100 years of cooperation.

Sollio Cooperative Group

2021 Annual Report

Mission

Rooted in our regions and leveraging our collective strengths, we nourish people by ensuring the prosperity of farming families to ensure a sustainable future for our world.

Vision

To be recognized as a leader of reference in our Canadian retail markets, in the North American agricultural market and in the International agri-food industry.

Values

Honesty

Each of us acts with the utmost transparency, both within our company and in our relations with member cooperatives and other stakeholders. We all admit our mistakes freely, give credit where due and seek to avoid conflicts of interest.

Equity

Each of us, like each working group, treats our partners fairly and equitably. We believe that everyone deserves to find their place within our large cooperative network, to be recognized there and to flourish.

Responsibility

Each of us fully assumes our role within Sollio Cooperative Group, in particular by ensuring the sound management of our members' collective assets, by ensuring they fulfill their individual, mutual and collective commitments, remaining fully accountable for their actions, and by embracing the goal of sustainable development.

Solidarity

Driven by a desire for mutual aid, we consult and advise one another to achieve our common goals. We work hand in hand, in an open, consistent, methodical manner and rally around decisions made for the common good of our company.

Tested time and again, our organization has been forged by the many shifts and challenges that have come along its way. And today, through thick and thin, we see that its cooperative DNA has been more than a match for anything. Forever united, our adaptability and know-how have led us straight forward through 100 years of history, 100 years of cooperation.

That's something to be proud of. The legacy we have sown and the commitment we have harvested for future generations and agricultural producers are now yielding the forecast of sustainability.

The business model that arose from the union of three strong cooperative hubs in 1922 empowered us to achieve huge gains in productivity. We positioned ourselves to compete, and together we have opened up new markets worldwide.

Building on our growing potential, we have become a driving force in local economies and the promise of a thriving tomorrow is fuelling our dreams for the next 100 years.

Our story is written in the history of Québec and rooted in the hearts of our communities.
Both tell the tale of thousands of cooperators whose resilience built Québec agriculture.

The time is ripe to celebrate the outstanding work of our members, the efforts of our divisions and the skill of our employees. They shape the landscape of the communities where Sollio Cooperative Group operates.

Together, we cultivate, produce, process and distribute. And that's why...
Sollio is everywhere! 100 years and counting...

100 years of Sollio. Ours to celebrate.

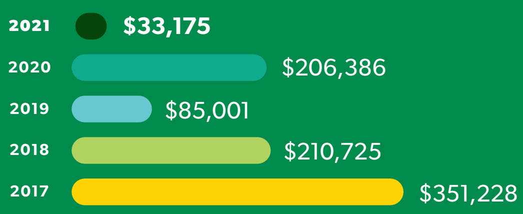

1922
COOPÉRATIVE FÉDÉR
DE QUÉBEC

Table of contents

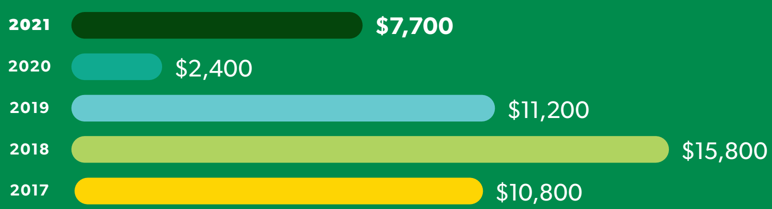
Highlights

Revenues
(in thousands of dollars)

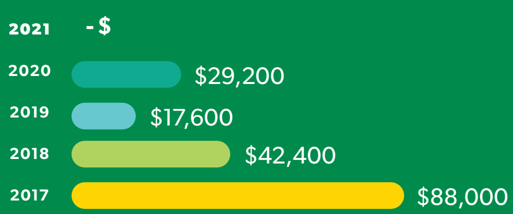
Earnings before patronage refunds, income taxes and discontinued operations
(in thousands of dollars)



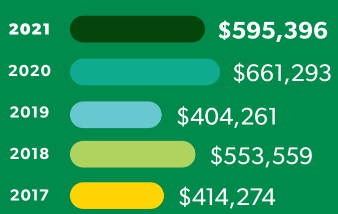
Dividends paid to the cooperative pork chain
(in thousands of dollars)



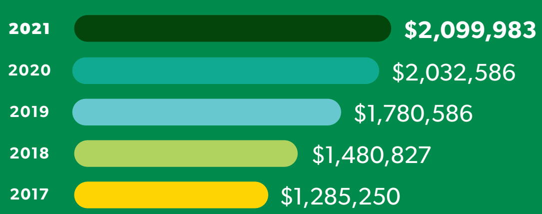
Patronage refunds
(in thousands of dollars)



Working capital
(in thousands of dollars)



Preferred shares and Sollio's Equity
(in thousands of dollars)



(In thousands of dollars)

	2021 **$**	2020 $
Revenues	**8,341,089**	7,581,737
Operating earnings (losses)	**(61,555)**	184,141
Earnings before patronage refunds income taxes and discontinued operations	**33,175**	206,386
Patronage refunds	**-**	29,200
Net earnings (net losses)	**(10,322)**	140,987
Accounts receivable and inventories	**1,674,667**	1,594,679
Current assets	**1,942,119**	1,770,159
Working capital	**595,396**	661,293
Property, plant and equipment, at cost	**2,570,654**	2,703,076
Property, plant and equipment, net carrying amount	**1,381,029**	1,567,259
Total assets	**4,969,460**	4,728,182
Long-term debt and obligations under capital leases including current portion	**1,061,122**	1,270,098
Preferred shares and Sollio's equity	**2,099,983**	2,032,586
Number of employees	**15,850**	16,150

President's message

Ghislain Gervais

Sollio Cooperative Group's 100th anniversary will go down in our collective memory as a time fraught with significant challenges, as reflected by our financial results for the past fiscal year.

With consolidated sales of over $8 billion, Sollio Cooperative Group recorded a loss before patronage refunds and income taxes of $18.7 million.

The previous year's strong results generated significant returns in cash and share redemptions, in addition to putting us on the right foot to head into the new fiscal year.

That being said, 2021 brought a series of negative events with a cascade of adverse effects, disrupting our annual planning and forecasts.

We were targeted in the surge of systems hacking that is threatening every organization worldwide. Olymel and BMR Group faced logistics issues due to COVID-19, such as high container prices and supply disruptions. Volatile commodity prices significantly impacted inventory values, particularly in the grain and lumber sectors.

Olymel's hog business clearly faced the most adverse environment. I refer to the severe labour shortages associated with the demographic mismatch in the labour market, on top of the health restrictions resulting from the COVID-19 pandemic.

The labour shortage resulted in prioritizing the pace of slaughter and producing low-margin primary cuts, at the expense of processing value-added cuts. The detrimental impact on margins was even greater for certain of our plants whose export permits to China were suspended due to geopolitical circumstances. Note that China is a unique world market for the utilization of hog by-products.

Québec's pork pricing formula puts us at a disadvantage compared with our Canadian and North American competitors. The formula's impact was even greater in 2021, given our inability to fully process cuts and the loss of the Chinese market to move primary cuts.

The volume of hogs awaiting slaughter in Québec rose to record levels during the fiscal year, compounded by the months-long strike at the Vallée-Jonction plant. Olymel made every effort to avoid last resort solutions such as compassionate slaughter. Slaughter volume was given priority over processing. Piglets and hogs were shipped outside Québec. All of these actions helped to reduce pressure, but they also led to additional losses of revenue.

Sollio Agriculture's grain sector faced a difficult-to-predict reverse market. Steps were taken to correct the situation, but the financial consequences were substantial.

On the positive side, several of our operating sectors performed very well despite the difficult environment. BMR Group recorded excellent results, benefiting from the impact of the pandemic and the rage for renovation, among other things. I would like to also highlight Olymel's poultry operations, Sollio Agriculture's animal and crop production, and the energy sector. All of these sectors generated gains in line with or well above expectations.

Our network of cooperatives is the picture of health. The financial strength of our agricultural cooperatives grows deeper year by year. Our far-reaching network reorganization plan, Vision Plus, has certainly played a part in this.

These outcomes illustrate the importance of diversifying our operations. Some of our sectors deliver stable results year after year, which helps to maintain Sollio Cooperative Group's resilience.

And once again during the year, our financial partners showed their continued confidence in us by making equity investments and renewing our credit facility. We would like to thank them warmly for their support for our organization and cooperative business model.

We achieved another important milestone during the year by completing a generational leadership transition at Sollio Cooperative Group and across all divisions. The implementation of our succession plan involved a rigorous and orderly process rolled out over many months.

In that regard, I want to reflect on the departure in the past year of two of our organization's stalwart champions, Mr. Gaétan Desroches and Mr. Réjean Nadeau.

Gaétan Desroches, CEO of Sollio Cooperative Group, retired last September after a career of 40 years within our network. Under his leadership, Sollio Cooperative Group consistently grew and consolidated its position as a frontrunner in Canada's agri-food chain and retail industry.

And we were deeply saddened by the sudden death of Réjean Nadeau, President and CEO of Olymel, on October 14, 2021. During the 25 years of his stewardship, Olymel, which now numbers over 14,000 employees, grew from sales of some hundreds of millions of dollars to $4.2 billion.

On behalf of the members of our Board of Directors, our employees and our members, I want to thank them wholeheartedly for their remarkable work, their tireless dedication and their high esteem for agricultural producers.

I would also like to take this opportunity to congratulate their successors, both from within our organization. Mr. Pascal Houle, as CEO of Sollio Cooperative Group and Mr. Yanick Gervais, as President and CEO of Olymel. And I want to congratulate Mr. Casper Kaastra, the new CEO of Sollio Agriculture, and Mr. Alexandre Lefebvre, the new CEO of BMR Group, who joined us during the year.

The members of the Board of Directors of Sollio Cooperative Group and Olymel are confident that they will successfully carry on their predecessors' work and leverage their skills to continue building our organizations.

And I want to extend my thanks to their respective teams and to our more than 16,000 employees, who have shown such commitment to our organization as we continued to adapt to the many demands made by COVID-19.

A thriving network

Our network of cooperatives is the picture of health. The financial strength of our agricultural cooperatives grows deeper year by year. Our far-reaching network reorganization plan, Vision Plus, has certainly played a part in this.

You'll recall that Vision Plus supports the consolidation of our agricultural cooperatives and business partnerships with our Sollio Agriculture division. Launched in 2016, the initiative was in response to a desire by our elected officials to modernize our business model to better meet producers' needs and ensure network sustainability in a highly consolidated market environment.

Today, it is clear that the consolidation of the agricultural cooperatives, which is already well underway, has generated significant leverage in securing their sustainability. It is also clear that our consolidated businesses are in a much stronger position to face the major challenges of today and tomorrow.

Further of note, Agiska Coopérative launched formally on November 1, 2021 consolidating cooperatives in the Montérégie region under a robust new regional umbrella. Avantis Coopérative has gained new strength through the inclusion of La Coop Alliance in its fold.

The business partnerships that we have formed with our consolidated cooperatives are also giant steps towards a stronger network. These combinations make us even more competitive and enhance the common bond that defines us.

Board of Directors

Ghislain Gervais, ASC
President
Executive Commitee Member

Muriel Dubois, ASC
1st Vice-President
Executive Commitee Member

Mathieu Couture
2nd Vice-President
Executive Commitee Member

Richard Ferland
Executive Commitee Member

Cathy Fraser
Administrator

Adrien Pitre
Administrator

Marc-André Roy
Administrator and Executive Commitee Member
Audit Committee Member

Patrick Soucy
Administrator
Audit Committee President

Réjean Vermette
Administrator

Jean Bissonnette, ASC
Administrator
Audit Committee Member

David Mercier
Administrator
Audit Committee Member

Jean-Philippe Côté
Administrator
Audit Committee Member

Normand Lapointe
Administrator

Sophie Gendron
Administrator

François R. Roy, ASC
Guest administrator
Audit Committee Member

Ferme Desnoyers
Finalist
New Farm Enterprise
and Farm Succession Award 2022

Today, it is clear that the consolidation of the agricultural cooperatives, which is already well underway, has generated significant leverage in securing their sustainability.

The development of regional partnerships continued to gain momentum this year, with the official launches of Sollio & Agiska Agriculture Coopérative and Sollio & Uniag Agriculture Coopérative. Note also that Agriscar Coopérative and Novago Coopérative recently united within Sollio & Grains Québec Agriculture Coopérative.

Other consolidation projects are underway and will take shape over the coming years. Vision Plus is a dynamic, scalable project, and that is what will ensure its long-term success. Our network's landscape has evolved significantly over the past few years and demonstrates the soundness of our vision and ambition. Together, we will go farther.

Sollio for tomorrow

Over its 100-year history, Sollio Cooperative Group has reaped abundant success and faced down many crises.

After many years of growth and given the financial results of the past fiscal year, an asset optimization project is currently underway. This is essential to putting Sollio Cooperative Group and Olymel back on stable footing. Furthermore, Olymel initiated a plan to improve hog operations, which will be fully implemented in the coming months.

Beyond economic considerations, we continued our work on the cornerstones of our cooperative model. Among other things, the Board of Directors approved the recommendations of the ad hoc Governance Committee, which addressed Board of Directors succession strategy, Board representation and composition, and the integration of women into our decision-making bodies.

In that regard, we continued to deploy the *Action Plan for the Equitable Representation of Women in Network Governance.* Among other things, in 2021 we reached our target of three women on the Board of Directors. However, work remains to be done to reach our target of 30% by 2025.

We also maintained our structured approach to corporate responsibility. Together, we must continue to seek solutions to the different environmental and social challenges.

The builders of yesteryear left us a unique heritage. Those who came before us were farsighted in creating a broad-based cooperative network to provide mutual services, support and sharing. They could never have imagined the scale their cooperative would achieve 100 years down the road.

According to the World Cooperative Monitor, Sollio Cooperative Group ranks 104th among the world's 300 largest cooperatives. Its contribution to driving the Canadian and regional economies has been significant from its very beginnings in 1922.

Sollio Cooperative Group's direct and induced benefits contribute over $4 billion to Canada's GDP and generate nearly 40,000 full-time jobs. Its operations generate annual tax revenues of about $1 billion per year for federal and provincial governments. Those are numbers that would make our forerunners proud.

But the heritage those builders left to us carries its own weight of responsibilities. It's our turn to nurture it. It's our turn to make it sustainable. It's our turn to leave an enduring heritage for future generations of farm cooperators. And you can be sure that those responsibilities and our values guide our actions and decisions day after day.

In its 100 years of growing, this is not the first time our cooperative has faced down major challenges. And it's pretty much a sure thing that it won't be the last.

But as in the past, when times get tough, we do what we need to do to get ourselves into a better position for the future. Our history has shown us time and time again that our cooperative model is durable and resilient, just like our farming members.

To conclude, I would like to extend my thanks to my colleagues on the Board of Directors for their solidarity, their professionalism, and their trust in me. And I applaud all of the directors across the network. It is your commitment and determination that give real meaning to our collective action!

Ghislain Gervais
President

Management discussion and analysis

Pascal Houle, CPA, CMA

Chief Executive Officer

Coming on the eve of Sollio Cooperative Group's 100th anniversary, fiscal 2021 will surely go down as one of the most tumultuous years in our history. During the second consecutive year of the COVID-19 pandemic, Sollio Cooperative Group was sorely tested by particularly challenging business conditions in two of its sectors.

For the fiscal year ended October 30, 2021, Sollio Cooperative Group recorded sales of $8.3 billion and a loss of $18.7 million before patronage refunds and taxes, including a loss from discontinued operations. In 2020, sales totalled $7.6 billion, while earnings before patronage refunds and income taxes amounted to $201.0 million. The decrease was mostly attributable to the Sollio Food and Sollio Agriculture divisions.

Sollio Food

Sollio Food (Olymel) posted a $60.2 million loss before patronage refunds and income taxes, including corporate expenses, compared with earnings of $215.4 million in 2020. The lower results were largely attributable to the Eastern and Western fresh pork sectors. For the Eastern fresh pork sector, the closure of market access to China severely impacted sales of by-products. Furthermore, compounding the strike at the Vallée-Jonction plant, the pandemic intensified the labour shortages, reducing the Group's capacity for boning, an essential step in driving improved margins. These circumstances also compelled the division to outsource slaughtering, which represented substantial additional costs. Profitability in the Western fresh pork sector was mainly impacted by a stronger Canadian dollar and higher supply costs, as well as an 11-day forced closure at the Red Deer plant due to COVID-19.

Sollio Agriculture

The Sollio Agriculture division posted a loss before patronage refunds and income taxes of $22.0 million, compared with earnings before patronage refunds and income taxes of $8.2 million in fiscal 2020, for a $30.2 million decrease, resulting mainly from unfavourable results in the grains sector. As markets did not react as expected, we had to adjust our positions to adequately align with market conditions and observable values, generating significant losses. Conversely, the crop production sector saw a record year, owing to a favourable market position for crop inputs and the launch of global sourcing in the sector, which enabled it to leverage higher prices for those commodities. Moreover, weather conditions in Eastern Canada and grain prices stimulated growth in demand for crop protection products. Results for the animal production sector were up slightly, reflecting local sourcing of ingredients and favourable purchasing positions in a strongly rising market for one of our networks.

Sollio Retail

Lastly, the Sollio Retail Division (BMR Group) reported earnings before taxes, including corporate expenses, totalling $28.2 million, compared with $28.7 million for the previous fiscal year, representing a $0.5 million decline. Despite fairly stable earnings before patronage refunds and taxes compared with the previous fiscal year, several significant factors shaped fiscal 2021.

Following this past fiscal year and after ten consecutive years of sustained growth, Sollio Cooperative Group is embarking on a period of consolidation where we must solidify our bases.

The $374.8 million increase in sales in 2021 was primarily due to increased demand for building and renovation products stemming from widespread lockdowns between December and June 2021, and a historic surge in commodity prices through June 2021. That being said, a sharp drop in market prices occurred in July 2021, coinciding exactly with a slowdown in store traffic that lasted through the end of the year. Consequently, gross margin as a percentage of sales declined, owing partly to the significantly higher cost of importing products from abroad and partly to the fact that, prior to the sudden drop in commodity prices, inventory levels were high in anticipation of rising demand, which proved to be considerably below expectations.

Energy sector results are reported as a share of results of a joint arrangement owing to a 50% interest held via a subsidiary. The share recorded for the year amounted to $12.3 million compared with $13.9 million a year earlier.

Operating expenses

Cost of sales and selling and administrative expenses totalled $8.4 billion compared with $7.3 billion for the previous year. This increase was relatively consistent across the divisions.

Net financial expenses decreased to $34.7 million in fiscal 2021 from $55.6 million for the previous fiscal year, owing primarily to the lower average interest rate compared with the year before.

Including the results of its divisions, Sollio Cooperative Group reported a consolidated operating loss of $61.6 million, compared with operating income of $184.1 million in fiscal 2020.

Other income and expenses includes the share of results of joint arrangements, namely businesses in which Sollio Cooperative Group has joint control. This share totalled $57.4 million in fiscal 2021 compared with $50.7 million for fiscal 2020, with the increase arising primarily from Sollio Agriculture's agricultural input distribution and marketing segment. The segment posted record results in 2021, which were partially offset by lower results attributable to Sollio Food's hog breeding, slaughtering and pork further processing segment.

Share of results of entities subject to significant influence — entities in which Sollio Cooperative Group has less than a 50% investment — amounted to $13.8 million in 2021, compared with $4.7 million in 2020, an increase due mainly to the acquisition by Sollio Food during the year of an interest in a business in the slaughterhouse by-product valorization sector.

Investment income, which represents interest and dividend income from investments, totalled $1.9 million in fiscal 2021 compared with $3.1 million for the prior fiscal year.

Net losses on disposal and remeasurement of assets amounted to $10.3 million in fiscal 2021 compared with $1.2 million in fiscal 2020. The loss in 2021 stemmed mainly from the disposal of property, plant and equipment in Sollio Food and the disposal and remeasurement of investments in Sollio Agriculture. The 2020 loss was generated primarily by the sale of units held in subsidiaries and joint arrangements of Sollio Agriculture, offset by gains on disposals of property, plant and equipment.

Gains (losses) on remeasurement of interest rate swaps represented a gain of $26.3 million in fiscal 2021 compared with a $35.0 million loss for fiscal 2020. The gains arose from the remeasurement of interest rate swaps that declined significantly in value in 2020 following a decrease in interest rates resulting from the COVID-19 pandemic.

In 2021, Gains arising from insurance benefits, a new line item, which represents amounts received from insurance claims, amounted to $5.7 million.

For the fiscal year ended October 30, 2021, taking into account a tax recovery of $8.4 million, net loss amounted to $10.3 million, compared with earnings of $141.0 million in 2020. Net loss attributable to members of the Group amounted to $4.3 million, compared with earnings of $117.7 million in fiscal 2020, while net loss attributable to non-controlling interests totalled $6.0. million, compared with earnings of $23.3 million in fiscal 2020.

Management Committee

Pascal Houle, CPA, CMA
Chief Executive Officer

Alexandre St-Jacques, FRM
Chief Financial Officer

Me Josée Létourneau
General Secretary and Legal Affairs

Casper Kaastra
Executive Vice-President and
Chief Executive Officer of Sollio Agriculture

Alexandre Lefebvre, MBA
Executive Vice-President and
Chief Executive Officer of BMR Group

Yanick Gervais, M. Fisc. CPA, CA
President and CEO of Olymel

Stéphane Forget, MBA, ASC
Senior Vice-president, Public Affairs,
Cooperation & Corporate Responsibility

Bernard Marquis, agr.
Senior Vice-president,
Strategic Projects

Saad Chafki
Senior Vice-President of
Information Technology

Stéphanie Couturier
Principal Vice-President,
Communications

Marc Gauthier
Principal Vice-President,
Human resources

Through cooperation, our network has been one of the driving forces behind the modernization of Québec agriculture. Let’s make this year a time to be proud of our heritage and the lasting impact we continue to make in the communities we operate in.

Parent company

The parent company’s earnings before patronage refunds and income taxes totalled $34.0 million compared with a $81.1 million loss for fiscal 2020. The improvement arose partly from the $26.3 million gain on remeasurement of interest rate swaps, and partly from the $10.3 million gain related to the remeasurement of employee future benefits in 2021, compared with an expense of $25.1 million in 2020. The difference reflected the solid performance of pension plan assets in 2021, whereas the purchase of annuities in 2020 for certain defined benefit pension plans resulted in an actuarial loss in the Group’s books. Lastly, a $5.5 million gain from insurance benefit also contributed to the increase.

Year 2 of the COVID-19 pandemic

For a second consecutive year, COVID-19 continued to spread around the world with a host of spin-off effects. Like many other businesses at home and abroad, Sollio Cooperative Group’s operations and results were impacted once again, and this time to a greater degree. While we were optimistic as the new year began, all our divisions were ultimately impacted by the unpredictability of fiscal 2021 . Price volatility, supply chain vulnerability issues and heightened labour shortages were only a few of the unexpected challenges that arose during the year.

Following this past fiscal year and after ten consecutive years of sustained growth, Sollio Cooperative Group is embarking on a period of consolidation where we must solidify our bases. For 100 years now, Sollio has worked to secure sustainabilityand prosperity for the local agricultural producers that its network of cooperatives belongs to. We have a responsibility to them to generate profit, and as such we have a duty to quickly regain our sound financial footing. We will make this our priority, building on the asset optimization plan we developed during the year.

As recognized by the prestigious Canada’s Best Managed Companies ranking awarded to us in 2021, Sollio Cooperative Group’s business model is strong, our mission, vision and values are rooted in our day-to-day operations and our strategic planning is rigorous — and we will soon return to growth.

Human resources

I officially assumed my role as CEO of Sollio Cooperative Group in September 2021, at the end of the fiscal year. With Casper Kaastra, Alexandre Lefebvre and Yanick Gervais being appointed during the year as CEO of Sollio Agriculture, CEO of BMR Group, and President and CEO of Olymel, respectively, a full and unprecedented changing of the guard took place seamlessly and harmoniously.

Working through a pandemic

Keeping an organization’s culture alive and mobilizing teams during a pandemic is a major challenge, but we continued to be proactive and adaptable at all levels throughout the year. Continuous situation updates around the pandemic and sharing best practices across the organization gave visibility over the health and safety of our employees, while simultaneously safeguarding our operations. And we introduced a new remote working policy that supports a hybrid working model, among other things. The pandemic without a doubt accelerated the adoption of technology tools that enable employees to stay connected remotely, and also enjoy an enhanced work-life balance.

Health and well-being

As the mental and physical health of our employees is of key importance to us, we launched a new activity last year, the Sollio Challenge, to encourage people to get moving and to raise funds for the *From Us to You* initiative. Through it, employees of Sollio Cooperative Group, the divisions and the network were urged to set personal mileage goals and to raise a minimum sum of money to donate to the cause. When the Challenge came to a close, over 40,000 km had been walked, run or cycled, and donations amounted to $54,000. Through the second edition of *From Us to You*, that amount complemented the $510,000 donated to food banks by Sollio Cooperative Group and eighteen cooperatives in its network.

100 years… and counting

The year ahead is a very special one for Sollio Cooperative Group — our 100th anniversary. A century ago, the founding of La Coopérative fédérée de Québec gave Québec farmers the means to realize their ambitions by empowering them to market their products both locally and abroad, and to access the training they needed to increase their yields. Through cooperation, our network has been one of the driving forces behind the modernization of Québec agriculture. Let's make this year a time to be proud of our heritage and the lasting impact we continue to make in the communities we operate in.

Our mission is a great and honourable one, and it comes with responsibilities. We are committed to going forward building a sustainable future for our Canadian farming families and for consumers at home and abroad. We're 100 years young… and counting!

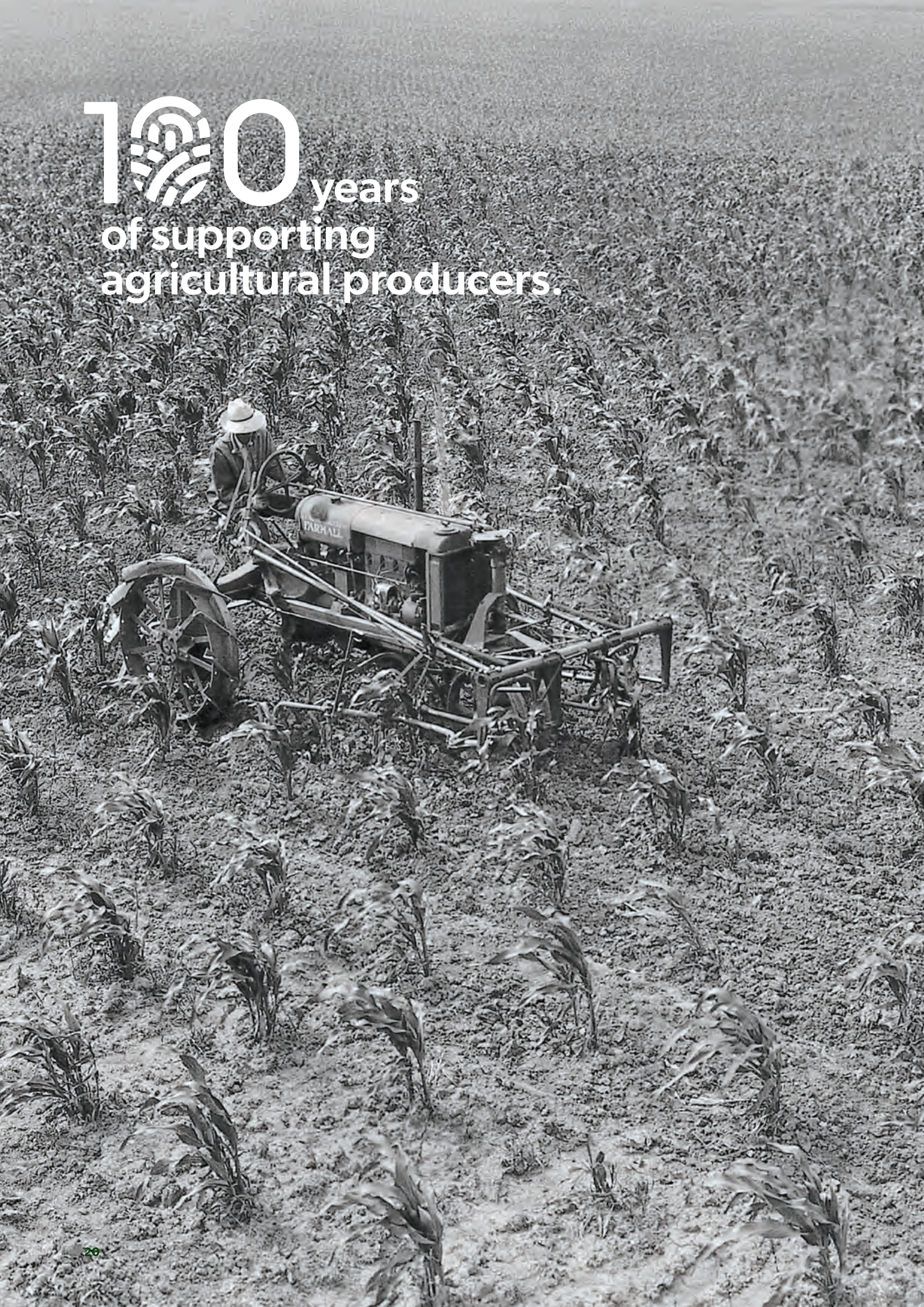
In closing, I would like to extend my sincere thanks to the President and members of Sollio Cooperative Group's Board of Directors for their welcome and support since I stepped into my role. I also want to express my gratitude to Gaétan Desroches, our cooperative's former CEO, whose collaboration throughout this smooth transition was greatly appreciated, and say a special thanks to my colleagues on the Executive Committee, and the division leaders, for their dedicated work and invaluable collaboration. I would also like to applaud the presidents and general managers of the cooperatives for their involvement, their openness, and their solidarity in this very challenging year.

My final words are for all of the employees of Sollio Cooperative Group, our divisions, and our network. The conditions your teams have had to navigate through, with a pandemic that recently picked up steam instead of tapering off, were particularly challenging. Hats off to each and every one of you and I thank you from the bottom of my heart for supporting our network every day.

Pascal Houle, CPA, CMA
Chief Executive Officer

Ferme Magolait
Finalist
New Farm Enterprise
and Farm Succession Award 2022

Sollio
Agriculture


100 years
of supporting
agricultural producers.
FARMALL

Casper Kaastra
Executive Vice-President
and Chief Executive Officer

For the 2020-2021 fiscal year, Sollio Agriculture's net sales continued to increase to $2,772 billion, compared to $2,397 billion in 2019-2020.

This $375 million increase is mainly due to higher commodity prices, including grains and crop and livestock production inputs, particularly fertilizer and feed.

The Livestock Production Sector's net sales were up 23%. Higher feed sales combined with higher ingredient prices increased the average selling price by $82 per tonne, there by contributing to these results. Overall, the sector's results are as expected.

The Crop Production Sector had a record year, with net sales up 23.9%. The sector's performance was driven by favourable positioning in crop inputs, which allowed to benefit from price increases. Overall, effective management of stock levels and pricing helped the sector to achieve significantly higher margins this year.

The Grain Sector had a disappointing year, due in part to significant adjustments to the market values of its positions. The sector posted net sales of $582 million, down 20.8% from last year. Despite a 75% increase in export volumes, the sector was impacted by higher operating costs for our infrastructure, logistics and transportation. These elements, combined with the volatility of commodity prices, have substantially influenced our results.

Although volatile commodity prices also affected the profitability of the livestock farms, the results of this area activity were maintained through good technical performance. Efforts to develop robotic milking market and total mixed ration contracts added volume, although not fully compensating for a reduction caused by a portion of our customer base exiting from production. Feed volumes increased as a result of disruptions in pork processing which left hogs on farms longer, before heading to slaughter. In addition, synergies were created in our Québec hatchery operations through the acquisition during the fiscal year of Côté Hatchery, in partnership with network cooperatives.

Weather conditions across Canada and higher grain prices contributed to increased demand for fertilizer and crop protection products during the year. Our organic crop input sales continued to grow, up 12% to nearly $7 million in sales.

Weather conditions across Canada and higher grain prices contributed to increased demand for fertilizer and crop protection products during the year.

Lower grain production in the summer of 2020 impacted sales and caused a decline in availability of cereal and forage seed. Maizex's soybean and corn sales were up 12.5% for the year and the retail Joint-Venture network across the country also posted strong results due to volume and margin growth.

In Québec, Grains Elite transferred its operations and volume to the Sollio & Grains Québec partnership and ceased to operate in January 2021. In the Maritimes, our procurement strategy and a favourable harvest positioned the company as a significant player in the region trading soybeans. In the West, however, droughts greatly reduced the amount of grain available for merchandising.

Sollio Agriculture continued to modernize with improvements to the AgConnexion user experience and various digital pilot projects. In addition, Sollio Agriculture migrated its entire infrastructure to the cloud and accelerated its security enhancement program.

The agriculture industry is under pressure to reduce its environmental footprint and Sollio Agriculture is playing an active role in reducing the environmental impact of agricultural activities. We have stepped up to the plate by creating a corporate responsibility team and rolling out an action plan to establish quantified commitments and carry out an environmental assessment and water usage. Moreover, the crop production research farm has aligned itself with our corporate responsibility objectives to guide our research and innovation activities.

To remain competitive in the employment market, Sollio Agriculture has developed a visual identity for recruitment and retention purposes: the employer promise "We're here". Coupled with new recruitment initiatives, the deployment of a new payroll system, not to mention the new work organization vision, both for in-office work spaces and for telecommuting guidelines, these are all strong initiatives to support our employees this year by responding to their new expectations as well as our business needs.

Sollio Agriculture, with the participation of several Agromart retailers and cooperatives, entered into a partnership agreement with Pursell, based in Sylacauga, Alabama, to construct a controlled-release fertilizer plant at our distribution site in St. Thomas, Ontario.

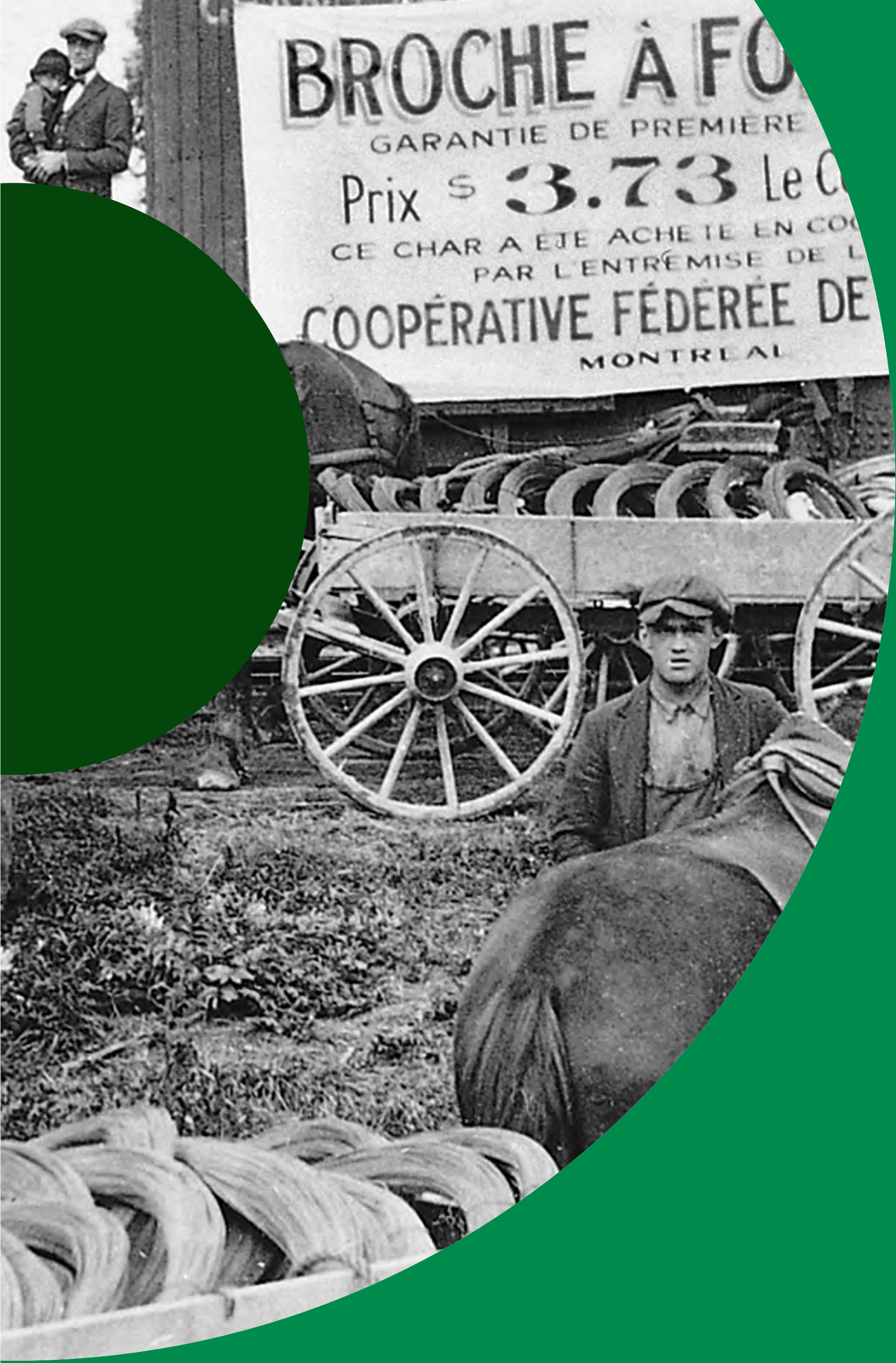
Two new agricultural partnerships were established over the past year: Sollio & Agiska Cooperative Agriculture and Sollio & Uniag Cooperative Agriculture.

Sollio Agriculture is in a transition period due to the underperformance of the Grain Sector and the events of the past year. The division has begun a major repositioning of its activities to return to targeted profit levels and achieve its 2025 objectives. We are confident that the stage is set to return to the expected profitability next year.

I would like to conclude by thanking our CEO, Mr. Pascal Houle, who supports us in this exercise, as well as the Board of Directors for their confidence. Finally, I would like to thank our employees who have been holding the fort. Thanks to their unconditional support, it was possible to maintain operations and to adequately meet the needs of Canadian farm families.

Casper Kaastra
Executive Vice-President and Chief Executive Officer

Our Distribution Network



Sollio Retail

GROUPE BMR

100 years of building local economies.

Alexandre Lefebvre, MBA
Executive Vice-President
and Chief Executive Officer

BMR reported encouraging results for the past year with sales increasing to $1.534 billion from $1.159 billion for the previous fiscal year.

This sales growth is particularly satisfactory as BMR had to navigate a changing business environment with uncertainty and volatility in the commodities market, supply chain pressures and labour shortages. The prudence and creativity that guided our actions have paid rich dividends.

BMR – a strong, well-established brand with robust growth

While we had to navigate stormy waters throughout the year, fiscal 2021 was also a year of growth for BMR.

Ten large stores joined the network in the past year, including five outside Québec. The launch of a campaign aimed at supporting business development efforts no doubt helped make the past year particularly prosperous.

Similarly, Lefebvre & Benoit continued to grow strongly, mainly driven by the expansion of its distinctive business model across Canada. The division opened several new centres, mainly in Ontario, Montréal's south shore and Terrebonne. The contribution of these new operations to organic growth can already be seen.

Another significant project during the year was the accelerated deployment of the OMS system within the network to enable in-store pickup of online purchases. Over 100 points of sale now offer this service, meeting customer expectations. According to a recent study, 75%[1] of customers prefer to pick up in store purchases made online. Deployment will continue in 2022.

We also carried out 20 major renovation projects in network stores to greatly improve the quality of the customer experience offered and thereby retain customers in a competitive market and grow sales.

[1] Léger study on consumer trends and consumer buying patterns in the hardware industry and innovation centres, 2021.

Another significant project during the year was the accelerated deployment of the OMS system within the network to enable in-store pickup of online purchases.

A year marked by changes and agility

Since volatility in our market seems to be a trend here to stay in 2022, we decided to strengthen the strategic plan for the next 12 months. Five major areas were prioritized to align the teams around improving operational efficiency and optimizing financial performance, key elements to ensure our success given the business context. This exercise also led us to review our organizational structure with an aim to maximize synergies between services in complementary areas of expertise, improve accountability and increase speed of execution.

Initiatives to improve operations were also made in 2021, mainly the deployment of a new process to make daily deliveries to corporate stores. This new way of doing business is aimed at improving operational efficiency in stores and generate sales growth through enhanced product availability.

Ever committed to be an employer of choice and attract the best talent, BMR Group rolled out 11 basic and scalable training paths, specifically developed for teams in stores. In addition, we formed new cohorts for the *Relais BMR* and *Tremplin BMR* programs for training the next generation in stores. A number of actions to promote employee well-being and better work-life balance were also taken, including a hybrid working model for head office employees and wellness room expansion.

To sum up, while the past fiscal year had its share of challenges, it also allowed the BMR network to display all of its agility, creativity and dynamism. I would like to take this opportunity to thank the entire BMR Group team, our merchants, network cooperatives and Sollio Cooperative Group that made last year's achievements possible.

We're beginning the new fiscal year with enthusiasm and positive attitude, and are committed to optimizing network performance and maximizing growth, from all points of view.

Alexandre Lefebvre
Executive Vice-President and Chief Executive Officer

Our retailor networks

BMR agrizone Potvin & Bouchard LA SHOP BMR

Sollio Food

Feeding the world

100 years of feeding communities.

Yanick Gervais, M. Fisc. CPA, CA
President and Chief Executive Office

Fiscal 2021 shows declining results compared with the previous year. However, Olymel reported $4.2 billion in sales, up $80 million from the previous year.

Although the processed poultry and pork sectors reported positive results, the lower volumes and prices combined with an unprecedented chain of events beyond our control and challenging market conditions in the fresh pork sector greatly impacted Olymel's performance.

Exports to China supported the primal cuts sector for part of the fiscal year, but the pandemic, labour shortages, the month-long strike at the Vallée-Jonction plant, and the number of hogs awaiting slaughter all significantly affected operations and pork sector profitability. For most of the year, value-added activities had to be limited to the benefit of slaughtering and primal cuts, leading to a lower meat margin.

Just as in fiscal 2020, Olymel also had to weather the waves of the COVID-19 pandemic and the resulting absenteeism, and maintained measures aimed at protecting the health of its employees and controlling the spread of the virus in its establishments across Canada. Costs, like vaccination incentives, personal protective equipment and security costs totalled $7.4 million.

Hog production

The Eastern hog production sector reported a loss in fiscal 2021 compared with earnings in the previous year. Despite a rise in the selling price of commercial hogs, the loss resulted from higher supply costs, as well as the hedging operations on the price of pork. Construction of the fifth swine breeding facility at Fermes Boréales continued in 2021 and the first sows are expected to be delivered to the new Fugèreville facilities beginning in March 2022.

The Western hog production sector posted positive results in fiscal 2021 following two consecutive years of losses. The sector contributes up to 60.3% of the total supply of the hog slaughtering and cutting plant in Red Deer, Alberta. We also continued to install open stalls for sows in our Western hog breeding facilities, which represented significant costs.

Finally, as in fiscal 2020, Olymel maintained heightened levels of vigilance in its facilities across the country to prevent the emergence of the African swine fever. Its outbreak in the Dominican Republic in 2021 raised the level of alert in North America considerably.

Eastern fresh pork

Particularly unfavourable conditions caused sharply negative results for the Eastern fresh pork sector in fiscal 2021, putting an end to five consecutive years of positive results. Slowdowns attributable to the COVID-19 pandemic, suspended exports to China for the Vallée-Jonction, Princeville and St-Esprit plants, a four month-long strike at the Vallée-Jonction plant, and extreme labour shortages are all factors that prevented the Eastern fresh pork sector from meeting its budget targets.

The strike at the Vallée-Jonction plant caused a significant decrease in the volume of chilled pork exported to Japan, which also had a negative impact on the results.

The number of hogs awaiting slaughter reached a historical high during the fiscal year, leading Olymel to make arrangements to send hogs to slaughterhouses outside Québec, representing an unexpected cost of nearly $25 million.

The expected reduction of our hog purchases in Québec and Ontario, and the transformation of the Princeville slaughterhouse into a deboning facility, are two plans being considered to ensure the sector's viability.

After being acquired in January 2020 and during its first year within Olymel, F. Ménard made a positive contribution to the year's results, although below expectations. Last September, the Ange-Gardien plant also launched a second night shift, allowing its weekly slaughtering capacity to grow from 25,000 to 35,000 hogs.

Negotiations with Les Éleveurs de porcs du Québec to renew the pork marketing agreement are ongoing.

Western fresh pork

As in the East, the Western fresh pork sector reported negative results for fiscal 2021. Despite a rise in slaughtering, the decline in the meat margin can be mainly attributed to the increased cost of raw materials and currency fluctuations. Performance was also hampered by the closure of the Red Deer plant during 11 business days due to a COVID-19 outbreak in February 2021.

The Red Deer plant's licence to export to China has been suspended for nearly three years, since April 28, 2019, a situation that Olymel management is still hard pressed to explain.

Given the results for fiscal 2021 and those we are recording for the current year, Olymel must act quickly to adjust its business strategies in the fresh pork sector.

Further processed pork

Despite a decline in sales volume, the processed pork sector reported slightly improved results for 2021 compared to the previous year. The increase in selling prices also contributed to the higher meat margin. However, the general decline in deboning activities caused upward pressure on raw material costs while labour management was a sector-wide challenge amid the COVID-19 pandemic. Looking to the future, automation and robotization will support the sector's new and intensive employee recruiting and retention initiatives.

Bacon sector

The bacon sector reported positive results for fiscal 2021. The decline in sales volume was offset by higher prices amid a volatile market for flanks and unfavourable changes in exchange rates. Sliced and pre-cooked bacon reported declines in volume attributable to market upheaval caused by the COVID-19 pandemic, especially in the hotel, restaurant and institutional (HRI) sector.

Fresh poultry

The primary poultry processing sector posted an exceptional performance for fiscal 2021, with positive results that doubled since the previous year. Despite an increase in livestock prices, the sector benefited from higher sales, volumes and meat margin as well an adjustment in consumer needs, despite restaurants being closed for most of the year. Negotiations between farmers and buyers were launched to renew the chicken marketing agreement that expired in December 2021.

After a year of work and an investment of more than $30 million, the poultry slaughtering and cutting plant in Saint-Damase inaugurated its new prepacking facilities last September. Thanks to additional cutting, deboning and tray packing lines, the Saint-Damase plant now has the capacity to serve clients requiring high volumes of prepacked poultry products – operations that were previously outsourced.

Olymel's interests in Sunnymel in New Brunswick and in Volaille Giannone in Québec generated significant contributions to fiscal 2021 results, just as they did last year.

Further processed poultry

A sharply rising meat margin driven by higher selling prices allowed the processed poultry sector to report positive results significantly higher than in fiscal 2021. This performance is even more remarkable given the impact the COVID-19 pandemic had on operations, extreme labour shortages, and the decrease in food services sales. The leveraging of synergies for seamlessly integrating Pinty's operations into Olymel continued during the fiscal year, with the goal of optimizing operations in the Ontarian plants. The sector will continue to develop national and private brands in 2022, while emphasizing strict efficiency and cost management.

For fiscal 2021, the turkey sector reported positive results for the first time since 2016. Despite a rise in the cost of raw materials and a decline in volumes, the sector reported an increase in the meat margin, mainly due to higher selling prices. Dealing with labour availability in the sector will remain a priority in 2022.

Other highlights

Fiscal 2021 was also highlighted by a $150 million investment in Olymel's capital by the Government of Québec and Investissement Québec — a significant act of confidence in Olymel's growth and development.

Fiscal 2021 also saw the forging of a business partnership between Sanimax, a leader in the rendering, recovery and valorization of agri-food by-products, and Olymel, its main supplier. The two companies exchanged shares for the purchase of minority interests in their respective share capital.

In fiscal 2021, we also continued projects to improve our corporate social responsibility and operational efficiency. Despite the effects of the pandemic, we continued projects such as the implementation of CO_2 stunning systems in our slaughtering plants and the transition from gestation stalls to open breeding stalls, and projects relating to GHG reduction, heat recovery and water recycling in our plants.

Meeting the labour challenge

Olymel employees across Canada richly deserve our recognition. For the past two years, 14,000 men and women employed in our many facilities endured the stress brought on by the pandemic. At the plant, at home, and in their communities, our employees faced unprecedented circumstances. Thanks to their dedication and initiative, our operations have gone largely uninterrupted, and Olymel was able to provide its essential services and continue to feed the world. I want our employees to know that we will do all we can to create motivating work environments in our facilities, where they can blossom and build their careers.

Given that the extreme labour shortage not only puts us in competition with our processing industry competitors but with other sectors as well, Olymel has to develop strategies and means to retain employees and to attract and retain new recruits. We've already taken the initiative to update collective agreements and enhance compensation and bonus provisions in employment contracts as well as other benefits likely to make us more attractive as an employer. This approach has already elicited interest among our employees. We must make even greater efforts by offering more initiation, training and skill development programs.

We will explore all avenues, like resorting to temporary foreign workers, which has proved to be a success in the past.

Réjean Nadeau: a great builder

I would be remiss if I concluded this review of fiscal 2021 without mentioning the passing of Réjean Nadeau due to a sudden and aggressive cancer on October 14. Our business's resilience during the pandemic is undoubtedly due, in large part, to the strong legacy and organization that my predecessor left behind. Réjean Nadeau was the President and Chief Executive Officer for 25 years, and played a part in all of Olymel's success. Following in such a builder's footsteps is a huge challenge that I will meet with the help of my colleagues on the Corporate Governance Committee. I'd like to take this opportunity to express my gratitude for their continued work and dedication.

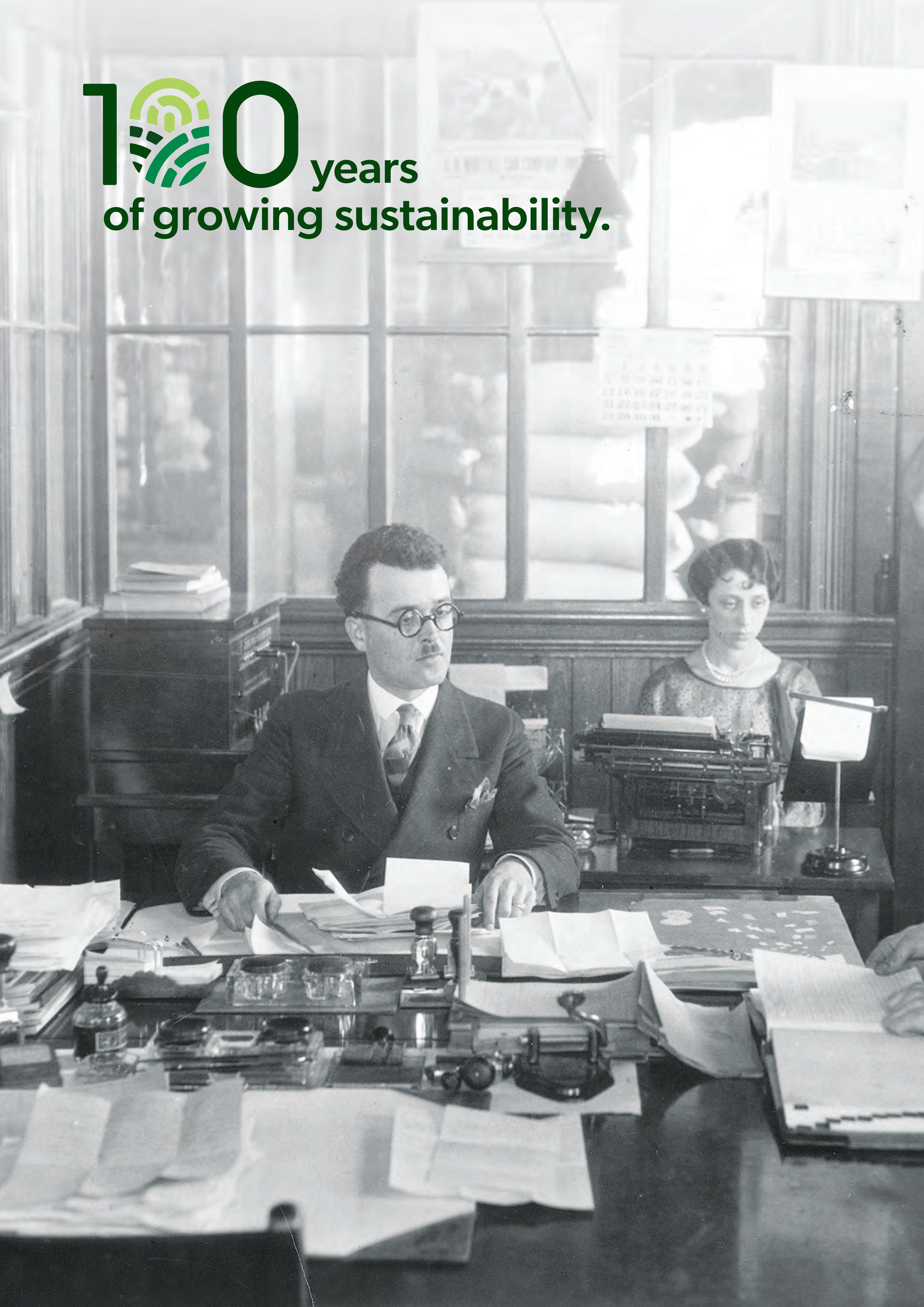
To conclude, I would like to thank Pascal Houle, Chief Executive Officer of Sollio Cooperative Group, for his collaboration. I would also like to express my deep gratitude for Ghislain Gervais, President of our Board of Directors, as well as to all its members for their constant and valuable support.

Yanick Gervais
President and Chief Executive Officer

Our Brands

Ferme Valsé
Finalist
New Farm Enterprise
and Farm Succession Award 2022

Financial position


100 years
of growing sustainability.

Alexandre St-Jacques, FRM
Chief Financial Officer

As at October 30, 2021, the consolidated balance sheet of Sollio Cooperative Group [the "Group"] showed assets totalling nearly $5 billion compared with $4.7 billion as at the end of the previous fiscal year.

The growth in total assets resulted primarily from an increase in inventories across our three divisions and the acquisition of investments in entities subject to significant influence made during the fiscal year, especially in the Food Division.

The Group reported a consolidated debt/equity ratio of 34:66 at the end of fiscal 2021 compared with 38:62 as at the end of the previous fiscal year. The lower ratio resulted mainly from a decrease in the Group's operating working capital as at the fiscal year-end.

Preferred shares, share capital, contributed surplus and reserve totalled $2.1 billion as at the fiscal year-end compared with $2.0 billion as at the previous fiscal year-end. These items represented 42.3% of total assets in fiscal 2021 compared with 43.0% as at the previous fiscal year-end. The Group's reserve and contributed surplus as at October 30, 2021 amounted to $943.6 million, representing 44.9% of preferred shares and equity of the Group.

Overall, the Group's balance sheet did not change significantly in 2021, although it was a challenging year in terms of results.

Liquidity and capital resources

As at October 30, 2021, the Group had access to the capital resources it needed to operate. An overall credit facility of $1.350 billion is currently effective until June 2023, through a syndicate of financial institutions. Drawdowns amounted to $792 million at the end of fiscal 2021 compared with $913.8 million in fiscal 2020.

The Group also had four term credits. As at October 30, 2021, the first is a fixed-rate $100 million term credit repayable in seven annual instalments starting in November 2023. The second, issued for a subsidiary of the Group in October 2020, has a balance of $82.5 million, bearing interest at a variable rate and maturing in October 2023.

The Group has other borrowing arrangements and mortgages payable, including a credit facility of a subsidiary totalling $52.5 million, maturing in January 2024.

To reduce its borrowing requirements, the Group manages working capital prudently and determines its capital investment capacity based on cash flows from each of its divisions. For each quarter of fiscal 2021, the Group met its financial obligations and complied with the financial covenants set out in its financing agreements.

Following acquisitions in 2018-2020, debt reduction will be one of the Group's priorities over the next years. This reduction will be made amid a more challenging profitability context but will be key to financial sustainability and a renewed balance between sharing wealth with our members and the Group's growth.

Risks and uncertainties

In the course of business, the Group is exposed to risks and uncertainties that could have an unfavorable impact on the achievement of its objectives and on its reputation, performance and financial position.

The key risks to which Sollio Cooperative Group is exposed are outlined below.

Global pandemic

The ripple effects of COVID-19 continue to be felt across numerous segments of the global economy. Several pandemic-related risks have emerged: slowdowns in our operations, including slaughter rates; absenteeism caused by the virus; and plant closures due to outbreaks. Preventative measures and hygiene rules have been reinforced in our facilities to control cases of COVID-19 outbreaks.

The rise of new variants is threatening global economic recovery, and their effects on our business are difficult to assess and should not be underestimated. We are actively monitoring their potential impact on our operations.

Crisis and business continuity

Unplanned events can have a major or severe impact on the Group's activities and employees. For instance, pandemics, fires, IT systems outages, strikes, product contamination, etc., are all contingencies that could disrupt the Group's operations. When incidents occur, the Group mobilizes its crisis cell and implements a response and communications plan to quickly restore its activities and minimize the impact on operations.

Competition and competitiveness

The Group operates in regional, national and international markets. The health crisis and its impact on the global economy have affected market trends and disrupted consumer habits and purchasing patterns. Knowledge of markets, optimized operations and costs, digital transformation, strategic partnerships, cooperative mergers and an extended value chain are our key assets in meeting this challenge.

Human resources

The Group's success is built on the hard work and skills of our employees. Labour shortages, issues related to hiring foreign workers and strikes have a significant impact on our activities and our partners. The availability of labour remains a priority and the Group is working hard to roll out a variety of strategies to attract, engage, train and retain employees.

The Group puts the well-being of employees first by continuing to enhance its different programs in order to adapt to new realities and to meet their needs.

Financial strategy

As the Group must have the necessary capital to carry through on its strategic plan, meet its financial obligations and pay patronage refunds, it has developed a plan to achieve financial and operational optimization. It periodically assesses its debt ratio and ensures it is maintained at an acceptable level, while meeting its financial commitments.

Raw materials supply

Supply complexities resulting from the pandemic, logistics challenges, weather conditions and price fluctuations are some of the factors that can adversely impact our operations and results. The Group is committed to maintaining solid and long-standing relationships with suppliers to secure its supply chain, preserve volumes and meet quality standards and supply lead times.

Markets and international trade

The Group faces inherent risks related to the international nature of its operations. Macroeconomic conditions remain volatile and changes in the regulatory and geopolitical landscapes affecting access to certain markets continue to hamper achievement of the Group's objectives. Volatile commodity prices, availability and transportation costs also impacted the Group's results.

Diversifying our business reduces its exposure to market fluctuations. Risk protection mechanisms, market intelligence and cost controls are some of the tools the Group uses to manage financial risks.

Contaminated products

The Group is exposed to food safety risks. Failure to comply with standards could result in a product recall, loss of customer confidence and damage to our reputation. The Group works to comply with government requirements by applying strict procedures and controls, while maintaining accreditations to ensure food safety.

Livestock health and well-being

Livestock health and well-being are among the Group's top priorities and include disease prevention and management, the adoption of appropriate breeding methods and prevention of suffering. Certain animal diseases and epidemics can jeopardize livestock production and meat processing plant supply chains. African swine fever, a contagious viral disease that causes high mortality rates in infected hogs but is not dangerous to humans, remains absent from Canada. The Group is collaborating with the industry and governments with the goal of limiting the impact of potential border closures.

Regulatory

The Group is subject to laws, regulations and standards pertaining, in particular, to the environment, workplace health and safety, intellectual property, privacy and taxation. Changes to these laws and regulations could result in additional compliance costs for the Group.

Information technology and cybersecurity

The Group depends on various IT and industrial control systems that are key to its operations. Exposure to technology risks is compounded by the pandemic, which has led to a sharp increase in cyber threats and attacks. In addition to allocating resources to improve and enhance the efficiency of its tools and methods, the Group implements security measures to protect itself, in particular, against cyber attacks and fraudulent activities that could compromise systems availability and integrity and data privacy.

Environmental and climate change

Climate change impacts the supply chain and affects agriculture and agri-food operations. The Group implements measures to reduce environmental footprint of its operations. Its environmental policy defines various principles, including application of best practices and compliance with government regulatory requirements. It monitors legislative and regulatory developments, while demonstrating social responsibility through its actions to protect the environment and its commitment to sustainable development.

Ferme Wilvoc
Finalist
New Farm Enterprise
and Farm Succession Award 2022

Consolidated financial statements

As at October 30, 2021

Sollio Cooperative Group

Management report

The consolidated financial statements and other financial information included in the Annual Report of Sollio Cooperative Group [the "Group"] for the year ended October 30, 2021 are management's responsibility and have been approved by the Board of Directors. This responsibility involves the selection of appropriate accounting policies as well as the use of sound judgment in the establishment of reasonable and fair estimates in accordance with Canadian Accounting Standards for Private Enterprises.

Management maintains accounting and internal control systems designed to provide reasonable assurance regarding the accuracy, relevance and reliability of financial information, as well as the efficient and orderly conduct of the Group's affairs. The Internal Audit Department evaluates all its systems on an ongoing basis and regularly reports its findings and recommendations to management and the Audit Committee.

The Board of Directors ensures that management assumes its responsibilities with respect to financial reporting and the review of the consolidated financial statements and Annual Report, mainly through its Audit Committee consisting of independent directors. The Audit Committee holds regular meetings with the internal and external auditors and with management representatives to discuss the application of internal controls and reviews the consolidated financial statements and other matters related to financial reporting. The Audit Committee reports and submits its recommendations to the Board of Directors. Ernst & Young LLP, the auditors appointed by the members, have audited the consolidated financial statements and their report appearing hereinafter indicates the scope of their audit and their opinion thereon.

Pascal Houle, CPA
Chief Executive Officer

Alexandre St-Jacques, FRM
Chief Financial Officer

Montreal, January 20, 2022

Independent auditors' report

To the members of **Sollio Cooperative Group**

Opinion

We have audited the accompanying consolidated financial statements of **Sollio Cooperative Group** and its subsidiaries [the "Group"], which comprise the consolidated balance sheet as at October 30, 2021, and the consolidated statements of earnings, reserve and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at October 30, 2021, and its consolidated results of operations and consolidated cash flows for the year then ended in accordance with Canadian Accounting Standards for Private Enterprises.

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 Auditor's Responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud

Independent auditors' report

or error, and to issue an auditor's 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 these consolidated 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 consolidated 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We 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.

Ernst & Young LLP[1]

Montreal, Canada
January 20, 2022

[1] CPA auditor, CA, public accountancy permit no. A122471

A member firm of Ernst & Young Global Limited

Consolidated balance sheet

As at October 30, 2021 and October 31, 2020

[in thousands of dollars]	Notes	2021 $	2020 $
ASSETS			
Current assets			
Cash and cash equivalents	8	**19,679**	25,765
Accounts receivable	9, 25	**513,031**	582,916
Inventories	10	**1,161,636**	1,011,763
Income taxes receivable		**81,452**	10,269
Prepaid expenses		**92,566**	49,836
Derivative financial instruments	24, 25	**32,834**	46,782
Future income tax asset	7	**18,244**	21,389
Investments – current portion	13, 25	**6,099**	21,439
Property, plant and equipment held for sale	14	**13,246**	–
Asset held for sale	16	**3,332**	–
		1,942,119	1,770,159
Non-current assets			
Interests in joint arrangements	11	**298,511**	269,861
Investments in entities subject to significant influence	12	**152,508**	40,744
Investments	13, 25	**67,830**	44,899
Government assistance receivable	14	**–**	8,933
Property, plant and equipment	14	**1,340,655**	1,566,366
Property, plant and equipment held for sale	14	**27,128**	893
Derivative financial instruments	24	**2,865**	–
Defined benefit asset	20	**71,273**	44,201
Intangible assets	15	**440,007**	465,938
Future income tax asset	7	**8,313**	–
Goodwill	3	**515,262**	516,188
Asset held for sale	16	**102,989**	–
		3,027,341	2,958,023
		4,969,460	4,728,182
LIABILITIES AND EQUITY			
Current liabilities			
Bank borrowings	17	**–**	642
Accounts payable and accrued liabilities	18, 25	**972,075**	798,215
Deferred revenues	25	**277,048**	145,991
Income taxes payable		**7,113**	19,256
Future income tax liability	7	**563**	–
Derivative financial instruments	24, 25	**35,768**	20,545
Dividends payable		**4,036**	–
Patronage refunds payable	6	**–**	8,760
Redeemable preferred shares – current portion	21	**6,336**	6,357
Obligations under capital leases – current portion		**–**	123
Long-term debt – current portion	19	**33,882**	108,977
Liability related to the asset held for sale	16	**9,902**	–
		1,346,723	1,108,866
Non-current liabilities			
Obligations under capital leases		**–**	1,304
Long-term debt	19	**1,027,240**	1,159,694
Deferred credits		**1,291**	16,545
Defined benefit liability	20	**79,273**	77,761
Derivative financial instruments	24	**–**	31,234
Future income tax liability	7	**129,967**	136,250
Liability related to the asset held for sale	16	**39,415**	–
		1,277,186	1,422,788
Total liabilities		**2,623,909**	2,531,654
EQUITY			
Share capital	21	**1,150,048**	1,163,779
Contributed surplus	4	**22,079**	22,079
Reserve	4,12	**921,520**	840,371
Equity of the Group		**2,093,647**	2,026,229
Non-controlling interests	4,12	**251,904**	170,299
Total equity		**2,345,551**	2,196,528
		4,969,460	4,728,182

Commitments and contingencies [note 22]

The notes are an integral part of the consolidated financial statements.

On behalf of the Board,

Ghislain Gervais, Director

Patrick Soucy, Director

Consolidated statement of earnings

Years ended October 30, 2021 and October 31, 2020

[in thousands of dollars]	Notes	**2021** **$**	2020 $
Revenues	25	**8,341,089**	7,581,737
Operating expenses	5		
Cost of sales and selling and administrative expenses	25	**8,367,911**	7,342,030
Net financial expenses		**34,733**	55,566
		8,402,644	7,397,596
Operating income (loss)		**(61,555)**	184,141
Other income and expenses			
Share of results of joint arrangements		**57,381**	50,670
Share of results of entities subject to significant influence		**13,797**	4,741
Investment income	25	**1,911**	3,089
Net losses on disposal and remeasurement of assets	11	**(10,302)**	(1,206)
Gains (losses) on remeasurement of interest rate swaps	24	**26,280**	(35,049)
Gains arising from insurance benefits		**5,663**	–
		94,730	22,245
Earnings before patronage refunds, income taxes and discontinued operations		**33,175**	206,386
Patronage refunds	6	**–**	29,200
Earnings before income taxes and discontinued operations		**33,175**	177,186
Income taxes (recovery)	7	**(8,367)**	30,850
Net earnings before discontinued operations		**41,542**	146,336
Net loss related to discontinued operations	16	**(51,864)**	(5,349)
Net earnings (loss)		**(10,322)**	140,987
Attributable to:			
Members of the Group		**(4,292)**	117,664
Non-controlling interests		**(6,030)**	23,323
		(10,322)	140,987

The notes are an integral part of the consolidated financial statements.

Consolidated statement of reserve

Years ended October 30, 2021 and October 31, 2020

[in thousands of dollars]	Notes	**2021** **$**	2020 $
Reserve, beginning of year		**840 371**	765 092
Premium on issuance of non-controlling interests	4,12	**146,203**	-
Dividends on common shares		**(7,400)**	(2,340)
Dividends on preferred investment shares		**(53,170)**	(39,622)
Refundable dividend tax on hand		**(192)**	(423)
Net earnings (loss) attributable to members of the Group		**(4,292)**	117,664
Reserve, end of year		**921,520**	840,371

The notes are an integral part of the consolidated financial statements.

Consolidated statement of cash flows

Years ended October 30, 2021 and October 31, 2020

[in thousands of dollars]	Notes	**2021 $**	2020 $
OPERATING ACTIVITIES			
Net earnings before discontinued operations		**41,542**	146,336
Non-cash items:			
Amortization	5	**156,398**	168,098
Amortization of transaction costs	5	**2,715**	2,870
Net losses on disposal and remeasurement of assets		**10,302**	1,206
Unrealized losses (gains) on interest rate swaps		**(25,190)**	28,807
Future income taxes	7	**(11,170)**	(18,320)
Change in defined benefits		**(25,560)**	35,198
Share of results of joint arrangements		**(57,381)**	(50,670)
Share of results of entities subject to significant influence		**(13,797)**	(4,741)
Patronage refunds paid in common shares		**–**	20,440
		77,859	329,224
Net change in non-cash working capital items		**107,170**	(4,637)
Increase in deferred credits		**–**	4,697
Cash flows related to operating activities		**185,029**	329,284
INVESTING ACTIVITIES			
Business acquisitions	3	**(5,119)**	(659,847)
Disposals of subsidiaries	11	**–**	1,900
Acquisitions of investments		**(4,852)**	(82)
Acquisitions of interests in joint arrangements		**(1,807)**	(1,631)
Acquisitions of investments in entities subject to significant influence		**(12,177)**	(1,002)
Proceeds from disposal of investments		**10,536**	4,918
Proceeds from disposal of interests in joint arrangements		**13**	310
Proceeds from disposal of investments in entities subject to significant influence		**542**	–
Dividends received from joint arrangements		**32,819**	18,333
Dividends received from entities subject to significant influence		**7,937**	325
Additions to property, plant and equipment		**(94,010)**	(136,585)
Proceeds from disposal of property, plant and equipment		**22,289**	6,712
Additions to intangible assets		**(11,360)**	(13,088)
Cash flows related to investing activities		**(55,189)**	(779,737)
FINANCING ACTIVITIES			
Net change in bank borrowings		**(3,090)**	(633)
Repayment of obligations under capital leases		**(1,427)**	(400)
Proceeds from issuance of long-term debt		**64,841**	762,030
Repayment of long-term debt		**(221,440)**	(345,948)
Proceeds from issuance of preferred shares		**9,774**	156,384
Redemption of preferred shares		**(6,384)**	(5,436)
Dividends on preferred investment shares		**(49,134)**	(39,622)
Proceeds from issuance of common shares		**25**	27
Redemption of common shares		**(20,026)**	(190)
Dividends on common shares		**(3,529)**	(1,170)
Proceeds from issuance of units of a subsidiary to third parties	4	**151,336**	–
Dividends paid to non-controlling interests		**(10,092)**	(32,855)
Cash flows related to financing activities		**(89,146)**	492,187
Increase in cash and cash equivalents		**40,694**	41,734
Net decrease in cash and cash equivalents related to the asset held for sale, the liability related to the asset held for sale and discontinued operations	16	**(46,780)**	2,306
Cash and cash equivalents (bank overdrafts), beginning of year		**25,765**	(18,275)
Cash and cash equivalents, end of year		**19,679**	25,765

The notes are an integral part of the consolidated financial statements

Notes to consolidated financial statements

Years ended October 30, 2021 and October 31, 2020

[All amounts are in thousands of dollars.]

1) Business description

Sollio Cooperative Group [the "Group"] was established under a special act of the Province of Québec. It operates through three divisions: Food, Agriculture and Retail. The Food Division focuses on pork production and the processing and marketing of pork and poultry products. The Agriculture Division provides farmers with goods and services to support their farming operations. The Retail Division brings together distribution and marketing operations for hardware products, construction materials as well as services related to these product lines.

2) Significant accounting policies

These consolidated financial statements have been prepared in accordance with Part II of the *CPA Canada Handbook – Accounting*, "Accounting Standards for Private Enterprises," which sets out the generally accepted accounting principles for Canadian non-publicly accountable entities, and include the significant accounting policies described below.

Principles of consolidation

The Group consolidates all the subsidiaries for which it has the continuing power to determine the strategic operating, investing and financing policies without the co-operation of others. The consolidated financial statements comprise the financial statements of Sollio Cooperative Group and its subsidiaries, the most significant of which are as follows:

Consolidated subsidiaries

Name	Description	Interest
Olymel L.P.[1]	Pork production, processing and marketing of pork and poultry	84.2%
Agrico Canada Limited	Distribution and marketing of agricultural inputs	100%
Agrico Canada L.P.	Distribution and marketing of agricultural inputs	100%
Agronomy Company of Canada Ltd.	Distribution and marketing of agricultural inputs	100%
Entreprise Agricole AMQ s.e.c.	Distribution and marketing of animal nutrition products	100%
Maizex Seeds Inc.	Production and marketing of seeds	87.5%
OntarioGrain.AG L.P.	Marketing of grains and supply of services	77.5%
Sollio Agriculture L.P.	Supply of agriculture-related goods and services	100%
Standard Nutrition Inc.	Distribution and marketing of animal nutrition products	100%
TerminalGrains.Ag s.e.c.	Operation of a grain terminal	80%
Groupe BMR inc.	Distribution and marketing of hardware products and construction materials	100%
Énergies RC, s.e.c.	Ownership of an interest in a joint arrangement for the distribution and marketing of petroleum products	88.9%
Volailles Acadia s.e.c.	Poultry products	52%

[1] 92.2% as at October 31, 2020

Interests in joint arrangements

The Group uses the equity method to account for its interests in jointly controlled enterprises.

Investments in entities subject to significant influence

The Group uses the equity method to account for all entities in which it exercises significant influence over the strategic operating, investing and financing policies. When the value of investments subject to significant influence is negative, the Group recognizes the excess of its share of losses of the entity over the value of the investment when one of the following conditions is met:

i. The Group has guaranteed the obligations of the issuing entity;
ii. The Group is otherwise committed to provide additional financial support to the issuing entity;
iii. The issuing entity seems assured of imminently returning to profitability.

Non-controlling interests

Non-controlling interests represent the portion of the combined net earnings and net assets of a subsidiary that is not wholly owned by the Group. Non-controlling interests are presented in equity, separately from the Group's equity. Any change in the ownership interest in a subsidiary that does not affect the control of the Group gives rise to an adjustment between the Group and the non-controlling interests to reflect their respective interests. Any difference between the adjustment and the consideration paid is presented separately in the Group's equity.

Business combinations

Business combinations are accounted for using the acquisition method. Under this method, the assets acquired and liabilities assumed are measured at their fair values at the date of acquisition and the excess of the purchase price over the fair value of the net assets acquired is recorded as goodwill. If the fair value of the net assets acquired exceeds the consideration paid, the excess is recognized immediately as net gains on disposal and remeasurement of assets in the consolidated statement of earnings.

Acquisition-related costs are recognized in earnings as incurred.

The results of businesses acquired are included in the consolidated financial statements as of their respective date of acquisition.

When options to purchase all or part of the non-acquired shares of the target company are held by the Group or options to sell the same shares are held by third parties, the Group recognizes a liability when such options are exercised.

The Group measures non-controlling interests in acquired businesses at fair value as at the date of acquisition.

Notes to consolidated financial statements

Years ended October 30, 2021 and October 31, 2020

2) Significant accounting policies

Cash and cash equivalents

Cash and cash equivalents include bank account balances as well as derivative financial instruments secured by cash and are recorded at fair value.

Inventories

Raw materials and supply inventories are valued at the lower of cost under the first in, first out or average cost method and net realizable value, except for grain inventories held for resale, which are measured at fair value.

Goods in process and finished goods inventories are valued at the lower of cost under the first in, first out or average cost method and net realizable value.

Live hog inventories are valued at the lower of production cost and net realizable value.

The Group recognizes amounts received under agreements with suppliers as a reduction in the price of the suppliers' products and presents them as a reduction of cost of sales in the consolidated statement of earnings and of related inventories in the consolidated balance sheet when it is probable that such discounts will be received.

Investments

Investments include shares and other securities of cooperatives measured at cost since they have no quoted market price in an active market. Notes receivable, also included in investments, are initially recognized at fair value and subsequently at amortized cost.

Property, plant and equipment

Property, buildings and equipment

Property, plant and equipment are initially recognized at cost or at fair value if acquired as part of a business combination. Grants related to property, plant and equipment are recognized as a reduction of those assets.

Assets under capital leases are capitalized when substantially all the benefits and risks incident to ownership of the leased property have been transferred to the Group. The cost of assets under capital leases represents the lower of the present value of minimum lease payments and the fair value of the leased asset.

Property, plant and equipment held for sale are measured at the lower of carrying amount or fair value less costs to sell and are not amortized.

The cost of property, plant and equipment is amortized on a straight-line basis over their estimated useful life or the lease term:

Pavement	10 to 15 years
Buildings	10 to 30 years
Machinery and equipment	3 to 20 years
Automotive equipment	3 to 15 years
Leasehold improvements	Lease term
Assets under capital leases	Lease term

Breeding livestock

Breeding livestock, namely sows, are recognized at cost and amortized, if disposal value is below cost, on a straight-line basis over their estimated useful life, which is evaluated at six litters.

Intangible assets

Intangible assets subject to amortization are initially recognized at cost, or at fair value if acquired as part of a business combination, and amortized on a straight-line basis over their estimated useful life.

Trademarks

Trademarks with finite lives are amortized over periods of 10 to 20 years [two to 20 years in 2020]. The Group also has trademarks with indefinite useful lives, which are not amortized.

Client lists

Client lists are amortized over periods of five to 21 years.

Rights

Rights consist of production rights and exclusive supply rights. Production rights are not amortized since they have indefinite useful lives while exclusive supply rights are amortized over periods of five to 20 years.

Software and information technology development projects

Software and information technology development project costs are capitalized and amortized on a straight line basis over periods of three to eight years [three to five in 2020]. The amortization of information technology development projects begins at project completion.

Certain software and information technology development projects are developed internally. The related costs are capitalized under intangible assets when the costs incurred allow for the use of the asset according to management's expectations.

Financial support

The different types of financial support are amortized over the terms of the related agreements of five to 10 years.

Notes to consolidated financial statements

Years ended October 30, 2021 and October 31, 2020

2) Significant accounting policies

Impairment of assets

Accounts receivable and notes receivable

Accounts receivable and notes receivable are subject to continuous impairment review and are classified as impaired when, in the opinion of the Group, there is reasonable doubt that losses on accounts receivable and notes receivable have occurred taking into consideration all circumstances known at the review date, or there is a reasonable doubt as to the ultimate collectability of a portion of the principal and interest. When there are indications of possible impairment, the Group determines if there has been a significant adverse change to the expected timing or amounts of future cash flows expected from the financial asset. The amount of the impairment loss is determined by comparing the carrying amount of the financial asset with the greatest of the following three amounts:

i. The present value of the cash flows expected to be generated from the asset, discounted using a current market rate of interest appropriate to the asset;
ii. The amount that could be realized by selling the asset at the consolidated balance sheet date;
iii. The amount the Group expects to realize by exercising its right to any collateral held to secure repayment of the asset, net of all costs necessary to exercise those rights.

Reversals are permitted but the adjusted carrying amount of the financial asset shall be no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously.

Investments, interests in joint arrangements and investments in entities subject to significant influence

Investments in the form of shares and other securities of cooperatives, interests in joint arrangements and interests in entities subject to significant influence are written down if analyses of entities' financial reports show they are experiencing financial difficulties. At the end of each period, the Group assesses each investment for any indications of impairment. When there are indications of possible impairment, the Group determines if there has been, during the period, a significant adverse change to the expected timing or amounts of future cash flows expected from the investment. If the investment is impaired, the Group reduces the carrying amount of the investment to the higher of the following:

i. The present value of the cash flows expected to be generated from the investment, discounted using a current market rate of interest appropriate to the asset;
ii. The amount that could be realized by selling the financial asset at the consolidated balance sheet date.

Reversals are permitted but the adjusted carrying amount of the financial asset shall be no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously.

Long-lived assets subject to amortization

Property, plant and equipment and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is assessed by comparing the carrying amount of an asset to be held and used with its future net undiscounted cash flows expected from use together with its residual value. If the asset is considered to be impaired, the impairment charge is measured by the amount by which the carrying amount of the asset exceeds its fair value generally determined on a discounted cash flow basis. An impairment loss is recognized and presented in the consolidated statement of earnings and the carrying amount of the asset is adjusted to its fair value. An impairment loss may not be reversed if the fair value of the long-lived asset in question subsequently increases.

Intangible assets with indefinite lives

Production rights and certain trademarks must be reviewed for impairment if events or changes in circumstances indicate that their carrying amount may not be recoverable. The impairment charge is calculated by comparing the carrying amount of the intangible asset with its fair value generally determined on a discounted cash flow basis. When the carrying amount of an intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to such excess. An impairment loss may not be reversed if the fair value of the intangible asset in question subsequently increases.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired as part of a business combination. Goodwill is not amortized but is tested for impairment if events or changes in circumstances indicate a possible impairment. The impairment test consists in comparing the carrying amount of the reporting unit to which goodwill is assigned with its fair value. When the carrying amount of a reporting unit exceeding its fair value, a goodwill impairment loss is recognized in an amount that may not exceed the carrying amount of goodwill related to the reporting unit. Any impairment of the carrying amount in relation to the fair value is charged to consolidated earnings in the year in which the loss is incurred. Impairment losses on goodwill may not be reversed.

Notes to consolidated financial statements

Years ended October 30, 2021 and October 31, 2020

2) Significant accounting policies

Disposal of assets and discontinued operations

The assets or groups of assets and liabilities that make up the disposal groups are classified as held for sale when they are available for immediate sale in their current condition and their sale is highly probable. The Group classifies an asset or disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. To that end, management must be actively engaged in a plan to sell the assets or disposal groups and must expect the sale to occur within 12 months of the date they are classified as held for sale. Liabilities are classified as held for sale and are presented separately as such in the consolidated balance sheet if they are directly associated with a disposal group. Assets or disposal groups classified as held for sale are presented separately in the consolidated balance sheet and are measured at the lower of fair value less costs to sell and carrying amount.

Assets classified as held for sale are not reclassified as current assets, unless the Group has sold the assets prior to the date of completion of the financial statements and the proceeds of the sale will be realized within a year of the date of the balance sheet. If the assets have been classified as current assets due to the subsequent sale, any liabilities to be assumed by the purchaser or required to be discharged on disposal of the assets are classified as current liabilities.

Assets and disposal groups are classified as discontinued operations if the operations and cash flows can be clearly distinguishable, operationally and for financial reporting purposes, from the rest of the Group and they represent a separate major line of business or geographical area of operations, are part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or are a subsidiary acquired exclusively for resale.

Net earnings (loss) from discontinued operations, including the components of prior year net earnings (loss), is presented as a single amount in the consolidated statement of earnings. This amount includes net earnings (loss) after tax from discontinued operations as well as net earnings (loss) after tax from the measurement and disposal of assets classified as held for sale.

Information on discontinued operations for the prior year relates to all operations that were discontinued as of the closing date of the most recent period presented.

Deferred revenues

Deferred revenues are amounts invoiced for goods whose sale has not yet been recognized.

Revenue recognition

Revenues are recognized when the significant risks and rewards of ownership of the goods sold are transferred to the buyer, revenues can be reasonably estimated and collection is reasonably assured. This usually coincides with the time of receipt of goods by the buyer. Revenues correspond to the amount of consideration received net of discounts.

Research and development

Research and development costs are expensed in the consolidated statement of earnings in the year in which they are incurred.

Foreign currency translation

Transactions in foreign currencies are translated into Canadian dollars using the temporal method. Under this method, monetary items in the consolidated balance sheet are translated at the rates of exchange prevailing at year-end while non-monetary items are translated at the rates of exchange prevailing on the transaction dates. Revenue and expense items are translated at the rates of exchange prevailing on the transaction dates. Gains and losses on translation of foreign currencies are recognized in consolidated earnings under cost of sales and selling and administrative expenses.

Employee future benefits

The Group has a number of defined benefit and defined contribution plans providing pension and other post-retirement benefits to most of its employees. Defined benefit pension plans are based on either average career earnings, average final earnings or a flat pension. Certain pension benefits are indexed according to economic conditions.

The cost of pensions and other post-retirement benefits earned by employees is determined using actuarial calculations based on the most recent funding valuations. The calculations are based on long-term assumptions relating to salary escalation, retirement and termination ages of employees and estimated health care cost growth.

The Group uses insurance contracts for the payment of certain employees future benefits. These contracts are excluded from plan assets and the amount of benefits provided under these contracts is deducted from the defined benefit liability when there is a transfer of significant risks to the Group.

Notes to consolidated financial statements

Years ended October 30, 2021 and October 31, 2020

2) Significant accounting policies

Employee future benefits [cont'd]

Remeasurements of the net defined benefit asset or liability are recognized immediately in the consolidated statement of earnings. Remeasurements comprise the difference between the actual return on plan assets and the return calculated using the discount rate used to determine the interest cost of the plans, actuarial gains and losses and gains and losses arising from settlements and curtailments.

Plan assets are measured at fair value. Plan obligations are discounted using the long-term return on plan assets determined on an actuarial basis.

The Group also offers other post-retirement benefits to certain retired employees. Post-retirement benefits offered by the Group to its retired employees include health care benefits and life insurance. The cost of other post-retirement benefits is calculated using the same accounting policies as used for defined benefit pension plans. The related expenses are settled by the Group as they become due.

The cost of defined benefit pension plans and the cost of other post-retirement benefits are recognized in the consolidated statement of earnings under cost of sales and selling and administrative expenses.

Patronage refunds

The amount and terms of payment of patronage refunds are determined by the Board of Directors. Patronage refunds are calculated based on members' purchased volumes and are accounted for in the year to which they relate. Where patronage refunds are paid in shares, such shares are considered to be issued at the year-end preceding the Board of Directors' resolution.

Financial instruments

The Group initially measures its financial assets and liabilities at fair value, except for related party transactions, which are accounted for at the carrying amount or at the exchange amount depending on the circumstances.

Subsequently, the Group measures its financial instruments as follows:

Accounts receivable (excluding government receivables) and notes receivable are measured at amortized cost.

Shares and other securities of cooperatives included under investments are measured at cost since they have no quoted price in an active market.

Bank borrowings, accounts payable and accrued liabilities (excluding government remittances), dividends payable, patronage refunds payable, redeemable preferred shares and long-term debt are measured at amortized cost.

Interest income and expense from financial assets and liabilities are recognized under net financial expenses in the consolidated statement of earnings. When related to disposals, these gains and losses are recognized under net losses on disposal and remeasurement of assets.

Derivative financial instruments

In accordance with its risk management strategy, the Group uses derivative financial instruments to manage foreign exchange risk, and risks related to purchase and selling prices for certain commodities, as well as debt-related foreign exchange and interest-rate risk. Derivative financial instruments consist of foreign exchange contracts, currency swaps, interest rate swaps as well as commodity and currency forward contracts, swaps and options. The Group does not use derivative financial instruments for speculative purposes.

Hedge accounting is used where the Group documents its hedging relationships and risk management objectives and strategy, and demonstrates that they are highly effective at hedge inception and throughout the hedge period.

Notes to consolidated financial statements

Years ended October 30, 2021 and October 31, 2020

2) Significant accounting policies

Derivative financial instruments [cont'd]

The derivative financial instruments that the Group chose to designate as hedging items are not recognized before their maturity. Gains and losses arising from the hedging item are recognized when the hedged item affects consolidated earnings. The gain or loss portion of a hedging item is reported as an adjustment to the revenues from or the expenses of the related hedged item. Where derivative financial instruments are used to hedge commodity price risks, the portion of gains and losses on the hedging item is recognized as an adjustment to the carrying amount of the hedged item. Realized gains and losses on these contracts are presented in cost of sales and selling and administrative expenses.

Foreign exchange contracts

The Group often sells and buys commodities outside Canada, mainly in US dollars, Japanese yen, Australian dollars and euros. To manage foreign exchange risk, the Group uses foreign exchange forward contracts.

Currency swaps on debt

The Group draws down a portion of its credit facility in the form of LIBOR advances and uses currency swaps to manage the risk of changes in foreign exchange rates for this debt.

A hedging relationship is terminated if the hedge ceases to be effective, and the loss or gain on discontinuation of the hedge is recognized in a separate component of equity until the future transaction occurs, at which time the loss or gain is removed from equity and recognized as an adjustment to the carrying amount of the hedged item or recorded in the consolidated statement of earnings. If the occurrence of a hedged future transaction ceases to be probable or if the hedged item ceases to exist, any gain or loss is recognized in the consolidated statement of earnings.

Derivative financial instruments that are not designated as hedges are measured at fair value, which is the approximate amount that might be obtained in the settlement of such instruments at prevailing market rates. Gains and losses resulting from remeasurement at year-end are recognized in the consolidated statement of earnings.

Commodity and currency forward contracts and swaps

The Group often buys and sells grain, sells hogs and buys fertilizer and uses foreign exchange contracts to cover certain future price risks for these commodities. The Group does not use hedge accounting for commodity and currency forward contracts and swaps. Therefore, gains and losses on these contracts, realized or not, are presented in cost of sales and selling and administrative expenses.

Commodity and currency options

The Group also uses options to manage commodity price and currency risk. The options give the Group the right but not the obligation to exercise them at a predetermined price before the option expiry date. The Group does not use hedge accounting for commodity and currency options. Therefore, gains and losses on these contracts, realized or not, are presented in cost of sales and selling and administrative expenses.

Interest rate swaps

The Group uses interest rate swaps to manage the risk of changes in interest rates on it's debt. The Group does not use hedge accounting for interest rate swaps. Therefore, gains and losses on these contracts, realized or not, are presented in gains (losses) on remeasurement of interest rate swaps.

Income taxes (recovery)

The Group follows the future income tax method of accounting for income taxes. Future income tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying value and tax bases of assets and liabilities. Future income tax assets and liabilities are measured using income tax rates applicable in the years in which the temporary differences are expected to reverse. A valuation allowance is recorded to reduce the carrying amount of future income tax assets, when it is more likely than not that such assets will not be realized.

Year-end

The Group's year-end is the last Saturday of October. The year ended October 30, 2021 included 52 weeks and the year ended October 31, 2020 included 53 weeks.

Notes to consolidated financial statements

Years ended October 30, 2021 and October 31, 2020

3) Business acquisitions

Food Division

During fiscal 2021, the Group acquired, via one of its subsidiaries, two businesses operating in the pet food sector. On December 16, 2020, the Group acquired 100% of the shares of a business for a consideration of $4,469, net of cash acquired. On September 22, 2021, the Group acquired, via the business acquired on December 16, 2020, 100% of the assets of another business for a consideration of $650.

The total value of net assets acquired and the considerations paid for the two businesses were as follows:

	Total $
Net assets acquired	
Current assets	**587**
Property, plant and equipment	**1,198**
Intangible assets	**1,234**
Goodwill	**3,185**
Total assets acquired	**6,204**
Current liabilities	**491**
Non-current future income tax liability	**594**
Total liabilities assumed	**1,085**
Total net assets acquired	**5,119**
Considerations paid	
Cash consideration, net of cash acquired of $182	**5,119**

On January 6, 2020, the Group acquired, via one of its subsidiaries, most of the assets and assumed certain liabilities of a company operating in the agri-food sector for a consideration of $605,442.

The total value of net assets acquired and the consideration paid were as follows:

	Total $
Net assets acquired	
Current assets	109,630
Investments	514
Property, plant and equipment	281,797
Intangible assets	95,224
Goodwill	147,170
Total assets acquired	634,335
Current liabilities	2,686
Long-term debt	2,839
Non-current future income tax liability	23,368
Total liabilities assumed	28,893
Total net assets acquired	605,442
Consideration paid	
Cash	605,442

Notes to consolidated financial statements

Years ended October 30, 2021 and October 31, 2020

3) Business acquisitions

Agriculture Division

On January 6, 2020, the Group acquired most of the assets and assumed certain liabilities of a company operating in the agriculture sector for a consideration of $49,708. On June 29, 2020, the Group also acquired 100% of the shares of a business operating in the same sector for a consideration of $3,147. During fiscal 2021, an acquisition cost adjustment related to future income taxes was recognized. This adjustment, completed before the end of the measurement period, resulted in a decrease in goodwill of $4,112.

The total value of net assets acquired and the considerations paid were as follows:

	Total $
Net assets acquired	
Current assets	9,229
Property, plant and equipment	22,587
Intangible assets	3,204
Non-current future income tax asset	1,998
Goodwill	21,959
Total assets acquired	58,977
Current liabilities	5,680
Non-current future income tax liability	442
Total liabilities assumed	6,122
Total net assets acquired	52,855
Considerations paid	
Cash	52,855

Retail division

In accordance with the terms of the contract, adjustments were made to the acquisition cost of a subsidiary held at 55% related to excess assets were paid during fiscal 2020. These adjustments, made before the end of the measurement period, resulted in an increase in goodwill of $1,550, which is the amount of the consideration paid.

Notes to consolidated financial statements

Years ended October 30, 2021 and October 31, 2020

4) Adjustments relating to non-controlling interests

On April 30, 2021, a new limited partner invested $150,000 in a subsidiary of the Group, as consideration for a 5.8% interest. This transaction resulted in a $66,007 increase in the carrying amount of the non-controlling interest and a $83,993 increase in the reserve.

On January 13, 2020, the Group entered into a supply agreement with a subsidiary allowing it to benefit from the use of a client list. In consideration, the Group's interest in this subsidiary increased by 12.5% to 87.5%. This transaction resulted in a $4,079 decrease in the carrying amount of the non-controlling interest and an increase in the contributed surplus in the same amount.

5) Operating expenses

Operating expenses include the following items:

	2021 $	2020 $
Cost of sales and selling and administrative expenses		
Cost of inventories	**7,755,802**	6,669,725
Research and development tax credits	**(942)**	(1,281)
Government assistance credited to earnings	**(28,756)**	(24,038)
Amortization of property, plant and equipment	**133,168**	132,870
Amortization of intangible assets	**38,477**	36,574
Amortization of deferred credits	**(15,247)**	(1,346)
Other expenses	**485,409**	529,526
	8,367,911	7,342,030
Net financial expenses		
Interest on bank borrowings	**534**	442
Interest on obligations under capital leases	**18**	58
Interest on long-term debt	**33,021**	51,574
Interest on preferred shares	**1,261**	1,169
Amortization of transaction costs	**2,715**	2,870
Interest income	**(2,816)**	(547)
	34,733	55,566

Government assistance credited to earnings comprises the Canada Emergency Wage Subsidy (CEWS), which is a non-repayable grant to support businesses to retain workers following the outbreak of COVID-19 pandemic. The Group recognizes government assistance when the related expenses are incurred and recovery is reasonably assured. Government assistance is accounted for using the cost reduction method, that is, as a reduction of the expense or asset to which it relates. The CEWS is subject to a government audit.

During the fiscal year, the Group made an adjustment to the accounting presentation of revenues and cost of sales to record certain transactions on a net basis. Comparative period balances were restated accordingly and revenues and cost of sales were reduced by an amount of $302,358 for fiscal 2020. This change in accounting presentation had no impact on consolidated net earnings or on the equity of the Group and consolidated cash flows of the comparative period.

Notes to consolidated financial statements

Years ended October 30, 2021 and October 31, 2020

6) Patronage refunds

In accordance with the provisions of the act governing the Group, at their January 18th, 2021 meeting, the directors declared patronage refunds of $29,200 to be paid from earnings for fiscal 2020. They authorized the payment of patronage refunds in the following proportions:

	2020 $
Cash	8,760
Class D-1 common shares	20,440
	29,200

7) Income taxes

The significant components of the income taxes (recovery) recorded in the consolidated statement of earnings are as follows:

	2021 **$**	2020 $
Current	**(997)**	49,170
Future	**(7,370)**	(18,320)
Income taxes (recovery)	**(8,367)**	30,850

The significant components of future income tax assets and liabilities are as follows:

	2021 **$**	2020 $
Current		
Non-deductible provisions and reserves for tax purposes	**15,375**	11,973
Losses carried forward	**–**	11,258
Other items – net	**2,306**	(1,842)
	17,681	21,389
Current future income tax asset	**18,244**	21,389
Current future income tax liability	**(563)**	–
	17,681	21,389
Non-current		
Property, plant and equipment	**(103,928)**	(103,241)
Intangible assets	**(41,967)**	(51,434)
Investments	**(9,559)**	(9,239)
Losses carried forward	**32,600**	15,094
Employee future benefits	**1,610**	11,799
Other	**(410)**	771
	(121,654)	(136,250)
Non-current future income tax asset	**8,313**	–
Non-current future income tax liability	**(129,967)**	(136,250)
	(121,654)	(136,250)

As at October 30, 2021, non-capital losses amounting to $52,728 have been accumulated in one of the subsidiaries of the Group for which no future income tax asset has been recorded. These losses expire in 2041.

Notes to consolidated financial statements

Years ended October 30, 2021 and October 31, 2020

8) Cash and cash equivalents

Cash and cash equivalents include an amount of $19,010 [$23,273 in 2020] used to secure positions relating to derivative financial instruments.

9) Accounts receivable

	2021 $	2020 $
Trade receivables	**504,260**	572,369
Allowance for doubtful accounts	**(11,222)**	(12,612)
	493,038	559,757
Government receivables	**19,971**	18,935
Government assistance receivable	**22**	4,224
	513,031	582,916

On September 23, 2021, a subsidiary of the Group renewed an agreement for the assignment of a portion of the accounts receivable portfolio for a period of two years.

10) Inventories

Inventories are as follows:

	2021 $	2020 $
Inventories – Food Division	**496,489**	435,045
Inventories – Agriculture Division	**451,616**	418,441
Inventories – Retail Division	**213,531**	158,277
	1,161,636	1,011,763

11) Interests in joint arrangements

	2021 $	2020 $
Food Division - 50% and 67.7% interests	**71,789**	79,707
Agriculture Division - 50% interest	**141,612**	116,130
Retail Division - 50% interest	**1,011**	757
Oil sector company - 50% interest	**84,099**	73,267
	298,511	269,861

As at October 30, 2021, the Group held interests in a joint arrangement whose share of results exceeds 10% of the Group's earnings before the share of results of joint arrangements and income taxes. The Group holds 50% of the units of this joint arrangement. The units have a carrying amount of $84,099. As at October 31, 2020, the Group had no interests in joint arrangements whose share exceeded the 10% threshold.

Agriculture Division

On March 20, 2020, a subsidiary of the Group sold 50% of the shares of one of its subsidiaries, reducing its interest to 50% and losing control over it. On November 1, 2019, the same subsidiary sold 40% of the shares of another of its subsidiaries, reducing its interest to 50% and also losing control over it.

Following these two transactions, $23,378 in current assets, $1,818 in non-current assets, $18,788 in current liabilities, $800 in non-current liabilities, and a $186 non-controlling interest were derecognized. The retained interests, now considered as interests in joint arrangements, were accounted for using the equity method, in the total amount of $2,765. An amount of $757, which corresponds to the difference between these items and the fair values of considerations received of $1,900, was recognized as net losses on the disposal and remeasurement of assets in the consolidated statement of earnings.

Notes to consolidated financial statements

Years ended October 30, 2021 and October 31, 2020

12) Investments in entities subject to significant influence

	2021 $	2020 $
Food Division - 6.8%–56.8% interests [26.3% in 2020]	**103,986**	2,606
Agriculture Division - 7.6%–46.5% interests [7.6%–40.9% in 2020]	**24,181**	17,472
Retail Division – 20%–40% interests	**24,341**	20,666
	152,508	40,744

As at October 30, 2021, the Group had interests in an entity subject to significant influence whose share of results exceeds 10% of the Group's earnings before the share of results of entities subject to significant influence and income taxes. The Group holds 15% of the units of this entity subject to significant influence. The units have a carrying amount of $103,341. As at October 31, 2020, the Group had no interests in entities subject to significant influence whose share exceeded the 10% threshold.

Food Division

On December 31, 2020, the Group acquired, via a subsidiary, 15% of the shares of a business operating in the area of slaughterhouse by-product valorization. This transaction, valued at $95,034, was settled with the issuance of shares of the Group's subsidiary, thereby giving rise to a 3.04% interest in the subsidiary. This transaction resulted in a $32,824 increase in the carrying amount of the non-controlling interest and a $62,210 increase in the reserve.

On June 6, 2021, the Group lost control of subsidiaries following the fulfillment of a clause stipulated in the terms of the shareholders' agreement. Following this transaction, $4,502 in current assets, $31,728 in non current assets, $4,577 in current liabilities, $30,438 in non-current liabilities, and a $1,215 non-controlling interest were derecognized. The retained interests, now considered as interests in entities subject to significant influence, were accounted for using the equity method in the total amount of $287.

Agriculture Division

On February 12, 2021, the Group acquired a 46.5% interest in a business operating in the poultry industry for a consideration of $6,441.

On June 28, 2020, the Group acquired a 39.42% interest in a grain marketing business. Under the terms of the contract, a consideration of $4,355 was paid. The consideration was settled with a contribution of current assets amounting to $2,567, a payment of $3,829 and the issuance of a $2,041 note receivable.

Retail division

A reorganization carried out during the year ended October 31, 2020 increased the ownership interests in two entities and changed the degree of influence exercised over them. Accordingly, a balance amount of $595 was transferred from investments in entities subject to significant influence to interests in joint arrangements.

13) Investments

	2021 $	2020 $
Shares and other securities of cooperatives	**14,956**	12,811
Note receivable, non-interest bearing, repayable by annual instalments of $3,000 and a final payment of $4,000, maturing in October 2024	**9,214**	11,744
Note receivable, non-interest bearing, repayable on demand	**11,454**	11,454
Note receivable, bearing interest as defined under the terms of the agreement, that is 5.53% in 2021, repayable on demand	**10,205**	–
Note receivable, bearing interest, repaid in April 2021	**–**	4,618
Other notes receivable	**28,100**	25,711
	73,929	66,338
Investments – current portion	**6,099**	21,439
	67,830	44,899

Notes to consolidated financial statements

Years ended October 30, 2021 and October 31, 2020

14) Property, plant and equipment

		2021	
	Cost	**Accumulated amortization**	**Net carrying amount**
	$	**$**	**$**
Land	**158,647**	**–**	**158,647**
Pavement	**46,350**	**18,596**	**27,754**
Buildings	**1,034,661**	**313,421**	**721,240**
Machinery and equipment	**1,165,894**	**790,108**	**375,786**
Automotive equipment	**62,839**	**44,393**	**18,446**
Leasehold improvements	**21,973**	**7,826**	**14,147**
Breeding livestock	**35,689**	**13,650**	**22,039**
Assets under capital lease			
Buildings	**2,597**	**480**	**2,117**
Machinery and equipment	**1,630**	**1,151**	**479**
	2,530,280	**1,189,625**	**1,340,655**
Property, plant and equipment held for sale			
Current	**–**	**–**	**13,246**
Non-current	**–**	**–**	**27,128**

		2020	
	Cost	Accumulated amortization	Net carrying amount
	$	$	$
Land	166,570	–	166,570
Pavement	57,220	20,582	36,638
Buildings	1,142,161	302,637	839,524
Machinery and equipment	1,205,943	750,109	455,834
Automotive equipment	63,229	36,459	26,770
Leasehold improvements	27,912	10,747	17,165
Breeding livestock	34,666	13,760	20,906
Assets under capital leases			
Buildings	2,596	396	2,200
Machinery and equipment	1,886	1,127	759
	2,702,183	1,135,817	1,566,366
Property, plant and equipment held for sale			
Non-current	–	–	893

In the normal course of operations, to optimize its business locations, the Group decided to sell property, plant and equipment with a total net carrying amount of $40,374 [$893 in 2020]. Of this amount, $13,246 were presented as current property, plant and equipment held for sale and $27,128 [$893 in 2020], as non-current property, plant and equipment held for sale.

During the fiscal year, the Group received government assistance of $10,533 [$13,675 in 2020] as support for investments in property, plant and equipment. No specific conditions are attached to these amounts once they are received.

The Group's property, plant and equipment under construction are not subject to amortization. Their net carrying amount totalled $44,657 [$150,504 in 2020].

Notes to consolidated financial statements

Years ended October 30, 2021 and October 31, 2020

15) Intangible assets

		2021	
	Cost	**Accumulated amortization**	**Net carrying amount**
	$	**$**	**$**
Trademarks	**124,294**	**15,835**	**108,459**
Client lists	**264,753**	**69,512**	**195,241**
Exclusive supply rights	**98,362**	**43,110**	**55,252**
Production rights	**44,922**	**-**	**44,922**
Software and information technology development projects	**60,941**	**28,226**	**32,715**
Financial support	**4,833**	**1,415**	**3,418**
	598,105	**158,098**	**440,007**

		2020	
	Cost	Accumulated amortization	Net carrying amount
	$	$	$
Trademarks	124,182	13,386	110,796
Client lists	263,519	50,849	212,670
Exclusive supply rights	104,455	38,718	65,737
Production rights	44,922	-	44,922
Software and information technology development projects	51,906	21,672	30,234
Financial support	2,275	696	1,579
	591,259	125,321	465,938

The carrying amount of trademarks with indefinite lives, not subject to amortization, was $94,292 in 2021 and 2020.

Notes to consolidated financial statements

Years ended October 30, 2021 and October 31, 2020

16) Disposal of assets and discontinued operations

Agriculture Division

To reduce business volatility, the Group decided to withdraw from certain grain exportation operations of the Agriculture Division and to that end, management signed a commitment letter with a broker on October 29, 2021 for the sale of infrastructure relating to these operations.

The assets and liabilities of the Group classified as assets held for sale and liabilities related to assets held for sale are detailed below:

	2021 $
Asset held for sale (current)	
Cash and cash equivalents	481
Accounts receivable	2,007
Prepaid expenses	463
Government assistance receivable – current portion	381
	3,332
Asset held for sale (non-current)	
Government assistance receivable	19,619
Property, plant and equipment	83,349
Intangible assets	21
	102,989
Total assets	106,321
Liability related to the asset held for sale (current)	
Accounts payable and accrued liabilities	2,350
Long-term debt – current portion	7,552
	9,902
Liability related to the asset held for sale (non-current)	
Long-term debt	39,415
Total liabilities	49,317

During the fiscal year, the Group, via a subsidiary holding this infrastructure, received government assistance of $11,067 [$8,933 in 2020] as support for investments in property, plant and equipment. No specific conditions are attached to these amounts once they are received.

The following table provides a breakdown of the net loss relating to discontinued operations:

	2021 $	2020 $
Revenues	506,431	268,015
Operating expenses		
Cost of sales and selling and administrative expenses	567,930	269,633
Net financial expenses	7,353	3,731
	575,283	273,364
Operating loss	(68,852)	(5,349)
Other income and expenses		
Investment income	106	–
Net losses on disposal and remeasurement of assets	(2,252)	–
Gain arising from an insurance benefit	1,194	–
	(952)	–
Loss before income taxes	(69,804)	(5,349)

Income tax recovery related to discontinued operations amounted to $17,940 in 2021, which reduced the loss related to discontinued operations to $51,864 [$5,349 in 2020].

Notes to consolidated financial statements

Years ended October 30, 2021 and October 31, 2020

16) Disposal of assets and discontinued operations

Cash flows related to the asset held for sale, the liability related to the asset held for sale and discontinued operations are as follows:

	2021 $	2020 $
Cash flows related to operating activities	(52,855)	44,322
Cash flows related to investing activities	(6,581)	(59,628)
Cash flows related to financing activities	12,656	17,612
Net decrease in cash and cash equivalents related to the asset held for sale, the liability related to the asset held for sale and discontinued operations	(46,780)	2,306

17) Bank borrowings

Bank borrowings consist of subsidiaries' demand credit facilities.

For one of the subsidiaries, the demand credit facility, renewable annually, authorized for bank borrowings, advances, letters of credit and standby letters of credit, totalled $17,000 in 2021 and 2020, subject to a maximum of $6,000 in 2021 and 2020 for letters of credit and standby letters of credit. No amounts were drawn as at October 30, 2021 and October 31, 2020. The credit facility bore interest at the prime rate of 2.45% in 2021 and 2020. The Group is joint and several guarantor for all amounts owing under this agreement.

For other subsidiaries acting as joint guarantors held by the Group as October 31, 2020, the revolving demand operating credit facility was renewable annually and could not at any time exceed the greater of $4,300 and an amount based on the accounts receivable and inventories of these subsidiaries, that is $3,367 as at October 31, 2020. The revolving operating credit facility bore interest at the prime rate plus 0.50%, representing a rate of 2.95% in 2020. The facility was used in the amount of $642 as at October 31, 2020. On June 6, 2021, these subsidiaries were deconsolidated following the loss of control discussed in note 12.

18) Accounts payable and accrued liabilities

	2021 $	2020 $
Trade payables and accrued liabilities	950,580	775,531
Government remittances	19,681	20,231
Accrued interest on long-term debt	1,814	2,453
	972,075	798,215

Notes to consolidated financial statements

Years ended October 30, 2021 and October 31, 2020

19) Long-term debt

	2021 **$**	2020 $
Credit facility,[1] drawn under margin loans at the prime rate of 2.45% plus a variable rate determined by a quarterly financial ratio and in the form of LIBOR advances at rates ranging from 4.48% to 4.50% [in the form of LIBOR advances at rates ranging from 2.68% to 2.71% and bankers' acceptances at the rate of 3.00% in 2020], maturing in June 2023	**791,988**	913,799
Credit facility[2] of a subsidiary, drawn under Canadian and U.S. margin loans at the prime rate of 2.45% plus a variable rate determined by a quarterly financial ratio, in the form of bankers' acceptances at the rate of 2.71% and LIBOR advances at the rate of 2.50%, maturing in January 2024	**52,475**	–
Term credit, secured by immovable hypothecs on certain assets, comprising two tranches bearing interest at the fixed rate of 5.00% for a notional amount of $60,000 and 4.64% for a notional amount of $40,000, repayable in seven annual principal payments of $8,571 and $5,714, respectively, starting on November 1, 2023	**100,000**	100,000
Term credit of a subsidiary, secured by an immovable hypothec on certain assets with a carrying amount of $69,842 in 2021 and 2020, drawn under bankers' acceptances at the variable one month CDOR rate of 0.43% plus 2.55%, representing a rate of 2.98%, and in the form of margin loans at the prime rate plus 1%, representing a rate of 3.45% in 2021 and 2020, repayable in quarterly principal payments of $625, maturing on October 29, 2023	**82,500**	85,000
Term credit of a subsidiary, secured by an immovable hypothec on the universality of the property of this subsidiary with a carrying amount of $110,566 [$117,915 in 2020], comprising three tranches [two tranches in 2020] at the fixed rate of 6%, repayable in five instalments, including four equal quarterly principal payments of $608, plus interest, starting in December 2022, and repayment of the remaining balance on December 31, 2023	**36,500**	19,000
Term credit of a subsidiary, secured by an immovable hypothec on the universality of the property of this subsidiary with a carrying amount of $110,566 [$117,915 in 2020] at the fixed rate of 7%, repayable in five instalments, including four equal quarterly principal payments of $50, plus interest, starting in December 2022, and repayment of the remaining balance on December 31, 2023	**3,000**	–
Loan, bearing interest at the variable one-month CDOR rate of 0.43% [0.47% in 2020], repayable on demand	**11,681**	6,783
Note payable of a subsidiary, bearing interest at the prime rate plus 0.75%, representing a rate of 3.20% in 2021 and 2020, repayable in annual principal payments of $7,625, maturing on January 10, 2022	**7,625**	15,250
Note payable, bearing interest at the rate of 2.45%, repayable on demand	**7,113**	–
Note payable of a subsidiary, without interest or repayment terms	**6,000**	–
Mortgage loans of a subsidiary, secured by movable and immovable hypothecs, bearing interest at the prime rate less 0.15%, representing a rate of 2.30% in 2021 and 2020, maturing in June 2022	**6,265**	7,295
Mortgage loan of a subsidiary, secured by a hypothec on a building and land of the subsidiary with a carrying amount of $11,845 as at October 30, 2021 [$12,759 in 2020], bearing interest at a fixed rate of 7.76%, repayable in blended monthly payments of $83, maturing in March 2023	**3,732**	4,414
Term credit,[3] drawn under LIBOR advances at the rate of 2.71% in 2020, repaid in January 2021	**–**	90,000
Borrowings of subsidiaries, secured by immovable hypothecs on the universality of the property of these subsidiaries, bearing interest at fixed rates [2.35% to 3.24% in 2020]. These borrowings were repayable in monthly principal payments totalling $169, maturing between June 2037 and June 2039. These subsidiaries were deconsolidated in June 2021.	**–**	28,991
Other borrowings, bearing interest at rates ranging from 0% to 5.00% in 2021 and 2020, maturing between February 2022 and January 2026 [between November 2020 and January 2026 in 2020].	**4,079**	3,298
	1,112,958	1,273,830
Transaction costs	**(4,869)**	(5,159)
Long-term debt classified as held for sale	**(46,967)**	–
	1,061,122	1,268,671
Long-term debt – current portion	**33,882**	108,977
	1,027,240	1,159,694

Notes to consolidated financial statements

Years ended October 30, 2021 and October 31, 2020

19) Long-term debt

1. The Group had an overall revolving credit facility of $1,350,000 in 2021 and 2020, secured by certain assets, that it can use as follows: Canadian-dollar margin loans [$41,202 and $30,025 used in 2021 and 2020, respectively] and/or US-dollar margin loans [US$634 and (US$922) used in 2021 and 2020, respectively], bankers' acceptances [$40,000 used in 2020], LIBOR advances in US dollars [US$598,300 and US$638,700 used in 2021 and 2020, respectively] and standby letters of credit. The interest rate is based on a rate schedule that varies based on a financial ratio calculated quarterly on a consolidated basis. On December 29, 2021, the Group entered into an amendment to its credit facility agreement to obtain temporary relief from certain of its financial terms. The weighted rate in 2021 was 4.56% [2.75% in 2020].
2. A subsidiary of the Group has a revolving credit facility of $105,000 in 2021. The Group can use this facility as follows: Canadian-dollar margin loans [$7,015 used in 2021] and/or US-dollar margin loans [US$365 used in 2021], bankers' acceptances [$10,000 used in 2021], LIBOR advances in US dollars [US$27,800 used in 2021] and letters of credit. The interest rate is based on a rate schedule that varies based on a financial ratio calculated quarterly on a consolidated basis. Under the same credit agreement, the Group has a term credit of $20,000 that can be used to issue letters of credit. This credit facility is subject to compliance with certain financial ratios based on the statutory financial statements of the Group's subsidiary. Having obtained certain waivers prior to year-end, the Group entered into an amendment to its credit facility agreement on November 5, 2021 to remedy certain defaults observed at year-end. The weighted rate as at October 30, 2021 was 2.65%.
3. The Group had a term credit, secured by certain assets, that it could use as follows: US- and/or Canadian-dollar margin loans, bankers' acceptances and LIBOR advances in US dollars. The interest rate was based on a rate schedule that varied based on a financial ratio calculated quarterly on a consolidated basis.

The Group's long-term debt is subject to compliance with certain financial ratios based on the Group's consolidated financial statements.

On December 20, 2019, the Group secured a $200,000 one-year term credit whose repayment terms are based on the occurrence of specific events. This term credit was repaid in full on October 30, 2020.

The principal repayments required over the next five fiscal years are as follows: 2022 – $44,176; 2023 – $798,742; 2024 – $183,653; 2025 – $14,859; 2026 and thereafter – $71,528.

20) Employee future benefits

The Group measures its defined benefit plan obligations and the fair value of plan assets at each year-end.

The most recent actuarial valuations of the pension plans for funding purposes were made as at October 30, 2021 for two plans, as at January 1, 2020 for two plans, as at December 31, 2019 for two plans, as at October 26, 2019 for one plan and as at December 31, 2018 for one plan. The next required actuarial valuations will be as at December 31, 2021 for one plan and as at October 29, 2022 and December 31, 2022 for seven plans.

The actuarial valuation of other post-retirement benefits was carried out as at March 31, 2020. The next required actuarial valuation will be as at March 31, 2023.

Information on the Group's pension plans and other post-retirement benefits is as follows:

2021	**Pension plans** **$**	**Other post-retirement benefits** **$**	**Total** **$**
Defined benefit obligations	**225,305**	**27,506**	**252,811**
Fair value of plan assets	**244,811**	**–**	**244,811**
Net defined benefit asset (liability)	**19,506**	**(27,506)**	**(8,000)**

2020	Pension plans $	Other post-retirement benefits $	Total $
Defined benefit obligations	223,055	25,190	248,245
Fair value of plan assets	214,685	–	214,685
Net defined benefit liability	(8,370)	(25,190)	(33,560)

Notes to consolidated financial statements

Years ended October 30, 2021 and October 31, 2020

20) Employee future benefits

The net defined benefit asset and liability presented in the Group's consolidated balance sheet are as follows:

2021	**Pension plans $**	**Other post-retirement benefits $**	**Total $**
Defined benefit asset	**71,273**	**–**	**71,273**
Defined benefit liability	**(51,767)**	**(27,506)**	**(79,273)**
Net defined benefit asset (liability)	**19,506**	**(27,506)**	**(8,000)**

2020	Pension plans $	Other post-retirement benefits $	Total $
Defined benefit asset	44,201	–	44,201
Defined benefit liability	(52,571)	(25,190)	(77,761)
Net defined benefit liability	(8,370)	(25,190)	(33,560)

The cost of defined benefit pension plans is as follows:

2021	**Pension plans $**	**Other post-retirement benefits $**	**Total $**
Current service cost	**5,560**	**1,710**	**7,270**
Interest cost	**494**	**1,237**	**1,731**
Remeasurements and other items	**(28,142)**	**402**	**(27,740)**
Employee future benefit cost (income)	**(22,088)**	**3,349**	**(18,739)**

2020	Pension plans $	Other post-retirement benefits $	Total $
Current service cost	5,351	1,366	6,717
Interest cost (income)	(513)	1,200	687
Remeasurements and other items	36,593	787	37,380
Employee future benefit cost	41,431	3,353	44,784

On October 6, 2020, the Group and one of its subsidiaries purchased annuities for some of their pension plans. The obligations relating to retired plan members were transferred as a result of this transaction, while the obligations relating to defer and transferred members were retained by the Group. This transaction had a $25,118 impact on the cost of employee future benefits for the year ended October 31, 2020.

21) Share capital

[The amounts in the description of share capital are in dollars.]

The Group's share capital is variable and unlimited with regard to the number of shares issuable. The rights, restrictions and conditions relating to each type of share are determined by the Board of Directors. The share capital consists of:

Preferred shares

Class A preferred shares, with a par value of $1, non-voting and redeemable at their par value upon a decision of the Board of Directors. These shares are issued upon the conversion of common shares held by members who do not fulfill the commitments of their contracts with the Group or if the contract commitments are not renewed.

Preferred investment shares

Series 1 – FSTQ preferred investment shares with a par value of $100, non-voting and redeemable at their par value upon a decision of the Board of Directors on or after October 24, 2022, with an annual dividend, payable semiannually, at a rate set under the Series 1 – FSTQ subscription agreement, cumulative and preferential except for the interest on Cooperative Investment Plan shares.

Series 2 – CRCD preferred investment shares with a par value of $100, non-voting and redeemable at their par value upon a decision of the Board of Directors on or after October 24, 2022, with an annual dividend, payable semiannually, at a rate set under the Series 2 – CRCD subscription agreement, cumulative and preferential except for the interest on Cooperative Investment Plan shares.

Notes to consolidated financial statements

Years ended October 30, 2021 and October 31, 2020

21) Share capital

Preferred investment shares [cont'd]

Series 3 – ESSOR preferred investment shares with a par value of $100, non-voting and redeemable at their par value upon a decision of the Board of Directors on or after October 24, 2022, with an annual dividend, payable semiannually, at a rate set under the Series 3 – ESSOR subscription agreement, cumulative and preferential except for the interest on Cooperative Investment Plan shares.

Series 4 – FONDACTION preferred investment shares with a par value of $100, non-voting and redeemable at their par value upon a decision of the Board of Directors on or after October 24, 2022, with an annual dividend, payable semiannually, at a rate set under the Series 4 – FONDACTION subscription agreement, cumulative and preferential except for the interest on Cooperative Investment Plan shares.

Series 5 – FSTQ preferred investment shares with a par value of $100, non-voting and redeemable at their par value upon a decision of the Board of Directors on or after October 24, 2022, with an annual dividend, payable semiannually, at a rate set under the Series 5 – FSTQ subscription agreement, cumulative and preferential except for the interest on Cooperative Investment Plan shares.

Series 6 – 2017 preferred investment shares with a par value of $100, non-voting and redeemable at their par value upon a decision of the Board of Directors after June 1, 2020, with an annual dividend, payable semiannually, at a rate set under the Series 6 – 2017 subscription agreement, cumulative and preferential except for the interest on Cooperative Investment Plan shares.

Series 7 – 2019 preferred investment shares with a par value of $100, non-voting and redeemable at their par value upon a decision of the Board of Directors on or after November 1, 2022, with an annual dividend, payable semiannually, at a rate set under the Series 7 – 2019 subscription agreement, cumulative and preferential except for the interest on Cooperative Investment Plan shares.

Series 8 – 2020 preferred investment shares with a par value of $100, non-voting and redeemable at their par value upon a decision of the Board of Directors on or after October 1, 2023, with an annual dividend, payable semiannually, at a rate set under the Series 8 – 2020 subscription agreement, cumulative and preferential except for the interest on Cooperative Investment Plan shares.

Cooperative Investment Plan preferred shares

Preferred shares with a par value of $10, issued to employees of the Group in accordance with the Cooperative Investment Plan, bearing interest at a rate determined by the Board of Directors, redeemable at their par value by the Group upon a decision of the Board of Directors on or after the fifth anniversary of their issuance.

Common shares

Class A common shares, with a par value of $25. Holding such shares is an essential condition to qualify as a member and obtain voting rights. These shares are redeemable at their par value upon a decision of the Board of Directors.

Class AA common shares, with a par value of $25. Holding such shares is an essential condition to qualify as a member of the pork chain and obtain voting rights. These shares are redeemable at their par value upon a decision of the Board of Directors.

Class B-1 common shares, with a par value of $1, non-voting and redeemable at their par value upon a decision of the Board of Directors, starting the day after the fifth anniversary of their issuance. However, the Board of Directors may not redeem Class B-1 common shares if there are any outstanding Class D-1 common shares. These shares were issued to members as partial payment of patronage refunds.

Class D-1 common shares, with a par value of $1, non-voting and redeemable at their par value upon a decision of the Board of Directors, starting the day after the fifth anniversary of their issuance. These shares were issued to members as partial payment of patronage refunds.

Class P-1 common shares, with a par value of $1, non-voting and redeemable at their par value upon a decision of the Board of Directors, starting the day after the fifth anniversary of their issuance. The redemption date must also coincide with that for Class D-1 common shares issued during the same year. These shares were issued to members as partial payment of patronage refunds.

Class P-2, Series 1–284 common shares, with a par value of $25, non-voting and redeemable at their par value upon a decision of the Board of Directors. However, the Board of Directors may not redeem Class P-2 common shares if there are any common shares outstanding other than Class B-1, D-1 or P-1 common shares. These shares were issued to members as Class AA common share dividends.

Notes to consolidated financial statements

Years ended October 30, 2021 and October 31, 2020

21) Share capital

Common shares [cont'd]

Class P-100 common shares, with a par value of $1, non-voting and redeemable at their par value upon a decision of the Board of Directors. These shares were issued to members as discretionary eligible dividends.

Class P-200 common shares, with a par value of $1, non-voting and redeemable at their par value upon a decision of the Board of Directors.

Class AUXILIARY MEMBERS common shares, with a par value of $25, non-voting and redeemable at their par value upon a decision of the Board of Directors.

At year-end, the issued and fully paid shares were as follows:

	Number		Amount	
	2021	2020	**2021** **$**	2020 $
Preferred shares				
Class A	**378,511**	368,951	**379**	369
Series 1 – FSTQ investment shares	**500,000**	500,000	**50,000**	50,000
Series 2 – CRCD investment shares	**500,000**	500,000	**50,000**	50,000
Series 3 – ESSOR investment shares	**50,000**	50,000	**5,000**	5,000
Series 4 – FONDACTION investment shares	**250,000**	250,000	**25,000**	25,000
Series 5 – FSTQ investment shares	**250,000**	250,000	**25,000**	25,000
Series 6 – 2017 investment shares	**2,000,000**	2,000,000	**200,000**	200,000
Series 7 – 2019 investment shares	**3,000,000**	3,000,000	**300,000**	300,000
Series 8 – 2020 investment shares	**1,500,000**	1,500,000	**150,000**	150,000
Cooperative Investment Plan				
Series 2015, redeemable as of 2021, 3.5%	**–**	635,715	**–**	6,357
Series 2016, redeemable as of 2022, 3.5%	**633,567**	633,667	**6,336**	6,337
Series 2017, redeemable as of 2023, 3.5%	**710,610**	710,610	**7,106**	7,106
Series 2018, redeemable as of 2024, 3.75%	**763,255**	763,255	**7,632**	7,632
Series 2019, redeemable as of 2025, 3.5%	**806,234**	806,234	**8,062**	8,062
Series 2020, redeemable as of 2026, 3.5%	**986,530**	–	**9,865**	–
	12,328,707	11,968,432	**844,380**	840,863
Transaction costs	**–**	–	**(7,302)**	(7,211)
	12,328,707	11,968,432	**837,078**	833,652
Preferred shares reported as a financial liability	**(633,567)**	(635,715)	**(6,336)**	(6,357)
	11,695,140	11,332,717	**830,742**	827,295
Common shares				
Class A	**31,278**	31,740	**782**	794
Class AA	**2,730**	2,580	**68**	64
Class B-1	**42,387,600**	42,425,854	**42,388**	42,426
Class D-1	**243,312,568**	263,428,800	**243,312**	263,428
Class P-1	**4,820,947**	4,983,189	**4,821**	4,983
Class P-2	**267**	252	**7**	7
Class P-100	**23,002,032**	23,603,991	**23,002**	23,604
Class P-200	**4,912,561**	1,166,285	**4,913**	1,166
AUXILIARY MEMBERS	**500**	480	**13**	12
	318,470,483	335,643,171	**319,306**	336,484
	330,165,623	346,975,888	**1,150,048**	1,163,779

Notes to consolidated financial statements

Years ended October 30, 2021 and October 31, 2020

21) Share capital

Transactions during the year were as follows:

	Number		Amount	
	2021	2020	2021 $	2020 $
Preferred shares				
Balance, beginning of year	11,968,432	10,205,766	833,652	682,704
Issued:				
Series 8 – 2020 investment shares	–	1,500,000	–	150,000
Cooperative Investment Plan – Series 2020 [Series 2019 in 2020]	986,530	806,234	9,865	8,062
Transaction costs	–	–	(91)	(1,678)
	986,530	2,306,234	9,774	156,384
Transferred:				
Class A	35,564	–	36	–
Redeemed:				
Class A	(26,004)	–	(26)	–
Cooperative Investment Plan – Series 2015 [Series 2014 in 2020]	(635,715)	(543,568)	(6,357)	(5,436)
Cooperative Investment Plan – Series 2016	(100)	–	(1)	–
	(661,819)	(543,568)	(6,384)	(5,436)
	12,328,707	11,968,432	837,078	833,652
Cooperative Investment Plan – Series 2016 [Series 2015 in 2020] – current portion	(633,567)	(635,715)	(6,336)	(6,357)
Balance, end of year	11,695,140	11,332,717	830,742	827,295
Common shares				
Balance, beginning of year	335,643,171	313,967,501	336,484	314,790
Issued:				
Class A	802	1,047	20	27
Class AA	170	50	5	1
Class D-1	13	20,687,695	–	20,687
Class P-2	17	5	–	–
Class P-200	3,871,392	1,169,453	3,871	1,169
AUXILIARY MEMBERS	20	–	1	–
	3,872,414	21,858,250	3,897	21,884
Transferred:				
Class B-1	(8,535)	–	(9)	–
Class D-1	(27,029)	–	(27)	–
	(35,564)	–	(36)	–
Consolidation adjustments:				
Class AA	(20)	–	(1)	–
Class B-1	(23,364)	–	(23)	–
Class D-1	(101,245)	–	(101)	–
Class P-1	(162,242)	–	(162)	–
Class P-2	(2)	–	–	–
Class P-100	(601,959)	–	(602)	–
Class P-200	(124,975)	–	(124)	–
	(1,013,807)	–	(1,013)	–
Redeemed:				
Class A	(1,264)	(276)	(32)	(7)
Class AA	–	(40)	–	(1)
Class B-1	(6,355)	(17,442)	(6)	(17)
Class D-1	(19,987,971)	(75,701)	(19,988)	(76)
Class P-1	–	(8,015)	–	(8)
Class P-2	–	(4)	–	–
Class P-100	–	(77,934)	–	(78)
Class P-200	(141)	(3,168)	–	(3)
	(19,995,731)	(182,580)	(20,026)	(190)
Balance, end of year	318,470,483	335,643,171	319,306	336,484

Notes to consolidated financial statements

Years ended October 30, 2021 and October 31, 2020

21) Share capital

On September 2, 2021, the Board of Directors authorized a preferred share issue pursuant to the Cooperative Investment Plan, Series 2021, as of November 30, 2021, under which 1,000,738 preferred shares were issued for a cash consideration of $10,007. On September 2, 2021, the directors also resolved to redeem, on or after November 30, 2021, 633,567 preferred shares issued under the Cooperative Investment Plan, Series 2016, for a cash consideration of $6,336.

On January 18, 2021, the Board of Directors resolved to pay an eligible dividend of $7,743 of which $3,872 was paid in cash and $3,871 in Class P-200 common shares. A balance of $1,720 was offset with a subsidiary of the Group.

On January 19, 2021, the Board of Directors resolved to redeem 19,974,000 Class D-1 common shares issued in 2011 and 2012 and 26,000 Class A preferred shares, with the same reference years, for a cash consideration of $20,000.

On September 3, 2020, the Board of Directors authorized a preferred share issue pursuant to the Cooperative Investment Plan, Series 2020, as of November 30, 2020, under which 986,530 preferred shares were issued for a cash consideration of $9,865. On September 3, 2020, the directors also resolved to redeem, on or after November 30, 2020, 635,715 preferred shares issued under the Cooperative Investment Plan, Series 2015, for a cash consideration of $6,357.

On January 15, 2020, the Board of Directors resolved to pay an eligible dividend of $2,437, of which $1,219 was paid in cash and $1,218 in Class P-200 common shares. A balance of $125 was offset with a former subsidiary of the Group that was deconsolidated in June 2021.

22) Commitments and contingencies

a) Contracts related to operations

The Group has entered into long-term operating leases for buildings and equipment. The future minimum lease payments of the Group under these operating leases totalled $203,086 and are as follows for the coming fiscal years: 2022 – $39,753; 2023 – $35,066; 2024 – $29,608; 2025 – $21,854; 2026 and thereafter – $76,805.

The Group also has commitments under computer equipment and software leases. The future minimum lease payments of the Group under these leases totalled $4,669 and are as follows for the coming fiscal years: 2022 – $1,933; 2023 – $1,749; 2024 – $594; 2025 – $196; 2026 – $197.

b) Repurchase of the units of non-controlling unitholders

Food Division

A non-controlling unitholder of one of the Group's subsidiaries, holding 5.8% of the units of said subsidiary has an option to sell, on or after April 30, 2028, all of its units to the Group's subsidiary, which is obligated to repurchase such units or transfer this obligation to its limited partners. The Group is ultimately responsible for the total repurchase of units in the event of refusal by the other limited partners. The sale of the units and the payment of their sale price may be made in a maximum of three equal and consecutive annual instalments or sooner, according to the terms of the agreement.

Another non-controlling unitholder of one of the Group's subsidiaries, holding 2.9% of the units of said subsidiary, has an option to sell, on or after December 31, 2027, all of its units to the Group, which is obligated to repurchase or require its subsidiary to repurchase such units. The sale of the units and the payment of their sale price may be made in a maximum of three equal and consecutive annual instalments or sooner, according to the terms of the agreement.

A group of non-controlling unitholders of one of the Group's subsidiaries, holding 2.6% [2.8% in 2020] of the units of said subsidiary, has an option to sell, on or after December 31, 2023, all of its units to the Group, which is obligated to repurchase or require its subsidiary to repurchase such units. The sale of the units and the payment of their sale price may be made in a maximum of four equal and consecutive annual instalments or sooner, according to the terms of the agreement. Additionally, this same group of non-controlling unitholders has an option to exchange its units in a partnership for units of the Group's subsidiary. The units so acquired in the Group's subsidiary are also covered by an option to sell, with the same redemption terms, effective on or after the 7th anniversary of their issuance.

Another group of non-controlling unitholders of one of the Group's subsidiaries, holding 4.6% [5% in 2020] of the units of said subsidiary, has an option to sell all or 50% of its units to the Group, which is obligated, to repurchase or require its subsidiary to repurchase such units. In the event the option is partially exercised, the redemption of the remaining units may be exercised on or after the fifth anniversary of the date of the first notice of partial exercise of the units. The sale of the units and the payment of their selling price may be made in a maximum of two equal and consecutive annual instalments, or sooner, according to the terms of the agreement, if the options are exercised on or before October 30, 2026, whereas they will be exercised in a maximum of three equal and consecutive annual instalments, or sooner if the options are exercised after October 30, 2026.

Notes to consolidated financial statements

Years ended October 30, 2021 and October 31, 2020

22) Commitments and contingencies

b) Repurchase of the units of non-controlling unitholders [cont'd]

Agriculture Division

A group of non-controlling shareholders holding 12.5% of the shares of a subsidiary, has an option to sell all of its shares to the Group, up to the option expiry date of July 4, 2023. The Group is obligated to repurchase the shares at the time the option is exercised or at the option expiry date of July 4, 2023. The repurchase price is based on the value of the subsidiary, with a floor price.

Retail division

A group of non-controlling shareholders holding 45% of the shares of a subsidiary has an option to sell a portion of its interests to the Group, via a subsidiary, when the financial statements of the subsidiary for the fiscal year ending in 2021 are approved, under the terms of the agreement.

In addition, this same group of non-controlling shareholders has an option to sell, after the fiscal year ending in 2026, all or a portion of its interests to the Group, via a subsidiary. In the event the option is partially exercised, the repurchase of the remaining interests may be carried out over several fiscal years up to a maximum of three times.

Via its subsidiary, the Group has an option to purchase all or a portion of the interests, on or after October 31, 2026, under the terms of the agreement.

c) Claims and lawsuits

In the normal course of business, various claims and lawsuits are brought against the Group. Legal proceedings are often subject to numerous uncertainties, and it is not possible to predict the outcome of individual cases. In management's opinion, the Group has made adequate provision for or has adequate insurance to cover all claims and lawsuits, and their settlement should not have a significant negative impact on the Group's financial position.

23) Guarantees

In the normal course of business, the Group has entered into agreements that contain features which meet the definition of a guarantee.

These agreements may require the Group to compensate third parties for costs and losses incurred as a result of various events including breaches of representations and warranties, loss of or damages to property, and claims that may arise while providing services.

Guarantee contracts

The Group is committed under comfort letters with financial institutions and suppliers regarding guarantees for interests in joint arrangements and third parties. The balance of amounts due as at October 30, 2021 totalled $76,787 [$64,022 in 2020] in respect of which the Group is committed to repurchase inventories, amounting to $146,067 as at October 30, 2021 [$118,343 in 2020].

Notes to consolidated financial statements

Years ended October 30, 2021 and October 31, 2020

24) Financial instruments

a) Derivative financial instruments

In the normal course of business, the Group uses a number of derivative financial instruments, such as foreign exchange contracts, forward contracts, swaps and commodity and currency options to reduce its exposure to exchange rate, interest rate and commodity price fluctuations. These instruments are used exclusively for risk management purposes.

Derivative financial instruments for which hedge accounting is applied

Foreign exchange contracts

The following table sets out the amounts relating to foreign exchange contracts with maturities of less than one year:

Type	Country	Foreign currency notional	Average exchange rate	
			2021	2020
Sale	United States	**US$140,600** [US$ 126,000 in 2020]	**1.2414**	1.3325
Sale	Japan	**¥2,323,010** [¥2,968,762 in 2020]	**0.011139**	0.012570
Sale	Australia	**A$2,499** [A$782 in 2020]	**0.9237**	0.9483
Purchase	Europe	**€2,661** [€3,725 in 2020]	**1.4717**	1.5681

Currency swaps on debt

To manage risks related to changes in foreign exchange rates, the Group uses derivative financial instruments to set the Canadian-dollar amount of instalments on debt denominated in U.S. dollars. As at October 30, 2021, a debt amounting to US$598,300 [US$707,287 in 2020] was hedged using foreign currency debt agreements. These financial instruments serve to the hedge the impact of changes in foreign exchange rates of this debt on the equivalent Canadian dollar amount of $750,000 [$935,000 in 2020].

Derivative financial instruments for which hedge accounting is not applied

Commodity and currency forward contracts, options and swaps

The Group has entered into forward purchase and sale contracts with its supplier and clients to set various grain prices. The following table shows the amounts relating to these contracts:

	2021		2020	
	Notional $	**Gain (loss) $**	Notional $	Gain (loss) $
Sale contracts	**443,715**	**(14,357)**	651,078	7,215
Purchase contracts	**307,734**	**22,253**	436,896	22,421
Net position – Sale	**135,981**	**7,896**	214,182	29,636

The Group also entered into forward contracts for various grains and currencies and currency swaps with financial institutions and in the markets to reduce its exposure to fluctuations in various grain prices. The following table shows the amounts relating to these contracts:

	2021		2020	
	Notional $	**Gain (loss) $**	Notional $	Gain (loss) $
Swaps and sale contracts	**249,952**	**(15,000)**	309,765	(5,585)
Swaps and purchase contracts	**321,648**	**3,765**	432,058	1,413
Net position – Purchase	**71,696**	**(11,235)**	122,293	(4,172)

The Group has entered into commodity forward contracts and swaps, specifically for pork and fertilizers, and currency forward contracts and swaps to manage price fluctuation risk. The following table shows the amounts relating to these contracts:

	2021		2020	
	Notional $	**Gain (loss) $**	Notional $	Gain (loss) $
Swaps and sale contracts	**240,453**	**(3,995)**	221,076	(1,528)
Swaps and purchase contracts	**224,421**	**6,157**	270,919	6,111
Net position – Sale [Purchase in 2020]	**16,032**	**2,162**	49,843	4,583

Notes to consolidated financial statements

Years ended October 30, 2021 and October 31, 2020

24) Financial instruments

a) Derivative financial instruments [cont'd]

The Group also entered into pork and currency options to manage price fluctuation risk. The Group recognized a gain of $905 [a loss of $1,235 in 2020] in the consolidated statement of earnings. The fair value of those options resulted in a $1,633 increase in financial liabilities [$3,537 in 2020].

The above tables present the notional amounts of derivative financial instruments. These amounts correspond to the contractual amount used as a reference to calculate payment amounts. Notional amounts are generally not exchanged by counterparties and do not reflect the Group's exposure in the event of default.

Interest rate swaps

To manage risks related to changes in interest rates, the Group uses derivative financial instruments to set the initial variable interest rates as fixed interest rates. As at October 30, 2021, interest rate swaps under which the Group receives interest at the variable one-month CDOR rate of 0.43% in 2021 [0.47% in 2020] on a notional of $500,000 [$600,000 in 2020] are in effect. The Group pays interest at fixed rates ranging from 1.69% to 1.98% [1.09% to 1.98% in 2020]. These swaps provide for monthly net settlement of interest received and paid. These swaps mature from April 2026 to May 2027 [from December 2024 to May 2027 in 2020].

A gain of $26,280 [loss of $35,049 in 2020] was recognized under gains (losses) on remeasurement of interest rate swaps in the consolidated statement of earnings.

b) Fair value of derivative financial instruments

The fair value of the derivative financial instruments reflects the estimated amounts the Group would receive (or pay) to terminate open contracts at year-end. The prices obtained by the Group's bankers are compared with closing capital market prices.

The fair value of derivative financial instruments was as follows:

Derivatives	**2021** **$**	2020 $
Commodity and currency forward contracts, options and swaps – asset	**32,834**	46,782
Commodity and currency forward contracts, options and swaps – liability	**(35,768)**	(20,545)
Interest rate swaps – asset (liability)	**2,865**	(31,234)
	(69)	(4,997)

In fiscal 2021 and 2020, no amounts were recognized in the consolidated statement of earnings for the ineffective portion of hedging relationships for foreign exchange contracts, designated currency swaps and currency swaps on debt.

c) Nature and extent of risks arising from financial instruments and related risk management

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the Group by failing to discharge its obligations. The maximum exposure to credit risk for the Group is equal to the carrying amount of the following financial instruments:

Trade receivables and notes receivable

In the normal course of business, the Group evaluates the financial position of its clients on a regular basis and examines the credit history of new clients. To protect itself against financial losses related to credit risk, the Group has a policy that sets out credit conditions for various areas of operations. Specific credit limits are set for each segment and client and reviewed periodically. The allowance for doubtful accounts is based on the client's specific credit risk and historical trends. Moreover, the Group holds security on the assets and investments of certain clients in the event of default. The Group believes its credit risk exposure to trade receivables and notes receivable to be minimal due to client and sector diversification.

Derivatives

Credit risk related to derivative financial instruments is limited to unrealized gains, if any. The Group is likely to incur losses if parties fail to meet their commitments related to these instruments. However, the Group views this risk as minimal or non-existent, as it deals only with highly rated financial institutions.

Notes to consolidated financial statements

Years ended October 30, 2021 and October 31, 2020

24) Financial instruments

c) Nature and extent of risks arising from financial instruments and related risk management [cont'd]

Liquidity risk

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

The Group manages this risk by drawing up detailed financial projections and developing a long-term acquisition strategy. Treasury management at the consolidated level requires constant monitoring of expected cash inflows and outflows based on the Group's consolidated financial position projections. Liquidity risk is evaluated using historical volatility, seasonal needs, current financial obligations and long-term debt obligations.

Market risk

Foreign exchange risk

The Group often makes purchases and sales abroad. The Group's policy is to maintain the purchase costs and selling prices of its business transactions by hedging its positions using derivative financial instruments. To protect these transactions against foreign exchange fluctuations, the Group uses foreign exchange forward contracts, currency swaps and currency options.

The Group's main foreign exchange risks are covered by a centralized treasury department. Foreign exchange risk is managed in accordance with the foreign exchange risk management policy. The policy aims to protect the Group's operating earnings by eliminating the exposure to currency fluctuations. The foreign exchange risk management policy prohibits speculative transactions.

Interest rate risk

Interest rate risk relating to financial assets and liabilities results from changes in interest rates that the Group may experience. The Group believes that notes receivable, bank borrowings and obligations under variable-rate long-term debt give rise to cash flow risk, as the Group could be adversely affected in the event of changes in interest rates.

Centralized treasury management aims to match and bring about an appropriate combination of fixed- and variable-rate borrowings to minimize the impact of interest rate fluctuations. Furthermore, to protect its long-term debt against interest rate fluctuations, the Group uses interest rate swaps.

Other price risk

Commodity price risk

Input prices are determined by several external factors. Extreme price volatility results from constant changes in supply markets. The Group's policy is to maintain the purchase costs and selling prices of its business transactions by hedging its positions using derivative financial instruments. To protect these transactions against commodity price fluctuations, the Group uses commodity forward contracts, swaps and options.

Notes to consolidated financial statements

Years ended October 30, 2021 and October 31, 2020

25) Related party transactions

The Group enters into transactions with its joint arrangements in the normal course of business. Those transactions, measured at the exchange amount, are summarized as follows:

	2021 $	2020 $
Consolidated statement of earnings		
Revenues	**850,350**	690,959
Cost of sales and selling and administrative expenses	**275,570**	358,998
Investment income	**1,752**	1,545

	2021 $	2020 $
Consolidated balance sheet		
Assets		
Accounts receivable	**42,094**	58,786
Derivative financial instruments	**571**	1,255
Investments	**45,870**	51,875
Liabilities		
Accounts payable and accrued liabilities	**18,318**	19,024
Deferred revenues	**141,566**	80,492
Derivative financial instruments	**157**	59
Note payable of a subsidiary, without interest or repayment terms	**6,000**	–

The investments with the joint arrangements are as follows:

	2021 $	2020 $
Note receivable, non-interest bearing, repayable on demand	**15,635**	14,492
Note receivable, non-interest bearing, repayable in annual payments of $3,000 and a final payment of $4,000, maturing in October 2024	**9,214**	11,744
Note receivable, bearing interest at 15%, without terms of repayment	**8,421**	8,421
Note receivable, bearing interest at 5%, without terms of repayment	**1,000**	2,000
Note receivable, non-interest bearing, repayable under the terms of the agreement	**1,000**	–
Note receivable, bearing interest at the prime rate plus 0.5%	**600**	600
Note receivable, repayable and bearing interest at the rate defined under the terms of the agreement	**–**	4,618
Preferred shares	**10,000**	10,000
	45,870	51,875

Notes to consolidated financial statements

Years ended October 30, 2021 and October 31, 2020

25) Related party transactions

The Group enters into transactions with its entities subject to significant influence in the normal course of business. Those transactions, measured at the exchange amount, are summarized as follows:

	2021 **$**	2020 $
Consolidated statement of earnings		
Revenues	**318,669**	15,812
Cost of sales and selling and administrative expenses	**411,223**	96,080

	2021 **$**	2020 $
Consolidated balance sheet		
Assets		
Accounts receivable	**11,645**	3,151
Derivative financial instruments	**–**	160
Note receivable, bearing interest as defined under the terms of the agreement, repayable on demand	**10,205**	–
Note receivable, non-interest bearing, without terms of repayment	**2**	2
Liabilities		
Accounts payable and accrued liabilities	**19,409**	5,519
Deferred revenues	**1,640**	547
Derivative financial instruments	**–**	90

26) Subsequent event

On December 22, 2021, the group of non-controlling shareholders holding 45% of the interests of a subsidiary of Groupe BMR inc., a subsidiary of the Group, exercised its option to sell a third of its interests.

Financial review – Unaudited

	2021	2020	2019	2018	2017	2016	2015
Operations *[in thousands of dollars]*							
Revenues	**$8,341,089**	$7,581,737	$7,007,173	$6,461,345	$6,221,000	$6,287,332	$5,982,951
Net financial expenses	**34,733**	55,566	50,236	22,601	17,764	26,625	27,473
Amortization (excluding transaction costs)	**156,398**	168,098	128,575	93,368	81,445	83,610	77,688
Earnings before patronage refunds, income taxes and discontinued operations	**33,175**	206,386	85,001	210,725	351,228	275,438	95,702
Patronage refunds	**–**	29,200	17,600	42,400	88,000	55,000	35,000
Income taxes (recovery)	**(8,367)**	30,850	13,149	32,914	65,273	60,730	16,213
Net earnings (loss) attributable to members of the Group	**(4,292)**	117,664	38,447	115,614	168,349	151,569	44,489
Earnings before patronage refunds, income taxes discontinued operations, gross financial expenses amortization and net gains (net losses)	**205,480**	466,852	269,356	312,894	456,133	390,707	201,019
Financial position *[in thousands of dollars]*							
Working capital**	**$595,396**	$661,293	$404,261	$553,559	$414,274	$415,280	$(6,346)
Property, plant and equipment, net carrying amount	**1,381,029**	1,567,259	1,215,381	1,020,130	828,589	750,551	690,653
Total assets	**4,969,460**	4,728,182	3,880,159	3,261,469	2,666,990	2,450,589	2,298,308
Preferred shares and equity of the Group	**2,099,983**	2,032,586	1,780,586	1,480,827	1,285,250	961,809	761,635
Financial ratios							
Working capital ratio**	**1.4**	1.6	1.4	1.6	1.5	1.6	(0.99)
Interest coverage*	**2.0**	4.7	2.7	10.3	20.8	11.3	4.5
Debt/equity ratio**	**34:66**	38:62	33:67	31:69	23:77	37:63	47:53
Earnings before patronage refunds, income taxes and discontinued operations*/revenues	**0.4%**	2.7%	1.2%	3.3%	5.6%	4.4%	1.6%
Reserve and contributed surplus/preferred shares and equity of the Group	**44.9%**	42.4%	44.0%	53.4%	55.0%	57.3%	50.5%
Preferred shares and equity of the Group/total assets	**42.3%**	43.0%	45.9%	45.4%	48.2%	39.2%	33.1%
Number of employees	**15,850**	16,150	15,360	14,020	13,150	12,541	12,211

* For the purposes of ratio calculations, non-controlling interests are included in earnings before patronage refunds and income taxes.
** The credit facility was considered in this ratio's calculation in 2015 for consistency with the presentation adopted in the consolidated financial statements.

100 Sollio Cooperative Group

Affiliated Cooperatives

La Coop Agrilait
Saint-Guillaume

Agriscar Coopérative
Trois-Pistoles

Agro Co-operative Assoc Ltd
Charlottetown (Île-du-Prince-Édouard)

La Coop Alliance
Lac-Mégantic

Antigonish Farm & Garden Co-op
Antigonish (Nouvelle-Écosse)

Atlantic Co-operative Country Stores Moncton
(Nouveau-Brunswick)

Avantis Coopérative
Sainte-Marie

La Coop Chambord
Chambord

Citadelle, coopérative de producteurs de sirop d'érable
Plessisville

La Coop Comax
Saint-Hyacinthe

La Coop Covris
Baie-du-Fèbvre

La Coop Dupuy et Sainte-Jeanne d'Arc
Dupuy

Eastern Farmers Co-op Society
Mount Pearl (Terre-Neuve)

Fermes du Nord Coopérative
Mont-Tremblant

Filière porcine coopérative
Montréal

La Coop Gracefield
Gracefield

Magasin Co-op de Havre-aux-Maisons
Havre-aux-Maisons

Co-op Home & Farm Supply Fredericton
(Nouveau-Brunswick)

Kensington Co-operative Association Limited
Kensington (Île-du-Prince-Édouard)

La Coop La Patrie
La Patrie

Société coopérative de Lamèque Ltée
Lamèque (Nouveau-Brunswick)

La Coop des Montérégiennes
Granby

Nutrinor coopérative
Saint-Bruno-Lac-Saint-Jean

Novago Coopérative
Joliette

O'Leary Farmers Co-op Assn.
O'Leary (Île-du-Prince-Édouard)

Magasin CO-OP de Plessisville
Plessisville

La Coop Purdel
Rimouski

Scotian Gold Co-operative Limited
Coldbrook (Nouvelle-Écosse)

South Eastern Farmers Co-op
Moncton (Nouveau-Brunswick)

La Coop Squatec
Squatec
La Coop Saint-Adrien-d'Irlande

La Coop Saint-Adrien-d'Irlande
Saint-Adrien-d'Irlande

La Fromagerie coopérative Saint-Albert inc.
Saint-Albert (Ontario)

La Coop Saint-Côme-Linière
Saint-Côme-Linière

La Coop Sainte-Hélène
Sainte-Hélène-de-Bagot

La Coop Sainte-Justine
Sainte-Justine

La Coop Sainte-Marthe
Sainte-Marthe

Magasin CO-OP de Sainte-Perpétue
Sainte-Perpétue-de-L'Islet

La Coop St-Fabien
Saint-Fabien

La Coop Saint-Hubert
Saint-Hubert-de-Rivière-du-Loup

La Coop Saint-Méthode
Adstock

La Coop Saint-Pamphile
Saint-Pamphile

La Coop Saint-Patrice
Saint-Patrice-de-Beaurivage

Coopérative de Saint-Quentin ltée
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La Coop Saint-Ubald
Saint-Ubalde

Magasin CO-OP de Saint-Victor
Saint-Victor

Section des marchands indépendants BMR
Montréal

Section des producteurs de porc de l'ouest
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Sussex (Nouveau-Brunswick)

Uniag Coopérative
Napierville

VIVACO groupe coopératif
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Saint-Fabien

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Saint-Cyprien

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Weedon

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L'Épiphanie

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La Durantaye

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Coaticook

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Leclercville

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