



**McCORMICK**

**ITALY**

***Tax Strategy***

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# 1. The “Tax Strategy” in the context of McCormick’s Governance

The Tax Strategy defines the objectives and principles adopted by **McCormick Italy Holdings S.r.l.** (hereinafter also referred to as "McCormick") as well as by its wholly owned subsidiaries, namely **Enrico Giotti S.p.A.** and **Drogheria and Alimentari S.p.A.** (hereinafter also referred to as the "**Group**") in the management of taxation.

With the present document McCormick’s Board of Directors of McCormick - as a Corporate Governance Body – aims at implementing a system of internal control of tax risks (hereinafter also "**Tax Control Framework**" or "**TCF**") that it is fully compliant with international standards, shared within the OECD (Organization for Economic Co-operation and Development) and endorsed by the Italian Financial Administration.

The present Tax Strategy adopted finds its practical application in the definition of a Tax Control Framework, which is part of the wider design of the internal control and risk management system adopted by the Group. In particular, the Tax Strategy:

- is inspired by the principles set out in the Group’s Business Ethics Policy and the Code of Ethics of **McCormick’s subsidiaries**, from which it borrows, in the event of violations, its disciplinary and sanctioning system;
- integrates the controls envisaged by the Organization, Management and Control Model pursuant to the Legislative Decree 231/2001 of **McCormick’s subsidiaries** since the TCF is an additional instrument aimed at preventing the commission of offences that may result in criminal liability and/or reputational risks;
- requires the identification of appropriate corporate structures equipped with resources having specialized skills, who are entrusted with the control of "tax management".

## 2. Adoption and implementation, information flows, publication, validity and update

The Tax Strategy is approved by the Board of Directors of McCormick, which assumes the responsibility to ensure the awareness of the objectives and the principles enshrined in the present document as well as ensure the application and dissemination of its underlying values.

On an annual basis, the Company's Board of Directors received a report prepared by the Italy Tax Director regarding the Tax Control Framework adopted by the Company containing the results of the monitoring activities conducted on the internal control system of Tax risk and the status of Tax risk management, for the reference tax period. Allowing, therefore, the Government Body to assess, at least annually, the adequacy of the TCF with respect to the characteristics of the Company and the risk profile assumed with respect to the tax variable (c.d. Risk Appetite).

The Tax Strategy is published respectively on the website of **Enrico Giotti S.p.A.** and **Drogheria and Alimentari S.p.A.** Furthermore, the Strategy shall enter into force on the first date following the data of its publication. The relative interpretation and practical declination is remitted to the Fiscal and Tax Structure of McCormick, which also takes care of reviewing and updating the document together with the *Italy Tax Director*.

## 3. The Group's Strategic Objectives for Tax Management

In order to pursue the long-term growth of the company's assets and protect the Group's reputation, in the interest of its shareholders, McCormick defines strategic guidelines for tax management, pursuing the following objectives:

- **"Fair share of taxes"**: ensure compliance in a timely manner and the correct tax burden, not necessarily having to choose the most onerous:
  - as a taxpayer, McCormick - as well as its subsidiaries - has an obligation to the state and the community to pay the taxes due by law;
  - as a business, the Group has an obligation to its shareholders and stakeholders not to pay more taxes than the amount legally owed, ensuring in all cases the legitimate tax savings and the undue tax advantages.

- **Monitoring tax risks:** control and monitor tax risks by taking the commitment to manage and contain the risk of incurring violations of tax regulations or abuse of the principles and purposes of the tax system.
- **Tax ethics:** to raise awareness, within the company organization, of the values of honesty and integrity, which, in the Tax Strategy, form the basis of tax management.
- **"Trust and Transparency":** create forms of enhanced relations with the Financial Administration and the competent tax authorities, operating with transparency, correctness and loyalty.

## 4. The Principles of the Tax Strategy

The principles displayed in this section are an integral part of the Tax Strategy that McCormick intends to pursue. These principles guide the Company's operations in the management of the tax variable and require the implementation of appropriate processes to ensure their effectiveness and practical application.

**Values**                      The Group acts in accordance with the values of honesty and integrity in the management of Tax activity, being aware that tax revenues are one of the main sources of contribution to the economic and social development of the country in which the Group operates.

**Legality**                      The Group's conduct aims to comply with the applicable tax regulations, interpreted in a way that complies with the principles of the tax system and the underlying rationale behind the regulations, in order to guarantee responsible management of tax risk. The reason for this is to efficiently and effectively reconcile the objective of satisfying the legitimate interests of all stakeholders with respect for the law and protection of the interests of the community.

**Tone at the top**              McCormick's Board of Directors approves the Group's Tax Strategy and ensures its correct application, thus assuming the role and responsibility of guiding the diffusion of a corporate culture based on the values of honesty, integrity and legality.

**Transparency** The Group maintains a collaborative and transparent relationship with the Tax Authority, ensuring that the latter, among other things, can gain a full understanding of the facts underlying business operations that have a tax impact.

**Shareholder value** The Group considers taxes as a variable cost of doing business, which as such must be managed, including through the identification of the most effective solutions for optimizing the tax burden, in compliance with the principle of legality, with the aim of safeguarding the company's assets and pursuing the primary interest of creating value for shareholders over the medium to long term.

## 5. Guidelines for the implementation of the Tax Strategy

To ensure the concrete implementation of the general principles outlined above, the Group's Tax Strategy is set out in the following **guidelines**:

- **Correct application of tax legislation.** The Group respects the principle of legality, committing itself to apply in a timely manner the Italian, European and other countries' laws and/or regulations, in which and for which the Group operates, ensuring that the spirit and purpose of the rule or order for the matter being interpreted are observed. In cases where tax legislation raises interpretative doubts or application difficulties, the Group shall pursue a reasonable line of interpretation, inspired by the principles of legality using, where necessary, authoritative external professionals, trade associations (Assonime and Confindustria) and activating the appropriate procedures for dialogue with the tax authorities.
- **Agree to disagree.** In order to protect the interests of the Company and its shareholders, the Group supports – even during litigations - interpretative positions deemed sound and reasonable, even if not shared by the tax authority, taking all precautions in order to avoid harm and reputational damage.
- **Full cooperation with tax authorities.** The Group guarantees transparency and fairness in its relations with tax authorities. In full compliance with the

principles provided in the Statute of Taxpayers' Rights, the Group agrees that relations with the Financial Administration shall be based on the principle of collaboration and good faith.

- **Tax Management.** The Group shall implement the internal tax risk control system (Tax Control Framework), in line with the OECD guidelines, as adopted by the "Agenzia delle Entrate" (the Italian Tax Authority). The roles and responsibilities in the tax management process are clearly attributed, in accordance with the principles of separateness and escalation of decisions. It is ensured that the Group Tax Department is endowed with resources (human, material, financial) and organizational relevance to ensure the performance of the related activities. It also ensures the use of technological solutions that maximize the quality and accuracy of data in support of tax management and related compliance.
- **Aggressive Tax Planning.** The Group does not engage in behaviors and transactions that result in purely artificial constructions that do not reflect the economic reality and from which it is reasonable to expect undue tax advantages.
- **Soft Controls.** The Group, through the Italy Tax Director, promotes the dissemination of the culture and values of compliance with tax legislation, also by organizing training initiatives for all personnel, including those not engaged in the tax structure. On an annual basis, a report prepared by the Italy Tax Director with the support of its team, McCormick Tax Department and, in the event, with external consultants, is presented to the Board of Directors, outlining the results of the controls performed on the Tax Control Framework as well as the definition of measures aimed at addressing any deficiencies identified from the monitoring activities. No personnel incentive mechanisms are adopted in connection with the achievement of undue reduction of the tax burden.