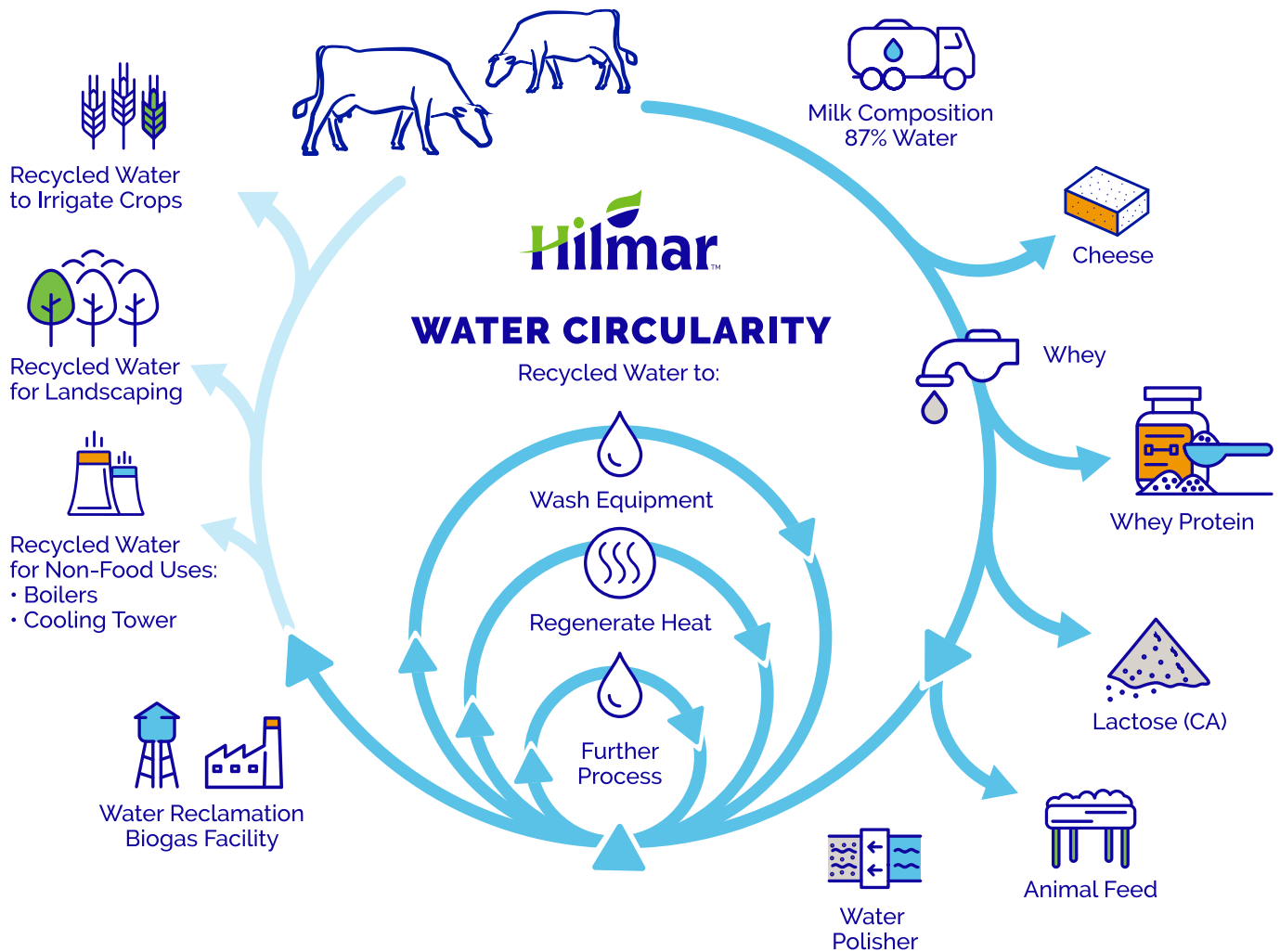
## We believe ...

- The Carbon Cycle is a naturally sustainable process and dairying will be part of the greenhouse gas (GHG) solution.
- Animal agriculture is fundamental to responsibly and sustainably feeding our planet.
- Water is a precious resource and must be treated as such.
- Healthy cows, productive farm and efficient production are the levers within our control that can help us achieve our sustainability goals.
- Dairy products provide superior nutrition and are beneficial through all life stages.
- In being leaders in safety, quality and food security.
- In positively impacting our suppliers, customers, community and employees.
- Farmers should get recognized for making sustainability improvements on the farm.



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

# WATER CIRCULARITY



## Internally reusing and recycling of water

Hilmar's processes capture almost 100% of the water that was originally part of the milk. This water is used internally in multiple ways to wash equipment, regenerate heat and for further processing.

The Water Reclamation Biogas facilities at each site have complex, multistage systems. The systems include equalization, anaerobic and aerobic digestion, storage, and distribution. During anaerobic digestion, biomass (good bacteria) consumes organic material in the water and transforms it to methane. The methane is processed and fuels on-site boilers in California and Texas to reduce our overall greenhouse gas emissions.

# COMMITTED TO IMPROVE



## Water

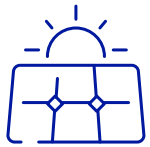
Our goal is to reduce water use. Since 2021, we have reduced our overall water usage, which has reduced the amount of water recycled.

**57%**  
REDUCTION  
IN TOTAL WATER USE

Gallons/10<sup>3</sup> lbs. of production

**53%**  
REDUCTION  
IN TOTAL WATER RECYCLED

Gallons/10<sup>3</sup> lbs. of production



## Energy

Our goal is to reduce energy use per 1,000 pounds of product, which has decreased since 2021.

**54%**  
REDUCTION  
IN TOTAL DIRECT ENERGY

Kilowatts

**54%**  
REDUCTION  
IN TOTAL INDIRECT ENERGY

Kilowatts



## Greenhouse Gases

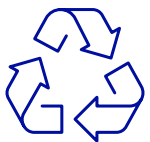
Our goal is to decrease the amount of greenhouse gas (GHG) direct emissions per 1,000 pounds of product. We have succeeded in this since 2021.

**54%**  
REDUCTION  
IN TOTAL DIRECT GHG

Metric tons CO<sub>2</sub>e

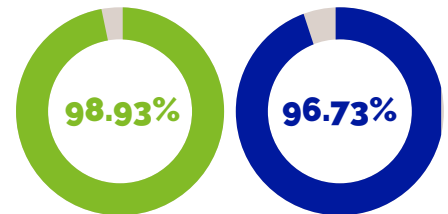
**60%**  
REDUCTION  
IN TOTAL INDIRECT GHG

Metric tons CO<sub>2</sub>e



## Resource Recovery

Our goal is to minimize resource use and maximize reuse and recycling. We improved waste diversion in 2022.



**Our tremendous 2023 progress** is due to our efforts to simplify our permeate product line to be more water and energy efficient which significantly increased overall production quantity. We also improved California's biogas digester operation to better utilize what was considered a waste product. We are proud of our team's efforts to reduce waste, trucking, chemical use, energy consumption and our greenhouse gas footprint.





## 2023 Employee Demographics

**1,558**

TOTAL EMPLOYEES

**50%**

OF TOTAL EMPLOYEE  
POPULATION WITH  
5+ YEARS TENURE

**82**

EMPLOYEES  
PROMOTED FROM  
WITHIN

**20**

NEW POSITIONS

**10**

PAID INTERNS

# TAKING CARE OF OUR EMPLOYEES AND THEIR FAMILIES

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

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

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

Hilmar employees also enjoy:

- Discounts on cheese and items sold in our Visitor Center
- Family activities and events

## Employee Safety

In 2023, we launched more in-depth incident investigation methods and the generation of safety alerts. This has improved how we share and learn from incidents across the company. The safety team partners closely with the engineering team to capture critical safety audits, inspections, and risk controls as part of the Perfect Project Workplace.

# OUR EMPLOYEES

## Employee Education

Employees are provided company training and leadership courses to develop both technical skills and soft skills. Hilmar also provides the opportunity for employees to continue their education at colleges and universities. In 2023, Hilmar reimbursed more than \$127,000.

## Employee Appreciation

We appreciate our employees! We hosted several celebratory recognition events throughout the year. These included a BBQ luncheon event to celebrate our new brand launch, family day at the ballpark, holiday celebrations and other fun events. We also held Site Awards in California and Texas to recognize employees and teams for their performance in safety, quality and productivity.



Halloween Cereal Bar



California Site Awards



Texas Site Awards



"Stepping Into the Future" with the New Brand



Texas Cooking Team



California Celebration



Holiday Celebration



Gifts for All Employees



Family Day at the Baseball Park



# ON THE FARM

Leadership in Environmental And Dairy Stewardship (LEADS) is Hilmar's program of continuous improvement in animal care and sustainable farming practices. All of the dairy farm families who have supply agreements with Hilmar participate in LEADS.

## Dairy Animal Care

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

## Dairy Farm Environmental Stewardship

The national Farmers Assuring Responsible Management (FARM™) Environmental Stewardship program is also part of LEADS. This program uses an online assessment tool to help farmers evaluate their environmental progress relating to energy and greenhouse gas emissions. Dairy farms with supply agreements participate in this program.

Hilmar's direct supply independent milk producers continue to make investments in manure management projects to help reduce GHG emissions. Since tracking began in 2018, independent dairies have implemented projects that have resulted in more than 100,000 metric tons of annual reduction in Scope 3 GHG emissions. In 2023, two dairies commissioned solid separation and bedded pack barn projects. This resulted in a reduction of an additional 1,000 metric tons of GHG annually. Additionally, there are many projects in the construction phase to continue this reduction.

## Cream of the Crop

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



### CALIFORNIA

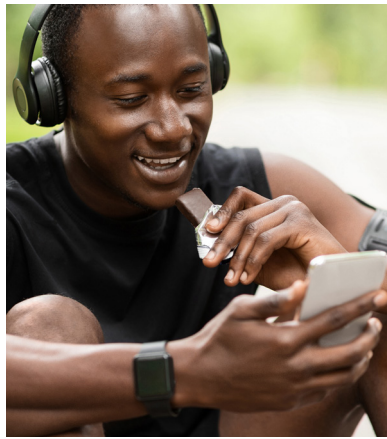
Healy Ranch has been selling milk to Hilmar Cheese Company since 2017.



### TEXAS

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





# PRODUCT VALUE

Hilmar continues to focus on new product development to create economic value for the company and the community. In 2023, we successfully launched Hilmar **PROtelyze™** Extend, a new hydrolyzed whey protein isolate. This product fills a need in the industry and launched our brand direction.

Hilmar **PROtelyze** Extend provides softness to protein bars, ensuring a desirable texture and longer shelf life. Hydrolyzed whey protein isolates are ideal for sports nutrition and healthy living nutrition product applications. Enzymatic hydrolysis produces a mixture of different chain length peptides and free amino acids for enhanced nutritional and functional benefits, including rapid absorption and digestibility.

A year-long study shows bars containing Hilmar **PROtelyze** Extend maintained a softer texture. The extended shelf life provides consumers with a better experience and bar manufacturers an advantage over their competition.

The **PROtelyze** name is one of three new brand family names representing Hilmar's whey protein offerings. The new names makes it easier for customers to identify our products and the features of each protein.

**Hilmar whey protein products improve the lives of customers and consumers worldwide.**

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- **PROtelyze™** represents hydrolyzed whey proteins that provide peptides and free amino acids to improve absorption into the body.
  - **PROfraction™** signifies enriched, fractionated whey proteins that provide specific benefits to the human body.
  - **PROfunction™** denotes whey proteins that provide additional functional capabilities in food applications where added proteins are desired.



# COMMUNITY ENGAGEMENT

We are Improving Lives Together! Our teams participated in a variety of events to support the communities in which we operate.

Thousands of students participated in our school cheesemaking or ice cream making tour programs at the California Visitor Center. Hundreds of students learned about Hilmar through our off-site programs in Texas and Kansas. Our annual scholarship program contributed to the education of 52 students.

Hilmar's Texas team was recognized as the "Top of Texas" for their fundraising efforts for the American Cancer Society.

Hilmar was honored with the 2023 California State University, Stanislaus Agriculture Department Roots Award.

**"This annual award recognized Hilmar's significant contributions to the development and progress of the agriculture program. Hilmar Cheese Company has been a strong supporter of our program from its inception."**

— Dr. Oluwarotimi Odeh,  
Professor and Rolland Starn Endowed Chair of Agriculture



## Community Outreach

- Chamber of Commerce Activities
- Clothes for Kids
- Hilmar Community Band
- Local Fire Departments
- Local Police and Sheriff Associations
- Senior Citizen Programs
- United Way



# MAKING A DIFFERENCE



## Food Security and Healthier Lives

- American Red Cross
- Dallam-Hartley Counties Healthcare Foundation
- Hilmar Helping Hands
- Merced County Rescue Mission
- Relay for Life for American Cancer Society
- Salvation Army
- St. Anthony's Food Ministry
- Valley Children's Hospital



## Improving Young Minds

- 4-H, FFA and Scouts
- Hilmar Cheese Company Scholarship Program
- Local schools, junior colleges and universities
- Universities with dairy processing programs
- Youth activities and sports



## Agricultural Outreach

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



## The Arts

- Carnegie Arts Center
- Gallo Center for the Arts
- La Rita Performing Arts Theatre
- Turlock Community Theatre

## OUR VALUES



**RELATIONSHIP**



**INTEGRITY**



**IMPROVEMENT**



**EXCELLENCE**



**TEAMWORK**

## OUR LOCATIONS



Hilmar, CA

Dodge City, KS

Dalhart, TX

**Hilmar, CA**  
Headquarters &  
Innovation Center,  
Manufacturing

**Dodge City, KS**  
Manufacturing,  
October 2024

**Dalhart, TX**  
Manufacturing

## OUR HERITAGE

Our company was founded on the principles of ensuring the common good. We wanted to create new opportunities for hardworking dairy farmers and give them a fair price for the milk they produced when we started in 1984. We applied those same business ethics to our customer relationships and built a global brand dedicated to unlocking the full nutritional and economic value of dairy.

## OUR PURPOSE

### Improving Lives Together

Committed to the shared success of all stakeholders: dairy farmers, customers, employees and their families, vendors, consumers, communities, the environment, and owners.

## OUR VISION

To be the best in the world at efficiently producing functional cheese and whey ingredients at scale.

