McCormick
Supplier Selection and Management

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McCormick QA Director - China
Agenda

- McCormick quality culture
- Science / prevention based supplier selection criteria
- Supplier education/on site monitoring
- Supply chain surveillance and evaluation
McCormick Quality Culture

- Quality Philosophy – Prevention
- Commitment from Top Management
- Quality is everybody’s responsibility
- Continuous Improvement
- Supplier Partnership
- Quality is designed and manufactured, instead of tested into products
- Quality managed from Farm to Table
Supply Chain Quality Management

Design  Procure  Convert  Distribution  Trade  Consumer

Specifications  
HACCP  
Local food regulations  
Relevant taste  
Nutrition/Allergens  
Supplier QA  
Plant Design  
Plant Equipment  
Process Capability  

Supplier QA  
CoA  

Specifications  
HACCP  
Allergens  
Innovation for improvement  
Traceability  
Sanitation  
Pest Control  
Environment  
Complaint Reduction  
Process Control  
Process Capabilities  

Traceability  
Sanitation  
Pest Control  
Environment  
Warehouse controls  

Complaints  
Warehouse control  

Specification  
Allergens  
Consumer Response  
Complaint Handling  
Process Capabilities  
Brand trust- Communication  
Crisis Management
Agenda

• McCormick quality culture
• Science /prevention based supplier selection criteria
• Supplier education/on site monitoring
• Supply chain surveillance and evaluation
McCormick has more than 1,500 suppliers, over 8,000 raw materials; and 24,000 packaging materials.

The procurement and quality management of the supply chain includes:
- Core spices, herbs & related materials.
- Processed ingredients & packaging materials.

The key herbs and spices are managed by McCormick Global Ingredients, Ltd (MGIL).
<table>
<thead>
<tr>
<th>Raw Material Categories</th>
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<tbody>
<tr>
<td>Color</td>
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<tr>
<td>Concentrate - Juice</td>
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<td>Corn - Dry</td>
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<td><strong>Capsicum</strong></td>
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<tr>
<td>Dairy</td>
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<tr>
<td>Dry Soy</td>
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<td>Eggs</td>
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<td>Essential Oil</td>
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<td>Extracts</td>
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<tr>
<td>Flavor</td>
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<td>Flavor Enhancer</td>
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<td>Flour</td>
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<td>Flow Agents</td>
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<tr>
<td><strong>Fruit/Vegetables</strong></td>
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<tr>
<td>Garlic</td>
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<tr>
<td>HVP</td>
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<tr>
<td>Meat Powders</td>
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<tr>
<td><strong>Non-Dairy Creamers-Shortening Powder</strong></td>
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<tr>
<td>Nuts</td>
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<tr>
<td><strong>Oleoresins</strong></td>
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<tr>
<td>Onion</td>
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<td><strong>Salt</strong></td>
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<td>Starch</td>
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<td>Sweetener</td>
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<td><strong>Tomato Powder</strong></td>
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<td>TVP</td>
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<td><strong>Vanilla Beans</strong></td>
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<tr>
<td>Wheat</td>
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<tr>
<td>Yeast</td>
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</table>

*Core Spices, Herbs & related materials*
Safe and Secure from Field to Shelf

**EXPORT**
- Farm
- Collector
- Processor
- Shipper/Exporter

**IMPORT**
- Agent
- Importer/Dealer
- Broker
- McCormick
- Grinder/Packer

Customer
McCormick utilizes a risk management approach and establishes a monitoring and auditing program to ensure McCormick’s expectations are met.
A Risk Matrix Analysis is used to provide a standardized method for reviewing and evaluating a supplier’s quality and food safety programs and procedures. It is used to objectively measure the suppliers risk level and provides a consistent method to compare suppliers.
## Supplier Risk Assessment

### Risk Evaluation Criteria

<table>
<thead>
<tr>
<th>RM/PM</th>
<th>Risk</th>
<th>Risk Score</th>
<th>Microbial Contamination (e.g. pathogens, yeast &amp; mold)</th>
<th>Economical (e.g. Sudan Red, Corn Starch, Melamine)</th>
<th>Natural (e.g. Extraneous material, wheat seed - Allergen, GMO)</th>
<th>Process (e.g. Foreign matter, sulfites from coal fire drying)</th>
<th>Chemical Contamination (e.g. Pesticides, dioxin, BPA)</th>
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<tbody>
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</table>
Supplier Risk Assessment

Supplier/Material | Customer Impact
---|---
Facility (Questionnaire) | 1 = Bottom
Material | 2 = Medium Risk
Third party audit | 3 = High Risk
Customer/volume | 1 = Low risk
Project sensitivity | +1 = High

Total 4

COMMENTS
- Facility (Questionnaire): Questionnaire sent 04/11/2006 - score 80
- Material: Material category risk is low category
- Third party audit: No third party audit
- Customer/volume: Impacts all strategic, critical, and value customers across the board. XXX primary customer.
- Project sensitivity: Project has high sensitivity. Major supplier of this category has gone out of business and products must be replaced from other suppliers
Supplier Risk Assessment

Ongoing Evaluation and Assessment

• High risk suppliers -> audit annually
• Medium risk -> audit every 2 years
• Low risk -> audit every 3 years or third party acceptance.
• New suppliers that don’t comply with general risk assessment for category typically not approved for use.
McCormick’s quality standards and expectations are formalized in a document and distributed to suppliers. Suppliers are required to commit to meet or exceed the standards set forth in the manual. McCormick worldwide has a comprehensive supplier audit check list.
Supplier Selection Key Criteria

- Product traceability/recall and crisis management
- Incoming material testing and control
- Production inspection and testing
- Lab integrity
- QA audit program
- Allergen control program
- Food safety and HACCP
- Supplier performance management
- Regulatory compliance and labeling
- Facility sanitation and pest control
- Environmental pathogen monitoring
- Equipment approval for use
- Change Management
Agenda

• McCormick quality culture
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• Supplier audit and evaluation
Supplier Food Safety Forum

- Suppliers quality/food safety training was conducted annually
  2009.07.23-24 Huangshan
GAP Training for Key Agricultural Suppliers

Main focus:
- Water usage
- Ground history & adjacent land use
- Agro-chemical (fertilizer & pesticide, etc.) usage
- Employee safety & hygiene
- Field sanitation
- Traceability
- Audit program at farm level
GAP In Agriculture Raw Materials

2010.02.11-12 Kunming
Supplier on site training
Chili Pepper
Tomato Paste
Strawberry
Agenda

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Supply Chain Surveillance Program

Supply Chain Integrity

• Raw materials from various source countries are randomly sampled and examined for economic adulteration using proprietary in-house testing methodology.

• Screen for known adulterations, and identification of new/emerging adulterants.

• Audit program covering key global ingredients
Early Warning Alert System

• Daily monitoring of industry media networks.

• Acts on surveillance information received from global partners and networks.

• Designed to provide timely monitoring and strategic analysis of potential or perceived quality or food safety matters.
Suppliers Performance Review

• **Supplier Evaluation** 70%
  - Quality 35%
  - Delivery 20%
  - Price 15%
  - Customer service 10%
  - Sales performance 10%
  - Technical capability 10%

• **Supplier Audit** 30%
Thank You