

**2015**  
CORPORATE SOCIAL  
RESPONSIBILITY  
REPORT



*McCormick Brings Passion to Flavor™*

## CEO's Message

“ The year 2014 marked the 125th anniversary of McCormick & Company, and we are proud to issue our second Corporate Social Responsibility (CSR) report covering our CSR activities up to and including that commemoration year. From the time of our founding by Willoughby McCormick in 1889 to the present day, McCormick has created a rich legacy of responsible business practices. These extend from a dedication to the professional development and personal well-being of employees and support for the betterment of the communities we operate in and source from, to providing consumers with healthy and nutritious products that enhance the enjoyment of food. ”

– Alan Wilson, Chairman and CEO



*McCormick Brings Passion to Flavor™*

Our CSR vision is “To grow our business globally, while driving positive change to the environment, within our communities, and for our employees.” We have made significant progress in realizing this vision across our principal areas of social and environmental impacts. More detail is provided in each section of this report, and some key examples are:

- » **Increasing the diversity of our workforce, including the executive level**
- » **Reducing the safety incident rate in our global operations**
- » **Expanding our participation in the scientific research and public outreach around the beneficial nutritional effects of spices and herbs**
- » **Deepening our engagement with our agricultural suppliers**
- » **Reducing the waste we send to landfills**

We are encouraged by these results and appreciate that our efforts are being recognized by third parties; for example, in the recently released Newsweek Green Rankings, McCormick placed 27th and was the third-highest ranked food and beverage company. In order to support our continued CSR efforts, in 2014 we updated our CSR materiality assessment. This led to the confirmation of most of our existing CSR goals and to the generation of additional ones, and together these goals will drive our social and environmental performance over the next 5 years. The materiality results are also being used to support our continuing journey to more closely integrate our CSR program with our overall corporate business strategy.

As a leading global food company, we impact and are impacted by many of the most significant social and environmental challenges facing the world today. We are proud of our CSR progress to date, but we also realize that there is always room for improvement and that a critical aspect of that process is to listen to our stakeholders in order to gain additional perspectives on how we can enhance our CSR policies and programs. To that end, we look forward to receiving feedback from our stakeholders on our efforts. Please feel free to reach out to us at: [responsibility@mccormick.com](mailto:responsibility@mccormick.com).



**Alan D. Wilson**  
Chairman and Chief Executive Officer





McCORMICK

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# Company Profile

Founded in 1889, McCormick is a global flavor company that manufactures, markets, and distributes spices, seasoning mixes, condiments, and other flavorful products to three primary segments of the food industry—retail outlets, food manufacturers, and foodservice businesses. We have over 10,000 employees worldwide located in 25 countries, with major manufacturing operations in North America, Europe, the Middle East and Africa, and Asia Pacific. Our business is divided into consumer and industrial segments, and in 2014 global sales totaled \$4.2 billion. In 2014, 65% of our total global sales took place in the Americas, 22% in Europe, the Middle East and Africa, and 13% in Asia/Pacific.

The consumer business reaches more than 135 countries and territories with leading brands such as McCormick®, Lawry's®, Club House® Zatarain's®, Thai Kitchen®, Simply Asia®, Ducros®, Schwartz®, Kamis®, and Kohinoor®. Our customers span a variety of retail outlets that include grocery, mass merchandise,

warehouse clubs, ecommerce, discount and drug stores. The industrial business provides a wide range of products to multinational food manufacturers and foodservice customers, including seasoning blends, spices and herbs, condiments, coating systems and compound flavors. For more information on our financial performance, please see the [Appendix](#).

A key part of our value chain are the agricultural producers that provide the raw materials for our products. The most significant raw materials used in our business are pepper, dairy products, rice, capsicums (red peppers and paprika), onions, garlic, and wheat flour. Pepper and other spices and herbs are globally sourced from countries near the equator. Other raw materials, like dairy products and onions, are primarily sourced from within the U.S. and from local suppliers at many of our international locations. A variety of mechanisms are used to source agricultural raw materials, including joint venture partners and strategic alliances.



## CSR Vision and Approach

From our founding over 125 years ago, McCormick has operated with a strong sense of responsibility toward our employees, local communities, and the environment.

This is reflected in our Corporate Social Responsibility (CSR) vision:

“To grow our business globally, while driving positive change to the environment, within our communities, and for our employees.”

CSR at McCormick encompasses social, environmental, community, and governance issues and impacts, and the policies and programs we have in place to address them. We have organized our CSR program around four priority areas and created a set of goals for each (see the section titled **CSR Goals**). Our priority areas are:

### » POWER OF PEOPLE™

Empowering our employees and improving local communities

### » TASTE YOU TRUST™

Investing in sustainable agriculture

### » INSPIRING HEALTHY CHOICES

Providing healthy flavor solutions and encouraging healthy eating

### » DELIVERING HIGH PERFORMANCE

Improving operational impacts





Many of our CSR impacts are managed at the operational level while overall coordination and strategic direction are provided by our CSR Governance Committee. This committee reports directly to the CEO and is composed of senior executives with direct responsibility for a variety of functional areas, including human resources, environment, packaging, sourcing, community relations, government affairs, communications, innovation, and investor relations. We are integrating our CSR work into our overall business strategy, and we have already seen where such linkages can improve our CSR impacts and financial success.

Given McCormick's position as a global flavor company, we are well aware of the relevance to our business of many of the major environmental

and social trends impacting the world, including nutrition and obesity, climate change, water availability, workforce diversity, and community economic development. Our ability to have some impact on these trends and the direct connection to our business success is what drives our CSR activities, and we believe there are opportunities to continue to improve our environmental management systems, enhance the sustainability of our packaging, and to use our products to deliver healthy eating options. At the same time, we face a number of challenges, foremost being the complexity and extended nature of our agricultural supply chain. We are actively working to address these opportunities and challenges and we will publish a CSR report every two years to provide updates on our progress.

We recognize our legacy of involvement in helping to support public policies that affect our business, brands, and employees. This includes educating policymakers and participating in the public dialogue on policy issues where appropriate. McCormick does not contribute to candidates for public office or political campaigns per our corporate policy (see below). Employees at all levels must comply with applicable laws with respect to contributions to and volunteer activities with political parties, and such individual efforts do not in any way suggest McCormick's support. For more information on our political activity policy, please visit:

<http://mccormickcorporation.com/Investor-Center/Corporate-Governance/Political-Activity-Policy>

# Materiality Analysis

We conducted a materiality analysis in 2014 in order to establish the focus points for this report as well as to help in the ongoing work of ensuring that our CSR strategy remains relevant. We engaged Business for Social Responsibility (BSR) to do this work and it included extensive research, review of internal reports on key sustainability issues and trends, interviews with external and company personnel, and in-depth analysis of each issue according to the significance of its social, environmental, and economic impacts and its ability to influence the assessments and decisions of stakeholders. Once the most relevant topics were identified for inclusion in the analysis, each was assessed against a set of criteria to determine its significance with respect to social, environmental, and economic conditions, the opinions of stakeholders, and McCormick's business operations.

Stakeholder input that fed into the materiality process in terms of both issue identification and prioritization was gathered through two avenues: directly through interviews with external and internal stakeholders, and indirectly through stakeholder publications on issues directly related to the landscape of CSR issues facing McCormick. Each stakeholder was interviewed to assess their perspectives on the most critical CSR issues upon which McCormick has an impact. Most prominent among the issues identified were the supply chain, water use, energy efficiency, agricultural producer livelihoods, and packaging material. The materiality process provided a solid framework for identifying McCormick's key social, environmental, and economic issues and then prioritizing them based on a well-defined set of criteria.

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*Out of this process, seven issues were ranked as most material or Tier 1 in terms of importance to McCormick and its external stakeholders:*

» **PRODUCT SAFETY**

» **OCCUPATIONAL SAFETY & HEALTH**

» **DIVERSITY & INCLUSION**

» **ENVIRONMENTAL MANAGEMENT SYSTEMS**

» **SUPPLY CHAIN RISK ASSESSMENT**

» **SUPPLIER LIVELIHOODS**

» **SUPPLIER ENGAGEMENT**

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Given that McCormick's entire product line is dependent on agriculture inputs, it is not surprising that key issues revolve around supply chain and product safety. In addition, McCormick's operational footprint and the fact that we sell products in over 135 countries and territories indicates that our workforce should reflect these demographics and hence the need to focus on diversity and inclusion. And finally, ensuring that a workplace is safe and free of unhealthy impacts is a primary element of any company's sustainability performance and a basic expectation of stakeholders. McCormick has a strong record of continual improvement in the safety of our workplaces, and the prioritization of Occupational Safety & Health as a most material issue signifies our commitment to our employees.

When considering the sustainability impacts of a company it's important to understand whether the impacts occur inside or outside the boundaries of the organization, or both, as is the case with Supplier Diversity. With respect to the seven issues that have been prioritized as most material for McCormick, impacts related to Diversity & Inclusion, Occupational Safety and Health, and Environmental Management Systems are only assessed from the perspective of the company's own operations. Those issues where the impact occurs only outside the boundaries of the company are Product Safety; Supply Chain Risk Assessment; Supplier Livelihoods; and Supplier Engagement.



## CSR Goals

At McCormick we strongly believe in setting goals to drive performance and our approach to CSR is no different than any other aspect of our organization. We believe the 2019 CSR goals set forth on **page 10**, and explained more fully in each section, provide realistic targets that when achieved will enhance the environmental, social, and community impacts of our operations and those of our suppliers. Based on the results of our recent materiality analysis, we added a number of new goals and modified others to better reflect the reality of conditions in some of our operations. Among the new goals are a reduction in workplace injuries and accidents, an increase in workforce diversity at the executive level, an increase in employee engagement throughout the company, and an effort to build the capacity of agricultural suppliers to inform and assist farmers to improve their sustainability practices.



# 2019 CSR Goals

## Power of People™



- » Promote workforce diversity and achieve an increase in the proportion of women globally and people of color in the U.S. in leadership positions.
- » Establish employee engagement benchmark in 2016 and achieve an increase in employee engagement rating each survey year.
- » Achieve a 3% reduction in workplace injuries/accidents across manufacturing facilities globally by 2019.
- » Exceed 100,000 hours of annual employee volunteer hours.

## Taste You Trust™



- » Increase funding for farming community programs by 50%.
- » Educate intermediate suppliers of agricultural inputs on sustainable farming and build their capability to support agricultural farmers to implement best practices.
- » Identify 100% of suppliers with high risk profile and take steps to manage risk, including enrolling suppliers into Sustainable Ethical Data Exchange (SEDEX) program.

## Inspiring Healthy Choices



- » Annual increase in the participation level of U.S. employees in the Eating Well Program.
- » Launch the McCormick Eating Well Program globally.
- » 20% increase in global marketing spend aimed at educating consumers and industry leaders on the role of flavor in healthier eating by 2019.

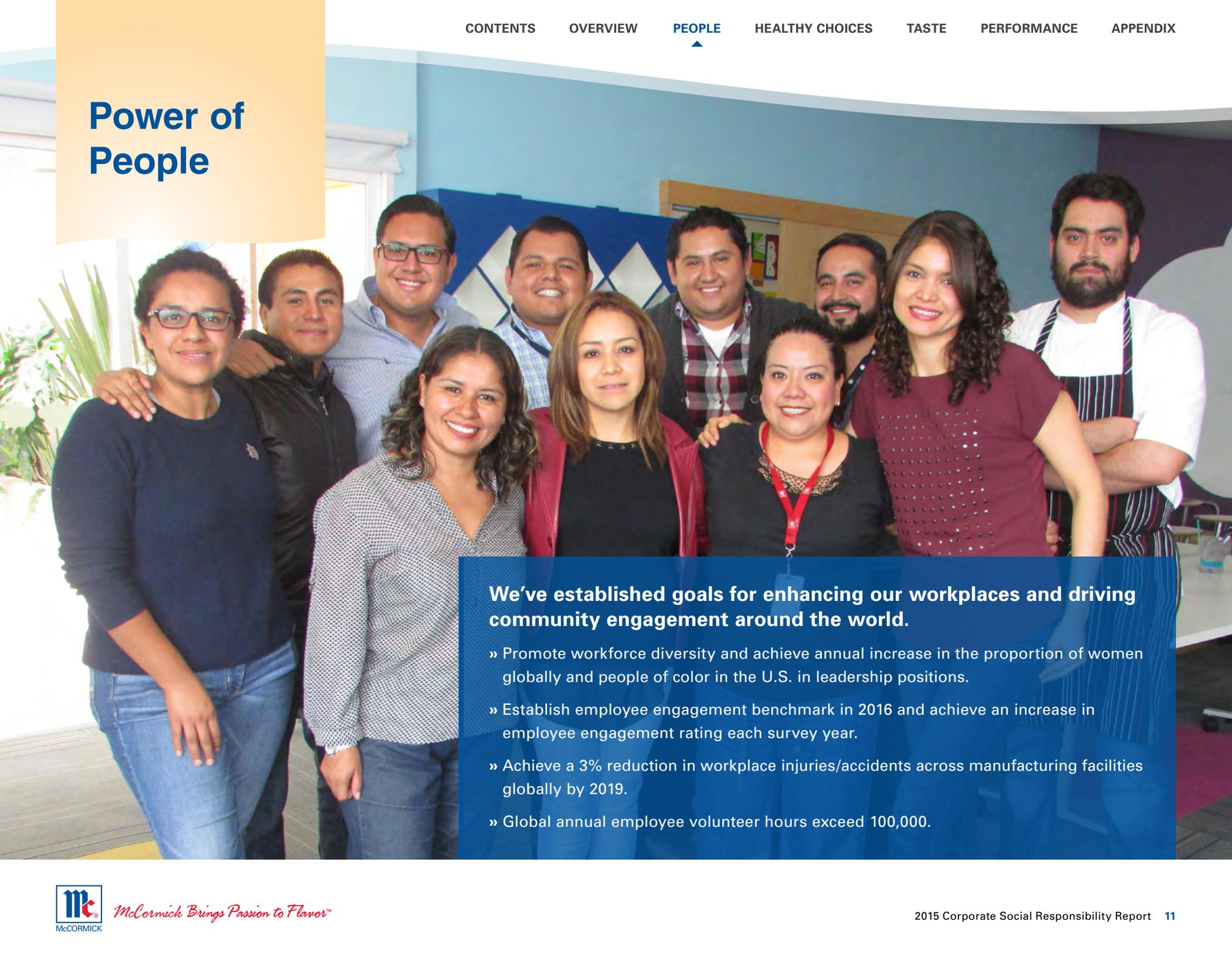
## Delivering High Performance



- » 10% reduction in electricity use by 2019<sup>1</sup>.
- » 10% reduction in water use by 2019<sup>1</sup>.
- » 5% reduction in GHG emissions by 2019<sup>1</sup>.
- » 10% reduction in solid waste by 2019<sup>1</sup>.
- » 20% reduction in bottle packaging weight by 2019<sup>1</sup>.

<sup>1</sup>Adjusted for product mix effects and production volume.

# Power of People



**We've established goals for enhancing our workplaces and driving community engagement around the world.**

- » Promote workforce diversity and achieve annual increase in the proportion of women globally and people of color in the U.S. in leadership positions.
- » Establish employee engagement benchmark in 2016 and achieve an increase in employee engagement rating each survey year.
- » Achieve a 3% reduction in workplace injuries/accidents across manufacturing facilities globally by 2019.
- » Global annual employee volunteer hours exceed 100,000.

## Overview

**Corporate responsibility starts with our own employees as they design and implement the programs that determine our social and environmental impacts.**

We want to be an employer of choice in all markets where we operate and a valued member of our local communities, and to do so requires continuing our efforts to create a safe and inclusive workplace where employees are provided with rewarding jobs that support the development of their talents and leadership skills. As such, employee engagement and a diverse and inclusive workplace were identified as Tier 1 issues in our recent materiality assessment.



## Culture and Values

Our global workforce of 10,000 employees has grown by one-third over the past 5 years, and approximately one quarter of our employees are located in emerging markets. The growth and dispersion of our workforce around the world points to the importance of our efforts to create and maintain a common culture based on our Shared Values:

- » **ETHICAL BEHAVIOR**
- » **TEAMWORK**
- » **HIGH PERFORMANCE**
- » **INNOVATION**
- » **CONCERN FOR OTHERS**
- » **SUCCESS**

Two foundations form our workplace culture: 1) the High Performance Organization framework; and 2) the Multiple Management Board system. The High Performance Organization framework is being implemented across all of our global operations and is rooted in the idea of creating a culture that nurtures, develops, and values employees. Its implementation is based on a common definition of business and individual



success and a clear set of performance competencies and expectations. Sitting alongside the performance framework is our Multiple Management Board system that was established in 1932 and acts as a platform for employees to gain leadership skills, engage in team building, learn our business, and create solutions to real-world challenges facing McCormick's operations around the world. Globally there are 15 boards and many of McCormick's current executive leaders, as well as over 1,000 current employees, have been participants in the boards.



*Americas Regional MMB, 2014*

## Employee Engagement

One of the ultimate goals of our performance management and cultural agenda initiatives is to create jobs and a workplace environment that are value-added and inspiring, resulting in a global workforce that is truly engaged in driving our business success. We have been measuring the engagement of employees around the world for several decades through our biannual “Voice of the Employee” survey. Driven from the executive level, the survey results are used to identify themes and develop action plans around key challenges and opportunities for enriching our culture. Prior survey results have led to deepened employee communications, improved systems to enable employees to work more efficiently, and more flexible work schedules to achieve greater work/life balance. The response rate in our latest survey was an all-time high 92%, and although the engagement index remained unchanged, it still put McCormick in the top tier when benchmarked against industry peers. We are nonetheless continuing to better understand and drive higher the engagement level of our employees. We are expecting that these efforts will pay off with an improved engagement level in the survey being conducted in 2016.

The response rate in our latest survey was an all-time high

92%



## Diversity and Inclusion

We define diversity as the collective power of the unique attributes, talents, experiences, perspectives and cultures of all of our employees around the world. We believe that diversity is a catalyst for innovation, robust problem solving and a cornerstone for growth. The countries where we source raw materials, sell our products, and have production plants and offices embody the full range of human diversity, and thus we view diversity in our workforce as a key strategic asset supporting our business success. It's also critically important to create and sustain an inclusive workplace environment where all employees feel valued, respected, empowered and are able to fully contribute to furthering our business objectives and their personal development. Our recent materiality assessment identified diversity and inclusion as a Tier 1 issue, and our aspirations in this area we reflected in our diversity mission statement: "At McCormick we foster a mutually-enriching environment that values the differences and dignity of all employees, enabling each of us to reach our potential thereby creating a stronger company." (For information on our supplier diversity program, please see the "Taste You Trust" section.)

Our commitment to diversity and inclusion is supported in a number of ways, including the

bedrock element of our program that employment and career development opportunities be rewarded strictly on the basis of merit and without regard to race, color, religion, gender, age, national origin, sexual orientation or identity, and veteran status. We have created a governance structure for diversity and inclusion that includes a Global Executive Steering Committee chaired by Alan Wilson, Chairman and CEO, regional councils, and local networks that serve to support and implement our programs. Similar to other leading companies, we also have a strong network of Employee Ambassador Groups (EAGs) at the global and regional level that serve as platforms for education, mentoring, raising awareness, and professional growth. These EAGs are: Women's International Network, Sabor Latino, African American Ambassador Network, Asian Diversity Group, and U.S. Veterans Group.

We have made good progress in enhancing the diversity of our workforce and will maintain a strong focus in this area commensurate with our goal of achieving an annual increase in the proportion of women globally and people of color in the United States that are in executive positions.



From 2012 to 2014, the proportion of executives that are female increased from 25% to 29% and those that are people of color rose from 14% to 18%, respectively. We have also made significant progress in diversifying our Board of Directors, with 30% of its members being female and 20% people of color. (For more information on our diversity and inclusion policies, please visit our website at <http://mccormickcorporation.com/Our-Commitment/Diversity-Inclusion>.)

## Safety and Health

There is no more important objective for us than the safety and health of employees whether they are working with our farming communities or in our plants and offices. Safety and health is the starting point of good management, and our objective is to be a leader in our industry and to work continuously toward a goal of zero workplace injuries and illnesses. Employees throughout our global operations are trained on safety policies and procedures, and each facility has dedicated staff and safety resources and professionals to ensure that our safety standards and guidelines are implemented. We carefully track all safety incidents and near-incidents, and are very pleased that since 2010 the Total Incident Rate (TIR) for our own employees has declined significantly each year and in 2014 measured 0.76. A TIR score below 1.0 is considered world class safety performance. Our goal is to reduce the TIR by 3% by 2019 and our focus and investment in safety and health will reflect this commitment.

It's important to also note that McCormick employees benefit from a wellness initiative that includes annual screenings and programs for exercise, nutrition, stress management, diabetes care, and smoking cessation.



## Training and Development

Fundamental to the management philosophy that has driven McCormick's business success since its founding over 125 years ago is the commitment to develop the skills and competencies of our employees. This occurs through participation on our Multiple Management Boards, on-the-job experiences, regular feedback on job performance through our talent management program, and formal structured training that focuses on leadership skills and functional competencies. We also support employee participation in a wide variety of training and learning opportunities delivered through third-party organizations and external conferences. Thousands of employees take advantage of the training and development programs each year.

Training is delivered to employees around the world through e-learning and classroom settings enabled by our learning experts and centers in the United Kingdom, France, China, Canada, Australia, and the United States. Employees have access to an extensive offering of in-person programs that focus on different stages of the leadership journey and cover topics such as coaching, accountability, innovation, and situational leadership. We also continue to develop



our e-learning programs that are available to all of our employees around the world and provide instruction on a wide variety of topics, including business acumen, presentation skills, innovation management, negotiation skills, listening skills, effective meeting management, and critical thinking. Employees also have the opportunity to learn about and cook with McCormick's many products through Flavor University, which offers in-depth and unique hands-on culinary training on flavor that prepares employees to be "flavor ambassadors."



# Ethics and Compliance

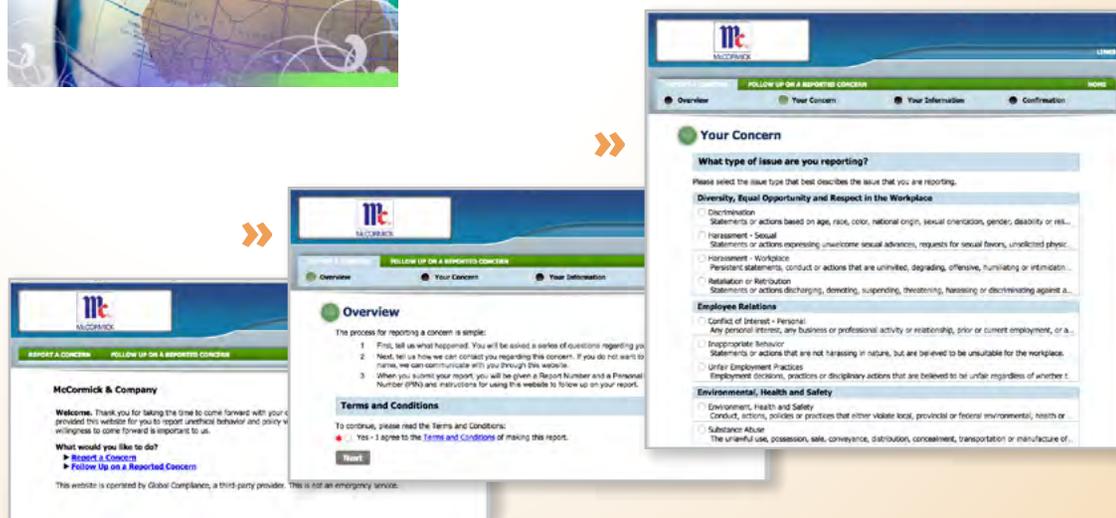
The global scope of McCormick’s operations necessitates that we have a comprehensive policy setting forth the highest standards of business conduct in order to ensure that we meet our own standards as well as the legal requirements in each of the countries in which we operate. Our Business Ethics Policy provides a detailed set of required principles and standards that covers 100% of our employees worldwide as well as contractors, suppliers, and service providers. Our implementation program includes required annual in-person and on-line training for employees, a global intranet page dedicated to business ethics, site level personnel dedicated to managing ethical issues, and messaging through various internal channels, including paycheck stubs. In addition, we have revamped the McCormick Business Ethics Hotline to improve its ease of use and application; it is staffed by an independent organization, operates 24/7, and is available in a wide range of languages. (For more information on our Business Ethics Policy, please visit our website at <http://mccormickcorporation.com/Investor-Center/Corporate-Governance/Business-Ethics-Policy>.)

Our Business Ethics Policy provides a detailed set of required principles and standards that covers 100% of our employees worldwide as well as contractors, suppliers, and service providers.



## MCCORMICK SHARED VALUES

- Ethical Behavior
  - Teamwork
  - High Performance
  - Innovation
  - Concern for One Another
- = Success



# Community

McCormick has a long history of supporting local communities where our employees live and work as well as international organizations like United Way Worldwide and the Red Cross. Our charitable contributions extend to communities beyond those of our operations. We believe it's important to help eliminate human suffering in the world. In the past, McCormick has contributed funds as well as logistical support to areas impacted by natural disasters including Hurricanes Katrina and Sandy as well as the earthquakes in Haiti and Thailand.

The overall objective of our community contributions is to have a measurable impact that fosters systematic and long-term change. We do this by focusing on a limited number of areas, including Access to Healthy Food/Hunger, Education, and Health and Human Services. Our primary contributions take the form of funds, product donations, and employee volunteer service hours. The latter is the basis of our CSR goal of achieving 100,000 employee volunteer hours globally. With over 10,000 employees worldwide, just 10 hours of volunteer time per employee will make a tremendous impact on communities around the world. Our measurement system is being expanded to include new global locations and hourly employees in all of our facilities worldwide. The new

baseline will be set in 2016 and we are confident of reaching our goal by 2019.

In 2014, our charitable donations exceeded \$7 million and prime examples of our activities included:



- » In conjunction with the celebration of McCormick's 125th anniversary in 2014, we donated \$1.25 million to United Way Worldwide to help feed those in need around the world.



- » Charity Day, started in 1941, involves employees volunteering time or donating funds which are matched by McCormick on a dollar-for-dollar basis. Our commitment to charitable giving starts at the highest levels of management and is multiplied throughout the entire global employee population. In 2014, employees leveraged the company match to donate \$2.7 million to charities around the world.





» The McCormick Unsung Heroes Award is unique and impactful, and honors high school senior athletes who play football and basketball in the greater Baltimore, MD area. They are nominated by their coaches as being their team's best example of good sportsmanship and high character. The highest honor is given to a female and male athlete selected by an independent panel to receive the Charles Perry McCormick Scholarship worth \$40,000 for each of the student athletes. McCormick has awarded over \$500,000 in scholarships to deserving young students.



» The annual McCormick Community Service Award honors employees who volunteer time with a charitable organization to improve their communities. Each year one grand prize is given in the amount of \$25,000 to an employee's



designated charitable organization, and four runner-up employees receive \$5,000 for their charities. In 2014, the four semi-finalist winners included organizations in El Salvador focused on poverty alleviation, in Poland for hunger and malnutrition, and in the United States to support victims of slavery around the world. The grand prize winner went to an organization dedicated to preventing homelessness among women and children in the state of Pennsylvania in the United States.

Around the world our employees volunteer their time and expertise with a variety of organizations focused on many different social and environmental issues that are critical to their communities. As part of McCormick's 125th anniversary in 2014,

employees engaged in a wide range of volunteer activities focused on hunger relief. In Poland, we supported the Federation of Polish Food Banks both financially and through extensive employee volunteering, and last December approximately 80 employees spent 2 days in the organization's warehouse sorting food for delivery to needy families during the holiday season. In Thailand, we donated to the Community Children Fund, which helps disadvantaged children, and our employees organized a visit to a school where they led various activities and planted a vegetable garden and banana trees. McCormick Switzerland supported the Red Cross and Red Crescent charity and its efforts to reduce the prevalence of tuberculosis by providing food parcels to patients and their families.

# Inspiring Healthy Choices



20% increase in investment aimed at educating consumers and industry leaders on the role of flavor in healthier eating by 2019.



Annual increase in U.S. employee participation in the Eating Well program.



Launch the McCormick Employee Eating Well program globally by 2019.



McCormick Brings Passion to Flavor™

# Overview

**McCormick inspires healthy choices by not only making food taste better, but also by making it better for you, starting with the natural goodness of spices and herbs.**

Through our research, product portfolio and custom flavor solutions for the food industry, McCormick is committed to flavor innovation that delivers great tasting, high-quality products which positively impact people’s nutrition and thus help them live healthier lives.

The importance of this commitment to our CSR program, our stakeholders, and the company’s future business success was demonstrated by the fact that our recently completed materiality assessment identified “Product Health and Wellness” as a Tier 1 issue, and consumer communication and employee wellness as Tier 2 issues. We have established goals for our Inspiring Health Choices pillar in line with this objective and this year added an additional goal focused on increasing our employee participation in the McCormick Eating Well program. This program was initiated in 2015 and seeks to encourage eating and exercise behaviors both at work and home that support employee health and wellbeing. As such, it reinforces our commitment to helping employees be healthy as part of their jobs and providing benefits that extend beyond the workplace. We are on track to achieve our two original goals and are setting the baseline for our new goal.



**HEALTHY TIPS**  
**TASTY FOOD**

3 Ways Italian Seasoning Helps You Use Less Salt...

**BEAT IT**  
with eggs

**SPRINKLE IT**  
on roasted vegetables

**WHISK IT**  
into vinaigrette

Find More Healthy Recipes and Ideas at [McCormick.com](http://McCormick.com)



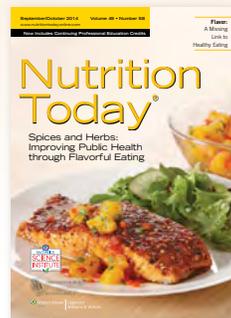
*McCormick Brings Passion to Flavor™*

## Product Solutions for Health and Wellness

As a global flavor leader, McCormick is committed to helping consumers improve their health and wellness through the nutritional quality of their diets and the transformative power of flavor. Our high-quality products not only make food taste better, but they also make food better for you by adding flavor while reducing the salt, sugar and fat. In part through the McCormick Science Institute (MSI), we are aggressively exploring ways that flavors can be used to create more healthful eating options.

MSI has also been active in various regions of the world seeking ways to improve adherence to dietary standards. The fruit of MSI's efforts are in part reflected in the strong possibility that herbs and spices will be included in the Dietary Guidelines for Americans scheduled to be released in 2016. In addition, spices and herbs have been included in the newly revised food pyramid of Nutrition Australia, the primary voice of nutritionists in that country.

Customer demand for better-for-you products and natural ingredients is growing and we currently offer a range of gluten-free and low sodium mixes and seasonings. Additionally, the vast majority of our herbs and spices, and extracts are GMO-free.



We have a robust research and development program and from 2012–2014 expenditures totaled \$57.8, \$61.3, and \$62.0 million, respectively. A significant proportion of our product development projects are focused on helping achieve lower sodium, lower calories or other healthy attributes. We anticipate that these product lines in specific markets will account for an even larger share of our business in future years. As the focus on health and wellness increases, McCormick's ongoing research, proprietary technologies and innovative product launches will continue to provide consumer and food industry solutions for flavorful and healthy food options.



McCormick Science Institute (MSI) was established in 2007 to support scientific research and disseminate information on the health benefits of culinary spices and herbs. It is led by nutrition scientists and funds independent research at leading universities on topics such as how flavor can improve the acceptability of healthy foods and increase the consumption of vegetables. To date, it has sponsored 22 clinical trials.

MSI, in partnership with the American Society for Nutrition, convened a science summit in 2014 that brought together industry, academia, health professionals, chefs, and government to assess the state of the science on spices and herbs. Numerous research efforts were covered, including the potential positive impact of spices and herbs on diet quality, energy metabolism, and cardiovascular risk factors. In addition, specific steps were advocated around consumer education, product development and public policy to enhance the role of spices and herbs in creating healthy food behaviors.

# Consumer and Employee Communications

McCormick is focused on promoting better nutrition and lifestyle choices through our consumer communications and employee wellness programs.

» McCormick’s consumer communications educate consumers and health professionals about the role spices and herbs can play in making food more flavorful without adding fat, salt, and sugar. Among the many communication channels we use are digital/social media, point-of sale educational materials, store websites, and in-store counseling, demonstrations, and tours. One example of our efforts is the McCormick Nutrition Criteria, which identifies recipes that comply with the U.S. government’s Dietary Guidelines for Americans.

» The chefs and dietitians of the McCormick Kitchens offer, via our websites, consumer recipes and tips to enable greater compliance with the Dietary Guidelines for Americans, including easy swaps and tips to use spices and herbs as well as our reduced-sodium products in place of added salt, fat and sugar. (For more information on McCormick’s recipes, please visit our website at <http://www.mccormick.com/Recipes>.)

» Our “Ingredients for Health” employee wellness program in the U.S. seeks to improve the health and wellness of all employees and to create a culture where employees embrace being responsible for their own health while supporting the healthy eating goals of their fellow employees, family members, and friends. Based on the results of the Annual Health Screening, programs will focus on cardiovascular disease, diabetes, weight control, and physical activity. One example of our approach is the “Living Healthy with Diabetes” program, which is designed for those with Type II diabetes and is recognized in the CDC’s National Diabetes Prevention Program Registry.

» Our health and wellness programs have won several awards in recent years, including Cigna’s *Well Being Award*, the 2015 *Edington Next Practice Award*, the American Heart Association’s *Fit-Friendly Worksite Gold Achievement*, and the state of Maryland’s *Healthiest Maryland Business*. We aim to build on these achievements to create a globally recognized program for promoting the health and wellness of all our employees around the world.

## EMPLOYEE HEALTH AND WELLNESS PROGRAMS

### On-site Practitioners

- 1 Part-time Physician
- 2 Nurse Practitioners
- 3 Registered Nurses
- 1 LPN
- 1 Medical Assistant
- 1 On-site EAP Counselor (1 DAY PER WEEK)
- 1 Registered Dietitian (2-3 TIMES PER MONTH)



in partnership with the University of Maryland School of Pharmacy



of employees take advantage of the annual wellness screening

4,600 SQ. FOOT FACILITY

- Same-day care
- Urgent care services
- Health screenings



Reduced healthcare costs



Healthier, happier employees



Fewer absences

# Stakeholder Engagement and Strategic Partnerships

McCormick engages and partners with leading nutrition influencers to support healthy eating and the role that spices and herbs can play in enhancing the attraction of healthy food. Our approach is to engage with a variety of stakeholders to address healthy eating given that these are large social issues that require many stakeholders working together to drive solutions. Some of these relationships include:



## » USDA'S CENTER FOR NUTRITION POLICY AND PROMOTION (CNPP)

Through its strategic partnership with CNPP, McCormick helps to promote the importance of the MyPlate.gov guidance in building a flavorful and balanced diet based on the Dietary Guidelines for Americans. In a recent communication with school nutritionists, the United States Department of Agriculture (USDA) emphasized the health benefits of substituting spices and herbs for salt in selected food offerings.



## » FOOD MARKETING INSTITUTE (FMI)

McCormick is an active member of the FMI's Health and Wellness Council. The Council's mission is to provide retailers and consumers with science-based information to make healthy food choices for their families.



## » GROCERY MANUFACTURERS ASSOCIATION (GMA)

Led by our CEO, McCormick works closely with the GMA on key wellness programs, such as the voluntary Facts Up Front nutrition labeling initiative.



## » CONSUMER GOODS FORUM (CGF)

McCormick plays an active role in the CGF whose programs focus on materially important corporate responsibility issues such as health and wellness, waste, climate change, product safety, and sustainable supply chains.



## » ACADEMY OF NUTRITION AND DIETITIANS (AND)

McCormick regularly works with influential registered dietitians (RD) who interact with consumers in clinical, food service, media and retailer settings. Our partnership provides member dietitians with research and education materials to help demonstrate that healthier eating can be flavorful, delicious and enjoyable.

# Taste You Trust

## Sustainable Sourcing Goals

- » Increase funding for farming community programs by 50%.
- » Educate intermediate suppliers of agricultural inputs on sustainable farming and build their capability to support agricultural farmers to implement best practices.
- » Identify 100% of suppliers with high risk profile and take steps to manage risk, including enrolling suppliers into SEDEX program.





# Overview

**Our continued success as the world’s leading manufacturer and marketer of spices, seasonings, and condiments depends to a large degree on our ability to source key agricultural products from a diverse group of countries around the world.**

We also understand that consumers are increasingly interested in knowing where the food they buy comes from and whether or not it was produced in a socially and environmentally responsible way. In many ways these two issues are intimately linked as our continued access to high-quality agricultural raw materials is

dependent on their being produced in a sustainable manner. Reflecting the importance of responsible supply chain management is the fact that our materiality analysis completed in late 2014 identified three supply chain issues as Tier 1: supplier risk assessment, supplier livelihoods, and supplier engagement.



Cardamom



Vanilla



Black Pepper



Nutmeg



Ensuring that our raw materials are responsibly produced is a significant challenge since all agricultural production, even with low water, energy and chemical intensity, has some level of environmental and social impact. In addition, our task is magnified by the complexity of our supply chain and the distance that exists for some crops between McCormick and farmers. We source approximately 3,400 different agricultural products—ranging from pepper, cinnamon, and paprika to onions, rice, and wheat flour—from over 80 countries and have a supplier base of farmers that numbers in the hundreds of thousands. But rather than deterring us, these challenges are spurring us to establish and extend programs and make investments in order to enhance the environmental and socioeconomic impacts of the farms that provide our raw materials.

In addition to our vast agricultural supplier network, McCormick also has a significant non-agricultural supply chain that includes packaging materials, manufacturing equipment, and various kinds of fuel. We are similarly focused on ensuring that the goods we receive from these suppliers are produced in a socially and environmentally responsible manner.

Our commitment to a responsible supply chain is reflected in our sustainable sourcing goals. These encompass education and capability building for intermediate suppliers of agricultural inputs, funding for community-based programs in farming areas, and a supplier assessment and prioritization process that will provide greater understanding of, and ability to manage, key social and environmental issues in our supply chain.

## Supplier Engagement

As shown in the previous discussion on responsible supply chain management, we are increasing engagement with suppliers on sustainability issues. Our supplier base encompasses organizations that span a wide range of capabilities around social and environmental issues, from the sophistication of some of the world's largest agribusinesses to hundreds of thousands of small-holder farms of less than 1 acre. This differentiation drives the type of engagement that is needed, and we believe that at this time the greatest impact can be realized in our agricultural supply chain.

In some instances we have engaged directly with agricultural producers to provide education, training, and technology, in areas such as water management in oregano production, the harvesting practices of bay leaf producers, and crop protection and seed provision in cucumber production. Our support for cucumber farmers in Turkey is a good example of how we provide support and advice

through the employment of two full-time agronomists in the field that improves farmer livelihoods as well as their sustainability.

We now also have a full-time agronomist on our Global Sourcing Team to guide and support our efforts to increase this type of engagement in the coming years around the world, including a new initiative focused on employing science to transform our supply chain at all levels in areas such as quality and productivity improvements in farming. Increased training on good agricultural practices and support for the application of technical solutions to key challenges are seen as vital to increasing farmer incomes and the sustainability of the overall crop production cycle. One example of the impact this program is already having involves a shift in the method for drying peppers that has resulted in less bacterial contamination, less exposure to detrimental weather, and more area available for planting crops.



### Red Pepper Farmer Collaboration in India: AVT McCormick Ingredients

AVT McCormick is dedicated to working closely with hundreds of small farmers that produce chilli pods in order to improve the quality of their products and, ultimately, enhance their socioeconomic well-being through better farm practices. This also improves our performance through greater efficiency and consistency with respect to the size, color, pungency, and taste of the chili peppers. Our backward integration through farming more easily allows for traceability and the implementation of quality control programs at the agricultural and post-harvest stages of production. We provide farmers with advice through technical staff on issues such as seed selection, production location based on soil and water analysis, integrated pest management, drying processes and storage processes. We also provide support to the local communities through various investments.

## Agricultural Supplier Communities

Although the practices employed on farms are the most important drivers of sustainability, it is also true that the socioeconomic well-being of the local communities of which the farms are a part is a critical factor as well. We believe that the investments we make in these communities to help them meet their social and economic needs are critical to the company's continued growth and success. That is why one of our CSR goals is to increase funding for farming community programs by 50% by 2019.

Over the years our support has touched on many critically important issues and challenges facing local communities, from funding for polio vaccines and school equipment to assisting in the repair of roads and the construction of medical clinics. Much of our support is intended to not only address specific, time-bound needs, but also to provide long-term social and economic benefits to the communities. An example of such a program is our ongoing partnership with the Help MADA organization in Madagascar that involves, among other things, farmer training, support for local schools, and food assistance to families. The intent is to implement such programs in our producing countries where there is a clearly identifiable need that can be addressed by a combination of McCormick's resources and those of our partners.



## Management Approach

Given that our supply chains are complex and multifaceted, cutting across agricultural and non-agricultural goods and services and involving key alliances with third parties, we have adopted different approaches to responsible sourcing depending on the different contexts of each product. But while the approaches may differ, the overarching goal is to secure and maintain a strong and healthy supplier base through the establishment of clear social and environmental standards, a framework for assessing supplier performance, collaborative initiatives with partner organizations, and programs that support capacity building, knowledge sharing, and training. Our investments in responsible supply chain management are critical to the long-term future of the business and the health and sustainability of the many producers and communities we rely on.

Our Supplier Code of Conduct (Code) applies to all vendors and contractors doing business with McCormick, and as such creates a joint space of common values and respect as we hold ourselves accountable to the same principles. The Code in part is based on international standards and focuses on workplace human rights, health & safety, ethical business practices, and environmental compliance. It is included in all purchasing contracts and we are training our purchasing staff on the Code, and CSR issues more generally, and are working to integrate CSR issues into procurement decisions. The goal of these efforts is

to enhance the sustainability of our supply chain and to reward those suppliers that are operating responsibly. If a gap in a supplier's performance vis-à-vis the Code is identified, we will work with that supplier to determine the steps necessary to align its performance with the Code's standard. If this is not possible, then McCormick will take further steps, including not renewing the business relationship. (To learn more about our Supplier Code of Conduct, please visit our website at [supplier.mccormick.com](http://supplier.mccormick.com).)

As part of our approach to responsible supply chain management, we are implementing an evaluation process that will identify suppliers that are high risk from a social and environmental perspective. This risk could be the result of a supplier's own policies and programs and/or a reflection of the context within which it operates. In order to assist with the evaluation process, McCormick is leveraging its membership in SEDEX (Sustainable Ethical Data Exchange), which is a non-profit organization dedicated to driving ethical and responsible business practices in supply chains. Our goal is to identify all of our suppliers that are high risk, we plan to use this information to drive improved practices throughout our supply chain and to better calibrate our capability building and training initiatives.

Because of the nature of the farming systems and the resulting structure of the supply chains



*The goal of these efforts is to enhance the sustainability of our supply chain and to reward those suppliers that are operating responsibly.*

for some of the agricultural raw materials we procure, our connection to agricultural producers is at times less direct. McCormick does not own and/or operate any commercial farms, but rather ultimately sources from an extensive network of mostly small agricultural producers for our supply of many spices and herbs. Because of this we have established effective systems and processes to trace our raw materials back to their origin and to ensure their safety and quality (for additional details, see [page 34](#)). These include

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*McCormick sources from an extensive network of mostly small agricultural producers for our supply of many spices and herbs.*

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rigorous selection criteria for choosing the vendors we work with, such as their adherence to and understanding of GAPs and their having close relationships with farmers, and the requirement that most of the spices and herbs we use be procured in their whole, ungrounded form.

Underlying our agricultural sourcing activities is a set of guiding principles intended to promote the sustainability of farmers and their communities.

- » Maintain strong, long-term ties to suppliers and farming communities
- » Promote best practices throughout the entire supply chain
- » Increase farmers' incomes by supplying higher value raw materials
- » Support the social needs of our suppliers and farming communities
- » Foster environmental stewardship and protection

In addition to adhering to these principles, we also believe it is critical that our joint venture and alliance partners that source directly from farmers are informed about McCormick's expectations regarding social and environmental practices at the farm level and have the capacity to engage

with farmers on these issues. To this end, we have created a new goal to measure our progress toward this objective and by early 2016 we will have developed a road map for engaging with our intermediary suppliers on sustainability at the farm level.

Supporting this engagement will be the continued evolution of the agricultural standards for spice production developed by the Sustainable Spice Initiative (SSI), of which McCormick is a key member. To date, standards have been developed for seven spices and take the form of "Local Interpretation Guidelines" based on the Sustainable Agriculture Standard of the Rainforest Alliance. As a complement to the standards and to assist in their implementation, the SSI is creating local resource centers that will seek to mobilize all stakeholders to work towards sustainable production for the spice concerned. Depending on the needs of our agricultural suppliers, we may in the future develop a McCormick-specific set of standards for agricultural production. (To learn more about the Sustainable Spice Initiative, please visit <http://www.sustainablespicesinitiative.com/en/home>.)



## Genetically Modified Organisms (GMOs)

McCormick is in favor of transparency in product labelling and we are strong supporters of efforts to establish a uniform national standard in the United States for GMO labelling that applies throughout the country. Our view is that state-by-state standards will create significant challenges for companies whose operations span the entire country. Many of our products have always been GMO-free and in continuation of this history we have established a goal that 70% of our McCormick branded herbs, spices and extracts in the U.S. will be labeled Non-GMO by 2016. Additionally, 80% of our U.S. Gourmet Line will be organic and GMO-free. We agree with the scientific consensus, as established by highly reputable organizations such as the U.S. Food and Drug Administration, the European Food Safety Authority, and the World Health Organization, that GMO crops are safe and nutritious. But we also recognize that consumers in some markets prefer foods and ingredients that are not made with GMOs, and thus we are taking steps to ensure that we are able to meet that consumer preference throughout our line of products. In addition, we will in the future ensure that any of our products that contain GMOs will be labeled accordingly.

### Safety and Quality Control



#### Cinnamon

One of our major sources of cinnamon is from Indonesia where we understand how and where it's produced. Unlike other spice companies, we have a joint-venture facility to ensure the highest quality of cleaning, sorting, and drying. Cinnamon trees in Sumatra typically reach full maturity at around 20 years and, depending on the type of product, we use trees at different maturity levels and maintain strict volatile oil standards to ensure high quality and flavor. The drying process is critical for quality and safety, and our cinnamon is dried and aged inside our large warehouses for three to nine months depending on the moisture content. Controlling the cinnamon bark drying inside is a superior process than outside on the ground in poor hygiene conditions on the farm, resulting in cleaner raw material. Once the cinnamon bark is dried to the right level, it is sorted, inspected for foreign matter removal, broken into

smaller pieces, and bagged in one step by machine, thus further improving quality and limiting exposure to contamination.



#### Vanilla

The sourcing and processing of the vanilla beans used to create our world-leading vanilla products involves a similar meticulous approach as that for cinnamon. We source mature, fully-cured whole beans which typically have taken seven to nine months to grow and then are cured for three to six months. Each vanilla vine takes approximately 3 years to grow and the flowers are hand pollinated, and thus we have a strong interest in supporting the farmers and their communities. Quality and safety processes extend from the farm level to bottling, and over this process our vanilla products are inspected and tested over 30 times. In addition, our vanilla is GMO-free, contains no high-fructose corn syrup, and is gluten-free.

## Product Safety and Quality

Arguably our most important asset is the trust that consumers have in the safety and quality of our products. This trust, if lost, is extremely difficult and costly to regain, and our strong focus on and achievements in product safety and quality reflect that fact. We are among the leading food companies in terms of product safety, and in 2014 we paid no fines related to non-compliance with safety regulations and had no reported illnesses from the consumption of our products. One voluntary product recall was undertaken relating to possible contamination of our ground oregano product. Our product safety policies, standards, and programs cover the entire value chain from raw materials to manufacturing and delivery to consumers. And these policies and programs are supported by a risk assessment process that focuses on **5 potential sources of contamination:**

- » **MICROBIOLOGICAL**
- » **ECONOMIC ADULTERATION**
- » **NATURAL CONTAMINATION AT THE FARM LEVEL**
- » **PROCESS CONTAMINATION**
- » **CHEMICAL**

At the farm level, our sourcing joint ventures and alliances employ roughly a thousand workers

whose job it is to engage with farmers and traders and to assess the agricultural products being offered for sale. At the manufacturing level, each facility has staff with safety responsibilities and our Food Safety Culture program provides employees with a detailed overview of how our safety processes work and their roles in ensuring the safety of our products. These investments have yielded significant dividends as we have received 25 Global Food Safety Standards site certifications at 20 facilities around the world based on stringent audits conducted as part of the Global Food Safety Initiative (GFSI).

Considering the complexity and extended nature of our raw material supply chain, the job of ensuring quality is necessarily spread across the organization and is culturally embedded through training and our continuous improvement management processes. We identify challenges before they turn into quality issues and to do this we begin at the farm level with product standards backed up by education and training. It is at the farm level that many quality issues arise, and one example of our approach to quality is to require that most raw materials be sourced in “whole form” because there is then less chance of adulteration with negative impacts on quality. Another is that we have reduced the number of touch points in our agricultural supply chains and



thus reduced the potential points at which quality and safety can be negatively impacted. And finally, our spices and herbs are cleaned

using a proprietary technology that is industry-leading and is chemical-free.

At the manufacturing level we require our strategic partners to operate under the same standards that apply to our own facilities and are defined in McCormick’s Supplier Quality Expectation Manual. As part of these requirements, vendors must have in place robust incoming inspection, testing, and process controls, and be audited at least once a year by McCormick’s “Global Sourcing Group.”

Our manufacturing facilities apply world class quality and safety assurance processes, and in the course of a typical year we conduct over a million ingredient and product analyses. In part as a result of our considerable investment in leading edge technology, we have achieved a Safe Quality Food Level 3 Certified Supplier rating for a number of our facilities; this globally recognized standard of excellence ranks companies according to their implementation of quality and safety management systems both internally and within supply chains.

## Supplier Diversity

McCormick's Supplier Diversity initiative seeks to develop relationships with diverse owned businesses that meet our high quality standards. McCormick recognizes the value and impact diverse suppliers have on our economy and to the communities we serve. Therefore the inclusion of Diverse Suppliers in our Supply Chain is a strategic business imperative. Through our Supplier Diversity Program initiative, we have increased the number of diverse suppliers that provide McCormick with products and services substantially. We currently utilize over 200 diverse owned companies. Categories of our diverse owned suppliers include: small disadvantaged, minority owned, women owned, veteran, service-disabled veterans, Historically Under-Utilized Business (HUB) Zones and People with Disabilities. Future program efforts will focus on the inclusion of other under-represented diverse categories globally.

We are active corporate members of several diversity networking, certification and supplier development organizations, such as the National

Minority Supplier Development (NMSSDC) and the Women's Business National Educational Council (WBENC). We participate in and sponsor several activities associated with the regional (Maryland/DC) councils of these two organizations, as well as provide support at the national level. We are a Founding Member and Advisory Board member of The Diverse Manufacturing Supply Chain Alliance (DMSCA). We also support the National Association of Veteran Owned Businesses (NaVOBA) as a corporate board member. Other memberships include the Canadian Aboriginal Minority Supplier Council (CAMSC). (For more information on our supplier diversity, please visit our website at <http://mccormickcorporation.com/Our-Commitment/Diversity-Inclusion>.)



# Delivering High Performance

## Environmental Policy

McCormick & Company, Inc. is committed to the continuous improvement of our environmental performance in our day-to-day business activity and to meet or exceed the requirements of all applicable environmental laws and regulations.

Through management leadership and employee participation we are committed to reduce the environmental impact of our activities through pollution prevention; promote the sustainability of the natural resources upon which we depend, while providing quality products that meet the needs of our customers; comply with applicable environmental laws and regulations and contribute positively to the communities in which we operate.

We expect all McCormick employees to carry out their job responsibilities in accordance with this policy and to report any environmental concerns they have to management.



## Overview

**As a company that depends on a healthy eco-system to provide the primary materials for its products, McCormick is focused on continually improving our environmental impacts and those of our business partners by ensuring that they meet all regulatory requirements and are closely aligned with international best practice.**

McCormick's environmental program rests on the foundation of our environmental policy (see on the previous page), environmental management system, and the leadership and participation of employees in reducing and mitigating our environmental impacts. Although it is true that McCormick's operations do not have a large environmental footprint, we understand that environmental issues are of increasing concern in the areas that produce our agricultural ingredients. Of particular significance in this respect are the supply of fresh water, the use of chemicals, the consumption of energy, and the impacts of climate change.

Continually improving our environmental sustainability is not only the right thing to do, but it's also very important to our business success, employees, and external stakeholders. Our approach is to focus where we can have the greatest impact, and goals have been established to guide our environmental work and investments in the areas of energy, solid waste, packaging, water, and Greenhouse Gas (GHG) emissions. We know that more needs to be done and we believe that a firm foundation has been set to drive future improvements.




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*In the recent Newsweek Green Rankings, McCormick ranked **27th** overall and **3rd** in terms of food, beverage, and agriculture companies.*

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The table on the right shows the recent evolution of key aspects of our environmental performance. As noted in the discussions within each section below, the 2014 data includes facilities that were not previously included in our data.

In 2015, we made the decision to reset some of our environmental goals as well as the baseline year in order to better reflect the expanded structure of our business operations, including new acquisitions, the strong progress we have made since launching our program in 2005, and the technical as well as management challenges faced in a number of areas. In particular, a portion of our facilities were not included in the previous calculations and this had the effect of distorting the reporting of our environmental footprint; and, in some cases, there was a misalignment of the corporate goals and those of facilities. Both of these issues have been addressed and we continue to be dedicated to minimizing our environmental footprint and improving the efficiency with which we use natural resources.

Environmental Performance <sup>1</sup>	2012	2013	2014
Electricity Use (MWH)	118,913	123,064	140,324
Fuel (MWH)	83,383	109,977	130,620
Water Use (Cubic Meters)	982,184	977,346	1,342,239
GHG Emissions (Direct) (Metric Tons)	15,753	23,391	28,370
GHG Emissions (Indirect) (Metric Tons)	59,138	63,855	74,927
Solid Waste Recycled (Metric Tons)	17,121	15,122	19,967
Solid Waste to Landfill (Metric Tons)	15,139	14,375	13,039

<sup>1</sup>Adjusted for product mix effects and production volume.

2019 Reduction Goals—2014 Baseline <sup>1</sup> (unit of production basis)					
	Electricity	Water	GHG	Solid Waste	Packaging
Goals	10%	10%	5%	10%	20%

<sup>1</sup>Adjusted for product mix effects and production volume.



## Environmental Management Systems

Measuring and managing environmental performance across a global network of manufacturing facilities requires clear lines of accountability and a comprehensive system of policies and processes that in turn provide timely and accurate information. McCormick's Environmental Management system (EMS) is anchored in its environmental policy and in a set of standards and performance assessments that are consistent with leading international guidelines and have been implemented at every production facility around the world. As part of the EMS, each operating facility is required to have an environment management representative, environmental objectives, and an assessment and training program focused on environmental issues. Environmental assessments are repeated on about a 3-year cycle depending on the nature of a facility's environmental impacts, and in practice have been instrumental in driving investments in enhanced environmental performance consistent with McCormick's commitment to reducing its environmental impacts.

Over the course of 2015 and 2016, we will conduct an environmental assessment at approximately

**70%**



of our production facilities.

Also providing guidance to and support for McCormick's environmental programs is our global "Sustainability Operations Team." With participants from each business unit, this team is charged with ensuring that best practices are shared among different operating units with the goal of reducing the company's natural resource consumption. Members of the team work together to develop improvement projects for their business units and as part of its work to date has developed and promulgated a best practice manual.





## Energy

The processing of most of our products, including milling, sterilization, and spray drying, requires the application of energy and our primary sources of that energy are electricity and natural gas, which combined account for nearly 90% of our energy consumption. Our operations do not use large amounts of energy and the cost of energy represents less than 1% of our operational spend. Nonetheless, we consider the management of our energy consumption and its reduction per unit of output over the long term to be an important aspect of our corporate responsibility program owing to the variety of external environmental impacts that accompany energy use and sourcing, and the potential financial implications of price volatility in energy markets.

Through our environmental management system we set standards for energy usage, and monitor and report our performance across all of our

global operations. We have also identified and invested in a wide range of energy management projects, including basic initiatives such as altering facility lighting structures and installing more efficient cooling and heating systems, and more complex efforts such as changing the energy mix used by our production facilities. We are constantly examining ways to improve equipment and process efficiencies with an eye to lowering total energy demand.

These activities along with those being planned over the next four years will drive our efforts to meet our new energy goal of reducing electricity consumption per unit of output by 10%<sup>1</sup> by 2019. Overall energy consumption by our operations totaled 270,994 MWHs in 2014, with 140,325 MWHs accounted for by electricity, and 130,620 for fuels.

*Over the next four years we will drive our efforts to meet our new energy goal of reducing electricity consumption per unit of output by*

**10%<sup>1</sup>** 

<sup>1</sup>Adjusted for product mix effects and production volume.



## Climate Change/GHG Emissions

As a global food company we acknowledge our need to play a part in addressing the risks of climate change by seeking to reduce our environmental impacts, in particular those related to energy use and GHG emissions. We also participate in the Carbon Disclosure Project and are supportive of the need for all stakeholders, including government and business, to take steps to reduce the emissions of GHGs within their scope of influence. As such, McCormick would support government action at the international level that facilitates the transitions necessary to minimize the impacts of climate change.

For our own operations we are focused on reducing GHG emissions by closely managing total energy consumption across all facilities and, where possible, using alternative energy sources with a lower carbon footprint. In order to encourage

investment in GHG emission reduction projects we have adopted a lower return-on-investment threshold in certain circumstances. With respect to alternative energy sources, solar panel arrays have been installed at some of our locations, including at Carpentras in France, and the latest initiative in this area is at our retail packaging plant in Monteux, France. The panels will cover an area of approximately 15,000 square feet and when the project is completed in mid-2016 it will provide power equivalent to 342 MWH per year. This represents nearly 8% of the total power consumed in the plant and will lead to the removal of approximately 83 tons of CO<sub>2</sub> equivalent from the atmosphere.

McCormick is not a large emitter of GHGs. For example, our global scope 1 emissions would place us just above the U.S. Environmental

McCormick acquired Wuhan Asia Pacific Condiments in 2013. At that time the company used two coal fired boilers that consumed over 4,000 metric tonnes of coal each year and generated over 12,600 metric tonnes of GHG emissions. In line with our focus on efficiency and reducing GHG emissions, we replaced these two boilers in 2014 with two high efficiency natural gas boilers. This resulted in a significant reduction of nearly 54% in annual GHG emissions and thus the removal of 6,750 metric tonnes of CO<sub>2</sub> equivalent from the atmosphere. With this business enjoying annual double-digit growth, these reductions are even more significant and profound.

Protection Agency's threshold for reporting GHG for a single facility. But nonetheless we have established a new goal of reducing GHG emissions per unit of output by 5% over the period 2014–2019. This reset goal better reflects the reality of the operational and technological constraints faced by our processing facilities. With respect to total GHG emissions in 2014, these amounted to 28,370 metric tons for scope 1 and 74,927 for scope 2.



(l) Solar panels Carpentras in France (r) Rendering of proposed solar parking canopy for the Hunt Valley Plant.



## Water Stewardship

Similar to other companies in the food sector, the production of our products is highly dependent on the availability of an adequate supply of clean water. From the growing of agricultural crops to the cleaning of our processing equipment and being an input in some of our product formulations, water represents an important element in our ability to continue to successfully grow our business. We participate in the CDP's Water Disclosure Project as well as its Forest Disclosure Project. Both of these initiatives provide us with a useful check on the status of our own water and forest protection efforts.

Even though McCormick's direct operations are not water intensive and our manufacturing operations are very efficient users of water, we have set a goal that by 2019 we will reduce the water intensity across our manufacturing facilities by 10%. Total water use by our operations in 2014 was 1,342,239 cubic meters, which marks a 45% increase from 2011 and largely reflects acquisitions of companies and advances in the reporting process to include previously excluded facilities. The majority of our water is sourced from municipalities and approximately 15% from groundwater sources that replenish.

*The majority of our water is sourced from municipalities and approximately*

**15%** 

*from groundwater sources that replenish.*

Almost all of the relatively small number of environment-related incidents recorded by our plants around the world in 2014 involved waste water, and we are very focused on ensuring that our facilities achieve and maintain the highest standards for the waste water we discharge to the natural environment or municipal treatment facilities. In 2014, we initiated major investments in waste water treatment systems at three of our facilities.



Our Hunt Valley waste water treatment facility is an example of our commitment to high standards: it treats approximately 10,000 gallons per day of waste water and the solids created are used for agricultural purposes.



## Sustainable Packaging

Packaging for our products includes both the containers that hold our spices, herbs, condiments and other products, and the boxes, pallets, stretch film, and other material that are used to ship them to business customers such as retail outlets and food service companies. Packaging material represents a significant cost to McCormick and a potential disposal challenge for our direct operations and consumers, and thus we are constantly looking for ways to reduce material usage rates and to incorporate alternative materials into our packaging that have more favorable environmental profiles. Indicative of the significance of packaging to our environmental program is the fact that a new Vice President of Global Packaging Innovation has been brought on board. In addition, we have recently undertaken a comprehensive strategic review of our packaging and are in the process of upgrading the metrics used to assess the sustainability of our packaging portfolio. At the present time, our packaging goal is to reduce the overall packaging impact by 20% by 2019<sup>1</sup>.



At the present time, our packaging goal is to reduce the weight of product-containing bottles by

**20%**<sup>1</sup> 

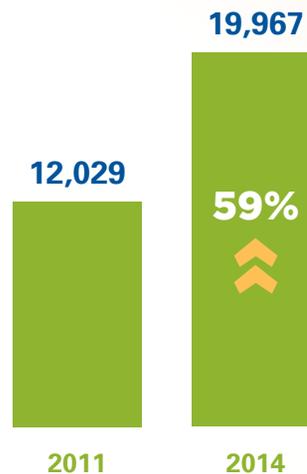
<sup>1</sup>Adjusted for product mix effects and production volume.

# Waste Management

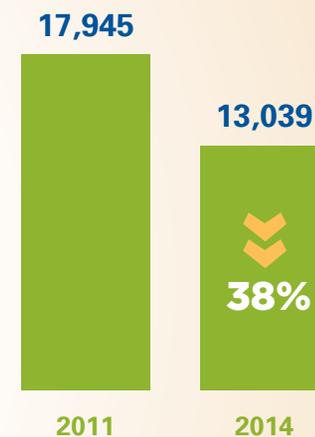
As a result of our historical focus on closely monitoring costs and maximizing the use of natural resources, the amount of solid waste created by our production facilities and office sites is small. The waste stream is limited to a few significant items, including corrugated cardboard, metals, plastic, food, and paper, and we have made significant strides in reducing its total volume in recent years due to both increased recycling and improved management of the production process. A very small proportion of our waste is classified as hazardous and it is disposed of in strict accordance with applicable regulatory standards and/or international best practice.

Over the period 2011–2014, the amount of material recycled rose by 59% from 12,029 to 19,967 metric tons, while the amount of solid waste generated declined by 38% from 17,945 to 13,039 metric tons<sup>1</sup>. Our new goal for solid waste generation is a reduction of 10% per unit of output by 2019; given the large and successful effort that has already gone into eliminating unnecessary waste, this revised target will be challenging to achieve and will thus require innovative approaches that we anticipate will open up new opportunities for enhancing our management of natural resources.

**Material Recycled**  
(In metric tons)



**Solid Waste Generated**  
(In metric tons)



<sup>1</sup>Adjusted for product mix effects and production volume.



# Appendix

## About This Report

The first review of our corporate responsibility activities was published in 2013. This report covers our performance for the 2014 calendar year. We will continue to publish a full CSR report biennially. The operations covered in this report include our wholly-owned operations and any joint-venture operations over which the McCormick Company exercises operating control. As part of our materiality analysis, the material issues were assessed against our value chain in order to establish the appropriate boundaries for this report. In developing this report McCormick has considered the GRI G4 Sustainability Reporting Guidelines and the

Food Processing Sector Supplement, and our intent has been to develop this report at the “in accordance” level.

We have used a variety of data collection methodologies, including survey results and software applications. We have not had the general information and data in this report verified by an external assurance organization, but we have conducted numerous internal reviews of report drafts and are confident in its accuracy and portrayal of McCormick’s operations.

We encourage stakeholders to provide feedback on this report: to do so, please contact [responsibility@mccormick.com](mailto:responsibility@mccormick.com).



# McCormick's Financial Performance

The table below provides a snapshot of our financial performance over the past three years. McCormick strives to bring our customers and consumers the best ingredients and expertise and to provide our investors with a solid financial return on their investments.

\$ Millions	2012	2013	2014
Net Sales	4,014	4,123	<b>4,243</b>
Adjusted Net Income <sup>1</sup>	408	418	<b>442</b>
Adjusted Earnings per Share <sup>1</sup>	3.04	3.13	<b>3.37</b>
Total Dividends Paid	165	180	<b>192</b>
Total Shareholder Return	35%	9%	<b>10%</b>
Fiscal Year-End Stock Price per Share	64.56	69.00	<b>74.33</b>
Capital Expenditures	110	100	<b>133</b>
Adjusted Economic Value Added (EVA®) <sup>2</sup>	218	215	<b>227</b>
Cost Savings Associated with the Continuous Comprehensive Improvement Program and Other Cost Saving Initiatives	56	63	<b>69</b>

<sup>1</sup>These are non-GAAP financial measures. See reconciliation of GAAP to non-GAAP financial measures on page 33 of McCormick's 2014 Annual Report and Form 10-K. <http://phx.corporate-ir.net/phoenix.zhtml?c=65454&p=irol-reportsannual>

<sup>2</sup>See calculation of Adjusted EVA. <http://phx.corporate-ir.net/phoenix.zhtml?c=65454&p=irol-supFinancial>

For further information about our company and financial performance, please visit: [ir.mccormick.com](http://ir.mccormick.com).



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