UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended November 30, 2022
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______
Commission file number 001-14920

McCORMICK & COMPANY, INCORPORATED
(Exact name of registrant as specified in its charter)

Maryland	**52-0408290**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**
24 Schilling Road, Suite 1, Hunt Valley, Maryland	**21031**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (410) 771-7301

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, Par Value $0.01 per share	**MKC.V**	**New York Stock Exchange**
Common Stock Non-Voting, Par Value $0.01 per share	**MKC**	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: Not applicable.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Check one:

Large Accelerated Filer	☒		Accelerated Filer	☐
Non-accelerated Filer	☐	(Do not check if a smaller reporting company)	Smaller Reporting Company	☐
			Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark if the registrant has filed a report on and attestation on its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked prices of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

The aggregate market value of the Voting Common Stock held by non-affiliates at May 31, 2022: $1,614,689,363

The aggregate market value of the Non-Voting Common Stock held by non-affiliates at May 31, 2022: $23,223,291,177

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Number of Shares Outstanding	Date
Common Stock	17,380,371	December 30, 2022
Common Stock Non-Voting	250,721,185	December 30, 2022

DOCUMENTS INCORPORATED BY REFERENCE

Document	Part of 10-K into Which Incorporated
Proxy Statement for McCormick's March 29, 2023 Annual Meeting of Stockholders (the "2023 Proxy Statement")	Part III

PART I.

As used herein, references to “McCormick,” “we,” “us” and “our” are to McCormick & Company, Incorporated and its consolidated subsidiaries or, as the context may require, McCormick & Company, Incorporated only.

ITEM 1. BUSINESS

McCormick is a global leader in flavor. We manufacture, market and distribute spices, seasoning mixes, condiments and other flavorful products to the entire food industry–retailers, food manufacturers and foodservice businesses. We also are partners in a number of joint ventures that are involved in the manufacture and sale of flavorful products, the most significant of which is McCormick de Mexico. Our major sales, distribution and production facilities are located in North America, Europe and China. Additional facilities are based in Australia, Central America, Thailand and South Africa.

On December 30, 2020, we completed the purchase of FONA International, LLC and certain of its affiliates (FONA), a privately held company. The purchase price was approximately $708 million, net of cash acquired. FONA is a leading manufacturer of clean and natural flavors providing solutions for a diverse customer base across various applications for the food, beverage and nutritional markets. The acquisition of FONA broadens our value-add offerings with products that are highly complementary to our existing portfolio. By combining the portfolios and infrastructures, we have added manufacturing capacity as well as greater scale and expect to accelerate our global flavor growth. At the time of the acquisition, annual sales of FONA were approximately $114 million. The results of FONA’s operations have been included in our financial statements as a component of our flavor solutions segment from the date of acquisition.

On November 30, 2020, we completed the purchase of the parent company of Cholula Hot Sauce® (Cholula) from *L* Catterton. The purchase price was approximately $801 million, net of cash acquired. Cholula, a premium Mexican hot sauce brand, is a strong addition to our global branded flavor portfolio, which broadens our offerings in the high growth hot sauce category to consumers and foodservice operators and accelerates our condiment growth opportunities with a complementary authentic Mexican flavor hot sauce. At the time of the acquisition, annual sales of Cholula were approximately $96 million. The results of Cholula’s operations have been included in our financial statements as a component of our consumer and flavor solutions segments from the date of acquisition.

Business Segments

We operate in two business segments, consumer and flavor solutions. Demand for flavor is growing globally, and across both segments we have the customer base and product breadth to participate in all types of eating occasions. Our products deliver flavor when cooking at home, dining out, purchasing a quick service meal or enjoying a snack. We offer our customers and consumers a range of products, extending from premium to value-priced, to meet the increasing demand for certain product attributes such as clean-label, organic, natural, reduced sodium, gluten-free and non-GMO (genetically modified organisms).

Consistent with market conditions in each segment, our consumer segment has a higher overall profit margin than our flavor solutions segment. In 2022, the consumer segment contributed approximately 59% of consolidated net sales and 80% of consolidated operating income, and the flavor solutions segment contributed approximately 41% of consolidated net sales and 20% of consolidated operating income.

Consumer Segment. From locations around the world, our brands reach consumers in approximately 160 countries and territories. Our leading brands in the Americas include McCormick®, French’s®, Frank’s RedHot®, Lawry’s® Cholula Hot Sauce® and Club House®, as well as brands such as Gourmet Garden® and OLD BAY®. We also market authentic regional and ethnic brands such as Zatarain’s®, Stubb's®, Thai Kitchen® and Simply Asia®. In the Europe, Middle East and Africa (EMEA) region, our major brands include the Ducros®, Schwartz®, Kamis® and La Drogheria® brands of spices, herbs and seasonings and an extensive line of Vahiné® brand dessert items. In China, we market our products under the McCormick and DaQiao® brands. In Australia, we market our spices and seasonings under the McCormick brand, our dessert products under the Aeroplane® brand, and packaged chilled herbs under the Gourmet Garden brand. Elsewhere in the Asia/Pacific region, we market our products under the McCormick brand as well as other brands.

Approximately two thirds of our consumer segment sales are spices and seasonings and condiments and sauces. Within the spices and seasoning category, we are the brand leader globally and a category leader in our key markets. In the condiments and sauces category, we are one of the brand leaders globally and in the U.S. There are numerous competitive brands of spices and seasonings, and condiments and sauces in the U.S. and additional brands in international markets. Some are owned by large food manufacturers, while others are supplied by small privately-owned companies. In this competitive environment, we are leading with innovation and brand marketing, and applying our analytical tools to help customers optimize the profitability of their sales of these categories while simultaneously working to increase our sales and profit.

Our customers span a variety of retailers that include grocery, mass merchandise, warehouse clubs, discount and drug stores, and e-commerce retailers, served directly and indirectly through distributors or wholesalers. In addition to marketing our branded products to these customers, we are also a leading supplier of private label items, also known as store brands. In our businesses in China and, prior to 2022, India, foodservice sales are managed by and reported in our consumer segment.

Flavor Solutions Segment. In our flavor solutions segment, we provide a wide range of products to multinational food manufacturers and foodservice customers. The foodservice customers are supplied with branded, packaged products both directly by us and indirectly through distributors, with the exception of our businesses in China and, prior to 2022, India, where foodservice sales are managed by and reported in our consumer segment. We supply food manufacturers and foodservice customers with customized flavor solutions, and many of these customer relationships have been active for decades. Our range of flavor solutions remains one of the broadest in the industry and includes seasoning blends, spices and herbs, condiments, coating systems and compound flavors. In addition to a broad range of flavor solutions, our long-standing customer relationships are evidence of our effectiveness in building customer intimacy. Our customers benefit from our expertise in many areas, including sensory testing, culinary research, food safety and flavor application.

Our flavor solutions segment has a number of competitors. Some tend to specialize in a particular range of products and have a limited geographic reach. Other competitors include large publicly held flavor companies that are more global in nature, but which also tend to focus on providing integrated solutions extending beyond flavor through the use of other functional and nutritional ingredients.

Raw Materials

The most significant raw materials used in our business are dairy products, pepper, onion, capsicums (red peppers and paprika), garlic, wheat products, vegetable oils, and vanilla. Pepper and other spices and herbs are generally sourced from countries other than the United States. Other raw materials, like dairy products and onion, are primarily sourced locally, either within the United States or from our international locations. Because these raw materials are agricultural products, they are subject to fluctuations in market price and availability caused by weather, growing and harvesting conditions, market conditions, including inflationary cost increases, and other factors beyond our control.

We respond to this volatility in a number of ways, including strategic raw material purchases, purchases of raw material for future delivery, customer price adjustments and cost savings from our Comprehensive Continuous Improvement (CCI) program. There has been, and there could continue to be, a difference between the timing of when these customer price adjustments and cost savings impact our results of operations and when the impact of cost inflation occurs. Additionally, in some instances the pricing actions we take have been impacted by price elasticity which unfavorably impacts our sales volume and mix.

In addition, we rely on third-party transportation providers to deliver raw materials as well as our products to our customers. Reduced availability of transportation capacity due to labor shortages and higher fuel costs has caused an increase in the cost of transportation for us and our suppliers.

Customers

Our products are sold directly to customers and also through brokers, wholesalers and distributors. In the consumer segment, products are then sold to consumers under a number of brands through a variety of retail channels, including grocery, mass merchandise, warehouse clubs, discount and drug stores, and e-commerce. In the flavor solutions segment, products are used by food and beverage manufacturers as ingredients for their finished goods and by foodservice customers as ingredients for menu items, as well as provided to their own customers for use in dine-in and take-out eating occasions, all to enhance the flavor of their foods. Customers for the flavor solutions segment include food manufacturers and the foodservice industry supplied through a variety of channels including directly and indirectly through distributors, wholesale foodservice suppliers and e-commerce.

We have a large number of customers for our products. Sales to one of our consumer segment customers, Wal-Mart Stores, Inc., accounted for approximately 12% of consolidated sales in 2022, 11% of consolidated sales in 2021 and 12% of consolidated sales in 2020. Sales to one of our flavor solutions segment customers, PepsiCo, Inc., accounted for approximately 11% of consolidated sales in 2022, 2021 and 2020. In 2022, 2021 and 2020, the top three customers in our flavor solutions segment represented between 47% and 52% of our global flavor solutions sales.

Trademarks, Licenses and Patents

We own a number of trademark registrations. Although in the aggregate these trademarks are material to our business, the loss of any one of those trademarks, with the exception of our “McCormick,” “French’s ,” “Frank’s RedHot,” “Lawry’s,” “Zatarain’s,” “Cholula,” “Stubb's,” “Club House,” “Ducros,” “Schwartz,” “Vahiné,” "OLD BAY," "Simply Asia," "Thai Kitchen," “Kamis,” “La Drogheria,” "DaQiao," and "Gourmet Garden" trademarks, would not have a material adverse effect on our business. The “Mc – McCormick” trademark is extensively used by us in connection with the sale of our food products in the U.S. and certain non-U.S. markets. The terms of the trademark registrations are as prescribed by law, and the registrations will be renewed for as long as we deem them to be useful.

We have entered into a number of license agreements authorizing the use of our trademarks by affiliated and non-affiliated entities. The loss of these license agreements would not have a material adverse effect on our business. The term of the license agreements is generally two to three years or until such time as either party terminates the agreement. Those agreements with specific terms may be renewable upon agreement of the parties.

We also own various patents, none of which are individually material to our business.

Seasonality

Due to seasonal factors inherent in our business, our sales, income and cash from operations generally are higher in the fourth quarter due to the holiday season. This seasonality reflects customer and consumer buying patterns, primarily in the consumer segment.

Working Capital

In order to meet increased demand for our consumer products during our fourth quarter, we usually build our inventories during the third quarter of the fiscal year. We generally finance working capital items (inventory and receivables) through short-term borrowings, which include the use of lines of credit and the issuance of commercial paper. For a description of our liquidity and capital resources, see note 6 of notes to our consolidated financial statements and the “Liquidity and Financial Condition” section of “Management’s Discussion and Analysis.”

Competition

Each segment operates in markets around the world that are highly competitive. In this competitive environment, our growth strategies include customer engagement and product innovation based on consumer insights. In the consumer segment, we are building brand recognition and loyalty through advertising and promotions. In our flavor solutions segment, we are differentiated by our culinary and consumer inspired flavor development as well as the breadth of our product offering and customer engagement.

Governmental Regulation

We are subject to numerous laws and regulations around the world that apply to our global businesses. In the United States, the safety, production, transportation, distribution, advertising, labeling and sale of many of our products and their ingredients are subject to the Federal Food, Drug, and Cosmetic Act; the Food Safety Modernization Act; the Federal Trade Commission Act; state consumer protection laws; competition laws, anti-corruption laws, customs and trade laws; federal, state and local workplace health and safety laws; privacy laws; various federal, state and local environmental protection laws; and various other federal, state and local statutes and regulations. Outside the United States, our business is subject to numerous similar statutes, laws and regulatory requirements.

Human Capital

We believe in the Power of People – our employees and customers across the world. Our high-performance culture is rooted in our shared values and respect for all contributions of every employee. Our key human capital objectives are to attract, retain and develop the highest quality talent. We employ various human resource programs in support of these objectives. We believe diversity, equity and inclusion are at the core of our values and strategic business priorities. Throughout our business, we champion equality, supporting parity for women and under-represented groups as we work to create ethical, safe and supportive workplaces where our employees thrive. We believe a diverse and inclusive workplace results in business growth and encourages increased innovation, retention of talent and a more engaged workforce. We have various employee ambassador groups that provide a supportive, collaborative space for employees to come together to promote inclusion. We prioritize the mental health and wellness of our employees by offering and encouraging participation in various programs and initiatives. Respect for human rights is fundamental to our business and its commitment to ethical business conduct.

We had approximately 14,200 full-time employees worldwide as of November 30, 2022. Our operations have not been affected significantly by work stoppages, other than those associated with temporary closures of plants related to the COVID-19 pandemic, and, in the opinion of management, employee relations are good. We have approximately 400 employees in the United States who are covered by a collective bargaining contract. At our subsidiaries outside the U.S., approximately 2,600 employees are covered by collective bargaining agreements or similar arrangements.

Through our continuous listening strategy, we measure employee engagement on an ongoing basis to solicit feedback and understand views of our employees, work environment and culture. The results from these surveys are used to implement programs and processes designed to enhance employee engagement and improve the employee experience.

We are committed to the safety, health, and security of our employees. We believe a hazard-free environment is a critical enabler for the success of our business. Throughout our operations, we strive to ensure that all of our employees have access to safe workplaces that allow them to succeed in their jobs.

Information about our Executive Officers

In addition to the executive officers indicated in the 2023 Proxy Statement incorporated by reference in Part III, Item 10 of this Report, the other executive officer of McCormick is Sarah Piper.

Ms. Piper is 46 years old and has held the position of Chief Human Relations Officer since December 2022. Starting in 2017, Ms. Piper served as Vice President of Total Rewards. In 2020, she assumed the role of Vice President, Human Relations for the Americas. Prior to holding her most current position, she served as Senior Vice President, Global Human Relations Business Partners where she was responsible for leading the global HR Business Partner organization to deliver human capital strategies.

Operations Outside of the U.S.

We are subject in varying degrees to certain risks typically associated with a global business, such as local economic and market conditions, exchange rate fluctuations, and restrictions on investments, royalties and dividends. In fiscal year 2022, approximately 38% of sales were from non-U.S. operations. For information on how we manage some of these risks, see the “Market Risk Sensitivity” section of “Management’s Discussion and Analysis.”

Forward-Looking Information

Certain statements contained in this report, including statements concerning expected performance such as those relating to net sales, gross margin, earnings, cost savings, transaction and integration expenses, special charges, acquisitions, brand marketing support, volume and product mix, income tax expense, and the impact of foreign currency rates are “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. These statements may be identified by the use of words such as “may,” “will,” “expect,” "should," "anticipate," "intend," “believe” and “plan” and similar expressions. These statements may relate to: the impact of the COVID-19 pandemic on our business, suppliers, consumers, customers, and employees; disruptions or inefficiencies in the supply chain, including any impact of COVID-19; the expected results of operations of businesses acquired by the Company; the expected impact of the inflationary cost environment, including commodity, packaging materials and transportation costs on our business; the expected impact of pricing actions on the Company's results of operations and gross margins; the impact of price elasticity on our sales volume and mix; the expected impact of factors affecting our supply chain, including transportation capacity, labor shortages, and absenteeism; the expected impact of productivity improvements, including those associated with our Comprehensive Continuous Improvement (CCI) program, streamlining actions, including our Global Operating Effectiveness Program (GOEP) and global enablement initiative; the impact of the ongoing conflict between Russia and Ukraine, including the potential for broader economic disruption; expected working capital improvements; expectations regarding growth potential in various geographies and markets, including the impact from customer, channel, category, and e-commerce expansion; expected trends in net sales and earnings performance and other financial measures; the expected timing and costs of implementing our business transformation initiative, which includes the implementation of a global enterprise resource planning (ERP) system; the expected impact of accounting pronouncements; the expectations of pension and postretirement plan contributions and anticipated charges associated with those plans; the holding period and market risks associated with financial instruments; the impact of foreign exchange fluctuations; the adequacy of internally generated funds and existing sources of liquidity, such as the availability of bank financing; the anticipated sufficiency of future cash flows to enable the payments of interest and repayment of short- and long-term debt, working capital needs, planned capital expenditures, and quarterly dividends; our ability to obtain additional short- and long- term financing or issue additional debt securities; and expectations regarding purchasing shares of McCormick's common stock under the existing repurchase authorization.

These and other forward-looking statements are based on management’s current views and assumptions and involve risks and uncertainties that could significantly affect expected results. Results may be materially affected by factors such as: the company's ability to drive revenue growth; the company's ability to increase pricing to offset, or partially offset, inflationary pressures on the cost of our products; damage to the company's reputation or brand name; loss of brand relevance; increased private label use; the company's ability to drive productivity improvements, including those related to our CCI program and streamlining actions, including our GOEP; product quality, labeling, or safety concerns; negative publicity about our products; actions by, and the financial condition of, competitors and customers; the longevity of mutually beneficial relationships with our large customers; the ability to identify, interpret and react to changes in consumer preference and demand; business interruptions due to natural disasters, unexpected events or public health crises, including COVID-19; issues affecting the company's supply chain and procurement of raw materials, including fluctuations in the cost and availability of raw and packaging materials; labor shortage, turnover and labor cost increases; the impact of the ongoing conflict between Russia and Ukraine, including the potential for broader economic disruption; government regulation, and changes in legal and regulatory requirements and enforcement practices; the lack of successful acquisition and integration of new businesses; global economic and financial conditions generally, availability of financing, interest and inflation rates, and the imposition of tariffs, quotas, trade barriers and other similar restrictions; foreign currency fluctuations; the effects of increased level of debt service following the Cholula and FONA acquisitions as well as the effects that such increased debt service may have on the company's ability to borrow or the cost of any such additional borrowing, our credit rating, and our ability to react to certain economic and industry conditions; risks associated with the phase-out of LIBOR; impairments of indefinite-lived intangible assets; assumptions we have made regarding the investment return on retirement plan assets, and the costs associated with pension obligations; the stability of credit and capital markets; risks associated with the company's information technology systems, including the threat of data breaches and cyber-attacks; the company's inability to successfully implement our business transformation initiative; fundamental changes in tax laws; including interpretations and assumptions we have made, and guidance that may be issued, and volatility in our effective tax rate; climate change; Environmental, Social and Governance (ESG) matters; infringement of intellectual property rights, and those of customers; litigation, legal and administrative proceedings; the company's inability to achieve expected and/or needed cost savings or margin improvements; negative employee relations; and other risks described herein under Part I, Item 1A "Risk Factors."

Actual results could differ materially from those projected in the forward-looking statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law.

Available Information

Our principal corporate internet website address is: www.mccormickcorporation.com. We make available free of charge through our website our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after such documents are electronically filed with, or furnished to, the United States Securities and Exchange Commission (the SEC). The information and other content contained on our website are not part of (or incorporated by reference in) this report or any other document we file with the SEC. The SEC maintains an internet website at www.sec.gov that contains reports, proxy and information statements, and other information regarding McCormick. Our website also includes our Corporate Governance Guidelines, Business Ethics Policy and charters of the Audit Committee, Compensation & Human Capital Committee, and Nominating/Corporate Governance Committee of our Board of Directors.

ITEM 1A. RISK FACTORS

The following are certain risk factors that could affect our business, financial condition and results of operations. These risk factors should be considered in connection with evaluating the forward-looking statements contained in this Annual Report on Form 10-K because these factors could cause the actual results and conditions to differ materially from those projected in forward-looking statements. Before you buy our Common Stock or Common Stock Non-Voting, you should know that making such an investment involves risks, including the risks described below. Additional risks and uncertainties that are not presently known to us or are currently deemed to be immaterial also may materially adversely affect our business, financial condition, or results of operations in the future. If any of the risks actually occur, our business, financial condition or results of operations could be negatively affected. In that case, the trading price of our securities could decline, and you may lose part or all of your investment.

Risks Related to Our Company, Business and Operations

Deterioration of global economic conditions, an economic recession, periods of inflation, or economic uncertainty in our key markets may adversely affect customer and consumer spending as well as demand for our products.

Global economic conditions can be uncertain and volatile. Our business and results of operations have in the past been, and may continue to be, adversely affected by changes in global economic conditions including inflation, rising interest rates, availability of capital markets, consumer spending rates, energy availability and costs, the negative impacts caused by pandemics and public health crises, such as the COVID-19 pandemic, as well as the potential impacts of geopolitical uncertainties, including the ongoing conflict between Russia and Ukraine, and the effect of governmental initiatives to manage economic conditions. As global economic conditions continue to be volatile or economic uncertainty remains, trends in consumer spending also remain unpredictable and subject to reductions due to credit constraints and uncertainties about the future. We are a manufacturer and distributor of flavor products. As such, many of our products are purchased by our customers based on end-user demand from consumers. Some of the factors that may influence consumer spending include general economic conditions, high levels of unemployment, health crises (such as the COVID-19 pandemic), higher consumer debt levels, reductions in net worth based on market declines and uncertainty, home foreclosures and reductions in home values, fluctuating interest and foreign currency exchange rates and credit availability, fluctuating fuel and other energy costs, fluctuating commodity prices, inflationary pressure, tax rates and general uncertainty regarding the overall future economic environment. Unfavorable economic conditions may lead customers and consumers to delay or reduce purchases of our products. Consumer demand for our products may not reach our targets, or may decline, when there is an economic downturn or economic uncertainty in our key markets. Our sensitivity to economic cycles and any related fluctuation in customer and consumer demand may have a material negative impact on our business, financial conditions or results of operations.

A pandemic, including COVID-19, could have an adverse impact on our business, financial condition, and results of operations.

The COVID-19 pandemic has had, and could continue to have, a negative impact on financial markets, economic conditions, and portions of our industry as a result of changes in consumer behavior, retailer inventory levels, cost inflation, manufacturing and supply chain disruption, and overall macroeconomic conditions. The ongoing implications of the COVID-19 pandemic could adversely impact our business and results of operations in a number of ways, including but not limited to:

- Shifts and volatility in consumer spending and purchasing behaviors;
- Continued increase in raw material and commodity costs;
- Shutdowns or slowdowns of one or more of our production facilities;
- Further disruptions in our supply chain and in our ability to obtain ingredients, packaging, and other sourced materials due to continued labor shortages and/or volatility in the labor market, governmental restrictions, or the failure of our suppliers, distributors, or manufacturers to meet their obligations to us; or
- Significant changes in the political conditions in markets in which we manufacture, sell or distribute our products, including quarantines, import/export restrictions, price controls, or governmental or regulatory actions, closures or other restrictions that limit or close our operating and manufacturing facilities, restrict our employees’ ability to travel or perform necessary business functions, or otherwise prevent our third-party partners, suppliers, or customers from sufficiently staffing operations, including operations necessary for the production, distribution, sale, and support of our products.

The duration and extent of the impact from the COVID-19 pandemic depends on future developments that cannot be accurately predicted at this time, such as the severity and transmission rate of the virus, the emergence and spread of variants, infection rates in areas we operate, the extent and effectiveness of containment actions, including the continued availability and effectiveness of vaccines in the markets where we operate, and the impact of these and other factors on our employees, customers, suppliers, distributors, and manufacturers. Should these conditions persist for a prolonged period, including any of the above factors and others that are currently unknown, the COVID-19 pandemic could have a material adverse effect on our business, financial condition, and results of operations. The impact of the COVID-19 pandemic may also exacerbate other risks discussed in this Item 1A, *Risk Factors*, any of which could have a material effect on us.

Damage to our reputation or brand name, loss of brand relevance, increase in use of private label or other competitive brands by customers or consumers, or product quality or safety concerns could negatively impact our business, financial condition or results of operations.

We have many iconic brands with long-standing consumer recognition. Our success depends on our ability to maintain our brand image for our existing products, extend our brands to new platforms, and expand our brand image with new product offerings.

We continually make efforts to maintain and improve relationships with our customers and consumers and to increase awareness and relevance of our brands through effective marketing and other measures. From time to time, our customers reevaluate their mix of product offerings, and consumers have the option to purchase private label or other competitive products instead of our branded products. In the event that we are unable to supply our products to customers in the time frame and quantities that they desire, whether due to increased demand or other factors, our customers may discontinue all or a portion of their purchases from us and source competitive brands. If a significant portion of our branded business was switched to private label or competitive products, it could have a material negative impact on our consumer segment.

Our reputation for manufacturing high-quality products is widely recognized. In order to safeguard that reputation, we have adopted rigorous quality assurance and quality control procedures which are designed to ensure the safety of our products. A serious breach of our quality assurance or quality control procedures, deterioration of our quality image, impairment of our customer or consumer relationships or failure to adequately protect the relevance of our brands may lead to litigation, customers purchasing from our competitors or consumers purchasing other brands or private label items that may or may not be manufactured by us, any of which could have a material negative impact on our business, financial condition or results of operations.

The food industry generally is subject to risks posed by food spoilage and contamination, product tampering, product recall, import alerts and consumer product liability claims. For instance, we may be required to recall certain of our products should they be mislabeled, contaminated or damaged. Additionally, certain of our raw materials could be blocked from entering the country if they were subject to government-imposed actions. We have and may continue to become involved in lawsuits and legal proceedings if it is alleged that the consumption of any of our products could cause injury or illness, or that any of our products are mislabeled or fail to meet applicable legal requirements (even if the allegation is untrue). A product recall, import alert or an adverse result in any such litigation, or negative perceptions regarding food products and ingredients, could result in our having to pay fines or damages, incur additional costs or cause customers and consumers in our principal markets to lose confidence in the safety and quality of certain products or ingredients, any of which could have a negative effect on our business or financial results and, depending upon the significance of the affected product, that negative effect could be material to our business or financial results. Negative publicity about these concerns, whether or not valid, may discourage customers and consumers from buying our products or cause disruptions in production or distribution of our products and adversely affect our business, financial condition or results of operations.

The rising popularity of social networking and other consumer-oriented technologies has increased the speed and accessibility of information dissemination (whether or not accurate), and, as a result, negative, inaccurate, or misleading posts or comments on websites may generate adverse publicity that could damage our reputation or brands.

Customer consolidation, consumer behaviors, and competitive, economic and other pressures facing our customers, may impact our financial condition or results of operations.

A number of our customers, such as supermarkets, warehouse clubs and food distributors, have consolidated in recent years and consolidation could continue. Such consolidation could present a challenge to margin growth and profitability in that it has produced large, sophisticated customers with increased buying power who are more capable of operating with reduced inventories; resisting price increases; demanding lower pricing, increased promotional programs and specifically tailored products; and shifting shelf space currently used for our products to private label and other competitive products. The economic and competitive landscape for our customers is constantly changing, such as the emergence of new sales channels like e-commerce, and our customers' responses to those changes could impact our business. The continued growth of e-commerce and its impact of consumer habits and preferences has accelerated since the onset of the COVID-19 pandemic in many of the markets we serve and our financial results may be impacted if we are unable to adapt to changing consumer preferences and market dynamics. In addition, our flavor solutions segment may be impacted if the reputation or perception of the customers of our flavor solutions segment declines. These factors could have an adverse impact on our business, financial condition or results of operations.

The inability to maintain mutually beneficial relationships with large customers could adversely affect our business, financial condition and results of operations.

We have a number of major customers, including two large customers that, in the aggregate, constituted approximately 23% of consolidated sales in 2022. The loss of either of these large customers due to events beyond our control, or a material negative change in our relationship with these large customers or other major customers could have an adverse effect on our business, financial condition and results of operations.

Issues regarding procurement of raw materials may negatively impact us.

Our purchases of raw materials are subject to fluctuations in market price and availability caused by inflationary pressures, weather, growing and harvesting conditions, climate change, market conditions, governmental actions and other factors beyond our control, including the COVID-19 pandemic. The most significant raw materials used by us in our business are dairy products, pepper, onion, capsicums (red peppers and paprika), garlic, wheat products, vegetable oils, and vanilla. While future price movements of raw material costs are uncertain, we seek to mitigate the market price risk in a number of ways, including strategic raw material purchases, purchases of raw material for future delivery, customer price adjustments and cost savings from our CCI program. We generally have not used derivatives to manage the volatility related to this risk. To the extent that we have used derivatives for this purpose, it has not been material to our business. Any actions we take in response to market price fluctuations may not effectively limit or eliminate our exposure to changes in raw material prices. Therefore, we cannot provide assurance that future raw material price fluctuations will not have a negative impact on our business, financial condition or operating results.

In addition, we may have very little opportunity to mitigate the risk of availability of certain raw materials due to the effect of weather on crop yield, fire, natural disasters, growing and harvesting conditions, government actions, political unrest in producing countries, action or inaction by suppliers in response to laws and regulations, changes in agricultural programs and other factors beyond our control. Therefore, we cannot provide assurance that future raw material availability will not have a negative impact on our business, financial condition or operating results.

Political, socio-economic, cultural and geopolitical (including the ongoing conflict between Russia and Ukraine) conditions, as well as disruptions caused by terrorist activities or otherwise, could also create additional risks for regulatory compliance. Although we have adopted rigorous quality assurance and quality control procedures which are designed to ensure the safety of our imported products, we cannot provide assurance that such events will not have a negative impact on our business, financial condition or operating results.

Disruption of our supply chain could adversely affect our business.

Our ability to make, move, and sell products is critical to our success. Damage or disruption to raw material supplies or our manufacturing or distribution capabilities due to weather, climate change, natural disaster, fire, terrorism, cyber-attack, health epidemics, pandemics (such as the COVID-19 pandemic) or other contagious outbreaks, governmental restrictions or mandates, strikes, import/export restrictions, or other factors could impair our ability to manufacture or sell our products. Many of our product lines are manufactured at a single location. The failure of third parties on which we rely, including those third parties who supply our ingredients, packaging, capital equipment and other necessary operating materials, contract manufacturers, commercial transport, distributors, contractors, and external business partners, to meet their obligations to us, or significant disruptions in their ability to do so, may negatively impact our operations. Our suppliers' policies and practices can damage our reputation and the quality and safety of our products. Disputes with significant suppliers, including disputes regarding pricing or performance, could adversely affect our ability to supply products to our customers and could materially and adversely affect our sales, financial condition, and results of operations. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, particularly when a product is manufactured from a single location, could adversely affect our business and results of operations, as well as require additional resources to restore our supply chain.

Moreover, short term or sustained increases in consumer demand at our customers may exceed our production capacity or otherwise strain our supply chain. Our failure to meet the demand for our products could adversely affect our business and results of operations.

Our results of operations can be adversely affected by labor shortages, turnover and labor cost increases.

Labor is a primary component of operating our business. A number of factors may adversely affect the labor force available to us or increase labor costs, a shift towards remote work, higher unemployment subsidies, other government regulations and general macroeconomic factors. We also have experienced and may continue to experience additional pressure in our supply chain due to labor shortages, increased turnover rates and absenteeism associated with COVID-19. A sustained labor shortage or increased turnover rates within our employee base, caused by COVID-19 or as a result of general macroeconomic factors, could lead to increased costs, such as increased overtime to meet demand and increased wage rates and employee benefits costs to attract and retain employees, and could negatively affect our ability to efficiently operate our manufacturing and distribution facilities and overall business. If we are unable to hire and retain employees capable of performing at a high-level, or if mitigation measures we may take to respond to a decrease in labor availability, such as overtime and third-party outsourcing, have negative effects, our business could be adversely affected. In addition, we distribute our products and receive raw materials primarily by truck. Reduced availability of trucking capacity due to shortages of drivers has caused an increase in the cost of transportation for us and our suppliers. An overall labor shortage, lack of skilled labor, increased turnover or labor inflation, caused by COVID-19 or as a result of general macroeconomic factors, could have a material adverse impact on our business, financial condition or operating results.

We may not be able to increase prices to fully offset inflationary pressures on costs, such as raw and packaging materials, labor and distribution costs, which may impact our financial condition or results of operations.

As a manufacturer and distributor of flavor products, we rely on raw materials, packaging materials, plant labor, distribution resources, and transportation providers. During recent years, we have experienced significantly elevated commodity and supply chain costs, including the costs of raw materials, packaging materials, labor, energy, fuel, transportation and other inputs necessary for the production and distribution of our products, and we expect elevated levels of inflation to continue in 2023. In addition, many of these materials and costs are subject to price fluctuations from a number of factors, including, but not limited to, market conditions, demand for raw materials, weather, growing and harvesting conditions, climate change, energy costs, currency fluctuations, supplier capacities, governmental actions, import and export requirements (including tariffs), armed hostilities (including the ongoing conflict between Russia and Ukraine) and other factors beyond our control.

Our attempts to offset these cost pressures, such as through increases in the selling prices of some of our products, may not be successful. Higher product prices may result in reductions in sales volume. Consumers may be less willing to pay a price differential for our branded products and may increasingly purchase lower-priced offerings, or may forego some purchases altogether, during an economic downturn or times of increased inflationary pressure. To the extent that price increases or packaging size decreases are not sufficient to offset these increased costs adequately or in a timely manner, and/or if they result in significant decreases in sales volume, our business, financial condition or operating results may be adversely affected. Furthermore, we may not be able to fully offset any cost increases through our productivity or efficiency initiatives.

Our profitability may suffer as a result of competition in our markets.

The food industry is intensely competitive. Competition in our product categories is based on price, product innovation, product quality, brand recognition and loyalty, effectiveness of marketing and promotional activity, and the ability to identify and satisfy consumer preferences. Weak economic conditions, recessions, significant inflation and other factors, such as pandemics, could affect consumer preferences and demand. From time to time, we may need to reduce the prices for some of our products to respond to competitive and customer pressures, particularly during periods of economic uncertainty or significant inflation, which may adversely affect our profitability. Such pressures could reduce our ability to take appropriate remedial action to address commodity and other cost increases.

The conflict between Russia and Ukraine and the related implications may negatively impact our operations.

In February 2022, Russia invaded Ukraine. As a result, the U.S. and certain other countries have imposed sanctions on Russia and could impose further sanctions that could damage or disrupt international commerce and the global economy. It is not possible to predict the broader or longer-term consequences of this conflict or the sanctions imposed to date, which could include further sanctions, embargoes, regional instability, geopolitical shifts and adverse effects on macroeconomic conditions, security conditions, energy and fuel prices, currency exchange rates and financial markets. Such geopolitical instability and uncertainty could have a negative impact on our ability to sell to, ship products to, collect payments from, and support customers in certain regions based on trade restrictions, embargoes and export control law restrictions, and logistics restrictions including closures of air space, and could increase the costs, risks and adverse impacts from supply chain and logistics challenges.

The potential effects of the ongoing conflict between Russia and Ukraine also could impact many of the other risk factors described herein. These potential effects could include, but are not limited to, variations in the level of our profitability, changes in laws and regulations affecting our business, fluctuations in foreign currency markets, the availability of future borrowings, the cost of borrowings, credit risks of our customers and counterparties, and potential impairment of the carrying value of goodwill or other indefinite-lived intangible assets. Given the evolving nature of this conflict, the related sanctions, potential governmental actions and economic impact, such potential impacts remain uncertain. While we expect the impacts of conflict between Russia and Ukraine to continue to have an effect on our business, financial condition and results of operations, we are unable to predict the extent or nature of these impacts at this time.

Our operations may be impaired as a result of disasters, business interruptions or similar events.

We could have an interruption in our business, loss of inventory or data, or be rendered unable to accept and fulfill customer orders as a result of a natural disaster, catastrophic event, epidemic, computer system failure, or cyber-attack. Natural disasters could include an earthquake, fire, flood, tornado or severe storm. A catastrophic event could include a terrorist attack. A health epidemic, pandemic, or other contagious outbreak could affect our operations, major facilities or employees' and consumers' health. In addition, some of our inventory and production facilities are located in areas that are susceptible to harsh weather; a major storm, wildfires, heavy snowfall or other similar event could prevent us from delivering products in a timely manner. Production of certain of our products is concentrated in a single manufacturing site.

We cannot provide assurance that our disaster recovery plan will address all of the issues we may encounter in the event of a disaster or other unanticipated issue, and our business interruption insurance may not adequately compensate us for losses that may occur from any of the foregoing. In the event that a natural disaster, terrorist attack or other catastrophic event were to destroy any part of our facilities or interrupt our operations for any extended period of time, or if harsh weather or health conditions prevent us from delivering products in a timely manner, our business, financial condition or operating results could be adversely affected.

We may not be able to successfully consummate and manage ongoing acquisition, joint venture and divestiture activities which could have an impact on our results.

From time to time, we may acquire other businesses and, based on an evaluation of our business portfolio, divest existing businesses. These acquisitions, joint ventures and divestitures may present financial, managerial and operational challenges, including diversion of management attention from existing businesses, difficulty with integrating or separating personnel and financial and other systems, increased expenses and raw material costs, assumption of unknown liabilities and indemnities, and potential disputes with the buyers or sellers. In addition, we may be required to incur asset impairment charges (including charges related to goodwill and other intangible assets) in connection with acquired businesses, which may reduce our profitability. If we are unable to consummate such transactions, or successfully integrate and grow acquisitions and achieve contemplated revenue synergies and cost savings, our financial results could be adversely affected. Additionally, joint ventures inherently involve a lesser degree of control over business operations, thereby potentially increasing the financial, legal, operational, and/or compliance risks.

An impairment of the carrying value of goodwill or other indefinite-lived intangible assets could adversely affect our results.

As of November 30, 2022, we had approximately $5.2 billion of goodwill and approximately $3.4 billion of other indefinite-lived intangible assets. Goodwill and indefinite-lived intangible assets are initially recorded at fair value and not amortized but are tested for impairment at least annually or more frequently if impairment indicators arise. We test goodwill at the reporting unit level by comparing the carrying value of the net assets of the reporting unit, including goodwill, to the unit's fair value. Similarly, we test indefinite-lived intangible assets by comparing the fair value of those assets to their carrying values. If the carrying values of the reporting unit or indefinite-lived intangible assets exceed their fair value, the goodwill or indefinite-lived intangible assets are considered impaired and reduced to their estimated fair value. Factors that could result in an impairment include a change in revenue growth rates, operating margins, weighted average cost of capital, future economic and market conditions, higher income tax rates, or assumed royalty rates. The impairment of our goodwill or indefinite-lived intangible assets would have a negative impact on our consolidated results of operations.

Because indefinite-lived intangible assets are recorded at fair value at the date of acquisition of the related business, indefinite-lived intangible assets associated with recent business acquisitions, particularly those acquired in recent low interest rate environments, such as Cholula and FONA, are more susceptible to impairment in periods of rising interest rates than indefinite-lived intangible assets related to businesses acquired in periods of higher interest rates.

Streamlining actions to reduce fixed costs, simplify or improve processes, and improve our competitiveness may have a negative effect on employee relations.

We regularly evaluate whether to implement changes to our organization structure to reduce fixed costs, simplify or improve processes, and improve our competitiveness, and we expect to continue to evaluate such actions in the future. From time to time, those changes are of such significance that we may transfer production from one manufacturing facility to another; transfer certain selling and administrative functions from one location to another; eliminate certain manufacturing, selling and administrative positions; and exit certain businesses or lines of business. These actions may result in a deterioration of employee relations at the impacted locations or elsewhere in our business.

If we are unable to fully realize the benefits from our CCI program or streamlining actions to reduce fixed costs, simplify or improve our competitiveness, our financial results could be negatively affected.

Our future success depends in part on our ability to be an efficient producer in a highly competitive industry, including our plan to eliminate approximately $125 million of costs during 2023 and 2024 as part of our Global Operating Effectiveness Program, including $100 million of supply costs and $25 million of costs across the remainder of the organization. Any failure by us to achieve our planned cost savings and efficiencies under our CCI program, an ongoing initiative to improve productivity and reduce costs throughout the organization, or other similar programs, could have an adverse effect on our business, results of operations and financial position.

Fluctuations in foreign currency markets may negatively impact us.

We are exposed to fluctuations in foreign currency in the following main areas: cash flows related to raw material purchases; the translation of foreign currency earnings to U.S. dollars; the effects of foreign currency on loans between subsidiaries and unconsolidated affiliates and on cash flows related to repatriation of earnings of unconsolidated affiliates. We have both translation and transaction exposures to the fluctuation of exchange rates. Translation exposures relate to exchange rate impacts of measuring income statements of foreign subsidiaries that do not use the U.S. dollar as their functional currency. Transaction exposures relate to the impact from input costs that are denominated in a currency other than the local reporting currency and the revaluation of transaction-related working capital balances or loans between subsidiaries and unconsolidated affiliates denominated in currencies other than the functional currency. Historically, weakening of certain foreign currencies versus the U.S. dollar have resulted in significant foreign exchange impacts leading to lower net sales, net earnings and cash flows. Primary exposures include the U.S. dollar versus the Euro, British pound sterling, Chinese renminbi, Canadian dollar, Australian dollar, Polish zloty, Singapore dollar, Swiss franc, and Mexican peso, as well as the Euro versus the British pound sterling and Australian dollar, and Polish zloty, and finally the Canadian dollar versus British pound sterling. We routinely enter into foreign currency exchange contracts to facilitate managing certain of these foreign currency risks. However, these contracts may not effectively limit or eliminate our exposure to a decline in operating results due to foreign currency exchange changes. Therefore, we cannot provide assurance that future exchange rate fluctuations will not have a negative impact on our business, financial position or operating results.

We face risks associated with certain pension assets and obligations.

We hold investments in equity and debt securities in our qualified defined benefit pension plans and in a rabbi trust for our U.S. non-qualified pension plan. Deterioration in the value of plan assets resulting from a general financial downturn or otherwise, or an increase in the actuarial valuation of the plans' liability due to a low interest rate environment, could cause (or increase) an underfunded status of our defined benefit pension plans, thereby increasing our obligation to make contributions to the plans. An obligation to make contributions to pension plans could reduce the cash available for working capital and other corporate uses, and may have an adverse impact on our operations, financial condition and liquidity.

Climate change, or legal, regulatory or market measures to address climate change, may negatively affect our business, financial condition and results of operations.

Unseasonable or unusual weather or long-term climate changes may negatively impact the price or availability of spices, herbs and other raw materials. Scientific consensus shows that greenhouse gases in the atmosphere have an adverse impact on global temperatures, weather patterns and the frequency and severity of extreme weather and natural disasters. In the event that such climate change has a negative effect on agricultural productivity or practices, we may be subject to decreased availability or less favorable pricing for certain commodities that are necessary for our products. As a result of climate change, we may also be subjected to decreased availability of water, deteriorated quality of water or less favorable pricing for water, which could adversely impact our manufacturing and distribution operations. In addition, such climate change may result in modifications to the eating preferences of the ultimate consumers of certain of our products, which may also unfavorably impact our sales and profitability.

There is an increased focus by foreign, federal, state and local regulatory and legislative bodies regarding environmental policies relating to climate change, regulating greenhouse gas emissions, energy policies, and sustainability. Increased compliance costs and expenses due to the impacts of climate change and additional legal or regulatory requirements regarding climate change or designed to reduce or mitigate the effects of carbon dioxide and other greenhouse gas emissions on the environment may cause disruptions in, or an increase in the costs associated with, the running of our manufacturing facilities and our business, as well as increase distribution and supply chain costs. Moreover, compliance with any such legal or regulatory requirements may require us to make significant changes in our business operations and strategy, which will likely require us to devote substantial time and attention to these matters and cause us to incur additional costs. Even if we make changes to align ourselves with such legal or regulatory requirements, we may still be subject to significant penalties or potential litigation if such laws and regulations are interpreted and applied in a manner inconsistent with our practices. The effects of climate change and legal or regulatory initiatives to address climate change could have a long-term adverse impact on our business and results of operations.

Additionally, we might fail to effectively address increased attention from the media, stockholders, activists and other stakeholders on climate change and related environmental sustainability matters. Such failure, or the perception that we have failed to act responsibly regarding climate change, whether or not valid, could result in adverse publicity and negatively affect our business and reputation.

Moreover, from time to time we establish and publicly announce goals and commitments, including to reduce our impact on the environment. For example, we established science-based target 2025 – 2030 goals for Scope 1, 2 and 3 greenhouse gas emissions. Our ability to achieve any stated goal, target or objective is subject to numerous factors and conditions, many of which are outside of our control. Examples of such factors include evolving regulatory requirements affecting sustainability standards or disclosures or imposing different requirements, the pace of changes in technology, the availability of requisite financing and the availability of suppliers that can meet our sustainability and other standards. If we fail to achieve, or are perceived to have failed or been delayed in achieving, or improperly report our progress toward achieving these goals and commitments, it could negatively affect consumer preference for our products or investor confidence in our stock, as well as expose us to enforcement actions and litigation

ESG issues, including those related to climate change and sustainability, may have an adverse effect on our business, financial condition and results of operations and damage our reputation.

Companies across all industries are facing increasing scrutiny relating to their ESG policies. If we are unable to meet our ESG goals or evolving investor, industry or stakeholder expectations and standards, or if we are perceived to have not responded appropriately to the growing concern for ESG issues, customers and consumers may choose to stop purchasing our products or purchase products from another company or a competitor, and our reputation, business or financial condition may be adversely affected. Increased focus and activism on ESG topics may hinder our access to capital, as investors may reconsider their capital investment as a result of their assessment of our ESG practices. In particular, these constituencies are increasingly focusing on environmental issues, including climate change, water use, deforestation, plastic waste, and other sustainability concerns. Changing consumer preferences may result in increased demands regarding plastics and packaging materials, including single-use and non-recyclable plastic packaging, and other components of our products and their environmental impact on sustainability; a growing demand for natural or organic products and ingredients; or increased consumer concerns or perceptions (whether accurate or inaccurate) regarding the effects of ingredients or substances present in certain consumer products. These demands could impact the profitability of some of our products or cause us to incur additional costs, to make changes to our operations to make additional commitments, set targets or establish additional goals and take actions to meet them, which could expose us to market, operational and execution costs or risk.

In addition to environmental issues these constituencies are also focused on social and other governance issues, including matters such as, but not limited to, human capital and social issues. We also have established diversity, equity and inclusion goals as part of our ESG initiative. Our initiatives also extend from individuals to entire communities, including those we serve and, just as importantly, those from which we source.

Concern over climate change, including plastics and packaging materials, in particular, may result in new or increased legal and regulatory requirements. Increased regulatory requirements related to environmental causes, and related ESG disclosure rules, including the SEC's recent disclosure proposal on climate change, may result in increased compliance costs or increased costs of energy, raw materials or compliance with emissions standards, which may cause disruptions in the manufacture of our products or an increase in operating costs. Any failure to achieve our ESG goals or a perception (whether or not valid) of our failure to act responsibly with respect to the environmental, human capital, or social issues, or to effectively respond to new, or changes in, legal or regulatory requirements concerning environmental or other ESG matters, or increased operating or manufacturing costs due to increased regulation or environmental causes could adversely affect our business and reputation and increase risk of litigation.

Risks Relating to Credit and Capital Markets, Our Credit Rating, Borrowings and Dividends

Increases in interest rates or changes in our credit ratings may negatively impact us.

On November 30, 2022, we had total outstanding variable rate debt of approximately $1,295 million, including $1,237 million of short-term borrowings, at a weighted-average interest rate of approximately 4.2%. The interest rates under our revolving credit facilities can vary based on our credit ratings. We also regularly access the commercial paper markets for ongoing funding requirements. A downgrade in our credit ratings would increase our borrowing costs and could affect our ability to issue commercial paper. Additionally, disruptions in the commercial paper market or other effects of volatile economic conditions on the credit markets could also reduce the amount of commercial paper that we could issue and raise our borrowing costs. Our policy is to manage our interest rate risk by entering into both fixed and variable rate debt arrangements. We also use interest rate swaps to minimize worldwide financing cost and to achieve a desired mix of fixed and variable rate debt. On November 30, 2022, we had total outstanding fixed to variable interest rate swaps with a notional value of $600 million. We utilize derivative financial instruments to enhance our ability to manage risk, including interest rate exposures that exist as part of our ongoing business operations. We do not enter into contracts for trading purposes, nor are we a party to any leveraged derivative instruments. Our use of derivative financial instruments is monitored through regular communication with senior management and the utilization of written guidelines. However, our use of these instruments may not effectively limit or eliminate our exposure to changes in interest rates. Therefore, we cannot provide assurance that future credit rating or interest rate changes will not have a material negative impact on our business, financial position or operating results.

Our credit ratings impact the cost and availability of future borrowings and, accordingly, our cost of capital.

Our credit ratings reflect each rating organization's opinion of our financial strength, operating performance and ability to meet our debt obligations. Any reduction in our credit ratings may limit our ability to borrow as well as the interest rates that are associated with any such borrowing. If our credit ratings are downgraded or put on watch for a potential downgrade, we may not be able to sell additional debt securities or borrow money in the amounts, at the times or interest rates, or upon the more favorable terms and conditions that might be available if our current credit ratings were maintained.

We may incur additional indebtedness to finance our acquisitions that may limit our ability to, among other matters, issue additional indebtedness, meet our debt service requirements, react to rising interest rates, comply with certain covenants and compete with less highly leveraged competitors.

We have a significant amount of indebtedness outstanding. As of November 30, 2022, our indebtedness of McCormick and its subsidiaries is approximately $5.1 billion. This substantial level of indebtedness could have important consequences to our business, including, but not limited to:

- increasing our debt service obligations, making it more difficult for us to satisfy our obligations;
- limiting our ability to borrow additional funds;
- increasing our exposure to negative fluctuations in interest rates;
- subjecting us to financial and other restrictive covenants, the non-compliance with which could result in an event of default;
- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;

- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- placing us at a competitive disadvantage as compared to our competitors, to the extent that they are not as highly leveraged.

The deterioration of credit and capital markets may adversely affect our access to sources of funding.

We rely on our revolving credit facilities, or borrowings backed by these facilities, to fund a portion of our working capital needs and other general corporate purposes, including funding of acquisitions. If any of the banks in the syndicates backing these facilities were unable to perform on its commitments, our liquidity could be impacted, which could adversely affect funding of seasonal working capital requirements. We engage in regular communication with all of the banks participating in our revolving credit facilities. During these communications, none of the banks have indicated that they may be unable to perform on their commitments. In addition, we periodically review our banking and financing relationships, considering the stability of the institutions, pricing we receive on services and other aspects of the relationships. Based on these communications and our monitoring activities, we believe the likelihood of one of our banks not performing on its commitment is remote.

In addition, global capital markets have experienced volatility in the past, including related to recession, financial instability or inflation, that has tightened access to capital markets and other sources of funding, and such volatility and tightened access could reoccur in the future. In the event that we need to access the capital markets or other sources of financing, there can be no assurance that we will be able to obtain financing on acceptable terms or within an acceptable time period. Our inability to obtain financing on acceptable terms or within an acceptable time period could have an adverse impact on our operations, financial condition and liquidity.

Uncertain global economic conditions expose us to credit risks from customers and counterparties.

Consolidations in some of the industries in which our customers operate have created larger customers, some of which are highly leveraged. In addition, competition has increased with the growth in alternative channels through our customer base. These factors have caused some customers to be less profitable and increased our exposure to credit risk. Current credit markets are volatile, and some of our customers and counterparties are highly leveraged. A significant adverse change in the financial and/or credit position of a customer or counterparty could require us to assume greater credit risk relating to that customer or counterparty and could limit our ability to collect receivables. This could have an adverse impact on our financial condition and liquidity.

The uncertainty regarding the planned phase-out of LIBOR may negatively impact our operating results.

The phase out of LIBOR reference rates began on January 1, 2022 and will occur at different dates. After December 31, 2021, all sterling, euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month U.S. dollar settings were phased out. We have revised certain of our agreements to include the new reference rates. However, LIBOR is the interest rate benchmark used as a reference rate on our revolving credit facility expiring in July 2026, interest rate swaps expiring in November 2025 and August 2027, and cross currency interest rate swaps expiring in August 2027. Certain of these agreements include fallback language, or the contractual provisions that lay out the process through which a replacement rate can be identified if the previously identified benchmark is not available, that will facilitate the transition to a new reference rate. We anticipate that all of our affected contractual reference rates will be revised by the second quarter of 2023, in advance of the June 30, 2023 phase out of all of our remaining U.S. dollar LIBOR settings.

There continue to be many uncertainties regarding a transition from LIBOR, including but not limited to the need to amend all contracts with LIBOR as the referenced rate and how this will impact our cost of variable rate debt and certain derivative financial instruments. The consequences of these developments with respect to LIBOR cannot be entirely predicted but could result in an increase in the cost of our variable rate debt or derivative financial instruments which may be detrimental to our financial position or operating results.

The declaration, payment and amount of dividends is made at the discretion of our board of directors and depends on a number of factors.

The declaration, payment and amount of any dividends is made pursuant to our dividend policy and is subject to final determination each quarter by our board of directors in its discretion based on a number of factors that it deems relevant, including our financial position, results of operations, available cash resources, cash requirements and alternative uses of cash that our board of directors may conclude would be in the best interest of the company and our shareholders. Our dividend payments are subject to solvency conditions established by the Maryland

General Corporation Law. Accordingly, there can be no assurance that any future dividends will be equal or similar in amount to any dividends previously paid or that our board of directors will not decide to reduce, suspend or discontinue the payment of dividends at any time in the future.

<u>Risks Related to Intellectual Property, Information Technology, and Cyber-Security</u>

Our intellectual property rights, and those of our customers, could be infringed, challenged or impaired, and reduce the value of our products and brands or our business with customers.

We possess intellectual property rights that are important to our business, and we are provided access by certain customers to particular intellectual property rights belonging to such customers. These intellectual property rights include ingredient formulas, trademarks, copyrights, patents, business processes and other trade secrets which are important to our business and relate to some of our products, our packaging, the processes for their production, and the design and operation of equipment used in our businesses. We protect our intellectual property rights, and those of certain customers, globally through a variety of means, including trademarks, copyrights, patents and trade secrets, third-party assignments and nondisclosure agreements, and monitoring of third-party misuses of intellectual property. If we fail to obtain or adequately protect our intellectual property (and the intellectual property of customers to which we have been given access), the value of our products and brands could be reduced and there could be an adverse impact on our business, financial condition and results of operations.

Our operations and reputation may be impaired if our information technology systems fail to perform adequately or if we are the subject of a data breach or cyber-attack.

Our information technology systems are critically important to operating our business. We rely on our information technology systems, some of which are or may be managed or hosted by or outsourced to third party service providers, to manage our business data, communications, supply chain, order entry and fulfillment, and other business processes. If we do not allocate and effectively manage the resources necessary to build, sustain, and protect appropriate information technology systems and infrastructure, or we do not effectively implement system upgrades or oversee third party service providers, our business or financial results could be negatively impacted. The failure of our information technology systems to perform as we anticipate could disrupt our business and could result in transaction or reporting errors, processing inefficiencies and the loss of sales and customers, causing our business and results of operations to suffer.

Furthermore, our information technology systems, and the systems of our customers, vendors, suppliers, and other third-party service providers, are subject to cyber-attacks or other security incidents including computer viruses or other malicious codes, phishing attacks, unauthorized access attempts, cyber extortion, business email compromise, social engineering, denial of service attacks, hacking, ransomware, or other cyberattacks attempting to exploit vulnerabilities. Continued geographical turmoil, including the ongoing conflict between Russia and Ukraine, has heightened the risk of cyberattack. Such incidents could result in unauthorized access to information including customer, consumer or other company confidential data as well as disruptions to operations. We, and the third-parties we do business with, have experienced in the past, and expect to continue to experience, cybersecurity threats and attacks, although to date none has been material. To address the risks to our information technology systems and data, we maintain an information security program that includes updating technology, developing security policies and procedures, implementing and assessing the effectiveness of controls, monitoring and routine testing of our information systems, conducting risk assessments of third-party service providers and designing business processes to mitigate the risk of such breaches. We believe that these preventative actions provide adequate measures of protection against security breaches and generally reduce our cybersecurity risks. However, cyber-threats are constantly evolving, are becoming more sophisticated and are being made by groups of individuals with a wide range of expertise and motives, which increases the difficulty of detecting and successfully defending against them. There can be no assurance that these measures will prevent or limit the impact of a future incident. Moreover, the development and maintenance of these measures requires continuous monitoring as technologies change and efforts to overcome security measures evolve. Additionally, we rely on services provided by third-party vendors for certain information technology processes and functions, which makes our operations vulnerable to a failure by any one of these vendors to perform adequately or maintain effective internal controls. If we are unable to prevent or adequately respond to and resolve an incident, it may have a material, negative impact on our operations or business reputation, and we may experience other adverse consequences such as loss of assets, remediation costs, litigation, regulatory investigations, and the failure by us to retain or attract customers following such an event.

If we are not able to successfully implement our business transformation initiative or utilize information technology systems and networks effectively, our ability to conduct our business may be negatively impacted.

We continue to implement our multi-year business transformation initiative to execute significant change to our global processes, capabilities and operating model, including in our Global Enablement (GE) organization, in order to provide a scalable platform for future growth, while reducing costs. As technology provides the backbone for greater process alignment, information sharing and scalability, we are also making investments in our information systems, including the multi-year program to replace our enterprise resource planning (ERP) system currently underway, which includes the transformation of our financial processing systems to enterprise-wide systems solutions. These systems implementations are part of our ongoing business transformation initiative, and we currently plan to implement these systems throughout all parts of our businesses. If we do not allocate and effectively manage the resources necessary to build and sustain the proper information technology infrastructure, or if we fail to achieve the expected benefits from this initiative, it may impact our ability to process transactions accurately and efficiently and remain in step with the changing needs of our business, which could result in the loss of customers and revenue. In addition, failure to either deliver the applications on time (due to operational limitations caused by the COVID-19 pandemic or otherwise), or anticipate the necessary readiness and training needs, could lead to business disruption and loss of customers and revenue. In connection with these implementations and resulting business process changes, we continue to enhance the design and documentation of business processes and controls, including our internal control over financial reporting processes, to maintain effective controls over our financial reporting.

We utilize cloud-based services and systems and networks managed by third-party vendors to process, transmit and store information and to conduct certain of our business activities and transactions with employees, customers, vendors and other third parties. Our utilization of these cloud-based services and systems will increase as we implement our business transformation initiatives. If any of these third-party service providers or vendors do not perform effectively, or if we fail to adequately monitor their performance (including compliance with service-level agreements or regulatory or legal requirements), we may not be able to achieve expected cost savings, we may have to incur additional costs to correct errors made by such service providers, our reputation could be harmed or we could be subject to litigation, claims, legal or regulatory proceedings, inquiries or investigations. Depending on the function involved, such errors may also lead to business disruption, processing inefficiencies, the loss of or damage to intellectual property or sensitive data through security breaches or otherwise, incorrect or adverse effects on financial reporting, litigation or remediation costs, or damage to our reputation, which could have a negative impact on employee morale. In addition, the management of multiple third-party service providers increases operational complexity and decreases our control.

Risks Related to Our Global Business, Litigation, Laws and Regulations

Laws and regulations could adversely affect our business.

Food products are extensively regulated in most of the countries in which we sell our products. We are subject to numerous laws and regulations relating to the growing, sourcing, manufacturing, storage, labeling, marketing, advertising and distribution of food products, as well as laws and regulations relating to financial reporting requirements, the environment, consumer protection, competition, anti-corruption, privacy, relations with distributors and retailers, foreign supplier verification, customs and trade laws, including the import and export of products and product ingredients, employment, and health and safety. Enforcement of existing laws and regulations, changes in legal requirements, and/or evolving interpretations of existing regulatory requirements may result in increased compliance costs and create other obligations, financial or otherwise, that could adversely affect our business, financial condition or operating results. Increased regulatory scrutiny of, and increased litigation involving, product claims and concerns regarding the attributes of food products and ingredients may increase compliance costs and create other obligations that could adversely affect our business, financial condition or operating results. Governments may also impose requirements and restrictions that impact our business, such as labeling disclosures pertaining to ingredients. For example, "Proposition 65, the Safe Drinking Water and Toxic Enforcement Act of 1986," in California exposes all food companies to the possibility of having to provide warnings on their products in that state. If we were required to add warning labels to any of our products or place warnings in locations where our products are sold in order to comply with Proposition 65, the sales of those products and other products of our company could suffer, not only in those locations but elsewhere.

In addition, there are various compliance obligations for companies that process personal data of certain individuals, including such obligations required by the European Union’s General Data Protection Regulation (GDPR), which affects all member states of the European Economic Area, and the California Consumer Privacy Act (CCPA). These types of data privacy laws create a range of compliance obligations for companies that process personal data of certain individuals and increases financial penalties for non-compliance. Our efforts to comply with these privacy and data protection laws may not be successful, or may be perceived to be unsuccessful, which could adversely affect our business in the United States, the European Union and in other countries.

In the United States, for example, the CCPA imposes requirements on companies that do business in California and collect personal information from certain individuals, including notice, consent and service provider requirements. The CCPA also provides for civil penalties for companies that fail to comply with these requirements, as well as a private right of action for data breaches. Further, the California Privacy Rights Act ("CPRA") went into full effect on January 1, 2023 (with a 'look-back' to January 1, 2022). The CPRA builds on the CCPA and among other things, requires the establishment of a dedicated agency to regulate privacy issues. In 2021, Virginia, Colorado, Connecticut and Utah all have adopted laws which will take effect introducing new privacy obligations, which may require us to develop additional compliance mechanisms and processes. Many other states are considering similar legislation. A broad range of legislative measures also have been introduced at the federal level. There also is a wide range of enforcement agencies at both the state and federal levels that can review companies for privacy and data security concerns based on general consumer protection laws. The Federal Trade Commission and state Attorneys General all are aggressive in reviewing privacy and data security protections for consumers. Accordingly, failure to comply with federal and state laws (both those currently in effect and future legislation) regarding privacy and security of personal information could expose us to fines and penalties under such laws. There also is the threat of consumer class actions related to these laws and the overall protection of personal data. Even if we are not determined to have violated these laws, government investigations into these issues typically require the expenditure of significant resources and generate negative publicity, which could harm our reputation and our business.

Similarly, outside of the United States, there are various laws and regulations governing the collection, use, disclosure, transfer, or other processing of personal data. For instance, the GDPR, which applies to the processing of personal data of individuals in the European Union, is wide-ranging in scope and imposes numerous requirements on companies that process personal data, including strict rules on the transfer of personal data to countries outside the European Union, including the United States. Beyond GDPR, there are privacy and data security laws in a growing number of countries around the world (including in the United Kingdom as a result of Brexit). While many loosely follow GDPR as a model, other laws contain different or conflicting provisions. These laws may impact our ability to conduct our business activities and the costs associated with these activities.

Litigation, legal or administrative proceedings could have an adverse impact on our business and financial condition or damage our reputation.

We are party to a variety of legal claims and proceedings in the ordinary course of business. Since litigation is inherently uncertain, there is no guarantee that we will be successful in defending ourselves against such claims or proceedings, or that management's assessment of the materiality or immateriality of these matters, including any reserves taken in connection with such matters, will be consistent with the ultimate outcome of such claims or proceedings. In the event that management's assessment of the materiality or immateriality of current claims and proceedings proves inaccurate, or litigation that is material arises in the future, there may be a material adverse effect on our financial condition. Any adverse publicity resulting from allegations made in litigation claims or legal or administrative proceedings (even if untrue) may also adversely affect our reputation. These factors and others could have an adverse impact on our business and financial condition or damage our reputation.

Our international and cross-border operations are subject to additional risks.

We operate our business and market our products internationally. In fiscal year 2022, approximately 38% of our sales were generated in countries other than the U.S. Our international operations are subject to additional risks, including fluctuations in currency values, foreign currency exchange controls, discriminatory fiscal policies, compliance with U.S. and foreign laws, enforcement of remedies in foreign jurisdictions and other economic or political uncertainties. Several countries within the European Union continue to experience sovereign debt and credit issues, which causes more volatility in the economic environment throughout the European Union and the U.K. Additionally, sales in countries other than the U.S., together with finished goods and raw materials imported into the U.S., are subject to risks related to fundamental changes to tax laws as well as the imposition of tariffs, quotas, trade barriers and other similar restrictions. All of these risks could result in increased costs or decreased revenues, which could adversely affect our profitability.

The global nature of our business, changes in tax legislation and the resolution of tax uncertainties create volatility in our effective tax rate.

As a global business, our tax rate from period to period can be affected by many factors, including changes in tax legislation, our global mix of earnings, the tax characteristics of our income, acquisitions and dispositions, adjustments to our reserves related to uncertain tax positions, changes in valuation allowances and the portion of the income of international subsidiaries that we expect to remit to the U.S. and that will be taxable.

In addition, significant judgment is required in determining our effective tax rate and in evaluating our tax positions. We establish accruals for certain tax contingencies when, despite the belief that our tax return positions are appropriately supported, the positions are uncertain. The tax contingency accruals are adjusted in light of changing facts and circumstances, such as the progress of tax audits, case law and emerging legislation. Our effective tax rate includes the impact of tax contingency accruals and changes to those accruals, including related interest and penalties, as considered appropriate by management. When particular matters arise, a number of years may elapse before such matters are audited and finally resolved. Favorable resolution of such matters could be recognized as a reduction to our effective tax rate in the year of resolution. Unfavorable resolution of any particular issue could increase the effective tax rate and may require the use of cash in the year of resolution.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal executive offices and primary research facilities are leased and owned, respectively, and are located in suburban Baltimore, Maryland.

The following is a list of our principal manufacturing properties, all of which are owned except for the facilities in Commerce, California; Lakewood, New Jersey; Melbourne, Australia; Florence, Italy; and a portion of the facility in Littleborough, England, which are leased. The manufacturing facilities that we own in Guangzhou, Shanghai and Wuhan, China are each located on land subject to long-term leases:

United States:
- Hunt Valley, Maryland–consumer and flavor solutions (3 principal plants)
- Gretna, Louisiana–consumer and flavor solutions
- South Bend, Indiana–consumer and flavor solutions
- Atlanta, Georgia–flavor solutions
- Commerce, California–consumer
- Irving, Texas–flavor solutions
- Lakewood, New Jersey–flavor solutions
- Geneva, Illinois–flavor solutions
- Springfield, Missouri–consumer and flavor solutions

Canada:
- London, Ontario–consumer and flavor solutions

Mexico:
- Cuautitlán de Romero Rubio–flavor solutions

United Kingdom:
- Haddenham, England–consumer and flavor solutions
- Littleborough, England–flavor solutions
- Peterborough, England–flavor solutions

France:
- Carpentras–consumer and flavor solutions
- Monteux–consumer and flavor solutions

Poland:
- Stefanowo–consumer

Italy:
- Florence–consumer and flavor solutions (2 principal plants)

China:

Guangzhou–consumer and flavor solutions
Shanghai–consumer and flavor solutions
Wuhan–consumer

Australia:

Melbourne–consumer and flavor solutions

Palmwoods–consumer

Thailand:

Chonburi–consumer and flavor solutions

In addition to distribution facilities and warehouse space available at our manufacturing facilities, we lease regional distribution facilities as follows (i) in the U.S.: Baltimore, Belcamp, and Aberdeen, Maryland; Salinas, California; Byhalia, Mississippi; Irving, Texas; and Springfield, Missouri; (ii) in Canada: Mississauga and London, Ontario; (iii) in Heywood, U.K. and (iv) in Compans, France. We also own distribution facilities in Belcamp, Maryland and Monteux, France. In addition, we own, lease or contract other properties used for manufacturing consumer and flavor solutions products and for sales, warehousing, distribution and administrative functions.

We believe our plants are well maintained and suitable for their intended use. We further believe that these plants generally have adequate capacity or the ability to expand, and can accommodate seasonal demands, changing product mixes and additional growth.

ITEM 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings in which we or any of our subsidiaries are a party or to which any of our or their property is the subject.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II.

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our Common Stock and Common Stock Non-Voting are listed and traded on the New York Stock Exchange (NYSE). Our Common Stock and Common Stock Non-Voting trade under the ticker symbols MKC.V and MKC, respectively. We have disclosed in note 17 of the accompanying financial statements the information relating to the dividends declared and paid on our classes of common stock. The market price of our common stock at the close of business on December 30, 2022 was $82.17 per share for the Common Stock and $82.89 per share for the Common Stock Non-Voting.

The approximate number of holders of our common stock based on record ownership as of December 30, 2022 was as follows:

Title of class	Approximate number of record holders
Common Stock, par value $0.01 per share	2,100
Common Stock Non-Voting, par value $0.01 per share	9,300

The following table summarizes our purchases of Common Stock (CS) and Common Stock Non-Voting (CSNV) during the fourth quarter of 2022:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plans or programs
September 1, 2022 to September 30, 2022	CS-0 CSNV-0	- -	- -	$550 million
October 1, 2022 to October 31, 2022	CS-0 CSNV-0	- -	- -	$550 million
November 1, 2022 to November 30, 2022	CS-160,000 CSNV-0	$79.34 -	160,000 -	$537 million
Total	CS-160,000 CSNV-0	$79.34 -	160,000 -	$537 million

As of November 30, 2022, approximately $537 million remained of a $600 million share repurchase authorization approved by the Board of Directors in November 2019. The timing and amount of any shares repurchased is determined by our management based on its evaluation of market conditions and other factors.

In certain circumstances, we issue shares of CS in exchange for shares of CSNV, or issue shares of CSNV in exchange for shares of CS, in either case pursuant to the exemption from registration provided by Section 3(a)(9) of the Securities Act of 1933, as amended. Typically, these exchanges are made in connection with the administration of our employee benefit plans, executive compensation programs and dividend reinvestment/direct purchase plans. The number of shares issued in an exchange is generally equal to the number of shares received in the exchange, although the number may differ slightly to the extent necessary to comply with the requirements of the Employee Retirement Income Security Act of 1974. During fiscal 2022, we issued 1,168,764 shares of CSNV in exchange for shares of CS and issued 37,024 shares of CS in exchange for shares of CSNV.

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to help the reader understand McCormick & Company, Incorporated, our operations and our present business environment from the perspective of management. MD&A is provided as a supplement to, and should be read in conjunction with, our financial statements and the accompanying notes thereto contained in Item 8 of this report. We use certain non-GAAP information — more fully described below under the caption Non-GAAP Financial Measures — that we believe is important for purposes of comparison to prior periods and development of future projections and earnings growth prospects. This information is also used by management to measure the profitability of our ongoing operations and analyze our business performance and trends. The dollar and share information in the charts and tables in MD&A are in millions, except per share data.

McCormick is a global leader in flavor. We manufacture, market and distribute spices, seasoning mixes, condiments and other flavorful products to the entire food and beverage industry–retailers, food manufacturers and foodservice businesses. We manage our business in two operating segments, consumer and flavor solutions, as described in Item 1 of this report.

Our long-term annual growth objectives in constant currency are to increase sales 4% to 6%, increase adjusted operating income 7% to 9% and increase adjusted earnings per share 9% to 11%. Our actual results for a year can vary from our long-term growth objectives.

Recent Events

Recent events impacting our business include global economic conditions, inflationary cost environment, disruption in our supply chain, the COVID-19 pandemic, and the ongoing conflict between Russia and Ukraine, each of which are further discussed below. Each of these factors impacted our fiscal 2022 operating results and we expect each will impact our fiscal 2023 performance. We expect elevated levels of cost inflation to persist throughout 2023, although at lower levels than experienced in 2022. We anticipate in 2023 that these headwinds will be partially mitigated by pricing actions in response to inflation, supply chain productivity improvements and cost savings initiatives. The effects of inflation have also resulted in central banks raising short-term interest rates and, as a result, we expect that our interest expense will increase in 2023. While we expect the impacts of COVID-19 on our business to moderate, there still remains uncertainty around the pandemic, its effect on labor or other macroeconomic factors, its severity and duration, the continued availability and effectiveness of vaccines and actions taken by third parties or by government authorities in response, including restrictions, laws or regulations, or other responses. Also, the ongoing conflict between Russia and Ukraine, and the sanctions imposed in response to this conflict, have increased global economic and political uncertainty.

While the impact of these factors remains uncertain, we continue to evaluate the extent to which they may impact our business, financial condition, or results of operations. These and other uncertainties could result in changes to our current expectations. The potential effects of these recent events also could impact us in a number of other ways including, but not limited to, variations in the level of our sales, profitability, cash flows, fluctuations in foreign currency markets, the availability of future borrowings, the cost of borrowings, valuation of our pension assets and obligations, credit risks of our customers and counterparties, laws and regulations affecting our business, and potential impairment of the carrying value of goodwill or other indefinite-lived intangible assets.

Global Economic Conditions and Inflationary Cost Environment – During fiscal 2021 and 2022, we experienced inflationary cost increases in our commodities, packaging materials and transportation costs. We expect that these inflationary cost increases will continue but we expect they will be partially mitigated by our planned 2023 pricing actions, our organization and streamlining actions, including our Global Operating Effectiveness Program, and by our Comprehensive Continuous Improvement (CCI) program-led cost savings. There has been, and we expect there could continue to be, a difference between the timing of when the impact of cost inflation occurs and when these pricing and other actions impact our results of operations. Additionally, in some instances the pricing actions we take have been impacted by price elasticity which unfavorably impacts our sales volume and mix.

Our interest expense is impacted by the overall global economic and interest rate environment. The inflationary environment has also resulted in central banks raising short-term interest rates. On November 30, 2022, we had total outstanding variable rate debt of approximately $1,295 million. Our policy is to manage our interest rate risk by entering into both fixed and variable rate debt arrangements. We also use interest rate swaps to achieve a desired mix of fixed and variable rate debt. As of November 30, 2022, we had total outstanding fixed to variable interest rate swaps of $600 million notional. We expect that our interest expense will increase in 2023 as a result of the higher interest rate environment.

Supply Chain Disruption – Over the past several years, as we have responded to demand volatility, COVID-19 and overall macroeconomic conditions, we have experienced pressures in our supply chain, including inefficiencies associated with demand volatility. These pressures are in addition to the inflationary cost environment previously noted and have included strained availability of raw materials and transportation capacity, expedited shipping costs, costs incurred in response to COVID-19, incremental warehouse costs to store increased inventory associated with maintaining additional safety stock, additional use of co-manufacturers, and labor shortages and absenteeism, in part, associated with COVID-19. The severity of those supply chain pressures varied over 2022, 2021 and 2020.

In response to the general economic conditions, inflationary cost environment, and the supply chain pressures and related inefficiencies, we expect to eliminate approximately $125 million of costs during 2023 and 2024, including $100 million of supply chain costs and $25 million of costs across the remainder of the organization under our Global Operating Effectiveness program. The supply chain actions we are taking, and will continue to evaluate, include returning our manufacturing facilities to a more normal shift schedule, reducing headcount, and stabilizing turnover rates to reduce our labor costs; increasing our manufacturing capacity and automation to respond to the evaluated demand as well as reduce the use of co-manufacturers; and executing and evaluating initiatives to reduce the safety stock levels of our inventory that were put in place to protect against supply disruptions. The elimination of other costs across the organization will include a voluntary retirement program and other streamlining initiatives.

COVID-19 – The COVID-19 pandemic has impacted our operating results. The extent and nature of government actions, customer and end-consumer demand and the impact on our supply chain varied during the years ended November 30, 2022, 2021 and 2020 based upon the then-current extent and severity of the COVID-19 pandemic within the countries, localities and markets where we do business.

We continue to actively monitor the impact of COVID-19 on all aspects of our business. However, uncertainty remains with the pandemic and such impact will ultimately depend on the length and severity of the pandemic, including new strains and variants of the virus; infection rates in the markets where we do business; the federal, state, and local government actions taken in response; vaccine effectiveness; and the macroeconomic environment. The effects of COVID-19 on consumer behavior have impacted the relative balance of at-home versus away-from-home food consumption and demand. While we continue to see strong levels of at-home consumption compared to pre-pandemic levels, the favorable impact of increased at-home meal preparation was less significant in the year ended November 30, 2022 as compared to 2021. This change in consumer behavior was due in part to a decrease in the prevalence and scale of restrictive measures in place to reduce the spread of COVID-19 in the 2022 period as compared to 2021. Conversely, we continue to see improvements in away-from-home demand associated with the COVID-19 recovery. During the year ended November 30, 2022, our flavor solutions segment sales improved as away-from-home consumption increased as compared to 2021, in part, due to the continued easing of restrictive COVID-19 mitigation measures in many jurisdictions compared to those that were in place during 2021. However, during 2022 the impact of restrictive measures related to COVID-19 resurgences in China negatively impacted consumer behavior in China as compared to 2021.

For comparative purposes, the following provides a summary of our compounded annual growth rate in net sales as reported and on a constant currency basis for the year ended 2022 as compared to 2019:

	For the year ended November 30, 2022 as compared to the year ended November 30, 2019		
	Percentage change as reported	Impact of foreign currency exchange	Percentage change on constant currency basis
Net sales:			
Consumer segment	4.7 %	(0.2)%	4.9 %
Flavor Solutions segment	7.7 %	(0.4)%	8.1 %
Total net sales	5.9 %	(0.3)%	6.2 %

The percentage change in our compounded annual growth rate in reported net sales and the percentage change on a constant currency basis were favorably impacted by the acquisitions of Cholula and FONA and unfavorably impacted by the sale of Kitchen Basics. In aggregate on a net basis, these factors contributed 0.6%, 2.1% and 1.3% to the consumer segment, flavor solutions segment and total net sales growth rates, respectively, in the preceding table, on both a reported and constant currency basis.

Conflict Between Russia and Ukraine – The ongoing conflict between Russia and Ukraine, and the sanctions imposed in response to this conflict, have increased global economic and political uncertainty. It is not possible to predict the broader or longer-term consequences of this conflict, or the sanctions imposed to date, which could include further sanctions, embargoes, regional instability, geopolitical shifts and adverse effects on macroeconomic conditions, security conditions, energy and fuel prices, currency exchange rates and financial markets. We announced on March 11, 2022, that we were suspending our business operations in Russia. In May 2022, we made the decision to exit our consumer business in Russia. Our operations in Ukraine were also temporarily paused in order to focus on the safety of our employees, but we have resumed, where appropriate, a reduced level of operating activities. While neither our operations in Russia nor Ukraine constitute a material portion of our business, a significant escalation or expansion of economic disruption or the conflict's current scope could disrupt our supply chain, broaden inflationary costs, and have a material adverse effect on our results of operations.

Sales Growth – Over time, we expect to grow sales with similar contributions from: 1) our base business – driven by brand marketing support, category management, and differentiated customer engagement; 2) new products; and 3) acquisitions.

Base Business – We expect to drive sales growth by optimizing our brand marketing investment through improved speed, quality and effectiveness. We measure the return on our brand marketing investment and have identified digital marketing as one of our highest return investments in brand marketing support. Through digital marketing, we are connecting with consumers in a personalized way to deliver recipes, provide cooking advice and help them discover new products.

New Products – For our consumer segment, we believe that scalable and differentiated innovation continues to be one of the best ways to distinguish our brands from our competition, including private label. We are introducing products for every type of cooking occasion, from gourmet, premium items to convenient and value-priced flavors.

For flavor solutions customers, we are developing seasonings for snacks and other food products, as well as flavors for new menu items. We have a strong pipeline of flavor solutions products aligned with our customers' new product launch plans, many of which include clean-label, organic, natural, and "better-for-you" innovation. With over 20 product innovation centers around the world, we are supporting the growth of our brands and those of our flavor solutions customers with products that appeal to local consumers.

Acquisitions – Acquisitions are expected to approximate one-third of our sales growth over time. Since the beginning of 2017, we have completed four acquisitions, which are driving sales in both our consumer and flavor solutions segments. We focus on acquisition opportunities that meet the growing demand for flavor and health. Geographically, our focus is on acquisitions that build scale where we currently have presence in both developed and emerging markets. Information with respect to our two most recent acquisitions is provided below:

- On December 30, 2020, we acquired FONA International, LLC and certain of its affiliates (FONA), a privately owned company, for approximately $708 million, net of cash acquired. We financed this fiscal 2021 acquisition with cash and short-term borrowings. FONA is a leading manufacturer of clean and natural flavors providing solutions for a diverse customer base across various applications for the food, beverage and nutritional markets which expands the breadth of our flavor solutions segment into attractive categories, as well as extends our technology platform, strengthens our capabilities, and accelerates the strategic migration of our portfolio to more value-added and technically insulated products.
- On November 30, 2020, we acquired the parent company of Cholula Hot Sauce® (Cholula) from *L* Catterton for approximately $801 million, net of cash acquired. Cholula is a strong addition to our global branded flavor portfolio, which broadens our offerings in the high growth hot sauce category to consumers and foodservice operators and accelerates our condiment growth opportunities with a complementary authentic Mexican flavor hot sauce in both our consumer and flavor solutions segments.

Cost Savings and Business Transformation – We are fueling our investment in growth with cost savings from our CCI program, an ongoing initiative to improve productivity and reduce costs throughout the organization, as well as savings from the organization and streamlining actions described in note 3 of notes to our consolidated financial statements that includes our expected elimination of approximately $125 million of costs in 2023 and 2024 as part of our Global Operating Effectiveness program, including $100 million of supply costs and $25 million of costs across the remainder of the organization. Our CCI program funds brand marketing support, product innovation and other growth initiatives. We expect our CCI program, Global Operating Effectiveness program, and organization and streamlining actions to deliver savings of approximately $75 million in 2023.

We are making investments to build the McCormick of the future, including in our Global Enablement (GE) organization to transform McCormick through globally aligned, innovative services to enable growth. As technology provides the backbone for this greater process alignment, information sharing and scalability, we are also making investments in our information systems. We continue to progress our global enterprise resource planning (ERP) replacement program which will enable us to accelerate the transformation of our ways of working and provide a scalable platform for growth.

We expect that, in total over the course of the ERP replacement program for our major markets, we will invest approximately $400 million, including expenses related to the go-live activities in our operations, to enable the anticipated completion of the roll out of our new information technology platform to those markets in 2025. Of that projected $400 million, we expect capitalized software to account for approximately 50% and program expenses to account for approximately 50%. Of the approximately $200 million of operating expenses included in our projected total spending, approximately $122 million has been recognized through November 30, 2022. Of the approximately $200 million of capitalized software included in our projected total spending, approximately $137 million has been recognized through November 30, 2022.

Cash Flow – Net cash provided by operating activities was $651.5 million, $828.3 million and $1,041.3 million in 2022, 2021, and 2020, respectively. In 2022, we continued to have a balanced use of cash for debt repayment, capital expenditures and the return of cash to shareholders through dividends and share repurchases. We are using our cash to fund shareholder dividends, with annual increases in each of the past 37 years, and to fund capital expenditures and acquisitions. In 2022, the return of cash to our shareholders through dividends and share repurchases was $435.5 million.

Operating Results – On a long-term basis, we expect a combination of acquisitions, share repurchases and debt repayments, and the resulting impact on interest expense, to add about 2% to earnings per share growth.

In 2022, we achieved further growth of our business with net sales rising 0.5% over the 2021 level due to the following factors:

- Pricing actions, including those taken in response to the inflationary cost environment, contributed 7.7% of the increase in net sales.
- Volume and product mix unfavorably impacted our net sales growth by 4.5%, exclusive of acquisitions and divestitures. Our consumer segment experienced unfavorable volume and product mix of 9.3% which included the unfavorable impact of price elasticity as well as the impact of restrictive measures related to COVID-19 resurgences in China, the exit of our consumer operations in Russia, and the exit of our rice product line in India which collectively contributed approximately 1.5% to that decline. Increased volume and product mix of 3.5% in our flavor solutions segment was principally driven by the continued strength of sales to packaged food companies and the continued recovery in away-from-home demand.
- Acquisitions contributed 0.2% of the increase in net sales. Divestitures negatively impacted our net sales increase by 0.4%.
- Net sales growth was negatively impacted by fluctuations in currency rates that decreased sales growth by 2.5%. Excluding this impact, we grew sales by 3.0% over the prior year on a constant currency basis.

Operating income was $863.6 million in 2022 and $1,015.1 million in 2021. We recorded $51.6 million and $51.1 million of special charges in 2022 and 2021, respectively, related to organization and streamlining actions. Special charges in 2021 included $4.7 million in cost of goods sold related the exit of a low margin business. In 2022 and 2021, we also recorded $2.2 million and $35.3 million of transaction and integration expenses, respectively, related to our acquisitions of Cholula and FONA that reduced operating income. In 2022, compared to the year-ago period, the unfavorable impact of increased commodity, packaging materials and transportation costs and higher conversion costs more than offset the favorable impact of higher sales, which included the impact of pricing actions taken in response to the inflationary environment, $112 million of cost savings from our CCI program, including organization and streamlining actions, and lower incentive-based compensation. Excluding special charges and transaction and integration expenses related to our acquisitions of Cholula and FONA, adjusted operating income was $917.4 million in 2022, a decrease of 16.7%, compared to $1,101.5 million in the year-ago period. In constant currency, adjusted operating income declined 15.5%. For further details and a reconciliation of non-GAAP to reported amounts, see the subsequent discussion under the heading "Non-GAAP Financial Measures".

Diluted earnings per share was $2.52 in 2022 and $2.80 in 2021. The year-on-year decrease in earnings per share was primarily driven by lower operating income that was partially offset by the favorable effect of a lower level of special charges and transaction and integration expenses in 2022 as compared to 2021. Special charges and transaction and integration expenses lowered earnings per share by $0.15 and $0.30 in 2022 and 2021, respectively. A gain on our sale of a business increased earnings per share by $0.14 in 2022. A gain on our sale of an unconsolidated operation increased earnings per share by $0.05 in 2021. Excluding the effects of special charges, transaction and integration expenses, the gain realized from the sale of a business, and the gain realized from the sale of an unconsolidated operation, adjusted diluted earnings per share was $2.53 in 2022 and $3.05 in 2021, or a decrease of 17.0%.

2023 Outlook

In 2023, we expect to grow net sales over the 2022 level by 5% to 7%, which includes a minimal impact of foreign currency rates. We anticipate that the 2023 sales growth will be driven by pricing actions, including the completion of those executed in 2022 combined with new pricing actions we are taking in 2023. We expect volume and product mix to be impacted by pricing elasticities, although, consistent with 2022, at a lower level than we have experienced historically. We anticipate that our volume and product mix will also be impacted by the combined impact of lapping last year's COVID-related disruptions in China, the divestiture of our Kitchen Basics brand in the third quarter of last year, the exit of our consumer business in Russia during the second quarter of last year, and the pruning of low margin businesses.

We expect our 2023 gross profit margin to range from 25 basis points to 75 basis points higher than our gross profit margin of 35.8% in 2022. The projected 2023 increase in gross profit margin is principally due to the net effect of (i) the favorable impact of pricing actions in response to increased commodity, packaging materials and transportation costs, (ii) the favorable impact of anticipated Global Operating Effectiveness Program and CCI cost savings, and (iii) a low to mid-teen percentage impact of inflation in 2023 compared to 2022. As we recover the cost inflation of our pricing that has lagged in the past two years, we expect cost pressures to be more than offset by pricing actions and our expected cost savings in 2023.

In 2023, we expect an increase in operating income of 10% to 12%, which includes a minimal impact from foreign currency rates, over the 2022 level. The projected 2023 change in operating income includes the effects of cost savings from our Global Operating Effectiveness Program and lapping the COVID-19 restrictive measures in China during 2022, which we anticipate will be partially offset by increased employee incentive compensation and the impact of our Kitchen Basics divestiture. Our CCI-led cost savings target in 2023 is approximately $85 million. We expect that the absence of $2.2 million of integration expenses related to the FONA acquisition in 2022 to favorably impact operating income in 2023. We also expect approximately $50 million of special charges in 2023 that relate to previously announced organization and streamlining actions; in 2022, special charges were $51.6 million. Excluding special charges and transaction and integration expenses, we expect 2023's adjusted operating income to increase by 9% to 11%, which includes a minimal impact from foreign currency rates.

We estimate that our interest expense will range from $200 to $210 million in 2023, with the increase over 2022 being driven by the higher interest-rate environment which will impact our variable rate debt. In 2023, we will also lap the favorable effects associated with the termination of interest rate contracts. These contracts were entered into to manage the interest rate risk associated with our then anticipated issuance of fixed rate debt, which favorably impacted other income, net in 2022.

Our underlying effective tax rate is projected to be higher in 2023 than in 2022. We estimate that our 2023 effective tax rate, including the net favorable impact of anticipated discrete tax items, will be 22% as compared to 20.7% in 2022. Excluding projected taxes associated with special charges, we estimate that our adjusted effective tax rate will be approximately 22% in 2023, as compared to an adjusted effective tax rate of 20.9% in 2022.

Diluted earnings per share was $2.52 in 2022. Diluted earnings per share for 2023 is projected to range from $2.42 to $2.47. Excluding the per share impact of (i) special charges of $51.6; (ii) integration expenses of $2.2 million; and (iii) the gain realized upon our sale of Kitchen Basics of $49.6 million, adjusted diluted earnings per share was $2.53 in 2022. Adjusted diluted earnings per share, excluding an estimated per share impact from special charges of $0.14, is projected to range from $2.56 to $2.61 in 2023. We expect adjusted diluted earnings per share to grow by 1% to 3% over adjusted diluted earnings per share of $2.53 in 2022, including a minimal impact from foreign currency rates.

RESULTS OF OPERATIONS—2022 COMPARED TO 2021

	2022	2021
Net sales	$ 6,350.5	$ 6,317.9
Percent growth	0.5 %	12.8 %
Components of percent growth in net sales–increase (decrease):		
Volume and product mix	(4.5)%	5.5 %
Pricing actions	7.7 %	0.8 %
Acquisitions	0.2 %	4.1 %
Divestiture	(0.4)%	— %
Foreign exchange	(2.5)%	2.4 %

Sales for 2022 increased by 0.5% from 2021 and by 3.0% on a constant currency basis (that is, excluding the impact of foreign currency exchange as more fully described under the caption, Non-GAAP Financial Measures). Unfavorable volume and product mix decreased sales by 4.5% with growth in our flavor solutions segment being more than offset by a decline in our consumer segment. The impact of restrictive measures related to COVID-19 resurgences in China, the exit of our consumer operations in Russia, and the exit of our rice product line in India, contributed approximately 1.0% to that decline as compared to 2021. In addition, pricing actions, taken in response to the inflationary cost environment, added 7.7% to sales, as compared to the prior year. Acquisitions and a divestiture added to and decreased sales by 0.2% and 0.4%, respectively, both as compared to the prior year. Sales were impacted by unfavorable foreign currency rates that decreased sales by 2.5% in 2022 as compared to the prior year and are excluded from our measure of sales growth of 3.0% on a constant currency basis.

	2022	2021
Gross profit	$ 2,274.5	$ 2,494.6
Gross profit margin	35.8 %	39.5 %

In 2022, gross profit decreased by $220.1 million, or 8.8%, from the comparable period in 2021. Our gross profit margin for 2022 was 35.8%, a decrease of 370 basis points from 39.5% in 2021. The decline was driven by the margin dilutive impact of pricing actions taken in response to the inflationary cost environment of approximately 240 basis points, increased commodity, packaging materials and transportation costs, higher conversion costs and a less favorable product mix both within and between our segments, each as compared to 2021. These unfavorable impacts were partially offset by cost savings led by our CCI program. In addition, our gross profit for 2021 was burdened by (i) $6.3 million of transaction expense, representing the amortization of the fair value adjustment to the acquired inventories of Cholula and FONA upon our sale of those acquired inventories in the first quarter of fiscal 2021 and (ii) a non-cash special charge of $4.7 million associated with the exit of a low margin business in our Asia/Pacific region. Excluding those transaction and integration expenses and special charges, adjusted gross profit margin declined 390 basis points to 35.8% in 2022 from 39.7% in 2021.

	2022	2021
Selling, general & administrative expense	$ 1,357.1	$ 1,404.1
Percent of net sales	21.4 %	22.3 %

Selling, general and administrative (SG&A) expense decreased by $47.0 million in 2022 as compared to 2021. That decrease in SG&A expense was primarily a result of lower performance-based employee incentive expenses and variable selling costs, both as compared to the prior year. This decrease was partially offset by (i) higher distribution costs; (ii) unfavorable investment results associated with non-qualified retirement plan assets; and (iii) higher investment associated with the implementation of our global enterprise resource planning (ERP) platform. SG&A as a percent of net sales for 2022 decreased by 90 basis points from the prior year level, due primarily to the net impact of the previously mentioned factors.

	2022	2021
Special charges included in cost of goods sold	$ —	$ 4.7
Other special charges	51.6	46.4
Total special charges	$ 51.6	$ 51.1

We regularly evaluate whether to implement changes to our organization structure to reduce fixed costs, simplify or improve processes, and improve our competitiveness, and we expect to continue to evaluate such actions in the future. From time to time, those changes are of such significance in terms of both up-front costs and organizational/ structural impact that we obtain advance approval from our Management Committee and classify expenses related to those changes as special charges in our financial statements.

During 2022, we recorded $51.6 million of special charges, consisting principally of (i) $23.3 million associated with the exit of our consumer business in Russia, (ii) $21.5 million associated with the transition of a manufacturing facility in EMEA, and (iii) streamlining actions of $8.0 million in the Americas region, $7.1 million in the EMEA region, and (iv) $5.6 million associated with a U.S. voluntary retirement program. As more fully described in note 3 of our notes of consolidated financial statements, these charges were partially offset by a $13.6 million gain on the sale of our Kohinoor brand that was associated with the rice product line in India that we exited in the fourth quarter of fiscal 2021, as well as a reversal of $2.2 million of estimated costs associated with that rice product line exit upon settlement of a supply agreement related to that product line.

During 2021, we recorded $51.1 million of special charges, consisting principally of (i) $19.5 million associated with our exit of our rice product line in India (ii) $6.2 million associated with the transition of a manufacturing facility in EMEA, (iii) streamlining actions of $10.3 million in the Americas region and $4.8 million in the EMEA region, and (iv) a non-cash asset impairment charge of $6.0 million associated with an administrative site that was sold in conjunction with our decision to employ a hybrid work environment.

Details with respect to the composition of special charges are including the accompanying notes to our financial statements contained in Item 8 of this report.

		2022		2021
Transaction expenses included in cost of goods sold	$	—	$	6.3
Other transaction and integration expenses		2.2		29.0
Total transaction and integration expenses	$	2.2	$	35.3

During 2022, we recorded $2.2 million of integration expenses related to our acquisition of FONA. During 2021, we recorded transaction and integration expenses of $35.3 million related to our acquisitions of Cholula and FONA. These costs consisted of (i) $6.3 million of amortization of the acquisition-date fair value adjustment of inventories that is included in Cost of goods sold, (ii) $13.8 million of other transaction expenses primarily related to outside advisory, service and consulting costs, and (iii) $15.2 million of integration expenses.

		2022		2021
Operating income	$	863.6	$	1,015.1
Percent of net sales		13.6 %		16.1 %

Operating income decreased by $151.5 million, or 14.9%, from $1,015.1 million in 2021 to $863.6 million in 2022. Special charges and transaction and integration expenses decreased by $32.6 million in 2022, as compared to 2021, and positively impacted operating income. Operating income as a percentage of net sales declined by 250 basis points in 2022, to 13.6% in 2022 from 16.1% in 2021 as a result of the factors previously described. Excluding the effect of special charges and transaction and integration expenses previously described, adjusted operating income was $917.4 million in 2022 as compared to $1,101.5 million in 2021, a decrease of $184.1 million or 16.7% from the 2021 level. Adjusted operating income as a percentage of net sales declined by 300 basis points in 2022, to 14.4% in 2022 from 17.4% in 2021.

		2022		2021
Interest expense	$	149.1	$	136.6
Other income, net		98.3		17.3

Interest expense was $12.5 million higher in 2022 as compared to the prior year as an increase in interest rates during the latter part of 2022 was partially offset by a decrease in average total borrowings. Other income, net for 2022 increased by $81.0 million, including the impact of a $49.6 million gain on the sale of our Kitchen Basics business and $18.7 million associated with the settlement of treasury lock arrangements, both of which are more fully described in the notes to the accompanying financial statements. The remaining increase was principally driven by an increase in interest income, as compared to the prior year.

	2022	2021
Income from consolidated operations before income taxes	$ 812.8	$ 895.8
Income tax expense	168.6	192.7
Effective tax rate	20.7 %	21.5 %

The provision for income taxes is based on the estimate of the annual effective tax rate adjusted to reflect the tax impact of items discrete to the fiscal period. We record tax expense or tax benefits that do not relate to ordinary income in the current fiscal year discretely in the period in which such items occur pursuant to the requirements of U.S. GAAP. Examples of such types of discrete items not related to ordinary income include, but are not limited to, excess tax benefits associated with stock-based compensation, changes in estimates of the outcome of tax matters related to prior years, including reversals of reserves upon the lapsing of statutes of limitations, provision-to-return adjustments, the settlement of tax audits, changes in enacted tax rates, changes in the assessment of deferred tax valuation allowances, acquisition related deferred tax adjustments, and the tax effects of certain intra-entity asset transfers (other than inventory).

The effective tax rate was 20.7% in 2022 as compared to 21.5% in 2021. The decrease in our effective tax rate was principally attributable to the effects of the lower level of income before income taxes and the higher level of net discrete tax benefits in 2022 as compared to 2021. Net discrete tax benefits were $27.6 million in 2022, an increase of $1.0 million from $26.6 million in 2021. Discrete tax benefits in both the 2022 and 2021 periods included excess tax benefits associated with stock-based compensation ($9.1 million and $4.3 million in 2022 and 2021, respectively), the reversal of reserves for unrecognized tax benefits ($6.9 million and $22.5 million in 2022 and 2021, respectively) due to, in 2021, the partial release of certain reserves for an unrecognized tax benefit and related interest in a non-U.S. jurisdiction based on a change in our assessment of the technical merits of that position associated with the availability of new information, and in both years due to the expiration of the statutes of limitations, the release of valuation allowances due to a change in judgment about realizability of deferred tax assets ($4.6 million and $4.4 million in 2022 and 2021, respectively), tax benefits related to the revaluation of deferred taxes resulting from enacted legislation ($3.9 million and $4.0 million in 2022 and 2021, respectively), and other discrete items. In 2022, other discrete tax items included $2.3 million of tax benefits related to the sale of an asset associated with a previously exited line of business. In 2021, other discrete tax items included $10.4 million of deferred state tax expense directly related to our December 2020 acquisition of FONA. See note 13 of notes to our consolidated financial statements for a more detailed reconciliation of the U.S. federal tax rate with the effective tax rate.

	2022	2021
Income from unconsolidated operations	$ 37.8	$ 52.2

Income from unconsolidated operations, which is presented net of the elimination of earnings attributable to non-controlling interests, decreased $14.4 million in 2022 from the prior year. We own 50% of most of our unconsolidated joint ventures, including our largest joint venture, McCormick de Mexico, that comprised 84% and 62% of the income of our unconsolidated operations in 2022 and 2021, respectively. The decrease for 2022 as compared to 2021 was primarily driven by the after-tax gain of $13.4 million on the sale of an unconsolidated operation that occurred in 2021.

We reported diluted earnings per share of $2.52 in 2022, compared to $2.80 in 2021. The table below outlines the major components of the change in diluted earnings per share from 2021 to 2022. The decrease in operating income in the table below includes the impact from unfavorable currency exchange rates in 2022.

2021 Earnings per share—diluted	$ 2.80
Decrease in operating income	(0.54)
Decrease in special charges, net of taxes	0.02
Decrease in transaction and integration expenses, including impact of net discrete tax item related to FONA acquisition	0.13
Gain on the sale of a business, net of taxes	0.14
Increase in other income, excluding gain on the sale of a business	0.09
Decrease in income from unconsolidated operations, including the after-tax gain on sale of unconsolidated operation of $0.05 per diluted share in 2021	(0.05)
Impact of change in effective income tax rate, excluding taxes on special charges, transaction and integration expenses, and the sale of a business	(0.03)
Increase in interest expense	(0.04)
2022 Earnings per share—diluted	$ 2.52

Results of Operations—Segments

We measure the performance of our business segments based on operating income, excluding special charges and transaction and integration expenses related to our acquisitions. See note 16 of notes to our consolidated financial statements for additional information on our segment measures as well as for a reconciliation by segment of operating income, excluding special charges and transaction and integration expenses related to our acquisitions. In the following discussion, we refer to our previously described measure of segment profit as "Segment operating income."

Consumer Segment

	2022	2021
Net sales	$ 3,757.9	$ 3,937.5
Percent - (decline) increase	(4.6)%	9.5 %
Components of percent change in net sales–(decrease) increase:		
Volume and product mix	(9.3)%	4.3 %
Pricing actions	7.4 %	0.6 %
Acquisitions	— %	2.4 %
Divestitures	(0.6)%	— %
Foreign exchange	(2.1)%	2.2 %
Segment operating income	$ 710.7	$ 804.9
Segment operating income margin	18.9 %	20.4 %

Sales of our consumer segment in 2022 decreased by 4.6% as compared to 2021 and decreased by 2.5% on a constant currency basis. The sales decrease was driven by lower sales of our consumer business in the Americas, EMEA and Asia/Pacific regions. Lower volume and unfavorable product mix decreased sales by 9.3%. The impact of restrictive measures related to COVID-19 resurgences in China, the exit of our consumer operations in Russia, and the exit of our rice product line in India, contributed approximately 1.5% to that decline as compared to 2021. Pricing actions, taken in response to inflationary cost pressures, increased sales by 7.4% in 2022 as compared to the prior year level. The divestiture of our Kitchen Basics business unfavorably impacted sales by 0.6% as compared to 2021. An unfavorable impact from foreign currency rates decreased sales by 2.1% compared to the prior year and is excluded from our measure of sales decline of 2.5% on a constant currency basis.

In the Americas region, consumer sales decreased 1.1% in 2022 as compared to 2021 and decreased by 0.9% on a constant currency basis. Unfavorable volume and product mix decreased sales by 8.6% as compared to the corresponding period in 2021, including the unfavorable impact of price elasticity. Pricing actions, taken in response to higher costs, increased sales by 8.6% as compared to the prior year. The sale of our Kitchen Basics business unfavorably impacted sales by 0.9% as compared to 2021. The unfavorable impact of foreign currency rates decreased sales by 0.2% in the year and is excluded from our measure of sales decline of 0.9% on a constant currency basis.

In the EMEA region, consumer sales decreased 14.7% in 2022 as compared to 2021 and decreased by 5.1% on a constant currency basis. Unfavorable volume and product mix decreased sales by 10.5% as compared to the corresponding period of 2021. The decrease was driven by lower sales of our consumer business in France as compared to the prior year. The exit of our consumer operations in Russia also contributed approximately 2.1% to the region's decline in volume and mix. Pricing actions, taken in response to the inflationary cost environment, increased sales by 5.4% as compared to the 2021 period. The unfavorable impact of foreign currency exchange rates decreased sales by 9.6% compared to 2021 and is excluded from our measure of sales decline of 5.1% on a constant currency basis.

In the Asia/Pacific region, consumer sales decreased 10.1% in 2022 as compared to 2021 and decreased by 8.1% on a constant currency basis. Lower volume and unfavorable product mix decreased sales by 11.5% as compared to the corresponding period in 2021. The impact of restrictive measures related to COVID-19 resurgences in China and the exit of our rice product line in India, contributed approximately 9.5% to that decline as compared to 2021. Pricing actions, taken in response to the inflationary cost environment, increased sales by 3.4% as compared to the prior year. The unfavorable impact from foreign currency rates decreased sales by 2.0% compared to the year-ago period and is excluded from our measure of sales decline of 8.1% on a constant currency basis.

Segment operating income for our consumer segment decreased by $94.2 million, or 11.7%, in 2022 as compared to 2021. The decrease in segment operating income was driven by lower sales and increased commodity, transportation and conversion costs, partially offset by pricing actions in response to increased costs, CCI-led cost savings and lower performance-based employee incentive expenses, all as compared to the prior year. Segment operating margin for our consumer segment decreased by 150 basis points in 2022 to 18.9%, driven by a decrease in consumer gross profit margin, including the margin dilutive impact of pricing actions, the impact of the inflationary cost environment, and higher conversion costs, which was partially offset by the impact of CCI-led cost savings, all as compared to the 2021 level. On a constant currency basis, segment operating income for our consumer segment decreased by 10.9% in 2022, as compared to 2021.

Flavor Solutions Segment

	2022	2021
Net sales	$ 2,592.6	$ 2,380.4
Percent growth	8.9 %	18.7 %
Components of percent growth in net sales–increase (decrease):		
Volume and product mix	3.5 %	7.2 %
Pricing actions	8.2 %	1.4 %
Acquisitions	0.4 %	7.3 %
Foreign exchange	(3.2)%	2.8 %
Segment operating income	$ 206.7	$ 296.6
Segment operating income margin	8.0 %	12.5 %

Sales of our flavor solutions segment increased 8.9% in 2022 as compared to 2021 and increased by 12.1% on a constant currency basis. Volume and product mix contributed 3.5% of the increase in addition to pricing actions which added 8.2% to sales for 2022, both in comparison to the prior year levels. The incremental impact of our acquisition of FONA added 0.4% to segment sales for 2022. An unfavorable impact from foreign currency rates decreased sales by 3.2% compared to the prior year and is excluded from our measure of sales growth of 12.1% on a constant currency basis.

In the Americas region, flavor solutions sales increased by 11.4% during 2022 as compared to 2021 and increased by 11.7% on a constant currency basis. Favorable volume and product mix increased flavor solutions sales in the Americas by 2.2% during 2022, as growth in sales to packaged food and beverage companies was partially offset by lower sales to quick service restaurants, both as compared to the year ago period. Pricing actions, taken in response to the inflationary cost environment, favorably impacted sales by 8.9% during 2022 as compared to the prior year. The incremental impact of our acquisition of FONA added 0.6% to segment sales for 2022. An unfavorable impact from foreign currency rates decreased sales by 0.3% compared to 2021 and is excluded from our measure of sales growth of 11.7% on a constant currency basis.

In the EMEA region, flavor solutions sales in 2022 increased by 5.5% as compared to 2021 and increased by 17.2% on a constant currency basis. Favorable volume and product mix increased segment sales by 9.5% in 2022 as compared to 2021. The increase was driven by higher sales to quick service restaurants, branded foodservice and package food and beverage company customers. Pricing actions, taken in response to the inflationary cost environment, favorably impacted sales by 7.7% in 2022 as compared to the prior period level. An unfavorable impact from foreign currency rates decreased sales by 11.7% compared to 2021 and is excluded from our measure of sales growth of 17.2% on a constant currency basis.

In the Asia/Pacific region, flavor solutions sales decreased 0.2% in 2022 as compared to 2021 and increased by 5.2% on a constant currency basis. Favorable volume and product mix increased sales by 0.3%, driven by higher sales to quick service restaurant customers, partially impacted by the timing of customers' promotional activities. Pricing actions, taken in response to the inflationary cost environment, favorably impacted sales by 4.9% as compared to the prior year. An unfavorable impact from foreign currency rates decreased sales by 5.4% compared to 2021 and is excluded from our measure of sales growth of 5.2% on a constant currency basis.

Segment operating income for our flavor solutions segment decreased by $89.9 million, or 30.3%, in 2022 as compared to 2021. The decrease in segment operating income was driven by increased commodity, transportation and conversion costs, as well as costs related to supply chain investments, which were partially offset by a higher level of sales, including pricing actions in response to the inflationary cost environment, and CCI-led cost savings, all as compared to the prior year. Segment operating margin for our flavor solutions segment decreased by 450 basis points in 2022 to 8.0% driven by a lower segment gross margin, including the margin dilutive impact of pricing actions, the impact of the inflationary cost environment, and higher conversion costs, including the costs related to our supply chain investments, partially offset by CCI-led cost savings and a decrease in SG&A as percentage of sales associated with the favorable impact of fixed and semi-fixed expenses over a higher sales base, all as compared to the 2021 level. On a constant currency basis, segment operating income for our flavor solutions segment decreased by 27.9% in 2022, as compared to 2021.

RESULTS OF OPERATIONS—2021 COMPARED TO 2020

	2021	2020
Net sales	$ 6,317.9	$ 5,601.3
Percent growth	12.8 %	4.7 %
Components of percent growth in net sales–increase (decrease):		
Volume and product mix	5.5 %	3.7 %
Pricing actions	0.8 %	1.6 %
Acquisitions	4.1 %	— %
Foreign exchange	2.4 %	(0.6)%

Sales for 2021 increased by 12.8% from 2020 and by 10.4% on a constant currency basis. That 12.8% sales increase was driven by higher sales in both our consumer and flavor solutions segments. On a consolidated basis, higher volume and favorable product mix increased sales by 5.5% while pricing actions, which were primarily taken in the fourth quarter, added 0.8% to sales. That net volume increase and favorable mix was driven by continued levels of strong demand within our consumer segment, as the shift in consumer behavior toward at-home meal preparation, first seen in 2020 as a response to actions taken to mitigate the spread of COVID-19, has persisted. In addition, our flavor solutions segment volume increased principally due to a recovery in demand for away-from-home products, including higher sales to our branded food service customers, as compared to 2020. Sales were also impacted by favorable foreign currency rates that increased net sales 2.4% compared to 2020 and is excluded from our measure of sales growth of 10.4% on a constant currency basis.

	2021	2020
Gross profit	$ 2,494.6	$ 2,300.4
Gross profit margin	39.5 %	41.1 %

In 2021, our gross profit margin decreased 160 basis points to 39.5% from 41.1% in 2020. The decline was driven by the impact of increased commodity, packaging materials and transportation costs, higher conversion costs, which includes costs associated with COVID-19, and a less favorable mix in sales between our consumer and flavor solutions segments as compared to 2020. These unfavorable impacts were partially offset by savings from our CCI program, pricing actions, improved product mix and the accretive impact of the Cholula and FONA acquisitions, each as compared to the prior year. In addition, our 2021 gross profit margin was burdened by (i) $6.3 million of transaction expense, representing the amortization of the fair value adjustment to the acquired inventories of Cholula and FONA upon our sale of those acquired inventories, and (ii) a non-cash special charge of $4.7 million associated with the exit of a low margin business in our Asia/Pacific region. Excluding the transaction expense and special charges, adjusted gross profit margin decreased by 140 basis points from 41.1% in 2020 to 39.7% for the year ended November 30, 2021.

	2021	2020
Selling, general & administrative expense	$ 1,404.1	$ 1,281.6
Percent of net sales	22.3 %	22.9 %

Selling, general and administrative (SG&A) expense was $1,404.1 million in 2021 compared to $1,281.6 million in 2020, an increase of $122.5 million. That increase in SG&A expense was primarily a result of (i) SG&A associated with the Cholula and FONA acquisitions; (ii) greater selling and distribution expenses associated with the higher sales volume; and (iii) increased brand marketing costs, all as compared to the corresponding period in 2020. Those increases were partially offset by lower performance-based employee incentive expenses, as compared to the prior year. SG&A as a percent of net sales for 2021 decreased by 60 basis points from the prior year level, driven by the impact of the leverage of fixed and semi-fixed expenses over a higher level of sales during the 2021 period.

	2021	2020
Special charges included in cost of goods sold	$ 4.7	$ —
Other special charges	46.4	6.9
Total special charges	$ 51.1	$ 6.9

We regularly evaluate whether to implement changes to our organization structure to reduce fixed costs, simplify and/or improve processes, and improve our competitiveness, and we expect to continue to evaluate such actions in the future. From time to time, those changes are of such significance in terms of both up-front costs and organizational/ structural impact that we obtain advance approval from our Management Committee and classify expenses related to those changes as special charges in our financial statements.

During 2021, we recorded $51.1 million of special charges, consisting principally of (i) $19.5 million associated with our exit of our rice product line in India, as more fully described below, (ii) $6.2 million associated with the transition of a manufacturing facility in EMEA, (iii) streamlining actions of $10.3 million in the Americas region and $4.8 million in the EMEA region, and (iv) a non-cash asset impairment charge of $6.0 million associated with an administrative site that was sold in conjunction with our decision to employ a hybrid work environment. As more fully described in note 3 of our notes of consolidated financial statements, the $19.5 million special charge associated with the exit of our rice product line in India consisted of an $11.2 million non-cash impairment charge associated with the impairment of certain intangible assets, $3.6 million of employee severance and other related exit costs, and a $4.7 million charge in cost of goods sold which represents a provision for the excess of the carrying value of rice inventories over the estimated net realizable value and a contractual obligation associated with terminating a rice supply agreement.

During 2020, we recorded $6.9 million of special charges, consisting of $5.3 million related to streamlining actions in our EMEA region and $1.6 million related to our GE initiative.

	2021	2020
Transaction expenses included in cost of goods sold	$ 6.3	$ —
Other transaction and integration expenses	29.0	12.4
Total transaction and integration expenses	$ 35.3	$ 12.4

During 2021, we recorded transaction and integration expenses of $35.3 million related to our acquisitions of Cholula and FONA. These costs consisted of (i) $6.3 million of amortization of the acquisition-date fair value adjustment of inventories that is included in Cost of goods sold, (ii) $13.8 million of other transaction expenses primarily related to outside advisory, service and consulting costs, and (iii) $15.2 million of integration expenses. Transaction and integration expenses related to our acquisitions of Cholula and FONA of $11.2 million and $1.2 million, respectively, were incurred late in fiscal 2020.

	2021	2020
Operating income	$ 1,015.1	$ 999.5
Percent of net sales	16.1 %	17.8 %

Operating income increased by $15.6 million, or 1.6%, from $999.5 million in 2020 to $1,015.1 million in 2021. Special charges and transaction and integration expenses increased by $67.1 million in 2021, as compared to 2020, and negatively impacted operating income. Operating income as a percentage of net sales declined by 170 basis points in 2021, to 16.1% in 2021 from 17.8% in 2020 as a result of the factors previously described. Excluding the effect of special charges and transaction and integration expenses previously described, adjusted operating income was $1,101.5 million in 2021 as compared to $1,018.8 million in 2020, an increase of $82.7 million or 8.1% over the 2020 level. Adjusted operating income as a percentage of net sales declined by 80 basis points in 2021, to 17.4% in 2021 from 18.2% in 2020.

	2021	2020
Interest expense	$ 136.6	$ 135.6
Other income, net	17.3	17.6

Interest expense was $1.0 million higher for 2021 as compared to the prior year as an increase in average total borrowings was largely offset by a decrease in interest rates. Other income, net for 2021 decreased by $0.3 million as lower non-service cost income associated with our pension and postretirement benefit plans was partially offset by higher interest income, as compared to 2020. The decrease was also impacted by non-operating foreign currency transaction gains in 2021, as compared to non-operating foreign currency transaction losses in the prior period.

	2021	2020
Income from consolidated operations before income taxes	$ 895.8	$ 881.5
Income tax expense	192.7	174.9
Effective tax rate	21.5 %	19.8 %

The provision for income taxes is based on the estimate of the annual effective tax rate adjusted to reflect the tax impact of items discrete to the fiscal period. We record tax expense or tax benefits that do not relate to ordinary income in the current fiscal year discretely in the period in which such items occur pursuant to the requirements of U.S. GAAP. Examples of such types of discrete items not related to ordinary income include, but are not limited to, excess tax benefits associated with stock-based compensation, changes in estimates of the outcome of tax matters related to prior years, including reversals of reserves upon the lapsing of statutes of limitations, provision-to-return adjustments, the settlement of tax audits, changes in enacted tax rates, changes in the assessment of deferred tax valuation allowances, acquisition related deferred tax adjustments, and the tax effects of certain intra-entity asset transfers (other than inventory).

The effective tax rate was 21.5% in 2021 as compared to 19.8% in 2020. The increase in our effective tax rate was principally attributable to the lower level of net discrete tax benefits in 2021 as compared to 2020. Net discrete tax benefits were $26.6 million in 2021, a decrease of $16.8 million from $43.4 million in 2020. Discrete tax benefits in both the 2021 and 2020 periods included excess tax benefits associated with stock-based compensation ($4.3 million and $14.2 million in 2021 and 2020, respectively), the reversal of reserves for unrecognized tax benefits ($22.5 million and $4.9 million in 2021 and 2020, respectively) due to, in 2021, the partial release of certain reserves for an unrecognized tax benefit and related interest in a non-U.S. jurisdiction based on a change in our assessment of the technical merits of that position associated with the availability of new information, and in both years due to the expiration of the statutes of limitations, the release of valuation allowances due to a change in judgment about realizability of deferred tax assets ($4.4 million and $11.9 million in 2021 and 2020, respectively) and other discrete items. In 2021, discrete tax items included $4.0 million of tax benefits related to the revaluation of deferred taxes resulting from enacted legislation and $10.4 million of deferred state tax expense directly related to our December 2020 acquisition of FONA. In 2020, discrete tax items included $9.9 million of tax benefits associated with intra-entity asset transfers that occurred. See note 13 of notes to our consolidated financial statements for a more detailed reconciliation of the U.S. federal tax rate with the effective tax rate.

	2021	2020
Income from unconsolidated operations	$ 52.2	$ 40.8

Income from unconsolidated operations, which is presented net of the elimination of earnings attributable to non-controlling interests, increased $11.4 million in 2021 from the prior year, driven by an after-tax gain of $13.4 million on the sale of our 26% interest in Eastern Condiments Private Ltd. (Eastern), an unconsolidated operation, during our second quarter of 2021, as more fully described in note 5 of the notes to the accompanying financial statements. We own 50% of most of our unconsolidated joint ventures, including our largest joint venture, McCormick de Mexico, that comprised 62% and 75% of the income of our unconsolidated operations in 2021 and 2020, respectively. The relative impact of McCormick de Mexico on income from unconsolidated operations in 2021 was impacted by the gain on our sale of an unconsolidated operation.

We reported diluted earnings per share of $2.80 in 2021, compared to $2.78 in 2020. The table below outlines the major components of the change in diluted earnings per share from 2020 to 2021. The increase in operating income in the table below includes the impact from favorable currency exchange rates in 2021.

2020 Earnings per share—diluted	$	2.78
Increase in operating income		0.25
Increase in special charges		(0.15)
Increase in transaction and integration expenses, including impact of net discrete tax item related to FONA acquisition		(0.10)
Impact of income taxes, excluding taxes on special charges and transaction and integration expenses		(0.01)
Increase in income from unconsolidated operations, including the after-tax gain on sale of unconsolidated operation of $0.05 per diluted share		0.04
Impact of higher shares		(0.01)
2021 Earnings per share—diluted	$	2.80

Results of Operations—Segments

Consumer Segment

	2021	2020
Net sales	$ 3,937.5	$ 3,596.7
Percent growth	9.5 %	10.0 %
Components of percent growth in net sales–increase (decrease):		
Volume and product mix	4.3 %	8.8 %
Pricing actions	0.6 %	1.5 %
Acquisitions	2.4 %	— %
Foreign exchange	2.2 %	(0.3)%
Segment operating income	$ 804.9	$ 780.9
Segment operating income margin	20.4 %	21.7 %

Sales of our consumer segment in 2021 grew by 9.5% as compared to 2020 and grew by 7.3% on a constant currency basis. This increase included higher sales of our consumer business in each of our three regions. Higher volume and product mix increased sales 4.3% while pricing actions added 0.6% to sales, both as compared to the prior year. The incremental impact of the Cholula acquisition added 2.4% to segment sales during 2021. The favorable impact of foreign currency exchange rates increased consumer segment sales by 2.2% compared to 2020 and is excluded from our measure of sales growth of 7.3% on a constant currency basis.

In the Americas region, consumer sales increased 7.3% in 2021 as compared to 2020, which experienced a 13.9% increase in sales from the 2019 level as a result of exceptionally strong demand for our products in the early stages of the COVID-19 pandemic, and increased by 6.7% on a constant currency basis. Favorable volume and product mix increased sales by 3.0% as compared to the corresponding period in 2020, as demand continues to be driven by consumers' sustained preference for eating more at home. In addition, pricing actions, taken in response to higher costs, increased sales by 0.4% as compared to the prior year. The incremental impact of the Cholula acquisition added 3.3% to sales in 2021. The favorable impact of foreign currency exchange rates increased sales by 0.6% compared to 2020 and is excluded from our measure of sales growth of 6.7% on a constant currency basis.

In the EMEA region, consumer sales increased 5.8% in 2021 as compared to 2020, which experienced a 14.5% increase in sales from the 2019 level driven by the COVID-19 impact on greater consumer at-home meal preparation, and increased by 0.9% on a constant currency basis. Favorable volume and product mix increased sales by 0.3% as compared to the corresponding period of 2020. The impact of pricing actions increased sales by 0.6% as compared to the prior year. The favorable impact of foreign currency exchange rates increased sales by 4.9% compared to 2020 and is excluded from our measure of sales growth of 0.9% on a constant currency basis.

In the Asia/Pacific region, consumer sales increased 31.6% in 2021 as compared to 2020, which reflected a 16.6% decrease in sales from the 2019 level due mainly to COVID-19 disruption on foodservice sales in China, and increased by 22.9% on a constant currency basis. Higher volume and favorable product mix increased sales by 21.5% as compared to the corresponding period in 2020. The increase was driven by sales related to the recovery of demand in away-from-home consumption in China. Pricing actions increased sales by 1.4% as compared to 2020. The favorable impact from foreign currency exchange rates increased sales by 8.7% compared to 2020 and is excluded from our measure of sales growth of 22.9% on a constant currency basis.

Segment operating income for our consumer segment increased by $24.0 million, or 3.1%, in 2021 as compared to 2020. The increase in segment operating income was driven by higher sales, including the impact of acquisitions, CCI-led cost savings and lower incentive-based compensation accruals which were partially offset by increased commodities, packaging materials and transportation costs, increased conversion costs, which include incremental expenses related to COVID-19, and higher brand marketing investment, all as compared to the prior year. The impact of COVID-19 on segment operating income during 2021 reflected actions, including the incremental impact of temporary arrangements to utilize co-manufacturing, that increased our cost to produce certain products and measures to enable manufacturing and distribution staff to maintain social distancing and permit enhanced cleaning that reduced productivity. Segment operating margin for our consumer segment decreased by 130 basis points in 2021 to 20.4%, driven by a decrease in segment gross profit margin, including the impact of the inflationary cost environment, which was partially offset by the benefit from the leverage of fixed and semi-fixed expenses over a higher sales base as compared to the 2020 level. On a constant currency basis, segment operating income for our consumer segment increased by 1.3% in 2021, as compared to 2020.

Flavor Solutions Segment

	2021	2020
Net sales	$ 2,380.4	$ 2,004.6
Percent growth (decline)	18.7 %	(3.5)%
Components of percent change in net sales—increase (decrease):		
Volume and product mix	7.2 %	(4.2)%
Pricing actions	1.4 %	1.8 %
Acquisitions	7.3 %	— %
Foreign exchange	2.8 %	(1.1)%
Segment operating income	$ 296.6	$ 237.9
Segment operating income margin	12.5 %	11.9 %

Sales of our flavor solutions segment increased 18.7% in 2021 as compared to 2020 and increased by 15.9% on a constant currency basis. Sales were favorably impacted by the recovery of demand as compared to the lower level of demand in 2020 due to the impact of the COVID-19 disruption on our quick service restaurant and branded food service customers, particularly in the Americas and EMEA regions. Favorable volume and product mix increased segment sales by 7.2% as compared to 2020, while pricing actions taken in response to increased costs during the period increased sales by 1.4%. The incremental impact of the Cholula and FONA acquisitions increased sales by 7.3% in 2021. The favorable impact of foreign currency rates increased flavor solutions segment sales by 2.8% as compared to 2020 and is excluded from our measure of sales growth of 15.9% on a constant currency basis.

In the Americas region, flavor solutions sales increased by 16.6% during 2021 as compared to 2020, which experienced a sales decline of 3.5% from the 2019 level driven by lower sales to quick service restaurant and branded food service customers as a result of COVID-19 restrictions imposed in the early stages of the pandemic, and increased by 15.4% on a constant currency basis. Favorable volume and improved product mix increased flavor solutions sales in the Americas by 3.2% during 2021, driven primarily by increased sales to branded foodservice and quick service restaurant customers. Pricing actions increased sales by 1.7% as compared to the prior year. The incremental impact of the Cholula and FONA acquisitions increased sales by 10.5% in 2021. A favorable impact from foreign currency rates increased sales by 1.2% compared to 2020 and is excluded from our measure of sales growth of 15.4% on a constant currency basis.

In the EMEA region, flavor solutions sales in 2021 increased by 27.3% as compared to 2020, which experienced a sales decline of 5.5% from the 2019 level primarily as a result of decreased sales to quick service restaurants and lower branded food service sales that were partially offset by higher demand from packaged food service companies in response to COVID-19 restrictions implemented in 2020, and increased by 21.5% on a constant currency basis. Favorable volume and product mix increased segment sales by 19.8% in 2021 as compared to 2020. The increase was primarily attributable to higher sales to branded foodservice, packaged food and quick service restaurant customers. Pricing actions increased sales by 1.7% in 2021 as compared the prior year level. A favorable impact from foreign currency rates increased sales by 5.8% compared to 2020 and is excluded from our measure of sales growth of 21.5% on a constant currency basis.

In the Asia/Pacific region, flavor solutions sales increased 16.9% in 2021 as compared to 2020, which experienced a sales increase of 0.4% from the 2019 level driven by higher sales to quick service restaurant customers, and increased by 9.4% on a constant currency basis. Favorable volume and product mix increased sales by 10.6%, driven by higher sales to quick service restaurant customers. Pricing actions decreased sales by 1.2% as compared to the prior year. A favorable impact from foreign currency rates increased sales by 7.5% compared to 2020 and is excluded from our measure of sales growth of 9.4% on a constant currency basis.

Segment operating income for our flavor solutions segment increased by $58.7 million, or 24.7%, in 2021 as compared to 2020. The increase in segment operating income was driven by higher sales, including the impact of acquisitions, CCI-led cost savings, lower incentive-based compensation accruals and favorable product mix, which was partially offset by increased commodities, packaging materials and transportation costs. Segment operating margin for our flavor solutions segment increased by 60 basis points in 2021 to 12.5% as the benefits from the leverage of fixed and semi-fixed expenses over a higher sales base as compared to the 2020 level, together with the accretive impact of the Cholula and FONA acquisitions on gross margins, were partially offset by the impact of the inflationary cost environment as compared to 2020. On a constant currency basis, segment operating income for our flavor solutions segment increased by 22.5% in 2021, as compared to 2020.

NON-GAAP FINANCIAL MEASURES

The following tables include financial measures of adjusted gross profit, adjusted gross profit margin, adjusted operating income, adjusted operating income margin, adjusted income tax expense, adjusted income tax rate, adjusted net income and adjusted diluted earnings per share. These represent non-GAAP financial measures which are prepared as a complement to our financial results prepared in accordance with United States generally accepted accounting principles. These financial measures exclude the impact, as applicable, of the following:

- Special charges – Special charges consist of expenses and income associated with certain actions undertaken by us to reduce fixed costs, simplify or improve processes, and improve our competitiveness and are of such significance in terms of both up-front costs and organizational/structural impact to require advance approval by our Management Committee. Upon presentation of any such proposed action (generally including details with respect to estimated costs, which typically consist principally of employee severance and related benefits, together with ancillary costs associated with the action that may include a non-cash component, such as an asset impairment, or a component which relates to inventory adjustments that are included in cost of goods sold; impacted employees or operations; expected timing; and expected savings) to the Management Committee and the Committee’s advance approval, expenses associated with the approved action are classified as special charges upon recognition and monitored on an ongoing basis through completion. Special charges for the year ended November 30, 2022 include a $13.6 million gain associated with the sale of the Kohinoor brand name. We exited our Kohinoor rice product line in India in the fourth quarter of fiscal year 2021.

- Transaction and integration expenses associated with the Cholula and FONA acquisitions – We exclude certain costs associated with our acquisitions of Cholula and FONA in November and December 2020, respectively, and their subsequent integration into the Company. Such costs, which we refer to as “Transaction and integration expenses,” include transaction costs associated with each acquisition, as well as integration costs following the respective acquisition, including the impact of the acquisition date fair value adjustment for inventories, together with the impact of discrete tax items, if any, directly related to each acquisition.

- Income from sale of unconsolidated operations – We exclude the gain realized upon our sale of an unconsolidated operation in March 2021. As more fully described in note 5 of the notes to the accompanying financial statements, the sale of our 26% interest in Eastern Condiments resulted in a gain of $13.4 million, net of tax of $5.7 million. The gain is included in Income from unconsolidated operations in our consolidated income statement for the year ended November 30, 2021.

- Gain on sale of Kitchen Basics – We exclude the gain realized upon our sale of the Kitchen Basics business in August 2022. As more fully described in note 17 of the notes to the accompanying financial statements, the pre-tax gain associated with the sale was $49.6 million and is included in Other income, net in our consolidated income statement for the year ended November 30, 2022.

Details with respect to the composition of transaction and integration expenses, special charges, income from the sale of unconsolidated operations, and gain on sale of Kitchen Basics for the years and in the amounts set forth below are included in notes 2, 3, and 5, of notes to our consolidated financial statements.

We believe that these non-GAAP financial measures are important. The exclusion of the items noted above provides additional information that enables enhanced comparisons to prior periods and, accordingly, facilitates the development of future projections and earnings growth prospects. This information is also used by management to measure the profitability of our ongoing operations and analyze our business performance and trends.

These non-GAAP financial measures may be considered in addition to results prepared in accordance with GAAP, but they should not be considered a substitute for, or superior to, GAAP results. In addition, these non-GAAP financial measures may not be comparable to similarly titled measures of other companies because other companies may not calculate them in the same manner that we do. We intend to continue to provide these non-GAAP financial measures as part of our future earnings discussions and, therefore, the inclusion of these non-GAAP financial measures will provide consistency in our financial reporting.

A reconciliation of these non-GAAP financial measures to GAAP financial results is provided below:

	2022	2021	2020
Gross profit	$ 2,274.5	$ 2,494.6	$ 2,300.4
Impact of transaction and integration expenses included in cost of goods sold [1]	—	6.3	—
Impact of special charges included in cost of goods sold[2]	—	4.7	—
Adjusted gross profit	$ 2,274.5	$ 2,505.6	$ 2,300.4
Adjusted gross profit margin [3]	35.8 %	39.7 %	41.1 %
Operating income	$ 863.6	$ 1,015.1	$ 999.5
Impact of transaction and integration expenses included in cost of goods sold [1]	—	6.3	—
Impact of other transaction and integration expenses [1]	2.2	29.0	12.4
Impact of special charges included in cost of goods sold[2]	—	4.7	—
Impact of other special charges[2]	51.6	46.4	6.9
Adjusted operating income	$ 917.4	$ 1,101.5	$ 1,018.8
% (decrease) increase versus prior year	(16.7)%	8.1 %	4.1 %
Adjusted operating income margin [3]	14.4 %	17.4 %	18.2 %
Income tax expense	$ 168.6	$ 192.7	$ 174.9
Impact of transaction and integration expenses[1]	0.6	(2.7)	1.9
Impact of special charges[2]	13.3	7.1	2.1
Impact of sale of Kitchen Basics	(11.6)	—	—
Adjusted income tax expense	$ 170.9	$ 197.1	$ 178.9
Adjusted income tax rate[4]	20.9 %	20.1 %	19.9 %
Net income	$ 682.0	$ 755.3	$ 747.4
Impact of transaction and integration expenses[1]	1.6	38.0	10.5
Impact of special charges[2]	38.3	44.0	4.8
Impact of after-tax gain on sale of Kitchen Basics	(38.0)	—	—
Impact of after-tax gain on sale of unconsolidated operations	—	(13.4)	—
Adjusted net income	$ 683.9	$ 823.9	$ 762.7
% (decrease) increase versus prior year	(17.0)%	8.0 %	6.3 %
Earnings per share—diluted	$ 2.52	$ 2.80	$ 2.78
Impact of transaction and integration expenses[1]	0.01	0.14	0.04
Impact of special charges[2]	0.14	0.16	0.01
Impact of after-tax gain on sale of Kitchen Basics	(0.14)		
Impact of after-tax gain on sale of unconsolidated operations	—	(0.05)	—
Adjusted earnings per share—diluted	$ 2.53	$ 3.05	$ 2.83

(1) Transaction and integration expenses are more fully described in note 2 of notes to our consolidated financial statements and include transaction and integration expenses associated with our acquisitions of Cholula and FONA. These expenses include the effect of the fair value adjustment to acquired inventories on cost of goods sold and the impact of a discrete deferred state income tax expense item, directly related to our December 2020 acquisition of FONA. The discrete tax item had an unfavorable impact of $10.4 million or $0.04 per diluted share for the year ended November 30, 2021.

(2) Special charges are more fully described in note 3 of notes to our accompanying consolidated financial statements. Special charges for the year ended November 30, 2022 include a $10.0 million non-cash intangible asset impairment charge associated with our exit of our business operations in Russia. We exited our Kohinoor rice product line in India in the fourth quarter of fiscal 2021. Special charges for the year ended November 30, 2022 include a $13.6 million gain associated with the sale of the Kohinoor brand name. Special charges for the year ended November 30, 2021 include $4.7 million which is reflected in Cost of goods sold and an $11.2 million non-cash impairment charge associated with the impairment of certain intangible assets.

(3) Adjusted gross profit margin is calculated as adjusted gross profit as a percent of net sales for each period presented. Adjusted operating income margin is calculated as adjusted operating income as a percent of net sales for each period presented.

(4) Adjusted income tax rate is calculated as adjusted income tax expense as a percentage of income from consolidated operations before income taxes, excluding transaction and integration expenses and special charges, or $817.0 million, $982.2 million, and $900.8 million for the years ended November 30, 2022, 2021, and 2020, respectively.

	Estimate for the year ending November 30, 2023
Earnings per share – diluted	$2.42 to $2.47
Impact of special charges	0.14
Adjusted earnings per share – diluted	$2.56 to $2.61

Because we are a multi-national company, we are subject to variability of our reported U.S. dollar results due to changes in foreign currency exchange rates. Those changes have been volatile over the past several years. The exclusion of the effects of foreign currency exchange, or what we refer to as amounts expressed "on a constant currency basis," is a non-GAAP measure. We believe that this non-GAAP measure provides additional information that enables enhanced comparison to prior periods excluding the translation effects of changes in rates of foreign currency exchange and provides additional insight into the underlying performance of our operations located outside of the U.S. It should be noted that our presentation herein of amounts and percentage changes on a constant currency basis does not exclude the impact of foreign currency transaction gains and losses (that is, the impact of transactions denominated in other than the local currency of any of our subsidiaries in their local currency reported results).

Percentage changes in sales and adjusted operating income expressed on a constant currency basis are presented excluding the impact of foreign currency exchange. To present this information for historical periods, current year results for entities reporting in currencies other than the U.S. dollar are translated into U.S. dollars at the average exchange rates in effect during the prior fiscal year, rather than at the actual average exchange rates in effect during the current fiscal year. As a result, the foreign currency impact is equal to the current year results in local currencies multiplied by the change in the average foreign currency exchange rate between the current year and the prior fiscal year. The tables set forth below present our growth in net sales and adjusted operating income on a constant currency basis as follows: (1) to present our growth in net sales and adjusted operating income for 2022 on a constant currency basis, net sales and adjusted operating income for 2022 for entities reporting in currencies other than the U.S. dollar have been translated using the average foreign exchange rates in effect for 2021 and compared to the reported results for 2021; and (2) to present our growth in net sales and adjusted operating income for 2021 on a constant currency basis, net sales and operating income for 2021 for entities reporting in currencies other than the U.S. dollar have been translated using the average foreign exchange rates in effect for 2020 and compared to the reported results for 2020.

	For the year ended November 30, 2022		
	Percentage change as reported	Impact of foreign currency exchange	Percentage change on constant currency basis
Net sales:			
Consumer segment:			
Americas	(1.1)%	(0.2)%	(0.9)%
EMEA	(14.7)%	(9.6)%	(5.1)%
Asia/Pacific	(10.1)%	(2.0)%	(8.1)%
Total Consumer	(4.6)%	(2.1)%	(2.5)%
Flavor Solutions segment:			
Americas	11.4 %	(0.3)%	11.7 %
EMEA	5.5 %	(11.7)%	17.2 %
Asia/Pacific	(0.2)%	(5.4)%	5.2 %
Total Flavor Solutions	8.9 %	(3.2)%	12.1 %
Total net sales	0.5 %	(2.5)%	3.0 %
Adjusted operating income:			
Consumer segment	(11.7)%	(0.8)%	(10.9)%
Flavor Solutions segment	(30.3)%	(2.4)%	(27.9)%
Total adjusted operating income	(16.7)%	(1.2)%	(15.5)%

	For the year ended November 30, 2021		
	Percentage change as reported	Impact of foreign currency exchange	Percentage change on constant currency basis
Net sales:			
Consumer segment:			
Americas	7.3 %	0.6 %	6.7 %
EMEA	5.8 %	4.9 %	0.9 %
Asia/Pacific	31.6 %	8.7 %	22.9 %
Total Consumer	9.5 %	2.2 %	7.3 %
Flavor Solutions segment:			
Americas	16.6 %	1.2 %	15.4 %
EMEA	27.3 %	5.8 %	21.5 %
Asia/Pacific	16.9 %	7.5 %	9.4 %
Total Flavor Solutions	18.7 %	2.8 %	15.9 %
Total net sales	12.8 %	2.4 %	10.4 %
Adjusted operating income:			
Consumer segment	3.1 %	1.8 %	1.3 %
Flavor Solutions segment	24.7 %	2.2 %	22.5 %
Total adjusted operating income	8.1 %	1.9 %	6.2 %

To present the percentage change in projected 2023 net sales, adjusted operating income and adjusted earnings per share — diluted on a constant currency basis, 2023 projected local currency net sales, adjusted operating income, and adjusted net income for entities reporting in currencies other than the U.S. dollar are translated into U.S. dollars at currently prevailing exchange rates and are compared to those 2023 local currency projected results, translated into U.S. dollars at the average actual exchange rates in effect during the corresponding months in fiscal year 2022 to determine what the 2023 consolidated U.S. dollar net sales, adjusted operating income and adjusted earnings per share — diluted would have been if the relevant currency exchange rates had not changed from those of the comparable 2022 periods.

LIQUIDITY AND FINANCIAL CONDITION

	2022	2021	2020
Net cash provided by operating activities	$ 651.5	$ 828.3	$ 1,041.3
Net cash used in investing activities	(146.4)	(908.6)	(1,025.6)
Net cash (used in) provided by financing activities	(487.2)	22.0	220.9

The primary objective of our financing strategy is to maintain a prudent capital structure that provides us flexibility to pursue our growth objectives. We use a combination of equity and short- and long-term debt. We use short-term debt, comprised primarily of commercial paper, principally to finance ongoing operations, including our requirements for working capital (accounts receivable, prepaid expenses and other current assets, and inventories, less accounts payable, accrued payroll, and other accrued liabilities). We are committed to maintaining investment grade credit ratings.

Our cash flows from operations enable us to fund operating projects and investments that are designed to meet our growth objectives, service our debt, fund or increase our quarterly dividends, fund capital projects and other investments, and make share repurchases when appropriate. Due to the cyclical nature of a portion of our business, our cash flow from operations has historically been the strongest during the fourth quarter of our fiscal year. Due to the timing of the interest payments on our debt, interest payments are higher in the first and third quarter of our fiscal year.

We believe that our sources of liquidity, which include existing cash balances, cash flows from operations, existing credit facilities, our commercial paper program, and access to capital markets, will provide sufficient liquidity to meet our debt obligations, including any repayment of debt or refinancing of debt, working capital needs, planned capital expenditures, and payment of anticipated quarterly dividends for at least the next twelve months.

In the cash flow statement, the changes in operating assets and liabilities are presented excluding the translation effects of changes in foreign currency exchange rates, as these do not reflect actual cash flows. In addition, in the cash flow statement, the changes in operating assets and liabilities are presented excluding the effect of acquired or disposed operating assets and liabilities, as the cash flows associated with acquisition or dispositions of businesses is presented as an investing activity. Accordingly, the amounts in the cash flow statement do not agree with changes in the operating assets and liabilities that are presented in the balance sheet.

The reported values of our assets and liabilities held in our non-U.S. subsidiaries and affiliates can be significantly affected by fluctuations in foreign exchange rates between periods. At November 30, 2022, the exchange rates for the Euro, British pound sterling, Canadian dollar, Chinese renminbi, Australian dollar, and Polish zloty were lower than the U.S. dollar than at November 30, 2021.

Operating Cash Flow – Operating cash flow was $651.5 million in 2022, $828.3 million in 2021, and $1,041.3 million in 2020. Net income as well as our working capital management, as more fully described below, impacted operating cash flow. In 2022, the decrease was primarily driven by lower net income, including the effect of net income associated with the gain on sale of our Kitchen Basics business and an intangible asset that are reflected as investing cash flows as well as the timing of certain employee incentive payments. In 2021, the reduction in operating cash flow was the result of increased inventory levels to protect against supply disruption, employee incentive payments, and the payment of transaction and integration costs related to our recent acquisitions. In 2020, the increase in operating cash flow was the result of a significantly lower use of cash associated with other assets and liabilities, including the timing of certain employee incentive and customer related payments, which was partially offset by the use of cash associated with working capital, driven by the increased level of inventory to meet demand.

Our working capital management – principally related to inventory, trade accounts receivable, and accounts payable – impacts our operating cash flow. The change in inventory was a significant use of cash from operations in 2022, 2021, and 2020. The change in trade accounts receivable was a use of cash in 2022 and 2021 but a source of cash in 2020. The change in accounts payable was a significant source of cash in 2022 and 2020 and a more moderate source of cash in 2021.

In addition to operating cash flow, we also use cash conversion cycle (CCC) to measure our working capital management. This metric is different than operating cash flow in that it uses average balances instead of specific point in time measures. CCC is a calculation of the number of days, on average, that it takes us to convert a cash outlay for resources, such as raw materials, to a cash inflow from collection of accounts receivable. Our goal is to lower our CCC over time. We calculate CCC as follows:

Days sales outstanding (average trade accounts receivable divided by average daily net sales) plus days in inventory (average inventory divided by average daily cost of goods sold) less days payable outstanding (average trade accounts payable divided by average daily cost of goods sold plus the average daily change in inventory).

The following table outlines our cash conversion cycle (in days) over the last three years:

	2022	2021	2020
Cash Conversion Cycle	51	46	39

The increase in CCC in 2022 from 2021 was due primarily to an increase in our days in inventory as a result of cost inflation, strategic purchases to avoid shipping challenges, and lower than forecasted sales. The increase in CCC in 2021 from 2020 was due primarily to an increase in our days in inventory as a result of efforts to protect against supply chain disruption and to meet increased demand. During both periods, the increase in days in inventory was partially offset by an increase in our days payable outstanding.

We offer certain suppliers access to a third-party Supply Chain Finance program (SCF) with several global financial institutions (SCF Banks). Under the SCF, qualifying suppliers may elect to sell their receivables from us to an SCF Bank. These participating suppliers negotiate their receivables sales arrangements directly with the respective SCF Bank. While we are not party to those agreements, the SCF Banks allow the participating suppliers to utilize our creditworthiness in establishing credit spreads and associated costs. This generally provides the suppliers with more favorable terms than they would be able to secure on their own. We have no economic interest in a supplier's decision to sell a receivable. Once a qualifying supplier elects to participate in the SCF and reaches an agreement with a SCF Bank, the supplier elects which of our individual invoices they sell to the SCF bank. However, all of our payments to participating suppliers are paid to the SCF Bank on the invoice due date, regardless of whether the individual invoice is sold by the supplier to the SCF Bank. The SCF Bank pays the supplier on the invoice due date for any invoices that were not previously sold by the supplier to the SCF Bank. The program has been in place for over five years and commenced near the same time we began an initiative to negotiate extended payment terms with our suppliers in response to evolving market practices.

The terms of our payment obligation are not impacted by a supplier's participation in the SCF. Our payment terms with our suppliers for similar materials within individual markets are consistent between those suppliers that elect to participate in the SCF and those suppliers that do not participate. Accordingly, our average days outstanding are not significantly impacted by the portion of suppliers or related input costs that are included in the SCF. For our participating suppliers, we believe substantially all of their receivables with us are sold to the SCF Banks. Accordingly, we would expect that at each balance sheet date, a similar proportion of amounts originally due to suppliers would instead be payable to SCF Banks. All outstanding amounts related to suppliers participating in the SCF are recorded within the line entitled "Trade accounts payable" in our consolidated balance sheets, and the associated payments are included in operating activities within our consolidated statements of cash flows. As of November 30, 2022 and 2021, the amount due to suppliers participating in the SCF and included in "Trade accounts payable" were approximately $347.0 million and $274.3 million, respectively.

Future changes in our suppliers' financing policies or economic developments, such as changes in interest rates, general market liquidity or our creditworthiness relative to participating suppliers could impact those suppliers' participation in the SCF and/or our ability to negotiate extended payment terms with our suppliers. However, any such impacts are difficult to predict.

Investing Cash Flow – Net cash used in investing activities was $146.4 million in 2022, $908.6 million in 2021, and $1,025.6 million in 2020. Our primary investing cash flows include the usage of cash associated with acquisition of businesses and capital expenditures as well as cash provided by sale of businesses, unconsolidated operations, or other assets. Cash usage related to our acquisition of businesses was $706.4 million and $803.0 million in 2021 and 2020, respectively. Capital expenditures, including expenditures for capitalized software, were $262.0 million in 2022, $278.0 million in 2021, and $225.3 million in 2020. We expect 2023 capital expenditures to approximate $280 million to support our planned growth. In 2022, we received $95.2 million net cash proceeds received from the sale of our Kitchen Basics business and $13.6 million net cash proceeds received on the sale of the Kohinoor brand name which are more fully discussed in notes 2 and 3, respectively, of notes to our consolidated financial statements. Our primary investing cash inflow in 2021 was the $65.4 million of proceeds received from the sale of an unconsolidated operation, as more fully discussed in note 5 of notes to our consolidated financial statements.

Financing Cash Flow – Net cash associated with financing activities was a use of cash of $487.2 million in 2022 and a source of cash of $22.0 million and $220.9 million in 2021 and 2020, respectively. The variability between years is principally a result of changes in our net borrowings, share repurchase activity and dividends, all as described below.

The following table outlines our net borrowing activities:

	2022	2021	2020
Net increase (decrease) in short-term borrowings	$ 698.3	$ (346.7)	$ 286.5
Proceeds from issuance of long-term debt, net of debt issuance costs	—	999.6	525.9
Repayments of long-term debt	(772.0)	(257.1)	(257.7)
Net cash (used in) provided from net borrowing activities	$ (73.7)	$ 395.8	$ 554.7

In 2022, we repaid $772.0 million of long-term debt, including the $750 million, 2.70% notes that matured on August 15, 2022.

In 2021, we borrowed $1,001.5 million under long-term borrowing arrangements, including net proceeds of $495.7 million of 0.9% notes due February 2026 and net proceeds of $492.8 million of 1.85% notes due February 2031. The net proceeds from these issuances were used to pay down short-term borrowings, including a portion of the $1,443.0 million of commercial paper issued to fund our acquisitions of Cholula and FONA, and for general corporate purposes. We also repaid $257.1 million of long-term debt, including the $250 million, 3.90% notes that matured in July 2021.

In 2020, we borrowed $527.0 million under long-term borrowing arrangements, including net proceeds of $495.0 million of 2.5% notes due April 2030. We also repaid $257.7 million of long-term debt, including $250.0 million associated with our term loans due in August 2022.

The following table outlines the activity in our share repurchase programs:

	2022	2021	2020
Number of shares of common stock	0.4	0.1	0.5
Dollar amount	$ 38.8	$ 8.6	$ 47.3

As of November 30, 2022, $537 million remained of a $600 million share repurchase program that was authorized by our Board of Directors in November 2019. The timing and amount of any shares repurchased is determined by our management based on its evaluation of market conditions and other factors. Our share repurchase activity in 2022, 2021, and 2020 has principally been executed in order to mitigate the effect of shares issued upon the exercise of stock options.

During 2022, 2021 and 2020, we received proceeds of $41.4 million, $13.5 million and $56.6 million, respectively, from exercised stock options. We repurchased $19.4 million, $15.4 million and $13.0 million of common stock during 2022, 2021 and 2020, respectively, in conjunction with employee tax withholding requirements associated with our stock compensation plans.

Our dividend history over the past three years is as follows:

	2022	2021	2020
Total dividends paid	$ 396.7	$ 363.3	$ 330.1
Dividends paid per share	1.48	1.36	1.24
Percentage increase per share	8.8 %	9.7 %	8.8 %

In November 2022, the Board of Directors approved a 5.4% increase in the quarterly dividend from $0.37 to $0.39 per share.

Most of our cash is in our subsidiaries outside of the U.S. We manage our worldwide cash requirements by considering available funds among the many subsidiaries through which we conduct our business and the cost effectiveness with which those funds can be accessed. Those balances are generally available without legal restrictions to fund ordinary business operations, capital projects and future acquisitions. As of November 30, 2022, we have $1.4 billion of earnings from our non-U.S. subsidiaries and joint ventures that are considered indefinitely reinvested. We have not provided any deferred taxes with respect to items such as foreign withholding taxes, other income taxes, or foreign exchange gains or losses. It is not practicable for us to determine the amount of unrecognized tax expense on these reinvested international earnings.

At November 30, 2022, we temporarily used $191.0 million of cash from our non-U.S. subsidiaries to pay down short-term debt in the U.S. During the year, our short-term borrowings vary, but are lower at the end of a year or quarter. The average short-term borrowings outstanding for the years ended November 30, 2022 and 2021 were $1,117.0 million and $1,029.9 million, respectively. Those average short-term borrowings outstanding for the year ended November 30, 2022 included average commercial paper borrowings of $1,080.4 million. The total average debt outstanding for the years ended November 30, 2022 and 2021 was $5,422.0 million and $5,574.5 million, respectively.

Credit and Capital Markets – The following summarizes the more significant impacts of credit and capital markets on our business:

CREDIT FACILITIES – Cash flows from operating activities are our primary source of liquidity for funding growth, share repurchases, dividends and capital expenditures. We also rely on our revolving credit facilities, or borrowings backed by these facilities, to fund working capital needs and other general corporate requirements.

Our committed revolving credit facilities include a five-year $1.5 billion revolving credit facility, which will expire in June 2026 and a 364-day $500 million revolving credit facility, which was entered into in July 2022 and will expire in July 2023. The current pricing for the five-year credit facility, on a fully drawn basis, is LIBOR plus 1.25%. The pricing of that credit facility is based on a credit rating grid that contains a fully drawn maximum pricing of the credit facility equal to LIBOR plus 1.75%. The current pricing for the 364-day credit facility, on a fully drawn basis, is SOFR plus 1.23%. The pricing of that credit facility is based on a credit rating grid that contains a fully drawn maximum pricing of the credit facility equal to SOFR plus 1.60%.

The provisions of each revolving credit facility restrict subsidiary indebtedness and require us to maintain a minimum interest coverage ratio. We do not expect that this covenant would limit our access to either revolving credit facilities for the foreseeable future. The terms of those revolving credit facilities are more fully described in note 6 of the notes to the consolidated financial statements.

We generally use our revolving credit facilities to support our issuance of commercial paper. If the commercial paper market is not available or viable, we could borrow directly under our revolving credit facilities. These facilities are made available by a syndicate of banks, with various commitments per bank. If any of the banks in these syndicates are unable to perform on their commitments, our liquidity could be impacted, which could reduce our ability to grow through funding of seasonal working capital. We engage in regular communication with all banks participating in our credit facilities. During these communications, none of the banks have indicated that they may be unable to perform on their commitments. In addition, we periodically review our banking and financing relationships, considering the stability of the institutions and other aspects of the relationships. Based on these communications and our monitoring activities, we believe our banks will perform on their commitments. In addition to our committed revolving credit facilities, we have uncommitted facilities of $302.5 million as of November 30, 2022 that can be withdrawn based upon the lenders' discretion. See note 6 of notes to our consolidated financial statements for more details on our financing arrangements.

We will continue to have cash requirements to support seasonal working capital needs and capital expenditures, to pay interest, to service debt, and to fund acquisitions. As part of our ongoing operations, we enter into contractual arrangements that obligate us to make future cash payments. Our primary obligations include principal and interest payments on our outstanding short-term borrowings and long-term debt. In the next year, our most significant debt service obligation is the maturity of our $250.0 million, 3.50% notes due in September 2023. Also in July 2023, our $500 million, 364-day revolving credit facility matures. Detail on these contractual obligations follows:

MATERIAL CASH REQUIREMENTS

The following table reflects a summary of our future material cash requirements as of November 30, 2022:

	Total	Less than 1 year	1–3 years	3–5 years	More than 5 years
Short-term borrowings	$ 1,236.7	$ 1,236.7	$ —	$ —	$ —
Long-term debt, including finance leases	3,981.1	270.6	1,066.6	1,268.8	1,375.1
Interest payments[(a)]	724.5	110.0	176.9	156.3	281.3
Total contractual cash obligations	$ 5,942.3	$ 1,617.3	$ 1,243.5	$ 1,425.1	$ 1,656.4

(a) Interest payments include interest payments on long-term debt. Our short-term borrowings, principally consisting of commercial paper, have short-term maturities. We anticipate total interest expense for the year ending November 30, 2023 to approximate $200 million to $210 million, which we expect will also approximate cash interest payments for the same period. See note 6 of notes to our consolidated financial statements for additional information.

Our other cash requirements at year end include raw material purchases, lease payments, income taxes, and pension and postretirement benefits. We acquire various raw materials to satisfy our obligations to our customers, and these outstanding purchase obligations can fluctuate throughout the year based on our response to varying raw material cycles; however, these commitments generally do not extend past one year. In addition, we also have a series of commercial commitments, largely consisting of standby letters of credit. Our standby letters of credit, leases, and pension and other post retirement obligations are more fully described in notes 6, 7 and 11, respectively, of notes to our consolidated financial statements.

These obligations impact our liquidity and capital resource needs. To meet those cash requirements, we intend to use our existing cash, cash equivalents and internally generated funds, to borrow under our existing credit facilities or under other short-term borrowing facilities, and depending on market conditions and upon the significance of the cost of a particular debt maturity or acquisition to our then-available sources of funds, to obtain additional short- and long-term financing. We believe that cash provided from these sources will be adequate to meet our future cash requirements.

PENSION ASSETS AND OTHER INVESTMENTS – We hold investments in equity and debt securities in both our qualified defined benefit pension plans and through a rabbi trust for our nonqualified defined benefit pension plan. Cash contributions to pension plans, including unfunded plans, were $11.4 million in 2022, $15.0 million in 2021, and $11.9 million in 2020. It is expected that the 2023 total pension plan contributions will be approximately $13 million. Future increases or decreases in pension liabilities and required cash contributions are highly dependent upon changes in interest rates and the actual return on plan assets. We base our investment of plan assets, in part, on the duration of each plan’s liabilities. Across all of our qualified defined benefit pension plans, approximately 55% of assets are invested in equities, 32% in fixed income investments and 13% in other investments. Assets associated with our nonqualified defined benefit pension plan are primarily invested in corporate-owned life insurance, the value of which approximates an investment mix of 60% in equities and 40% in fixed income investments. See note 11 of notes to our consolidated financial statements, which provides details on our pension funding.

CUSTOMERS AND COUNTERPARTIES – See the subsequent section of this discussion under the heading "Market Risk Sensitivity–Credit Risk."

ACQUISITIONS

Acquisitions are part of our strategy to increase sales and profits.

On December 30, 2020, we purchased FONA. The purchase price was approximately $708 million, net of cash acquired. FONA is a leading manufacturer of clean and natural flavors providing solutions for a diverse customer base across various applications for the food, beverage and nutritional markets. Our acquisition of FONA expands the breadth of our flavor solutions segment into attractive categories, as well as extends our technology platform and strengthens our capabilities. The acquisition was funded with cash and short-term borrowings. The results of FONA's operations have been included in our financial statements as a component of our flavor solutions segment from the date of acquisition.

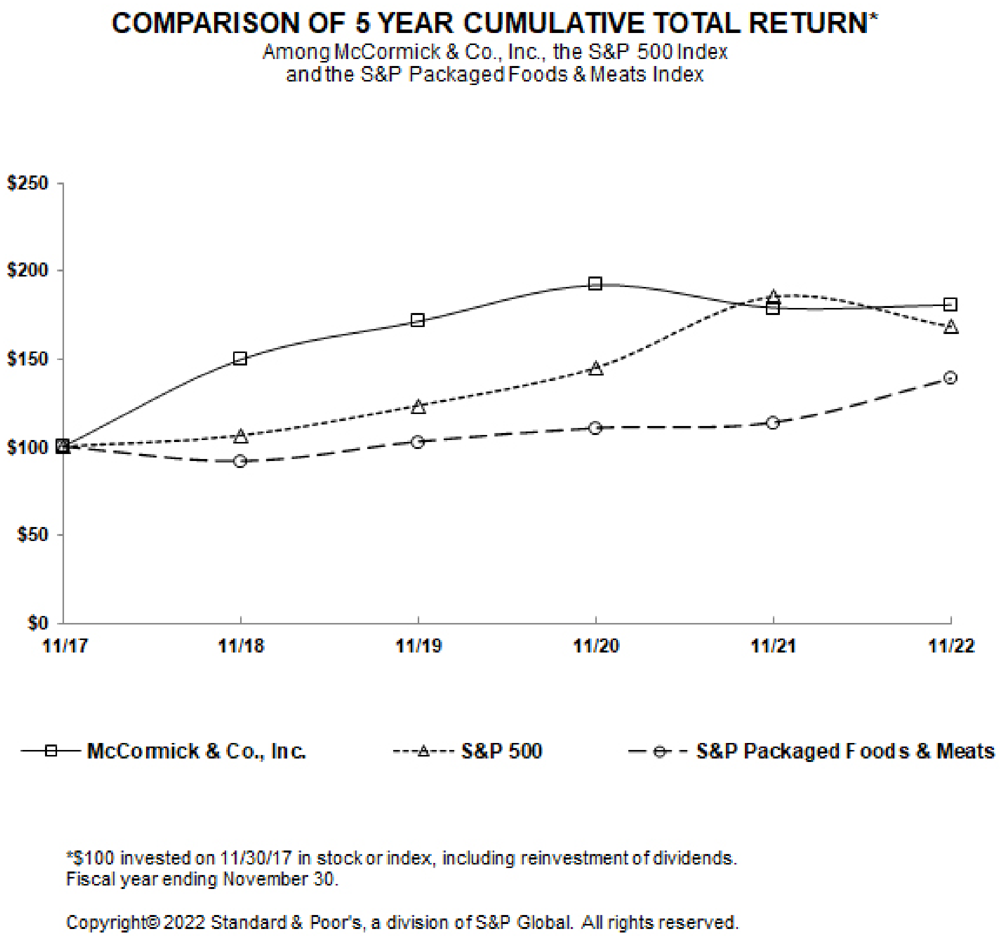
On November 30, 2020, we purchased Cholula for approximately $801 million, net of cash acquired. The acquisition was funded with cash and short-term borrowings. Cholula, a premium Mexican hot sauce brand, is a strong addition to our global branded flavor portfolio, which broadens our offerings in the high growth hot sauce category to consumers and foodservice operators and accelerates our condiment growth opportunities with a complementary authentic Mexican flavor hot sauce. The results of Cholula’s operations have been included in our financial statements as a component of our consumer and flavor solutions segments from the date of acquisition.

See note 2 of notes to our consolidated financial statements for further details regarding these acquisitions.

PERFORMANCE GRAPH — SHAREHOLDER RETURN

The following line graph compares the yearly change in McCormick’s cumulative total shareholder return (stock price appreciation plus reinvestment of dividends) on McCormick’s Non-Voting Common Stock with (1) the cumulative total return of the Standard & Poor’s 500 Stock Price Index, assuming reinvestment of dividends, and

(2) the cumulative total return of the Standard & Poor's Packaged Foods & Meats Index, assuming reinvestment of dividends.



MARKET RISK SENSITIVITY

We utilize derivative financial instruments to enhance our ability to manage risk, including foreign exchange and interest rate exposures, which exist as part of our ongoing business operations. We do not enter into contracts for trading purposes, nor are we a party to any leveraged derivative instrument. The use of derivative financial instruments is monitored through regular communication with senior management and the utilization of written guidelines. The information presented below should be read in conjunction with notes 6 and 8 of notes to our consolidated financial statements.

Foreign Exchange Risk – We are exposed to fluctuations in foreign currency in the following main areas: cash flows related to raw material purchases; the translation of foreign currency earnings to U.S. dollars; the effects of foreign currency on loans between subsidiaries and unconsolidated affiliates and on cash flows related to repatriation of earnings of unconsolidated affiliates. Primary exposures include the U.S. dollar versus the Euro, British pound sterling, Chinese renminbi, Canadian dollar, Australian dollar, Polish zloty, Singapore dollar, Swiss franc, and Mexican peso, as well as the Euro versus the British pound sterling, Australian dollar, and Polish zloty, and finally the Canadian dollar versus British pound sterling. We routinely enter into foreign currency exchange contracts to manage certain of these foreign currency risks.

During 2022, the foreign currency translation component in other comprehensive income was principally related to the impact of exchange rate fluctuations on our net investments in our subsidiaries with a functional currency of the British pound sterling, Euro, Polish zloty, Chinese renminbi, Australian dollar, Canadian dollar and Mexican peso.

We also utilize cross currency interest rate swap contracts, which are designated as net investment hedges, to manage the impact of exchange rate fluctuations on our net investments in subsidiaries with a functional currency of the British pound sterling and Euro. Gains and losses on these instruments are included in foreign currency translation adjustments in accumulated other comprehensive income (loss).

The following table summarizes the foreign currency exchange contracts held at November 30, 2022. All contracts are valued in U.S. dollars using year-end 2022 exchange rates and have been designated as hedges of foreign currency transactional exposures, firm commitments or anticipated transactions.

FOREIGN CURRENCY EXCHANGE CONTRACTS AT NOVEMBER 30, 2022

Currency sold	Currency received	Notional value	Average contractual exchange rate	Fair value
British pound sterling	U.S. dollar	$ 89.9	1.28	$ 6.0
Swiss franc	U.S. dollar	69.6	0.93	(0.2)
Canadian dollar	U.S. dollar	70.4	1.33	1.1
Euro	U.S. dollar	49.0	1.05	0.2
Polish zloty	U.S. dollar	9.8	4.67	(0.1)
U.S. dollar	Australian dollar	55.2	0.67	—
U.S. dollar	Singapore dollar	44.5	1.38	0.2
U.S. dollar	British pound sterling	30.4	1.20	(0.3)
U.S. dollar	Euro	34.0	1.04	(0.3)
Australian dollar	Euro	22.2	1.49	0.8
Polish zloty	Euro	14.1	4.89	(0.1)
Canadian dollar	British pound sterling	28.8	1.54	1.5
British pound sterling	Euro	23.9	0.86	0.3
U.S. dollar	Thai baht	7.2	36.71	0.4

We had a number of smaller contracts at November 30, 2022 with an aggregate notional value of $11.5 million to purchase or sell other currencies, such as the Romanian leu. The aggregate fair value of these contracts was insignificant at November 30, 2022.

At November 30, 2021, we had foreign currency exchange contracts for the Euro, British pound sterling, Canadian dollar, Australian dollar, Polish zloty, Swiss franc and other currencies, with a notional value of $583.6 million. The aggregate fair value of these contracts was a gain of $5.5 million at November 30, 2021.

We also utilized cross currency interest rate swap contracts that are considered net investment hedges.

As of November 30, 2022 and 2021, we had cross currency interest rate swap contracts of (i) $250 million notional value to receive $250 million at three-month U.S. LIBOR plus 0.685% and pay £194.1 million at three-month GBP SONIA plus 0.859% and (ii) £194.1 million notional value to receive £194.1 million at three-month GBP SONIA plus 0.859% and pay €221.8 million at three-month Euro EURIBOR plus 0.808%. These cross-currency interest rate swap contracts expire in August 2027. In conjunction with the phase-out of LIBOR, during 2022 we amended the terms of this cross currency swaps such that, effective February 15, 2022, we now pay and receive at GBP SONIA plus 0.859% (previously GBP LIBOR plus 0.740%).

As of November 30, 2022, we also had cross currency interest rate swap contracts of (i) $250 million notional value to receive $250 million at USD SOFR plus 0.684% and pay £184.1 million at GBP SONIA plus 0.5740% and (ii) £184.1 million notional value to receive £184.1 million at GBP SONIA plus 0.574% and pay €219.2 million at Euro ESTR plus 0.667%. These contracts expire in April 2030.

Interest Rate Risk – Our policy is to manage interest rate risk by entering into both fixed and variable rate debt arrangements. We are exposed to interest rate volatility, with primary exposures related to movements in U.S. Treasury rates, London Interbank Offered Rates (LIBOR), Secured Overnight Financing Rate (SOFR), and commercial paper rates. The phase out of LIBOR reference rates will occur at different dates and began on January 1, 2022. Arrangements that were entered into during the year ended November 30, 2022, including our $500 million

364-day revolving credit facility expiring in July 2023, fixed to variable interest rate swaps expiring in April 2030, and cross-currency interest rate swaps expiring in April 2030, no longer use LIBOR as a reference rate. However, LIBOR continues to be the reference rate for our variable rate debt, including our $1.5 billion five-year revolving credit facility expiring in July 2026, interest rate swaps expiring in November 2025 and August 2027, and the cross-currency interest rate swaps expiring in August 2027. Through the year ended November 30, 2022, there was no material impact to our consolidated financial statements as a result of the LIBOR phase-out, nor do we expect it to have a material impact on our consolidated financial statements during the duration of the LIBOR transition period.

We also use interest rate swaps to minimize financing costs and to achieve a desired mix of fixed and variable rate debt. The table that follows provides principal cash flows and related interest rates, excluding the effect of interest rate swaps and the amortization of any discounts or fees, by fiscal year of maturity at November 30, 2022. For foreign currency-denominated debt, the information is presented in U.S. dollar equivalents. Variable interest rates are based on the weighted-average rates of the portfolio at the end of the year presented.

YEARS OF MATURITY AT NOVEMBER 30, 2022

	2023	2024	2025	2026	Thereafter	Total	Fair value
Debt							
Fixed rate	$ 257.4	$ 763.1	$ 258.7	$ 509.2	$ 2,134.7	$ 3,923.1	$ 3,542.9
Average interest rate	3.50 %	3.50 %	3.25 %	0.94 %	1.74 %	—	
Variable rate	$ 1,249.9	$ 33.8	$ 11.0	$ —	$ —	$ 1,294.7	$ 1,294.7
Average interest rate	4.20 %	1.85 %	1.84 %	—	—	—	

The table above displays the debt, including finance leases, by the terms of the original debt instrument without consideration of fair value, interest rate swaps and any loan discounts or origination fees. Interest rate swaps have the following effects:

- We issued $250 million of 3.50% notes due in 2023 in August 2013. Forward treasury lock agreements settled upon issuance of these notes effectively set the interest rate on these notes at a weighted-average fixed rate of 3.30%.
- We issued $250 million of 3.25% notes due in 2025 in November 2015. Forward treasury lock agreements settled upon issuance of these notes effectively set the interest rate on these notes at a weighted-average fixed rate of 3.45%. The fixed interest rate on $100 million of the 3.25% notes due in December 2025 was effectively converted to a variable rate by interest rate swaps through the notes maturity in 2025. Net interest payments are based on 3-month LIBOR plus 1.22% with an effective variable rate of 5.83% as of November 30, 2022.
- We issued $750 million of 3.40% notes due August 15, 2027 in August 2017. Forward treasury lock agreements settled upon issuance of these notes effectively set the interest rate on these $750 million notes at a weighted-average fixed rate of 3.44%. The fixed interest rate on $250 million of the 3.40% notes due in August 2027 was effectively converted to a variable rate by interest rate swaps through the notes maturity in 2027. Net interest payments are based on 3-month LIBOR plus 0.685% with an effective variable rate of 5.29% as of November 30, 2022.
- We issued $500 million of 2.50% notes due April 15, 2030. Forward treasury lock agreements settled upon issuance of these notes effectively set the interest rate on these $500 million notes at a weighted-average fixed rate of 2.62%. The fixed interest rate on $250 million of the 2.50% notes due in April 2030 was effectively converted to a variable rate by interest rate swaps through the notes maturity in 2030. Net interest payments are based on USD SOFR plus 0.684% with an effective variable rate of 4.94% as of November 30, 2022.

Commodity Risk – We purchase certain raw materials which are subject to price volatility caused by weather, market conditions, growing and harvesting conditions, governmental actions and other factors beyond our control. In 2022, our most significant raw materials were dairy products, pepper, onion, capsicums (red peppers and paprika), garlic, wheat products, vegetable oils, and vanilla. While future movements of raw material costs are uncertain, we respond to this volatility in a number of ways, including strategic raw material purchases, purchases of raw material for future delivery and customer price adjustments. We generally have not used derivatives to manage the volatility related to this risk.

Credit Risk – The customers of our consumer segment are predominantly food retailers and food wholesalers. Consolidations in these industries have created larger customers. In addition, competition has increased with the growth in alternative channels including mass merchandisers, dollar stores, warehouse clubs, discount chains and e-commerce. This has caused some customers to be less profitable and increased our exposure to credit risk. Some of our customers and counterparties are highly leveraged. We continue to closely monitor the credit worthiness of our customers and counterparties. We feel that the allowance for doubtful accounts properly recognizes trade receivables at realizable value. We consider nonperformance credit risk for other financial instruments to be insignificant.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

New accounting pronouncements are issued periodically that affect our current and future operations. See note 1 of notes to our consolidated financial statements for further details of these impacts.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing the financial statements, we are required to make estimates and assumptions that have an impact on the assets, liabilities, revenue and expenses reported. These estimates can also affect supplemental information disclosed by us, including information about contingencies, risk and financial condition. We believe, given current facts and circumstances, our estimates and assumptions are reasonable, adhere to U.S. GAAP and are consistently applied. Inherent in the nature of an estimate or assumption is the fact that actual results may differ from estimates, and estimates may vary as new facts and circumstances arise. In preparing the financial statements, we make routine estimates and judgments in determining the net realizable value of accounts receivable, inventory, fixed assets and prepaid allowances. Our most critical accounting estimates and assumptions, which are those that have or are reasonably likely to have a material impact on our financial condition or results of operations, are in the following areas:

Customer Contracts

In several of our major geographic markets, the consumer segment sells our products by entering into annual or multi-year customer arrangements. Known or expected pricing or revenue adjustments, such as trade discounts, rebates or returns, are estimated at the time of sale. Where applicable, future reimbursements are estimated based on current expectations regarding what was earned through these programs as of the balance sheet date. Key sales terms, such as pricing and quantities ordered, are established on a frequent basis such that most customer arrangements and related incentives have a one-year or shorter duration. Estimates that affect revenue, such as trade incentives and product returns, are monitored and adjusted each period until the incentives or product returns are realized. Certain of our customer arrangements are annual arrangements such that the degree of estimates that affects revenue reduces as a year progresses. We do not believe that there will be significant changes to our estimates of customer consideration when any uncertainties are resolved with customers.

Business Combinations, Goodwill and Intangible Asset Valuation

We use the acquisition method in accounting for acquired businesses. Under the acquisition method, our financial statements reflect the operations of an acquired business starting from the closing of the acquisition. The assets acquired and liabilities assumed are recorded at their respective estimated fair values at the date of the acquisition. Any excess of the purchase price over the estimated fair values of the identifiable net assets acquired is recorded as goodwill. Significant judgment is often required in estimating the fair value of assets acquired, particularly intangible assets. We generally obtain the assistance of a third-party valuation specialist in estimating fair values of tangible and intangible assets. The fair value estimates are based on available historical information and on expectations and assumptions about the future, considering the perspective of marketplace participants. While management believes those expectations and assumptions are reasonable, they are inherently uncertain. Unanticipated market or macroeconomic events and circumstances may occur, which could affect the accuracy or validity of the estimates and assumptions.

Determining the useful lives of intangible assets also requires judgment. Certain brand intangibles are expected to have indefinite lives based on their history and our plans to continue to support and build the acquired brands, while other acquired intangible assets (e.g., customer relationships) are expected to have determinable useful lives. Our estimates of the useful lives of definite-lived intangible assets are primarily based upon historical experience, the competitive and macroeconomic environment, and our operating plans. The costs of definite-lived intangibles are amortized to expense over their estimated life. We review the carrying value of goodwill and non-amortizable intangible assets and conduct tests of impairment on an annual basis as described below. We also test for impairment if events or circumstances indicate it is more likely than not that the fair value of a reporting unit is below its carrying amount. We test indefinite-lived intangible assets for impairment if events or changes in circumstances indicate that the asset might be impaired.

Determining the fair value of a reporting unit or an indefinite-lived purchased intangible asset is judgmental in nature and involves the use of significant estimates and assumptions, as more fully described in note 1 of notes to our consolidated financial statements. While we believe those estimates and assumptions are reasonable, they are inherently uncertain. Unanticipated market or macroeconomic events and circumstances may occur, which could affect the accuracy or validity of the estimates and assumptions.

Goodwill Impairment

Our reporting units are the same as our operating segments. Determining the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions, as more fully described in note 1 to our consolidated financial statements. We estimate the fair value of a reporting unit by using a discounted cash flow model. Our discounted cash flow model calculates fair value by present valuing future expected cash flows of our reporting units using a market-based discount rate. We then compare this fair value to the carrying amount of the reporting unit, including intangible assets and goodwill. An impairment charge would be recognized to the extent that the carrying amount of the reporting unit exceeds the estimated fair value of the reporting unit. The quantitative goodwill impairment test requires an entity to compare the fair value of each reporting unit with its carrying amount. As of November 30, 2022, we had $5,212.9 million of goodwill recorded in our balance sheet ($3,568.2 million in the consumer segment and $1,644.7 million in the flavor solutions segment). Our fiscal year 2022 impairment testing indicated that the estimated fair values of our reporting units were significantly in excess of their carrying values. Accordingly, we believe that only significant changes in the cash flow assumptions would result in an impairment of goodwill. However, variances between the actual performance of the businesses and the assumptions that were used in developing the estimates of fair value could result in impairment charges in future periods.

Indefinite-lived Intangible Asset Impairment

Our indefinite-lived intangible assets consist of brand names and trademarks. We estimate fair values through the use of the relief-from-royalty method and then compare those fair values to the related carrying amounts of the indefinite-lived intangible asset. In the event that the fair value of any of the brand names or trademarks are less than their related carrying amounts, a non-cash impairment loss would be recognized in an amount equal to the difference.

The estimation of fair values of our brand names and trademarks requires us to make significant assumptions, including expectations with respect to sales and profits of the respective brands and trademarks, related royalty rates, income tax rates and appropriate discount rates, which are based, in part, upon current interest rates adjusted for our view of reasonable country- and brand-specific risks based upon the past and anticipated future performance of the related brand names and trademarks. The assumptions used to assess impairment consider historical trends, macroeconomic conditions, and projections consistent with our operating strategy. Changes in these estimates can have a significant impact on the assessment of fair value which could result in material impairment losses.

As of November 30, 2022, we had $3,043.4 million of brand names assets and trademarks recognized in our consolidated balance sheet, and none of the balances exceeded their estimated fair values at that date. Of the $3,043.4 million of brand names assets and trademarks as of November 30, 2022: (i) $2,320.0 million relates to the French's, Frank's RedHot and Cattlemen's brand names and trademarks, recognized as part of our acquisition of RB Foods in August 2017, that we group for purposes of our impairment analysis; (ii) $380.0 million relates to the Cholula brand names and trademarks associated with the acquisition of Cholula in November 2020, (iii) $49.0 million relates to the FONA brand names and trademarks associated with the acquisition of FONA in December 2020 and (iv) the remaining $294.4 million represents a number of other brand name assets and trademarks with individual carrying values ranging from $0.2 million to $106.4 million. Except for four brand names assets and trademarks with a carrying value of approximately $460 million, including our recent acquisitions of Cholula and FONA, the percentage excess of estimated fair value over respective book values for each of our brand names and trademarks, was 20% or more as of our fourth quarter annual impairment assessment.

The brand names and trademarks related to recent acquisitions, including our recent acquisitions of Cholula and FONA, may be more susceptible to future impairment as their carrying values represent recently determined fair values. A change in assumptions with respect to recently acquired businesses, including those affected by rising interest rates or a deterioration in expectations of future sales, profitability or royalty rates as well as future economic and market conditions, or higher income tax rates, could result in non-cash impairment losses in the future.

Income Taxes

We estimate income taxes and file tax returns in each of the taxing jurisdictions in which we operate and are required to file a tax return. At the end of each year, an estimate for income taxes is recorded in the financial statements. Tax returns are generally filed in the third or fourth quarter of the subsequent year. A reconciliation of the estimate to the final tax return is done at that time, which will result in changes to the original estimate. We believe that our tax return positions are appropriately supported, but tax authorities can challenge certain of our tax positions. We evaluate our uncertain tax positions in accordance with the GAAP guidance for uncertainty in income taxes. We recognize a tax benefit when it is more likely than not the position will be sustained upon examination, based on its technical merits. The tax position is then measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. A change in judgment related to the expected ultimate resolution of uncertain tax positions will be recognized in earnings in the quarter of such change. We believe that our reserve for uncertain tax positions, including related interest and penalties, is adequate. As of November 30, 2022, the Company had $29.6 million of unrecognized tax benefits, including interest and penalties, recorded in Other long-term liabilities. The amounts ultimately paid upon resolution of audits could be materially different from the amounts previously included in our income tax expense and, therefore, could have a material impact on our tax provision, net income and cash flows. We have recorded valuation allowances to reduce our deferred tax assets to the amount that is more likely than not to be realized. In doing so, we have considered future taxable income and tax planning strategies in assessing the need for a valuation allowance. Both future taxable income and tax planning strategies include a number of estimates, as more fully described in note 1 of notes to our consolidated financial statements.

Pension Benefits

Pension plans' costs require the use of assumptions for discount rates, investment returns, projected salary increases, and mortality rates. The actuarial assumptions used in our pension benefit reporting are reviewed annually and compared with external benchmarks to ensure that they appropriately account for our future pension benefit obligations. While we believe that the assumptions used are appropriate, changes in various assumptions and differences between the actual returns on plan assets and the expected returns on plan assets and changes to projected future rates of return on plan assets will affect the amount of pension expense or income ultimately recognized. A 1% increase or decrease in the actuarial assumption for the discount rate would impact 2023 pension benefit expense by approximately $0.4 million. A 1% increase or decrease in the expected return on plan assets would impact 2023 pension expense by approximately $9.8 million.

We will continue to evaluate the appropriateness of the assumptions used in the measurement of our pension benefit obligations. In addition, see note 11 of notes to our consolidated financial statements for a discussion of these assumptions and the effects on the financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This information is set forth in the "Market Risk Sensitivity" section of "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in note 8 of our notes to consolidated financial statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF MANAGEMENT

We are responsible for the preparation and integrity of the consolidated financial statements appearing in our Annual Report. The consolidated financial statements were prepared in conformity with United States generally accepted accounting principles and include amounts based on our estimates and judgments. All other financial information in this report has been presented on a basis consistent with the information included in the financial statements.

We are also responsible for establishing and maintaining adequate internal control over financial reporting. We maintain a system of internal control that is designed to provide reasonable assurance as to the fair and reliable preparation and presentation of the consolidated financial statements, as well as to safeguard assets from unauthorized use or disposition.

Our control environment is the foundation for our system of internal control over financial reporting and is embodied in our Business Ethics Policy. It sets the tone of our organization and includes factors such as integrity and ethical values. Our internal control over financial reporting is supported by formal policies and procedures which are reviewed, modified and improved as changes occur in business conditions and operations.

The Audit Committee of the Board of Directors, which is composed solely of independent directors, meets periodically with members of management, the internal auditors and the independent registered public accounting firm to review and discuss internal control over financial reporting and accounting and financial reporting matters. The independent registered public accounting firm and internal auditors report to the Audit Committee and accordingly have full and free access to the Audit Committee at any time.

We conducted an assessment of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). This assessment included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this assessment. Although there are inherent limitations in the effectiveness of any system of internal control over financial reporting, based on our assessment, we have concluded with reasonable assurance that our internal control over financial reporting was effective as of November 30, 2022.

Our internal control over financial reporting as of November 30, 2022 has been audited by Ernst & Young LLP.

Lawrence E. Kurzius
Chairman &
Chief Executive Officer

Michael R. Smith
Executive Vice President &
Chief Financial Officer

Gregory P. Repas
Vice President & Controller

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of McCormick & Company, Incorporated

Opinion on Internal Control Over Financial Reporting

We have audited McCormick & Company, Incorporated's internal control over financial reporting as of November 30, 2022, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, McCormick & Company, Incorporated (the Company) maintained, in all material respects, effective internal control over financial reporting as of November 30, 2022, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of November 30, 2022 and 2021, the related consolidated income statements, statements of comprehensive income, cash flow statements and statements of shareholders' equity for each of the three years in the period ended November 30, 2022, and the related notes and the financial statement schedule listed in the Index at item 15(2) and our report dated January 26, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Ernst + Young LLP

Baltimore, Maryland
January 26, 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of McCormick & Company, Incorporated

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of McCormick & Company, Incorporated (the Company) as of November 30, 2022 and 2021, the related consolidated income statements, statements of comprehensive income, cash flow statements and statements of shareholders' equity for each of the three years in the period ended November 30, 2022, and the related notes and financial statement schedule listed in the Index at item 15(2) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at November 30, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended November 30, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of November 30, 2022, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated January 26, 2023 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosures to which it relates.

Valuation of Indefinite-lived Intangible Assets

Description of the Matter

At November 30, 2022, the Company's indefinite-lived intangible assets consist of brand names and trademarks with an aggregate carrying value of approximately $3.0 billion. As explained in Note 1 to the consolidated financial statements, these assets are assessed for impairment at least annually using the relief-from-royalty methodology to determine their fair values. If the fair value of any brand name or trademark is less than its carrying amount, an impairment loss is recognized in an amount equal to the difference.

Auditing the Company's impairment assessments is complex due to the significant estimation required in determining the fair value of the brand names and trademarks. Significant management judgment is also involved in determining whether individual brand names and trademarks should be grouped for purposes of the fair value determination or must be evaluated individually. The Company's methodologies for estimating the fair value of these assets involve significant assumptions and inputs, including projected financial information for net sales and operating profit by brand, royalty rates, and discount rates, all of which are sensitive to and affected by economic, industry, and company-specific qualitative factors. These significant assumptions and inputs are forward-looking and could be affected by future economic and market conditions.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's controls over the Company’s indefinite-lived intangible asset impairment assessment, including controls over management’s review of its asset groupings and the significant assumptions described above. We tested controls over the review of methodologies used, significant assumptions and inputs, and completeness and accuracy of the data used in the measurements.

To test the estimated fair value of the Company’s indefinite-lived intangible assets, we performed audit procedures that included, among others, evaluating the asset groupings used by the Company to perform its impairment assessment, assessing the methodologies, and testing the significant assumptions discussed above and the underlying data used by the Company in its analyses. We compared the significant assumptions to current industry, market and economic trends, to the Company's historical results, to other guideline companies within the same industry, and to other relevant data. In addition, we evaluated management’s ability to estimate net sales by comparing the current year actual net sales for certain brand names or trademarks to the estimates made in the Company’s prior year impairment assessment. We also performed sensitivity analyses of certain significant assumptions to evaluate the potential change in the fair values of the brand names and trademarks resulting from hypothetical changes in underlying assumptions. We used an internal valuation specialist to assist in our evaluation of the methodologies used and significant assumptions and inputs used by the Company to determine the estimated fair value of certain brand names and trademarks.

Ernst + Young LLP

We have served as the Company’s auditor since 1982.

Baltimore, Maryland
January 26, 2023

CONSOLIDATED INCOME STATEMENTS

for the year ended November 30 (millions except per share data)	2022	2021	2020
Net sales	$ 6,350.5	$ 6,317.9	$ 5,601.3
Cost of goods sold	4,076.0	3,823.3	3,300.9
Gross profit	2,274.5	2,494.6	2,300.4
Selling, general and administrative expense	1,357.1	1,404.1	1,281.6
Transaction and integration expenses	2.2	29.0	12.4
Special charges	51.6	46.4	6.9
Operating income	863.6	1,015.1	999.5
Interest expense	149.1	136.6	135.6
Other income, net	98.3	17.3	17.6
Income from consolidated operations before income taxes	812.8	895.8	881.5
Income tax expense	168.6	192.7	174.9
Net income from consolidated operations	644.2	703.1	706.6
Income from unconsolidated operations	37.8	52.2	40.8
Net income	$ 682.0	$ 755.3	$ 747.4
Earnings per share–basic	$ 2.54	$ 2.83	$ 2.80
Earnings per share–diluted	$ 2.52	$ 2.80	$ 2.78

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the year ended November 30 (millions)	2022	2021	2020
Net income	$ 682.0	$ 755.3	$ 747.4
Net income attributable to non-controlling interest	6.2	8.0	4.3
Other comprehensive income (loss):			
Unrealized components of pension and other postretirement plans	149.2	134.8	(80.4)
Currency translation adjustments	(161.8)	(68.8)	89.7
Change in derivative financial instruments	3.3	1.1	(0.9)
Deferred taxes	(46.8)	(30.2)	18.1
Total other comprehensive income (loss)	(56.1)	36.9	26.5
Comprehensive income	$ 632.1	$ 800.2	$ 778.2

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

at November 30 (millions)	2022	2021
Assets		
Cash and cash equivalents	$ 334.0	$ 351.7
Trade accounts receivable, net of allowances	573.7	549.5
Inventories	1,340.1	1,182.3
Prepaid expenses and other current assets	138.9	112.3
Total current assets	2,386.7	2,195.8
Property, plant and equipment, net	1,198.0	1,140.3
Goodwill	5,212.9	5,335.8
Intangible assets, net	3,387.9	3,452.5
Other long-term assets	939.4	781.4
Total assets	$ 13,124.9	$ 12,905.8
Liabilities		
Short-term borrowings	$ 1,236.7	$ 539.1
Current portion of long-term debt	270.6	770.3
Trade accounts payable	1,171.0	1,064.2
Other accrued liabilities	754.1	850.2
Total current liabilities	3,432.4	3,223.8
Long-term debt	3,642.3	3,973.3
Deferred taxes	866.3	792.3
Other long-term liabilities	484.7	490.9
Total liabilities	8,425.7	8,480.3
Shareholders' equity		
Common stock; authorized 640.0 shares; issued and outstanding: 2022–17.4 shares, 2021–17.8 shares	568.6	530.0
Common stock non-voting; authorized 640.0 shares; issued and outstanding: 2022–250.6 shares, 2021–249.5 shares	1,570.0	1,525.1
Retained earnings	3,022.5	2,782.4
Accumulated other comprehensive loss	(480.6)	(426.5)
Total McCormick shareholders' equity	4,680.5	4,411.0
Non-controlling interests	18.7	14.5
Total shareholders' equity	4,699.2	4,425.5
Total liabilities and shareholders' equity	$ 13,124.9	$ 12,905.8

See Notes to Consolidated Financial Statements.

CONSOLIDATED CASH FLOW STATEMENTS

for the year ended November 30 (millions)	2022	2021	2020
Operating activities			
Net income	$ 682.0	$ 755.3	$ 747.4
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	200.6	186.3	165.0
Stock-based compensation	60.3	66.6	46.0
Gain on the sale of a business and intangible asset	(63.2)	—	—
Asset impairments included in special charges	10.0	17.2	—
Amortization of inventory fair value adjustments associated with acquisitions	—	6.3	—
(Gain) loss on sale of assets	(0.5)	0.2	3.0
Deferred income tax expense (benefit)	21.8	36.0	(11.2)
Income from unconsolidated operations	(37.8)	(52.2)	(40.8)
Changes in operating assets and liabilities (net of effect of businesses acquired and disposed):			
Trade accounts receivable	(45.8)	(22.6)	4.8
Inventories	(205.3)	(153.7)	(200.2)
Trade accounts payable	125.3	34.9	164.2
Other assets and liabilities	(129.9)	(81.4)	133.8
Dividends received from unconsolidated affiliates	34.0	35.4	29.3
Net cash provided by operating activities	651.5	828.3	1,041.3
Investing activities			
Acquisitions of businesses (net of cash acquired)	—	(706.4)	(803.0)
Proceeds from sale of business	95.2	—	—
Proceeds from sale of unconsolidated operation	—	65.4	—
Proceeds from sale of intangible asset	13.6	—	—
Capital expenditures (including expenditures for capitalized software)	(262.0)	(278.0)	(225.3)
Other investing activities	6.8	10.4	2.7
Net cash used in investing activities	(146.4)	(908.6)	(1,025.6)
Financing activities			
Short-term borrowings (repayments), net	698.3	(346.7)	286.5
Proceeds from issuances of long-term debt	—	1,001.5	527.0
Payment of debt issuance costs	—	(1.9)	(1.1)
Long-term debt repayments	(772.0)	(257.1)	(257.7)
Proceeds from exercised stock options	41.4	13.5	56.6
Taxes withheld and paid on employee stock awards	(19.4)	(15.4)	(13.0)
Common stock acquired by purchase	(38.8)	(8.6)	(47.3)
Dividends paid	(396.7)	(363.3)	(330.1)
Net cash (used in) provided by financing activities	(487.2)	22.0	220.9
Effect of exchange rate changes on cash and cash equivalents	(35.6)	(13.6)	31.6
(Decrease) increase in cash and cash equivalents	(17.7)	(71.9)	268.2
Cash and cash equivalents at beginning of year	351.7	423.6	155.4
Cash and cash equivalents at end of year	$ 334.0	$ 351.7	$ 423.6

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(millions)	Common Stock Shares	Common Stock Non-Voting Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Non-controlling Interests	Total Shareholders' Equity
Balance, November 30, 2019	18.6	247.2	$ 1,888.6	$ 2,055.8	$ (500.2)	$ 12.5	$ 3,456.7
Net income			—	747.4	—	—	747.4
Net income attributable to non-controlling interest			—	—	—	4.3	4.3
Other comprehensive income (loss), net of tax			—	—	29.4	(2.9)	26.5
Dividends			—	(338.5)	—	—	(338.5)
Stock-based compensation			46.0	—	—	—	46.0
Shares purchased and retired	(0.3)	(0.2)	(13.6)	(49.1)	—	—	(62.7)
Shares issued	1.6	—	60.3	—	—	—	60.3
Equal exchange	(1.9)	1.9	—	—	—	—	—
Balance, November 30, 2020	18.0	248.9	$ 1,981.3	$ 2,415.6	$ (470.8)	$ 13.9	$ 3,940.0
Net income			—	755.3	—	—	755.3
Net income attributable to non-controlling interest			—	—	—	8.0	8.0
Other comprehensive income (loss), net of tax			—	—	44.3	(7.4)	36.9
Dividends			—	(371.5)	—	—	(371.5)
Stock-based compensation			66.6	—	—	—	66.6
Shares purchased and retired	(0.3)	—	(7.8)	(17.0)	—	—	(24.8)
Shares issued	0.7	—	15.0	—	—	—	15.0
Equal exchange	(0.6)	0.6	—	—	—	—	—
Balance, November 30, 2021	17.8	249.5	$ 2,055.1	$ 2,782.4	$ (426.5)	$ 14.5	$ 4,425.5
Net income				682.0	—	—	682.0
Net income attributable to non-controlling interest			—	—	—	6.2	6.2
Other comprehensive loss, net of tax			—	—	(54.1)	(2.0)	(56.1)
Dividends			—	(402.3)	—	—	(402.3)
Stock-based compensation			60.3	—	—	—	60.3
Shares purchased and retired	(0.7)	—	(20.0)	(39.6)	—	—	(59.6)
Shares issued	1.4	—	43.2	—	—	—	43.2
Equal exchange	(1.1)	1.1	—	—	—	—	—
Balance, November 30, 2022	17.4	250.6	$ 2,138.6	$ 3,022.5	$ (480.6)	$ 18.7	$ 4,699.2

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The financial statements include the accounts of our majority-owned or controlled subsidiaries and affiliates. Intercompany transactions have been eliminated. Investments in unconsolidated affiliates, over which we exercise significant influence, but not control, are accounted for by the equity method. Accordingly, our share of net income or loss from unconsolidated affiliates is included in net income.

Foreign Currency Translation

For majority-owned or controlled subsidiaries and affiliates, if located outside of the U.S., with functional currencies other than the U.S. dollar, asset and liability accounts are translated at the rates of exchange at the balance sheet date and the resultant translation adjustments are included in accumulated other comprehensive income (loss), a separate component of shareholders' equity. Income and expense items are translated at average monthly rates of exchange. Gains and losses from foreign currency transactions of these majority-owned or controlled subsidiaries and affiliates — that is, transactions denominated in other than their functional currency — other than intercompany transactions designated as long-term investments, are included in net income.

Our unconsolidated affiliates located outside the U.S. generally use their local currencies as their functional currencies. The asset and liability accounts of those unconsolidated affiliates are translated at the rates of exchange at the balance sheet date, with the resultant translation adjustments included in accumulated other comprehensive income (loss) of those affiliates. Income and expense items of those affiliates are translated at average monthly rates of exchange. We record our ownership share of the net assets and accumulated other comprehensive income (loss) of our unconsolidated affiliates in our consolidated balance sheet on the lines entitled "Other long-term assets" and "Accumulated other comprehensive loss," respectively. We record our ownership share of the net income of our unconsolidated affiliates, or a gain or loss associated with the sale of our ownership interest in our unconsolidated affiliates, in our consolidated income statement on the line entitled "Income from unconsolidated operations."

Use of Estimates

Preparation of financial statements that follow accounting principles generally accepted in the U.S. requires us to make estimates and assumptions that affect the amounts reported in the financial statements and notes. Actual amounts could differ from these estimates.

Cash and Cash Equivalents

All highly liquid investments purchased with an original maturity of three months or less are classified as cash equivalents.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined under the first-in, first-out costing method (FIFO), including the use of average costs which approximate FIFO.

Property, Plant and Equipment

Property, plant and equipment is stated at historical cost and depreciated over its estimated useful life using the straight-line method for financial reporting and both accelerated and straight-line methods for tax reporting. The estimated useful lives range from 20 to 50 years for buildings and 3 to 15 years for machinery, equipment and other assets. Assets leased under finance leases are depreciated over the shorter of the lease term or their estimated useful lives unless it is reasonably certain that we will obtain ownership by the end of the lease term. Repairs and maintenance costs are expensed as incurred.

Computer Software

We capitalize costs of software developed or obtained for internal use. Capitalized software development costs include only (1) direct costs paid to others for materials and services to develop or buy the software, (2) payroll and payroll-related costs for employees who work directly on the software development project and (3) interest costs while developing the software. Capitalization of these costs stops when the project is substantially complete and ready for use.

The net book value of capitalized software totaled $160.6 million and $141.1 million at November 30, 2022 and 2021, respectively. Capitalized software is classified within "Other long-term assets" in the consolidated balance sheet. Software is amortized using the straight-line method over estimated useful lives ranging from 3 to 13 years, but not exceeding the expected life of the product.

Goodwill and Other Intangible Assets

We review the carrying value of goodwill and indefinite-lived intangible assets and conduct tests of impairment on an annual basis as described below. We also test goodwill for impairment if events or circumstances indicate it is more likely than not that the fair value of a reporting unit is below its carrying amount and test indefinite-lived intangible assets for impairment if events or changes in circumstances indicate that the asset might be impaired. Separable intangible assets that have finite useful lives are amortized over those lives.

Determining the fair value of a reporting unit or an indefinite-lived purchased intangible asset is judgmental in nature and involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, assumed royalty rates, future economic and market conditions and determination of appropriate market comparables. We base our fair value estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. Actual future results may differ from these estimates.

Goodwill Impairment

Our reporting units used to assess potential goodwill impairment are the same as our business segments. We estimate the fair value of a reporting unit by using a discounted cash flow model and then compare that to the carrying amount of the reporting unit, including intangible assets and goodwill. An impairment charge would be recognized to the extent that the carrying amount of the reporting unit exceeds the estimated fair value of the reporting unit.

Indefinite-lived Intangible Asset Impairment

Our indefinite-lived intangible assets consist of acquired brand names and trademarks. We estimate fair value by using a relief-from-royalty method and then compare that to the carrying amount of the indefinite-lived intangible asset. If the carrying amount of the indefinite-lived intangible asset exceeds its estimated fair value, an impairment charge would be recorded to the extent the recorded indefinite-lived intangible asset exceeds the fair value.

Long-lived Asset Impairment

Fixed assets and amortizable intangible assets are reviewed for impairment as events or changes in circumstances occur indicating that the carrying value of the asset may not be recoverable. Undiscounted cash flow analyses are used to determine if an impairment exists. If an impairment is determined to exist, the loss would be calculated based on the excess of the asset's carrying value over its estimated fair value.

Leases

We determine whether a contract is or contains a lease at contract inception based on the presence of identified assets and our right to obtain substantially all the economic benefit from or to direct the use of such assets. When we determine a lease exists, we record a right-of-use ("ROU") asset and corresponding lease liability on our consolidated balance sheet. ROU assets represent our right to use an underlying asset for the lease term. Lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets are recognized at the lease commencement date at the value of the lease liability and are adjusted for any prepayments, lease incentives received, and initial direct costs incurred. Lease liabilities are recognized at the lease commencement date based on the present value of remaining lease payments over the lease term. As the discount rate implicit in the lease is not readily determinable in most of our leases, we use our incremental borrowing rate based on the information available at the lease commencement date in determining the present value of lease payments. Our lease terms include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. We do not record lease contracts with a term of 12 months or less on our consolidated balance sheets.

When our real estate lease arrangements include lease and non-lease components (for example, common area maintenance), we account for each component separately, based on their relative standalone prices. For all other asset categories, we combine lease components and non-lease components into a single lease commitment.

We recognize fixed lease expense for operating leases on a straight-line basis over the lease term. For finance leases, we recognize amortization expense over the shorter of the estimated useful life of the underlying assets or the lease term. In instances of title transfer, expense is recognized over the useful life. Interest expense on a finance lease is recognized using the effective interest method over the lease term.

Revenue Recognition

We manufacture, market and distribute spices, seasoning mixes, condiments and other flavorful products to the entire food industry—retailers, food manufacturers and foodservice businesses. Our revenue arrangements generally include a single performance obligation relating to the fulfillment of a customer order, which in some cases are governed by a master sales agreement, for the purchase of our products. We recognize revenue at a point in time when control of the ordered products passes to the customer, which principally occurs either upon shipment or delivery to the customer or upon pick-up by the customer, depending upon terms included in the particular customer arrangement. Revenues are recorded net of trade and sales incentives and estimated product returns. Known or expected pricing or revenue adjustments, such as trade discounts, rebates and returns, are estimated at the time of sale. All taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected by us from a customer for sales, value added and other excise taxes are excluded from net sales. We account for product shipping and handling activities that occur before the customer has obtained control of a good as fulfillment activities (i.e., an expense) rather than as a promised service with costs for these activities recorded within Cost of goods sold. We expense any incremental costs of obtaining a contract when the contract is for a period of one year or less.

Amounts billed and due from our customers are classified as accounts receivable on the balance sheet and require payment on a short-term basis. Our allowance for doubtful accounts represents our estimate of probable non-payments and credit losses in our existing receivables, as determined based on a review of past due balances and other specific account data.

The following table sets forth our net sales by the Americas, Europe, Middle East and Africa (EMEA) and Asia/Pacific (APAC) geographic regions:

(millions)	Americas	EMEA	APAC	Total
2022				
Net sales	$ 4,551.7	$ 1,116.4	$ 682.4	$ 6,350.5
2021				
Net sales	$ 4,396.1	$ 1,191.3	$ 730.5	$ 6,317.9
2020				
Net sales	$ 3,974.9	$ 1,046.7	$ 579.7	$ 5,601.3

Performance Obligations

Our revenues primarily result from contracts or purchase orders with customers, which generally are both short-term in nature and have a single performance obligation—the delivery of our products to customers. We assess the goods and services promised in our customers' contracts or purchase orders and identify a performance obligation for each promise to transfer a good or service (or bundle of goods or services) that is distinct. To identify the performance obligations, we consider all the goods or services promised, whether explicitly stated or implied based on customary business practices.

Significant Judgments

Sales are recorded net of trade and sales incentives and estimated product returns. Known or expected pricing or revenue adjustments, such as trade discounts, rebates or returns, are estimated at the time of sale. Where applicable, future reimbursements are estimated based on a combination of historical patterns and the Company's then-current expectations regarding what was earned through these programs as of the balance sheet date. Key sales terms, such as pricing and quantities ordered, are established on a frequent basis such that most customer arrangements and related incentives have a one-year or shorter duration. Estimates that affect revenue, such as trade incentives and product returns, are monitored and adjusted each period until the incentives or product returns are realized. The adjustments recognized during the year ended November 30, 2022, 2021 and 2020 resulting from updated estimates of revenue for prior year product sales were not significant. The unsettled portion remaining in accrued liabilities for these activities was $181.0 million and $189.3 million at November 30, 2022 and 2021, respectively.

Shipping and Handling

Shipping and handling costs on our products sold to customers related to activities that occur before the customer has obtained control of a good are included in cost of goods sold in the consolidated income statement.

Brand Marketing Support

Total brand marketing support costs, which are included in our consolidated income statement in the line entitled "Selling, general and administrative expense", were $240.4 million, $237.8 million and $230.3 million for 2022, 2021 and 2020, respectively. Brand marketing support costs include advertising and promotions but exclude trade funds paid to customers for such activities. All trade funds paid to customers are reflected in the consolidated income statement as a reduction of net sales. Promotion costs include public relations, shopper marketing, social marketing activities, general consumer promotion activities and depreciation of assets used in these promotional activities. Advertising costs include the development, production and communication of advertisements through television, digital, print and radio. Development and production costs are expensed in the period in which the advertisement is first run. All other costs of advertising are expensed as incurred. Advertising expense was $187.2 million, $182.6 million and $174.8 million for 2022, 2021 and 2020, respectively.

Research and Development

Research and development costs are expensed as incurred and are included in our consolidated income statement in the line entitled "Selling, general and administrative expense." Research and development expense was $87.5 million, $87.3 million and $68.6 million for 2022, 2021 and 2020, respectively.

Income Taxes

Income taxes are recognized in accordance with the liability method of accounting. Deferred taxes are recognized for the estimated taxes ultimately payable or recoverable based on enacted tax law. Inherent in determining our annual tax rate are judgments regarding business plans, planning opportunities, and expectations about future outcomes. Realization of certain deferred tax assets, primarily net operating loss and other carryforwards, is dependent upon generating sufficient taxable income in the appropriate jurisdiction prior to the expiration of the carryforward periods. Changes in enacted tax rates are reflected in the tax provision as they occur.

We record valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. When assessing the need for valuation allowances, we consider future taxable income and ongoing prudent and feasible tax planning strategies. Should a change in circumstances lead to a change in judgment about the realizability of deferred tax assets in future years, we would adjust related valuation allowances in the period that the change in circumstances occurs, along with a corresponding adjustment to our provision for income taxes.

We recognize a tax position in our financial statements when it is more likely than not that the position will be sustained upon examination based on the technical merits of the position. That position is then measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. The resolution of tax reserves and changes in valuation allowances could be material to our results of operations for any period but is not expected to be material to our financial position.

We are subject to a U.S. tax requirement that certain income earned by foreign subsidiaries, referred to as Global Intangible Low-Taxed Income (GILTI), must be included in the gross income of the subsidiary's U.S. shareholder. Accounting principles generally accepted in the U.S. provide for an accounting policy election of either recognizing deferred taxes for temporary differences expected to reverse as GILTI in future years or recognizing such taxes as a current period expense when incurred. We have elected to treat GILTI as a current period expense when incurred.

Stock-Based Compensation

We recognize stock-based compensation expense associated with options and restricted stock units (RSUs), which contain provisions that such awards fully vest upon an employee's retirement, ratably over the shorter of the vesting period or the employees' retirement eligibility date. Accordingly, we recognize stock-based compensation associated with options and RSUs subject to immediate retirement eligible vesting provisions on the date of grant.

Compensation expense associated with our long-term performance plan (LTPP) is recorded in the income statement ratably over the three-year period of the program based on the number of shares ultimately expected to be awarded using our estimate of the most likely outcome of achieving the performance objectives.

We recognize stock-based compensation expense associated with price-vested stock options ratably over the vesting period as such options do not contain provisions that fully vest these awards upon an employee becoming retirement eligible.

We estimate forfeitures associated with all stock-based compensation at the time of grant based on historical experience and revise this estimate in subsequent periods if actual forfeitures differ.

Derivative Instruments

We record all derivatives on our balance sheet at fair value. The fair value of derivative instruments is recorded in our consolidated balance sheet on the lines entitled "Other current assets", "Other long-term assets", "Other accrued liabilities" or "Other long-term liabilities" depending on their fair value and maturity. Gains and losses representing either hedge ineffectiveness, hedge components excluded from the assessment of effectiveness, or hedges of translational exposure are recorded in our consolidated income statement in the lines entitled "Other income (expense), net" or "Interest expense." In our consolidated cash flow statement, settlements of cash flow and fair value hedges are classified as operating activities; settlements of all other derivative instruments, including instruments for which hedge accounting has been discontinued, are classified consistent with the nature of the instruments.

Cash flow hedges. Qualifying derivatives are accounted for as cash flow hedges when the hedged item is a forecasted transaction. Gains and losses on these instruments are recorded in our consolidated balance sheet on the line entitled “Accumulated other comprehensive income (loss)" until the underlying transaction is recorded in earnings. When the hedged item is realized, gains or losses are reclassified from "Accumulated other comprehensive income (loss)" in our consolidated balance sheet to our consolidated income statement on the same line items as the underlying transactions.

Fair value hedges. Qualifying derivatives are accounted for as fair value hedges when the hedged item is a recognized asset, liability, or firm commitment. Gains and losses on these instruments are recorded in earnings, offsetting gains and losses on the hedged item.

Net investment hedges. Qualifying derivative and nonderivative financial instruments are accounted for as net investment hedges when the hedged item is a nonfunctional currency investment in a subsidiary. Gains and losses on these instruments are included in foreign currency translation adjustments, a component of “Accumulated other comprehensive income (loss)" in our consolidated balance sheet.

Employee Benefit and Retirement Plans

We sponsor defined benefit pension plans in the U.S. and certain foreign locations. In addition, we sponsor defined contribution plans in the U.S. We contribute to defined contribution plans in locations outside the U.S., including government-sponsored retirement plans. We also currently provide postretirement medical and life insurance benefits to certain U.S. employees and retirees.

We recognize the overfunded or underfunded status of our defined benefit pension plans as an asset or a liability in our balance sheet, with changes in the funded status recorded through other comprehensive income in the year in which those changes occur.

The expected return on plan assets is determined using the expected rate of return and a calculated value of plan assets referred to as the market-related value of plan assets. Differences between assumed and actual returns are amortized to the market-related value of assets on a straight-line basis over five years.

We use the corridor approach in the valuation of defined benefit pension and postretirement benefit plans. The corridor approach defers all actuarial gains and losses resulting from variances between actual results and actuarial assumptions. Those unrecognized gains and losses are amortized when the net gains and losses exceed 10% of the greater of the market-related value of plan assets or the projected benefit obligation at the beginning of the year. The amount in excess of the corridor is amortized over the average remaining life expectancy of retired plan participants, for plans whose benefits have been frozen, or the average remaining service period to retirement date of active plan participants.

Accounting Pronouncements Adopted in 2022

In December 2019, the FASB issued ASU No. 2019-12 *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The new guidance removes certain exceptions to the general principles for income taxes and also improves consistent application of accounting by clarifying or amending existing guidance. The new standard was adopted effective December 1, 2021. There was no material impact to our consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04 *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* that provides optional expedients for a limited period of time for accounting for contracts, hedging relationships, and other transactions affected by the London Interbank Offered Rate (LIBOR) or other reference rates expected to be discontinued. These optional expedients can be applied from March 2020 through December 31, 2022. In December 2022, the FASB issued ASU No. 2022-06 *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848* which deferred the sunset date of Topic 848 from December 31, 2022 to December 31, 2024. Arrangements that were entered into during the year ended November 30, 2022, including our new revolving credit facility expiring in July 2023, fixed to variable interest rate swaps expiring in April 2030, and cross-currency interest rate swaps expiring in April 2030, no longer use LIBOR as a reference rate. LIBOR continues to be the reference rate for our variable rate debt, including our revolving credit facility expiring in July 2026, interest rate swaps expiring in November 2025 and August 2027, and the cross-currency interest rate swaps expiring in August 2027. The phase out of LIBOR reference rates will occur at different dates and began on January 1, 2022. Our adoption of this new standard occurred during the year ended November 30, 2022, in conjunction with the first phase-out of a LIBOR reference rate. There was no material impact to our consolidated financial statements, nor do we expect the adoption of this standard to have a material impact on our consolidated financial statements during the LIBOR transition period.

Recently Issued Accounting Pronouncements — Pending Adoption

In September 2022, the FASB issued ASU No. 2022-04: *Liabilities - Supplier Finance Programs (Topic 450-50): Disclosure of Supplier Finance Program Obligations* that requires entities that use supplier finance programs in connection with the purchase of goods and services to disclose the key terms of the programs and information about obligations outstanding at the end of the reporting period, including a roll forward of those obligations. The guidance does not affect the recognition, measurement or financial statement presentation of supplier finance program obligations. The new standard's requirements to disclose the key terms of the programs and information about obligations outstanding are effective for all interim and annual periods of our fiscal year ending November 30, 2024. The new standard's requirement to disclose a roll forward of obligations outstanding will be effective for our fiscal year ending November 30, 2025. Early adoption is permitted. We are currently evaluating the impact that this new guidance will have on our consolidated financial statements.

2. ACQUISITIONS AND DISPOSITIONS

Acquisitions are part of our strategy to increase sales and profits.

Acquisition of FONA International, LLC

On December 30, 2020, we purchased FONA International, LLC and certain of its affiliates (FONA), a privately held company, for a purchase price of approximately $708.2 million, net of cash acquired. That purchase price includes the payment of $2.6 million during 2021 associated with the final working capital adjustment. FONA is a leading manufacturer of clean and natural flavors providing solutions for a diverse customer base across various applications for the food, beverage and nutritional markets. The acquisition of FONA expands the breadth of our flavor solutions segment into attractive categories, as well as extends our technology platform and strengthens our capabilities. The acquisition was funded with cash and commercial paper. At the time of the acquisition, annual sales of FONA were approximately $114 million. The results of FONA's operations have been included in our financial statements as a component of our flavor solutions segment from the date of acquisition.

We valued finished goods and work-in-process inventory using a net realizable value approach, which resulted in a step-up of $1.4 million that was recognized in Cost of goods sold during 2021, as the related inventory was sold. Raw materials and packaging inventory were valued using the replacement cost approach.

Acquisition of Cholula Hot Sauce

On November 30, 2020, we completed the acquisition of the parent company of Cholula Hot Sauce® (Cholula) from *L* Catterton. The purchase price was approximately $801.2 million, net of cash acquired. That purchase price is also net of $1.5 million received during 2021 associated with the final working capital adjustment. The acquisition was funded with cash and short-term borrowings. Cholula, a premium Mexican hot sauce brand, is a strong addition to McCormick's global branded flavor portfolio, which we believe broadens our offering in the high growth hot sauce category to consumers and foodservice operators and accelerates our condiment growth opportunities with a complementary authentic Mexican flavor hot sauce. At the time of the acquisition, annual sales of Cholula were approximately $96 million. The results of Cholula's operations have been included in our financial statements as a component of our consumer and flavor solutions segments from the date of acquisition.

We valued finished goods and work-in-process inventory using a net realizable value approach, which resulted in a step-up of $4.9 million that was recognized in cost of goods sold in 2021 as the related inventory was sold. Raw materials and packaging inventory was valued using the replacement cost approach.

Transaction and Integration Expenses Associated with the Cholula and FONA Acquisitions

The following are the transaction and integration expenses recognized related to the Cholula and FONA acquisitions for the years ended November 30 (in millions):

	2022	2021	2020
Transaction-related expenses included in cost of goods sold	$ —	$ 6.3	$ —
Other transaction expenses	—	13.8	12.4
Integration expenses	2.2	15.2	—
Total transaction and integration expenses	$ 2.2	$ 35.3	$ 12.4

Disposal of Kitchen Basics

On August 3, 2022, we sold the Kitchen Basics business for $95.2 million in cash, net of transaction expenses of $3.8 million. Assets disposed of principally included inventory, intangible assets ($6.3 million) and goodwill ($21.5 million). The sale of Kitchen Basics resulted in a pre-tax gain of $49.6 million.

3. SPECIAL CHARGES

In our consolidated income statement, we include a separate line item captioned "Special charges" in arriving at our consolidated operating income. Special charges consist of expenses, including related impairment charges, associated with certain actions undertaken to reduce fixed costs, simplify or improve processes, and improve our competitiveness and are of such significance in terms of both up-front costs and organizational/structural impact to require advance approval by our Management Committee, comprised of our senior management, including our Chairman and Chief Executive Officer. Upon presentation of any such proposed action (generally including details with respect to estimated costs, which typically consist principally of employee severance and related benefits, together with ancillary costs associated with the action that may include a non-cash component, such as an asset impairment, or a component which relates to inventory adjustments that are included in cost of goods sold; impacted employees or operations; expected timing; and expected savings) to the Management Committee and the Committee's advance approval, expenses associated with the approved action are classified as special charges upon recognition and monitored on an ongoing basis through completion. Certain ancillary expenses related to these actions approved by our Management Committee do not qualify for accrual upon approval but are included as special charges as incurred during the course of the actions.

The following is a summary of special charges recognized for the years ended November 30 (in millions):

	2022	2021	2020
Employee severance and related benefits in the income statement	$ 33.8	$ 10.5	$ 4.1
Other costs in the income statement			
Cash	7.4	18.7	2.8
Non-Cash	24.0	17.2	—
Total special charges	$ 65.2	$ 46.4	$ 6.9
Gain on sale of exited brand	(13.6)	—	—
Special charges included in Cost of goods sold	—	4.7	—
Total special charges	$ 51.6	$ 51.1	$ 6.9

The following is a summary of special charges by business segments for the years ended November 30 (in millions):

	2022	2021	2020
Consumer segment	$ 23.9	$ 36.3	$ 5.5
Flavor solutions segment	27.7	14.8	1.4
Total special charges	$ 51.6	$ 51.1	$ 6.9

We continue to evaluate changes to our organization structure to reduce fixed costs, simplify or improve processes, and improve our competitiveness.

During 2022, we recorded $51.6 million of special charges, consisting principally of $23.3 million associated with the exit of our consumer business in Russia, as more fully described below, $21.5 million associated with the transition of a manufacturing facility in EMEA, as more fully described below, and streamlining actions of $8.0 million in the Americas region, and $7.1 million in the EMEA region, and $5.6 million associated with a U.S. voluntary retirement program, as more fully described below. These charges were partially offset by a $13.6 million gain on the sale of our Kohinoor brand, discussed below, as well as a reversal of $2.2 million of estimated costs associated with the exit of our rice product line in India upon settlement of a supply agreement related to that product line. As of November 30, 2022, reserves associated with special charges of $26.7 million are included in "Other accrued liabilities" in our consolidated balance sheet.

In 2022, our Management Committee approved a voluntary retirement plan, which included enhanced separation benefits to certain U.S. employees aged 55 years or older with at least ten years of service to the company. This voluntary retirement plan commenced in November 2022 and participants were required to submit their notifications by December 30, 2022. Upon our receipt of notification from participants through November 30, 2022 that they accepted this plan, we accrued special charges of $5.6 million, consisting of employee severance and related benefits. Upon all eligible employees submitting their notifications by the end of December 2022, the total employee severance and related benefits will total approximately $24 million with the remainder to be recognized during the first quarter of fiscal year 2023. All related payments will be made in fiscal year 2023 as all of the affected employees will leave the company in 2023. The voluntary retirement plan is part of our Global Operating Effectiveness Program.

In 2022, our Management Committee approved the exit of our consumer business in Russia. As a result, during the year, we recognized $23.3 million of special charges. These special charges included a non-cash impairment charge of $10.0 million associated with the Kamis brand name to reduce its carrying value to its estimated fair value, $3.3 million of employee severance and $2.1 million of other related exit costs directly associated with the exit plan, and a non-cash $7.9 million reclassification of the cumulative translation adjustment previously reflected in accumulated other comprehensive income (loss) to earnings associated with the exit of our business in Russia.

In 2022, our Management Committee approved an initiative to consolidate our manufacturing operations in the United Kingdom into a net-zero carbon condiments manufacturing and distribution center facility with state-of-the-art technology. We expect to execute these changes to our supply chain operations and improve profitability, from a combination of lower headcount and non-headcount costs, by consolidating our operations into a scalable platform while expanding our capacity. We expect the cost of the initiative to approximate $40 million—to be recognized as special charges in our consolidated income statement through 2023. Of that $40 million, we expect the costs to include employee severance and related benefits, non-cash accelerated depreciation, equipment relocation costs, decommissioning and other property related lease exit costs, all directly related to the initiative. During 2022, we recognized $12.6 million in severance and related benefits costs, $6.2 million in accelerated depreciation and $2.7 million in third party expenses and other costs.

During 2021, we recorded $51.1 million of special charges, of which $46.4 million was recognized in Special charges and $4.7 million was recognized in Cost of goods sold on our consolidated income statement. Special charges in 2021 consisted principally of $19.5 million associated with our exit of our rice product line in India, as more fully described below, $6.2 million associated with the transition of a manufacturing facility in EMEA, streamlining actions of $10.3 million in the Americas region, $4.8 million in the EMEA region and $0.8 million in the APAC region, and $0.8 million related to our Global Enablement (GE) operating model initiative, together with a non-cash asset impairment charge of $6.0 million associated with an administrative site that was sold in conjunction with our decision to employ a hybrid work environment.

In 2021, we recorded a total of $19.5 million of special charges related to the exit of our Kohinoor rice product line in India. This action principally relates to the discontinuance of Kohinoor's rice business consistent with our focus on higher margin products to enable the business to focus on both its flavor solutions and non-rice consumer business. As a result of the Kohinoor rice product line exit, we determined that an impairment of the Kohinoor brand name had occurred in 2021 and recorded a non-cash impairment charge of $7.4 million reducing its carrying value to zero. Also, as a result of this action, we determined that the value of our customer relationship asset in India was also impaired as a result of the lower level of anticipated sales and recorded a non-cash impairment charge of $3.8 million. We also recorded $3.6 million of employee severance and other related exit costs associated directly associated with the exit plan. In addition, as a result of the Kohinoor product line discontinuance in 2021, we recognized a $4.7 million charge in cost of goods sold, which represents a provision for the excess of the carrying value of rice inventories over the estimated net realizable value of such discontinued inventories and a contractual obligation associated with terminating a rice supply agreement. During 2022, we sold the Kohinoor brand name for $13.6 million, net of costs associated with the sale of $1.4 million, and reflected the gain of $13.6 million associated with this sale within special charges.

During 2020, we recorded $6.9 million of special charges, consisting of (i) $5.3 million related to streamlining actions in our EMEA region, including $3.8 million related to severance and related benefits and $1.0 million of third party expenses and $0.5 million related to other costs; and (ii) $1.6 million related to our GE operating model initiative. Of the $6.9 million in special charges recorded during 2020, approximately $4.8 million were paid in cash, with the remaining accrual paid in 2021.

4. GOODWILL AND INTANGIBLE ASSETS

The following table displays intangible assets as of November 30:

	2022		2021	
(millions)	Gross carrying amount	Accumulated amortization	Gross carrying amount	Accumulated amortization
Definite-lived intangible assets	$ 536.6	$ 192.1	$ 549.6	$ 164.5
Indefinite-lived intangible assets:				
Goodwill	5,212.9	—	5,335.8	—
Brand names and trademarks	3,043.4	—	3,067.4	—
	8,256.3	—	8,403.2	—
Total goodwill and intangible assets	$ 8,792.9	$ 192.1	$ 8,952.8	$ 164.5

As more fully described in note 3, in 2022, we exited our consumer business in Russia and recognized a non-cash impairment charge of $10.0 million associated with the Kamis brand name to reduce its carrying value to its estimated fair value. Also as more fully described in note 3, we exited our Kohinoor rice product line in India in 2021 and recorded non-cash impairment charges of $7.4 million and $3.8 million associated with the Kohinoor brand name and customer relationship asset in India, respectively.

Intangible asset amortization expense was $35.1 million, $35.6 million and $20.2 million for 2022, 2021 and 2020, respectively. At November 30, 2022, definite-lived intangible assets had a weighted-average remaining life of approximately 11 years.

The changes in the carrying amount of goodwill by segment for the years ended November 30 were as follows:

	2022		2021	
(millions)	Consumer	Flavor Solutions	Consumer	Flavor Solutions
Beginning of year	$ 3,674.7	$ 1,661.1	$ 3,711.2	$ 1,275.1
Increase from acquisition	—	—	—	389.7
Changes in preliminary purchase price allocation	—	—	0.5	0.3
Decrease from sale of business (1)	(21.5)	—	—	—
Foreign currency fluctuations	(85.0)	(16.4)	(37.0)	(4.0)
End of year	$ 3,568.2	$ 1,644.7	$ 3,674.7	$ 1,661.1

(1) The sale of Kitchen basics is further described in note 2.

The December 2020 FONA acquisition resulted in the allocation of $389.7 million of goodwill to the flavor solutions segment.

5. INVESTMENTS IN AFFILIATES

Income from unconsolidated operations was $37.8 million, $52.2 million, and $40.8 million in 2022, 2021 and 2020, respectively. Income from unconsolidated operations in 2021 includes a gain on a sale of unconsolidated operations of $13.4 million as described below. Our principal earnings from unconsolidated affiliates are from our 50% interest in McCormick de Mexico, S.A. de C.V. Profit from this joint venture represented 84% of income from unconsolidated operations in 2022, 62% in 2021 and 75% in 2020. The relative impact of McCormick de Mexico, S.A. de C.V. on income from unconsolidated operations in 2021 was impacted by the gain on our sale of an unconsolidated operation.

Summarized annual and year-end information from the financial statements of unconsolidated affiliates representing 100% of the businesses follows:

(millions)	2022	2021	2020
Net sales	$ 998.1	$ 925.1	$ 870.3
Gross profit	338.1	328.8	318.0
Net income	86.5	95.8	93.7
Current assets	$ 494.8	$ 464.2	$ 421.7
Noncurrent assets	109.7	105.8	126.2
Current liabilities	257.7	218.5	192.3
Noncurrent liabilities	8.4	9.0	12.2

Royalty income from unconsolidated affiliates was $27.3 million, $22.8 million and $19.5 million for 2022, 2021 and 2020, respectively.

Sale of Unconsolidated Operation

On March 1, 2021, we sold our 26% interest in Eastern Condiments Private Ltd (Eastern) for $65.4 million in cash, net of transaction expenses of $1.4 million. Eastern was accounted for as an equity method investment with our proportionate share of earnings, prior to the sale, reflected in Income from unconsolidated operations before income taxes in our consolidated income statement. The sale of Eastern resulted in a gain of $13.4 million, net of tax of $5.7 million. That gain is included in Income from unconsolidated operations before income taxes in our consolidated income statement. That gain also reflects a write-off of $1.4 million of foreign currency translation adjustment, a component of Accumulated other comprehensive loss.

6. FINANCING ARRANGEMENTS

Our outstanding debt, including finance leases, was as follows at November 30:

(millions)	2022	2021
Short-term borrowings		
Commercial paper	$ 1,224.6	$ 530.8
Other	12.1	8.3
	$ 1,236.7	$ 539.1
Weighted-average interest rate of short-term borrowings at year-end	4.2 %	0.2 %
Long-term debt		
2.70% notes due 8/15/2022	$ —	$ 750.0
3.50% notes due 9/1/2023(1)	250.0	250.0
3.15% notes due 8/15/2024	700.0	700.0
3.25% notes due 11/15/2025(2)	250.0	250.0
0.90% notes due 2/15/2026	500.0	500.0
3.40% notes due 8/15/2027(3)	750.0	750.0
2.50% notes due 4/15/2030(4)	500.0	500.0
1.85% notes due 2/15/2031	500.0	500.0
4.20% notes due 8/15/2047	300.0	300.0
7.63%–8.12% notes due 2024	55.0	55.0
Other, including finance leases	176.1	199.2
Unamortized discounts, premiums, debt issuance costs and fair value adjustments(5)	(68.2)	(10.6)
	3,912.9	4,743.6
Less current portion	270.6	770.3
	$ 3,642.3	$ 3,973.3

(1) Interest rate swaps, settled upon the issuance of these notes, effectively set the interest rate on the $250 million notes at a weighted-average fixed rate of 3.30%.
(2) Interest rate swaps, settled upon the issuance of these notes, effectively set the interest rate on the $250 million notes at a weighted-average fixed rate of 3.45%. The fixed interest rate on $100 million of the 3.25% notes due in 2025 is effectively converted to a variable rate

by interest rate swaps through 2025. Net interest payments are based on 3-month LIBOR plus 1.22% with an effective variable rate of 5.83% as of November 30, 2022.

(3) Interest rate swaps, settled upon the issuance of these notes, effectively set the interest rate on the $750 million notes at a weighted-average fixed rate of 3.44%. The fixed interest rate on $250 million of the 3.40% notes due in 2027 is effectively converted to a variable rate by interest rate swaps through 2027. Net interest payments are based on 3-month LIBOR plus 0.685% with an effective rate of 5.29% as of November 30, 2022.

(4) Interest rate swaps, settled upon the issuance of these notes, effectively set the interest rate on the $500 million notes at a weighted-average fixed rate of 2.62%. The fixed interest rate on $250 million of the 2.50% notes due in 2030 is effectively converted to a variable rate by interest rate swaps through 2030. Net interest payments are based on USD SOFR plus 0.684% with an effective rate of 4.94% as of November 30, 2022.

(5) Includes unamortized discounts, premiums and debt issuance costs of $(25.9) million and $(31.8) million as of November 30, 2022 and 2021, respectively. Includes fair value adjustment associated with interest rate swaps designated as fair value hedges of $(42.3) million and $21.2 million as of November 30, 2022 and 2021, respectively.

Maturities of long-term debt, including finance leases, during the fiscal years subsequent to November 30, 2022 are as follows (in millions):

2023	$ 270.6
2024	796.9
2025	269.7
2026	509.2
2027	759.6
Thereafter	1,375.1

In February 2021, we issued $500.0 million of 0.90% notes due February 15, 2026, with cash proceeds received of $495.7 million, net of discounts and underwriters' fees. Also in February 2021, we issued $500.0 million of 1.85% notes due February 15, 2031, with cash proceeds received of $492.8 million, net of discounts and underwriters' fees. The net proceeds from these issuances were used to pay down short-term borrowings, including a portion of the $1,443.0 million of commercial paper issued to finance our acquisitions of Cholula and FONA, and for general corporate purposes.

We have available credit facilities with domestic and foreign banks for various purposes. Some of these lines are committed lines and others are uncommitted lines and could be withdrawn at various times. Our committed lines include a five-year $1.5 billion revolving credit facility, which will expire in June 2026 and a 364-day $500 million revolving credit facility, which was entered into in July 2022 and will expire in July 2023. The current pricing for the five-year credit facility, on a fully drawn basis, is LIBOR plus 1.25%. The pricing of that credit facility is based on a credit rating grid that contains a fully drawn maximum pricing of the credit facility equal to LIBOR plus 1.75%. The current pricing for the 364-day credit facility, on a fully drawn basis, is Secured Overnight Financing Rate (SOFR) plus 1.23%. The pricing of that credit facility is based on a credit rating grid that contains a fully drawn maximum pricing of the credit facility equal to SOFR plus 1.60%. These credit facilities require a fee, and commitment fees were $2.1 million, $2.0 million and $1.3 million for 2022, 2021, and 2020, respectively.

These credit facilities support our commercial paper program and, after $1,224.6 million was used to support issued commercial paper, we have $775.4 million of capacity at November 30, 2022. The provisions of these revolving credit facilities restrict subsidiary indebtedness and require us to maintain a minimum interest coverage ratio. As of November 30, 2022, our capacity under both revolving credit facilities was not affected by these covenants. We do not expect that these covenants would limit our access to our revolving credit facilities for the foreseeable future.

In addition, we have several uncommitted lines totaling $302.5 million, which have a total unused capacity at November 30, 2022 of $232.6 million. These lines, by their nature, can be withdrawn based on the lenders' discretion.

At November 30, 2022, we had no outstanding guarantees with terms of one year or less. As of November 30, 2022 and 2021, we had outstanding letters of credit of $60.8 million and $63.7 million, respectively. These letters of credit typically act as a guarantee of payment to certain third parties in accordance with specified terms and conditions. The unused portion of our letter of credit facility was $13.6 million at November 30, 2022.

7. LEASES

Our lease portfolio primarily consists of (i) certain real estate, including those related to a number of administrative, distribution and manufacturing locations; (ii) certain machinery and equipment, including forklifts; and (iii) automobiles, delivery trucks and other vehicles, including an airplane. A limited number of our lease agreements include rental payments that are adjusted periodically based on a market rate or index. Our lease agreements generally do not contain residual value guarantees or material restrictive covenants, with the exception of the non-cancellable synthetic lease discussed below.

The following presents the components of our lease expense for the years ended November 30 (in millions):

	2022	2021	2020
Operating lease cost	$ 47.0	$ 45.0	$ 41.2
Finance lease cost:			
Amortization of ROU assets	9.0	9.0	9.0
Interest on lease liabilities	4.1	4.3	4.5
Net lease cost	$ 60.1	$ 58.3	$ 54.7

(1) Net lease cost does not include short-term leases, variable lease costs or sublease income, all of which are immaterial.

Supplemental balance sheet information related to leases as of November 30 were as follows (in millions):

Leases	Classification	2022	2021
Assets:			
Operating lease ROU assets	Other long-term assets	$ 218.9	$ 136.8
Finance lease ROU assets	Property, plant and equipment, net	103.0	112.1
Total leased assets		$ 321.9	$ 248.9
Liabilities:			
Current			
Operating	Other accrued liabilities	$ 54.4	$ 34.3
Finance	Current portion of long-term debt	7.8	7.5
Non-current			
Operating	Other long-term liabilities	176.1	106.1
Finance	Long-term debt	110.5	118.2
Total lease liabilities		$ 348.8	$ 266.1

In October 2020, we entered into a non-cancellable synthetic lease to consolidate as well as expand our distribution footprint in the mid-Atlantic region. We began to utilize this facility in September 2022. The five-year lease term will expire in November 2027. As of November 30, 2022, the total ROU asset associated with this building was $78.9 million with a related lease obligation of $83.4 million, of which $18.7 million was included in the other accrued liabilities and $64.7 million was included in other long-term liabilities. Rental payments include both a fixed and a variable component. The variable component is based on SOFR plus a margin, based on our credit rating. During the year ended November 30, 2022, we recognized rent expense of $5.2 million related to the leased asset. The lease contains options to negotiate a renewal of the lease or to purchase or request the lessor to sell the facility at the end of the lease term. The lease arrangement contains a residual value guarantee of 76.5% of the lessor’s total construction cost, which approximated $310 million. We do not believe it is probable that any material amounts will be owed under these guarantees. Therefore, no material amounts related to the residual value guarantees are included in the lease payments used to measure the right-of-use assets and lease liabilities. The lease also contains covenants that are consistent with our revolving credit facilities, as disclosed in note 6.

Our Corporate functions, Americas' leadership, and U.S. staff operate out of our Hunt Valley, Maryland headquarters office building. The 15-year lease for that building began in April 2019 and is recognized as a finance lease. During each of the years ended November 30, 2022, 2021 and 2020, we recognized amortization expense of $8.7 million related to the leased asset. As of November 30, 2022, the total lease obligation associated with this building was $116.4 million, of which $7.6 million was included in the current portion of long-term debt and $108.8 million was included in long-term debt. As of November 30, 2021, the total lease obligation was $123.8 million, of which $7.3 million was included in the current portion of long-term debt and $116.5 million was included in long-term debt.

Information regarding our lease terms and discount rates as of November 30 were as follows:

	2022		2021	
	Weighted-average remaining lease term (years)	Weighted-average discount rate	Weighted-average remaining lease term (years)	Weighted-average discount rate
Operating leases	5.8	3.7 %	6.8	1.9 %
Finance leases	11.9	3.3 %	12.9	3.3 %

The future maturity of our lease liabilities as of November 30, 2022 were as follows (in millions):

	Operating leases	Finance leases	Total
2023	$ 58.3	$ 11.3	$ 69.6
2024	50.9	11.5	62.4
2025	43.3	11.7	55.0
2026	39.0	11.9	50.9
2027	34.1	12.2	46.3
Thereafter	31.8	89.9	121.7
Total lease payments	257.4	148.5	405.9
Less: Imputed interest	26.9	30.2	57.1
Total lease liabilities	$ 230.5	$ 118.3	$ 348.8

Supplemental cash flow and other information related to leases for the years ended November 30 were as follows (in millions):

	2022	2021
Cash paid for amounts included in the measurements of lease liabilities:		
Operating cash flows used for operating leases	$ 41.4	$ 45.4
Operating cash flows used for finance leases	4.1	4.3
Financing cash flows used for finance leases	7.3	7.1
ROU assets obtained in exchange for lease liabilities		
Operating leases	$ 133.8	$ 47.8

8. FINANCIAL INSTRUMENTS

We use derivative financial instruments to enhance our ability to manage risk, including foreign currency and interest rate exposures, which exist as part of our ongoing business operations. We do not enter into contracts for trading purposes, nor are we a party to any leveraged derivative instrument and all derivatives are designated as hedges. We are not a party to master netting arrangements, and we do not offset the fair value of derivative contracts with the same counterparty in our financial statement disclosures. The use of derivative financial instruments is monitored through regular communication with senior management and the use of written guidelines.

Foreign Currency

We are potentially exposed to foreign currency fluctuations affecting net investments in subsidiaries, transactions (both third-party and intercompany) and earnings denominated in foreign currencies. Management assesses foreign currency risk based on transactional cash flows and translational volatility and may enter into forward contract and currency swaps with highly-rated financial institutions to reduce fluctuations in the long or short currency positions. Forward contracts are generally less than 18 months duration. Currency swap agreements are established in conjunction with the terms of the underlying debt issues.

At November 30, 2022, we had foreign currency exchange contracts to purchase or sell $560.5 million of foreign currencies as compared to $583.6 million at November 30, 2021. All of these contracts were designated as hedges of anticipated purchases denominated in a foreign currency or hedges of foreign currency denominated assets or liabilities. Hedge ineffectiveness was not material. All foreign currency exchange contracts outstanding at November

30, 2022 have durations of less than 18 months, including $150.9 million of notional contracts that have durations of less than one month and are used to hedge short-term cash flow funding.

Contracts which are designated as hedges of anticipated purchases denominated in a foreign currency (generally purchases of raw materials in U.S. dollars by operating units outside the U.S.) are considered cash flow hedges. The gains and losses on these contracts are deferred in accumulated other comprehensive income until the hedged item is recognized in cost of goods sold, at which time the net amount deferred in accumulated other comprehensive income is also recognized in cost of goods sold.

Hedges of foreign currency denominated assets and liabilities include contracts with a notional value of $355.5 million and $449.3 million at November 30, 2022 and 2021, respectively. We enter into these fair value foreign currency exchange contracts to manage exposure to currency fluctuations in certain intercompany loans between subsidiaries as well as currency exposure to third-party non-functional currency assets or liabilities. Gains and losses from contracts that are designated as hedges of assets, liabilities or firm commitments are recognized through income, offsetting the change in fair value of the hedged item.

We also utilize cross currency interest rate swap contracts that are designated as net investment hedges. Any gains or losses on net investment hedges are included in foreign currency translation adjustments in accumulated other comprehensive loss.

As of November 30, 2022 and 2021, we had cross currency interest rate swap contracts of (i) $250 million notional value to receive $250 million at three-month U.S. LIBOR plus 0.685% and pay £194.1 million at three-month GBP SONIA plus 0.859% and (ii) £194.1 million notional value to receive £194.1 million at three-month GBP SONIA plus 0.859% and pay €221.8 million at three-month Euro EURIBOR plus 0.808%. These cross-currency interest rate swap contracts expire in August 2027. In conjunction with the phase-out of LIBOR, during 2022 we amended the terms of this cross currency swap such that, effective February 15, 2022, we now pay and receive at GBP SONIA plus 0.859% (previously GBP LIBOR plus 0.740%).

As of November 30, 2022, we also had cross currency interest rate swap contracts of $250 million notional value to receive $250 million at USD SOFR plus 0.684% and pay £184.1 million at GBP SONIA plus 0.574% and (ii) £184.1 million notional value to receive £184.1 million at GBP SONIA plus 0.574% and pay €219.2 million at Euro ESTR plus 0.667%, both of which expire in April 2030.

Interest Rates

We finance a portion of our operations with both fixed and variable rate debt instruments, primarily commercial paper, notes and bank loans. We utilize interest rate swap agreements to minimize worldwide financing costs and to achieve a desired mix of variable and fixed rate debt.

As of November 30, 2022 and 2021, we have outstanding interest rate swap contracts for a notional amount of $600 million and $350 million, respectively. The following is a summary of our outstanding interest rate swaps as of November 30, 2022 and 2021 ($ amounts in millions).

	Fair value hedge of changes in fair value of:		
	$250 3.25% notes due 2025	$750 3.40% notes due 2027	$500 2.50% notes due 2030 (1)
Notional	$ 100.0	$ 250.0	$ 250.0
Receive rate	3.25 %	3.40 %	2.50 %
Pay rate	Three-month LIBOR + 1.22%	Three-month LIBOR + 0.685%	SOFR + 0.684%
Expiration	November 2025	August 2027	April 2030

(1) The $250 million notional swap that expires in April 2030 was entered into during 2022.

Any unrealized gain or loss on these swaps was offset by a corresponding increase or decrease in the value of the hedged debt. Hedge ineffectiveness was not material.

The following tables disclose the notional amount and fair values of derivative instruments on our consolidated balance sheet:

As of November 30, 2022: (millions)	Asset Derivatives			Liability Derivatives		
Derivatives	Balance sheet location	Notional amount	Fair value	Balance sheet location	Notional amount	Fair value
Interest rate contracts	Other current assets/Other long-term assets	$ —	$ —	Other accrued liabilities	$ 600.0	$ 42.4
Foreign exchange contracts	Other current assets	344.9	11.0	Other accrued liabilities	215.6	1.5
Cross currency contracts	Other current assets/Other long-term assets	680.0	44.5	Other long-term liabilities	226.1	8.3
Total			$ 55.5			$ 52.2

As of November 30, 2021: (millions)	Asset Derivatives			Liability Derivatives		
Derivatives	Balance sheet location	Notional amount	Fair value	Balance sheet location	Notional amount	Fair value
Interest rate contracts	Other current assets/Other long-term assets	$ 350.0	$ 23.1	Other accrued liabilities	$ —	$ —
Foreign exchange contracts	Other current assets	380.8	8.3	Other accrued liabilities	202.8	2.8
Cross currency contracts	Other current assets/Other long-term assets	251.0	4.4	Other long-term liabilities	257.5	8.0
Total			$ 35.8			$ 10.8

The following tables disclose the impact of derivative instruments on other comprehensive income (OCI), accumulated other comprehensive income (AOCI) and our consolidated income statement for the years ended November 30, 2022, 2021 and 2020:

Fair value hedges (millions)

Derivative	Income statement location	Income (expense) 2022	2021	2020
Interest rate contracts	Interest expense	$ 4.0	$ 8.2	$ 5.2

Derivative	Income statement location	Gain (loss) recognized in income 2022	2021	2020	Hedged Item	Income statement location	Gain (loss) recognized in income 2022	2021	2020
Foreign exchange contracts	Other income, net	$ 6.6	$ (1.9)	$ (4.0)	Intercompany loans	Other income, net	$ (6.3)	$ 2.9	$ 3.0

Cash flow hedges (millions)

Derivative	Gain (loss) recognized in OCI 2022	2021	2020	Income statement location	Gain (loss) reclassified from AOCI 2022	2021	2020
Interest rate contracts	$ 18.7	$ 0.3	$ —	Interest expense, Other income, net	$ 19.2	$ 0.5	$ 0.5
Foreign exchange contracts	5.3	(2.0)	1.9	Cost of goods sold	1.6	(0.7)	1.6
Total	$ 24.0	$ (1.7)	$ 1.9		$ 20.8	$ (0.2)	$ 2.1

In March 2022, we entered into treasury lock arrangements with a notional amount totaling $200 million in order to manage our interest rate risk associated with the anticipated issuance of at least $200 million of fixed rate debt by August 2022. These treasury locks had a maturity date of August 12, 2022 and an average fixed rate of 1.89%. We designated these treasury lock arrangements as cash flow hedges with any unrealized gain, prior to settlement, recognized in accumulated other comprehensive income. In July 2022, we settled the $200 million notional treasury locks upon determining we would not issue fixed rate debt but rather enter into the previously described $500 million

364-day revolving credit facility. The proceeds received upon settlement of these treasury lock arrangements were $18.7 million and were recognized in Other income, net in our consolidated income statements for the year ended November 30, 2022.

The amount of gain or loss recognized in income on the ineffective portion of derivative instruments is not material. For all cash flow and settled interest rate fair value hedge derivatives, the net amount of accumulated other comprehensive income expected to be reclassified into income related to these contracts in the next twelve months is a $3.3 million increase to earnings.

Net investment hedges (millions)

	Gain (loss) recognized in OCI			Income statement location	Gain (loss) excluded from the assessment of hedge effectiveness		
Derivative	2022	2021	2020		2022	2021	2020
Cross currency contracts	$ 37.6	$ 15.5	$ (20.8)	Interest expense	$ 7.3	$ 1.5	$ 3.1

For all net investment hedges, no amounts have been reclassified out of other comprehensive income (loss). The amounts noted in the tables above for OCI do not include any adjustments for the impact of deferred income taxes.

Concentrations of Credit Risk

We are potentially exposed to concentrations of credit risk with trade accounts receivable and financial instruments. The customers of our consumer segment are predominantly food retailers and food wholesalers. Consolidations in these industries have created larger customers. In addition, competition has increased with the growth in alternative channels including mass merchandisers, dollar stores, warehouse clubs, discount chains and e-commerce. This has caused some customers to be less profitable and increased our exposure to credit risk. We generally have a large and diverse customer base which limits our concentration of credit risk. At November 30, 2022, we did not have amounts due from any single customer that exceed 10% of consolidated trade accounts receivable. Current credit markets are highly volatile and some of our customers and counterparties are highly leveraged. We continue to closely monitor the credit worthiness of our customers and counterparties and generally do not require collateral. We believe that the allowance for doubtful accounts properly recognized trade receivables at realizable value. We consider nonperformance credit risk for other financial instruments to be insignificant.

9. FAIR VALUE MEASUREMENTS

Fair value can be measured using valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow) and the cost approach (cost to replace the service capacity of an asset or replacement cost). Accounting standards utilize a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

- *Level 1:* Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2:* Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- *Level 3:* Unobservable inputs that reflect management’s own assumptions.

Our population of assets and liabilities subject to fair value measurements on a recurring basis are as follows:

(millions)	Fair value	Fair value measurements using fair value hierarchy as of November 30, 2022 Level 1	Level 2
Assets:			
Cash and cash equivalents	$ 334.0	$ 334.0	$ —
Insurance contracts	110.0	—	110.0
Bonds and other long-term investments	5.1	5.1	—
Foreign currency derivatives	11.0	—	11.0
Cross currency contracts	44.5	—	44.5
Total	$ 504.6	$ 339.1	$ 165.5
Liabilities:			
Interest rate derivatives	$ 42.4	$ —	$ 42.4
Foreign currency derivatives	1.5	—	1.5
Cross currency contracts	8.3	—	8.3
Total	$ 52.2	$ —	$ 52.2

(millions)	Fair value	Fair value measurements using fair value hierarchy as of November 30, 2021 Level 1	Level 2
Assets:			
Cash and cash equivalents	$ 351.7	$ 351.7	$ —
Insurance contracts	132.2	—	132.2
Bonds and other long-term investments	5.1	5.1	—
Interest rate derivatives	23.1	—	23.1
Foreign currency derivatives	8.3	—	8.3
Cross currency contracts	4.4	—	4.4
Total	$ 524.8	$ 356.8	$ 168.0
Liabilities:			
Foreign currency derivatives	2.8	—	2.8
Cross currency contracts	8.0	—	8.0
Total	$ 10.8	$ —	$ 10.8

At November 30, 2022 and 2021, we had no financial assets or liabilities that were subject to a level 3 fair value measurement.

At November 30, 2022 and 2021, the carrying amount of interest rate derivatives, foreign currency derivatives, cross currency contracts, insurance contracts, and bond and other long-term investments are equal to their respective fair values. Because of their short-term nature, the amounts reported in the balance sheet for cash and cash equivalents, receivables, short-term borrowings and trade accounts payable approximate fair value. Investments in affiliates are not readily marketable, and it is not practicable to estimate their fair value.

Insurance contracts, bonds, and other long-term investments are comprised of fixed income and equity securities held for certain non-qualified U.S. employee benefit plans and are stated at fair value on the balance sheet. The fair values of insurance contracts are based upon the underlying values of the securities in which they are invested and are from quoted market prices from various stock and bond exchanges for similar type assets. The fair values of bonds and other long-term investments are based on quoted market prices from various stock and bond exchanges. The fair values for interest rate derivatives, foreign currency derivatives, and cross currency contracts are based on values for similar instruments using models with market-based inputs.

The carrying amount and fair value of long-term debt, including the current portion, as of November 30 were as follows:

(millions)	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term debt (including current portion)	$ 3,912.9	$ 3,600.9	$ 4,743.6	$ 4,921.5
Level 1 valuation techniques		3,424.8		4,722.3
Level 2 valuation techniques		176.1		199.2

The fair value for Level 2 long-term debt is determined by using quoted prices for similar debt instruments.

10. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table sets forth the components of accumulated other comprehensive loss, net of tax where applicable, as of November 30 (in millions):

	2022	2021
Accumulated other comprehensive loss, net of tax where applicable		
Foreign currency translation adjustment [1]	$ (405.3)	$ (233.3)
Unrealized net gain on foreign currency exchange contracts	3.8	0.6
Unamortized value of settled interest rate swaps	(0.6)	(0.2)
Pension and other postretirement costs	(78.5)	(193.6)
	$ (480.6)	$ (426.5)

(1) During the year ended November 30, 2022, the foreign currency translation adjustment of accumulated other comprehensive loss increased on a net basis by $172.0 million, inclusive of $37.6 million of unrealized gains associated with net investment hedges. During the year ended November 30, 2021, the foreign currency translation adjustment of accumulated other comprehensive loss increased on a net basis by $59.3 million, inclusive of $15.5 million of unrealized gains associated with net investment hedges. These net investment hedges are more fully described in note 8.

The following table sets forth the amounts reclassified from accumulated other comprehensive income (loss) and into consolidated net income for the years ended November 30:

(millions) Accumulated other comprehensive income (loss) components	2022	2021	2020	Affected line items in the consolidated income statement
(Gains)/losses on cash flow hedges:				
Interest rate derivatives	$ (0.5)	$ (0.5)	$ (0.5)	Interest expense
Treasury lock contracts [1]	(18.7)	—	—	Other income, net
Foreign exchange contracts	(1.6)	0.7	(1.6)	Cost of goods sold
Total before taxes	(20.8)	0.2	(2.1)	
Tax effect	4.9	—	0.5	Income taxes
Net, after tax	$ (15.9)	$ 0.2	$ (1.6)	
Amortization of pension and postretirement benefit adjustments:				
Amortization of prior service (credits) costs [2]	$ 0.3	$ 0.3	$ (4.0)	Other income, net
Amortization of net actuarial losses [2]	9.9	13.9	11.0	Other income, net
Total before taxes	10.2	14.2	7.0	
Tax effect	(2.4)	(3.3)	(1.6)	Income taxes
Net, after tax	$ 7.8	$ 10.9	$ 5.4	

(1) The settlement of these treasury locks is further described in note 8.

(2) This accumulated other comprehensive income (loss) component is included in the computation of total pension expense and total other postretirement expense (refer to note 11 for additional details).

11. EMPLOYEE BENEFIT AND RETIREMENT PLANS

We sponsor defined benefit pension plans in the U.S. and certain foreign locations. In addition, we sponsor defined contribution plans in the U.S. We contribute to defined contribution plans in locations outside the U.S., including government-sponsored retirement plans. We also currently provide postretirement medical and life insurance benefits to certain U.S. employees and retirees.

We previously froze the accrual of certain defined benefit pension plans in the U.S. and the United Kingdom with effective dates of the plan being frozen occurring between December 31, 2016 and November 30, 2018. Also, we previously froze the accrual of future benefits under our pension plans in Canada with an effective date of November 30, 2019. Although those plans have been frozen, employees who are participants in the plans retained benefits accumulated up to the date of the freeze, based on credited service and eligible earnings, in accordance with the terms of the plans.

Included in our consolidated balance sheet as of November 30, 2022 on the line entitled "Accumulated other comprehensive loss" was $98.8 million ($78.5 million net of tax) related to net unrecognized actuarial losses that have not yet been recognized in net periodic pension or postretirement benefit cost.

Defined Benefit Pension Plans

The significant assumptions used to determine benefit obligations are as follows as of November 30:

	United States		International	
	2022	2021	2022	2021
Discount rate—funded plans	5.4 %	2.9 %	4.5 %	2.1 %
Discount rate—unfunded plan	5.4 %	2.8 %	— %	— %
Salary scale	— %	— %	2.9 %	2.9 %

The significant assumptions used to determine pension expense for the years ended November 30 are as follows:

	United States			International		
	2022	2021	2020	2022	2021	2020
Discount rate—funded plans	2.9 %	2.8 %	3.4 %	2.1 %	1.9 %	2.2 %
Discount rate—unfunded plan	2.8 %	2.7 %	3.3 %	— %	— %	— %
Salary scale	— %	— %	— %	2.9 %	2.9 %	2.9 %
Expected return on plan assets	6.8 %	6.8 %	6.8 %	3.7 %	4.1 %	4.9 %

Annually, we undertake a process, with the assistance of our external investment consultants, to evaluate the appropriate projected rates of return to use for our pension plans' assumptions. We engage our investment consultants' research teams to develop capital market assumptions for each asset category in our plans to project investment returns into the future. The specific methods used to develop expected return assumptions vary by asset category. We adjust the outcomes for the fact that plan assets are invested with actively managed funds and subject to tactical asset reallocation.

Our pension expense (income) for the years ended November 30 was as follows:

	United States			International		
(millions)	2022	2021	2020	2022	2021	2020
Service cost	$ 3.6	$ 3.7	$ 3.2	$ 0.9	$ 1.1	$ 1.3
Interest costs	26.3	25.9	29.3	7.0	7.1	7.5
Expected return on plan assets	(42.8)	(41.1)	(40.6)	(12.3)	(14.0)	(15.3)
Amortization of prior service costs	0.5	0.5	0.5	0.1	0.1	0.1
Amortization of net actuarial loss	8.6	11.0	7.8	1.3	2.2	2.0
Settlement loss	—	—	—	0.3	0.7	1.3
Total pension expense (income)	$ (3.8)	$ —	$ 0.2	$ (2.7)	$ (2.8)	$ (3.1)

A roll forward of the benefit obligation, fair value of plan assets and a reconciliation of the pension plans' funded status as of November 30, the measurement date, follows:

	United States		International	
(millions)	2022	2021	2022	2021
Change in benefit obligation:				
Benefit obligation at beginning of year	$ 921.5	$ 958.0	$ 354.7	$ 371.7
Service cost	3.6	3.7	0.9	1.1
Interest costs	26.3	25.9	7.0	7.1
Plan amendments	—	—	—	0.5
Actuarial (gain) loss	(221.2)	(21.9)	(101.7)	(7.4)
Benefits paid	(42.7)	(44.2)	(15.7)	(16.6)
Foreign currency impact	—	—	(25.1)	(1.7)
Benefit obligation at end of year	$ 687.5	$ 921.5	$ 220.1	$ 354.7
Change in fair value of plan assets:				
Fair value of plan assets at beginning of year	$ 754.0	$ 688.2	$ 398.4	$ 368.7
Actual return on plan assets	(64.0)	96.6	(79.0)	47.1
Employer contributions	10.4	13.4	1.0	1.6
Benefits paid	(42.7)	(44.2)	(15.7)	(16.6)
Foreign currency impact	—	—	(29.6)	(2.4)
Fair value of plan assets at end of year	$ 657.7	$ 754.0	$ 275.1	$ 398.4
Funded status	$ (29.8)	$ (167.5)	$ 55.0	$ 43.7
Pension plans in which accumulated benefit obligation exceeded plan assets				
Projected benefit obligation	$ 120.3	$ 921.5	$ 14.6	$ 19.7
Accumulated benefit obligation	116.1	912.3	12.4	16.3
Fair value of plan assets	35.0	754.0	1.5	1.8

The accumulated benefit obligation is the present value of pension benefits (whether vested or unvested) attributed to employee service rendered before the measurement date and based on employee service and compensation prior to that date. The accumulated benefit obligation differs from the projected benefit obligation in that it includes no assumption about future compensation or service levels. The accumulated benefit obligation for the U.S. pension plans was $683.2 million and $912.3 million as of November 30, 2022 and 2021, respectively. The accumulated benefit obligation for the international pension plans was $217.9 million and $351.3 million as of November 30, 2022 and 2021, respectively.

Included in the U.S. in the preceding table is a benefit obligation of $80.1 million and $104.2 million for 2022 and 2021, respectively, related to our Supplemental Executive Retirement Plan (SERP). The assets related to this plan, which totaled $74.1 million and $90.3 million as of November 30, 2022 and 2021, respectively, are held in a rabbi trust and accordingly have not been included in the preceding table.

Amounts recorded in the balance sheet for all defined benefit pension plans as of November 30 consist of the following:

	United States		International	
(millions)	2022	2021	2022	2021
Non-current pension asset	$ 55.4	$ —	$ 68.1	$ 61.6
Accrued pension liability	85.2	167.5	13.1	18.0
Deferred income tax assets	23.9	52.9	0.7	3.9
Accumulated other comprehensive loss, net of tax	73.2	167.8	20.7	32.2

The investment objectives of the defined benefit pension plans are to provide assets to meet the current and future obligations of the plans at a reasonable cost to us. The goal is to optimize the long-term return across the portfolio of investments at a moderate level of risk. Higher-returning assets include mutual, co-mingled and other funds comprised of equity securities, utilizing both active and passive investment styles. These more volatile assets are balanced with less volatile assets, primarily mutual, co-mingled and other funds comprised of fixed income securities. Professional investment firms are engaged to provide advice on the selection and monitoring of investment funds, and to provide advice on the allocation of plan assets across the various fund managers. This advice is based in part on the duration of each plan's liability. The investment return performances are evaluated quarterly against specific benchmark indices and against a peer group of funds of the same asset classification.

The allocations of U.S. pension plan assets as of November 30, by asset category, were as follows:

	Actual		2022
Asset Category	2022	2021	Target
Equity securities	61.6 %	62.2 %	59.0 %
Fixed income securities	20.4 %	20.9 %	23.2 %
Other	18.0 %	16.9 %	17.8 %
Total	100.0 %	100.0 %	100.0 %

The allocations of the international pension plans' assets as of November 30, by asset category, were as follows:

	Actual		2022
Asset Category	2022	2021	Target
Equity securities	41.0 %	40.5 %	42.9 %
Fixed income securities	58.6 %	59.1 %	57.1 %
Other	0.4 %	0.4 %	— %
Total	100.0 %	100.0 %	100.0 %

The following tables set forth by level, within the fair value hierarchy as described in note 9, pension plan assets at their fair value as of November 30 for the United States and international plans:

As of November 30, 2022	United States		
(millions)	Total fair value	Level 1	Level 2
Cash and cash equivalents	$ 22.5	$ 22.5	$ —
Equity securities:			
U.S. equity securities[a]	251.2	136.1	115.1
International equity securities[b]	147.0	136.2	10.8
Fixed income securities:			
U.S. government/corporate bonds[c]	72.1	69.8	2.3
High yield bonds[d]	37.4	—	37.4
Insurance contracts[f]	1.1	—	1.1
Other types of investments:			
Real estate [g]	27.6	23.1	4.5
Natural resources [h]	18.0	—	18.0
Total	$ 576.9	$ 387.7	$ 189.2
Investments measured at net asset value[i]			
Hedge funds[j]	50.1		
Private equity funds[k]	7.3		
Private debt funds[l]	23.4		
Total investments	$ 657.7		

As of November 30, 2022	International		
(millions)	Total fair value	Level 1	Level 2
Cash and cash equivalents	$ 1.2	$ 1.2	$ —
International equity securities[b]	112.6	—	112.6
Fixed income securities:			
International/government/corporate bonds[e]	147.7	—	147.7
Insurance contracts[f]	13.6	—	13.6
Total investments	$ 275.1	$ 1.2	$ 273.9

As of November 30, 2021	United States		
(millions)	Total fair value	Level 1	Level 2
Cash and cash equivalents	$ 34.4	$ 34.4	$ —
Equity securities:			
U.S. equity securities[(a)]	290.7	147.5	143.2
International equity securities[(b)]	170.2	161.7	8.5
Fixed income securities:			
U.S./government/ corporate bonds[(c)]	86.9	84.4	2.5
High yield bonds[(d)]	41.0	—	41.0
Insurance contracts[(f)]	1.1	—	1.1
Other types of investments:			
Real estate [(g)]	31.4	27.1	4.3
Natural resources [(h)]	13.3	—	13.3
Total	$ 669.0	$ 455.1	$ 213.9
Investments measured at net asset value[(i)]			
Hedge funds[(j)]	48.0		
Private equity funds[(k)]	8.3		
Private debt funds[(l)]	28.7		
Total investments	$ 754.0		

As of November 30, 2021	International		
(millions)	Total fair value	Level 1	Level 2
Cash and cash equivalents	$ 1.6	$ 1.6	$ —
International equity securities[(b)]	161.3	—	161.3
Fixed income securities:			
International/government/corporate bonds[(e)]	214.1	—	214.1
Insurance contracts[(f)]	21.4	—	21.4
Total investments	$ 398.4	$ 1.6	$ 396.8

(a) This category comprises equity funds and collective equity trust funds that most closely track the S&P index and other equity indices.
(b) This category comprises international equity funds with varying benchmark indices.
(c) This category comprises funds consisting of U.S. government and U.S. corporate bonds and other fixed income securities. An appropriate benchmark is the Barclays Capital Aggregate Bond Index.
(d) This category comprises funds consisting of real estate related debt securities with an appropriate benchmark of the Barclays Investment Grade CMBS Index.
(e) This category comprises funds consisting of international government/corporate bonds and other fixed income securities with varying benchmark indices.
(f) This category comprises insurance contracts, the majority of which have a guaranteed investment return.
(g) This category comprises funds investing in real estate investment trusts (REIT). An appropriate benchmark is the MSCI U.S. REIT Index.
(h) This category comprises funds investing in natural resources. An appropriate benchmark is the Alerian master limited partnership (MLP) Index.
(i) Certain investments that are valued using the net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. These are included to permit reconciliation of the fair value hierarchy to the aggregate pension plan assets.
(j) This category comprises hedge funds investing in strategies represented in various HFRI Fund Indices. The net asset value is generally based on the valuation of the underlying investment. Limitations exist on the timing from notice by the plan of its intent to redeem and actual redemptions of these funds and generally range from a minimum of one month to several months.
(k) This category comprises private equity, venture capital and limited partnerships. The net asset is based on valuation models of the underlying securities as determined by the general partner or general partner's designee. These valuation models include unobservable inputs that cannot be corroborated using verifiable observable market data. These funds typically have redemption periods of approximately 10 years.
(l) This category comprises limited partnerships funds investing in senior loans, mezzanine and distressed debt. The net asset is based on valuation models of the underlying securities as determined by the general partner or general partner's designee. These valuation models include unobservable inputs that cannot be corroborated using verifiable observable market data. These funds typically have redemption periods of approximately 10 years.

For the plans' hedge funds, private equity funds and private debt funds, we engage an independent advisor to compare the funds' returns to other funds with similar strategies. Each fund is required to have an annual audit by an independent accountant, which is provided to the independent advisor. This provides a basis of comparability relative to similar assets.

Equity securities in the U.S. pension plans included McCormick stock with a fair value of $46.2 million (0.6 million shares and 7.0% of total U.S. pension plan assets) and $47.7 million (0.6 million shares and 6.3% of total U.S. pension plan assets) at November 30, 2022 and 2021, respectively. Dividends paid on these shares were $0.8 million and $0.7 million in 2022 and 2021, respectively.

Pension benefit payments in our most significant plans are made from assets of the pension plans. It is anticipated that future benefit payments for the U.S. and international plans for the next 10 fiscal years will be as follows:

(millions)	United States	International
2023	$ 46.2	$ 11.1
2024	46.7	11.4
2025	48.2	12.2
2026	49.3	12.2
2027	50.6	12.8
2028-2032	254.2	67.0

U.S. Defined Contribution Retirement Plans

For our U.S. qualified and non-qualified defined contribution retirement plans, we match 100% of a participant’s contribution up to the first 3% of the participant’s eligible compensation, and 66.7% of the next 3% of the participant’s salary. In addition, we make contributions of 3% of the participant's eligible compensation for all U.S. employees who are employed on December 31 of each year. Some of our smaller subsidiaries sponsor separate 401(k) retirement plans. Our contributions charged to expense under all U.S. defined contribution retirement plans were $30.5 million, $29.8 million and $30.8 million in 2022, 2021 and 2020, respectively.

At the participants' election, 401(k) retirement plans held 2.6 million shares of McCormick stock, with a fair value of $215.4 million, at November 30, 2022. Dividends paid on the shares held in the 401(k) retirement plans in 2022 and 2021 were $3.9 million in each year.

Postretirement Benefits Other Than Pensions

We currently provide postretirement medical and life insurance benefits to certain U.S. employees who were covered under the active employees’ plan and retire after age 55 with at least five years of service. The subsidy provided under these plans is based primarily on age at date of retirement. These benefits are not pre-funded but paid as incurred. Employees hired after December 31, 2008 are not eligible for a company subsidy. They are eligible for coverage on an access-only basis.

Our other postretirement benefit expense (income) for the years ended November 30 follows:

(millions)	2022	2021	2020
Service cost	$ 1.8	$ 2.0	$ 1.9
Interest costs	1.7	1.6	2.0
Amortization of prior service credits	(0.3)	(0.3)	(4.6)
Amortization of actuarial gains	(0.3)	—	(0.1)
Postretirement benefit expense (income)	$ 2.9	$ 3.3	$ (0.8)

Roll forwards of the benefit obligation, fair value of plan assets and a reconciliation of the plans' funded status at November 30, the measurement date, follow:

(millions)	2022	2021
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 65.9	$ 70.7
Service cost	1.8	2.0
Interest costs	1.7	1.6
Participant contributions	2.1	2.0
Actuarial (gain) loss	(12.5)	(4.3)
Benefits paid	(6.1)	(6.1)
Benefit obligation at end of year	$ 52.9	$ 65.9
Change in fair value of plan assets:		
Fair value of plan assets at beginning of year	$ —	$ —
Employer contributions	4.0	4.1
Participant contributions	2.1	2.0
Benefits paid	(6.1)	(6.1)
Fair value of plan assets at end of year	$ —	$ —
Other postretirement benefit liability	$ 52.9	$ 65.9

Estimated future benefit payments (net of employee contributions) for the next 10 fiscal years are as follows:

(millions)	Retiree medical	Retiree life insurance	Total
2023	$ 3.4	$ 1.7	$ 5.1
2024	3.5	1.6	5.1
2025	3.6	1.5	5.1
2026	3.6	1.5	5.1
2027	3.6	1.4	5.0
2028-2032	16.3	6.3	22.6

The assumed discount rate in determining the benefit obligation was 5.0% and 2.7% for 2022 and 2021, respectively.

For 2022, the assumed annual rate of increase in the cost of covered health care benefits is 7.5% (6.3% last year). It is assumed to decrease gradually to 4.5% in the year 2034 (4.5% in 2032 last year) and remain at that level thereafter.

12. STOCK-BASED COMPENSATION

We have four types of stock-based compensation awards: restricted stock units (RSUs), stock options, company stock awarded as part of our long-term performance plan (LTPP), and beginning in 2020, price-vested stock options. Total stock-based compensation expense for 2022, 2021 and 2020 was $60.3 million, $66.6 million and $46.0 million, respectively. Total unrecognized stock-based compensation expense related to our RSUs and stock options at November 30, 2022 was $20.1 million and the weighted-average period over which this will be recognized is 1.3 years. Total unrecognized stock-based compensation expense related to our price-vested stock options at November 30, 2022 was $6.4 million and the weighted-average period over which this will be recognized is 1.0 year. Total unrecognized stock-based compensation expense related to our LTPP is variable in nature and is dependent on the company's execution against established performance metrics under performance cycles related to this plan. As of November 30, 2022, we have 5.9 million shares remaining available for future issuance under our RSUs, stock option and LTPP award programs.

The following summarizes the key terms, a summary of activity, and the methods of valuation for each of our stock-based compensation awards.

RSUs

RSUs are valued at the market price of the underlying stock, discounted by foregone dividends, on the date of grant. Substantially all of the RSUs granted vest over a three-year term or, if earlier, upon the retirement eligibility date of the holder.

A summary of our RSU activity for the years ended November 30 follows:

(shares in thousands)	2022		2021		2020	
	Shares	Weighted-average price	Shares	Weighted-average price	Shares	Weighted-average price
Beginning of year	563	$ 69.52	714	$ 61.74	762	$ 57.95
Granted	208	94.21	219	86.86	296	67.03
Vested	(251)	71.86	(336)	63.69	(325)	57.56
Forfeited	(40)	85.42	(34)	75.49	(19)	62.96
Outstanding—end of year	480	$ 77.62	563	$ 69.52	714	$ 61.74

Stock Options (Other than Price-Vested Stock Options)

Stock options are granted with an exercise price equal to the market price of the stock on the date of grant. Substantially all of the options, with the exception of price-vested options detailed below, vest ratably over a three-year period or, if earlier, upon the retirement-eligibility dates of the holders and are exercisable over a 10-year period. Upon exercise of the option, shares are issued from our authorized and unissued shares.

The fair value of the options is estimated with a lattice option pricing model which uses the assumptions in the following table. We believe the lattice model provides an appropriate estimate of fair value of our options as it allows for a range of possible outcomes over an option term and can be adjusted for changes in certain assumptions over time. Expected volatilities are based primarily on the historical performance of our stock. We also use historical data to estimate the timing and amount of option exercises and forfeitures within the valuation model. The expected term of the options is an output of the option pricing model and estimates the period of time that options are expected to remain unexercised. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. Compensation expense is calculated based on the fair value of the options on the date of grant.

The per share weighted-average fair value for all options granted was $22.08, $18.36 and $13.27 in 2022, 2021 and 2020, respectively. These fair values were computed using the following range of assumptions for the years ended November 30:

	2022	2021	2020
Risk-free interest rates	0.2 - 2.5%	0.0 - 1.8%	0.0 - 0.6%
Dividend yield	1.5 %	1.5 %	1.8 %
Expected volatility	21.2 %	21.3 %	22.8%
Expected lives	7.6 years	7.9 years	7.9 years

Under our stock option plans, we may issue shares on a net basis at the request of the option holder. This occurs by netting the option cost in shares from the shares exercised.

A summary of our stock option activity for the years ended November 30 follows:

(shares in millions)	2022		2021		2020	
	Shares	Weighted-average exercise price	Shares	Weighted-average exercise price	Shares	Weighted-average exercise price
Beginning of year	5.0	$ 59.71	4.5	$ 53.56	5.2	$ 48.09
Granted	0.7	97.26	0.8	89.16	0.7	69.31
Exercised	(0.8)	47.58	(0.3)	45.93	(1.4)	41.01
Forfeited	(0.1)	88.40	—	—	—	—
Outstanding—end of year	4.8	67.08	5.0	59.71	4.5	53.56
Exercisable—end of year	3.5	$ 58.03	3.6	$ 51.51	3.2	$ 47.76

As of November 30, 2022, the intrinsic value (the difference between the exercise price and the market price) for all options currently outstanding was $98.7 million and for options currently exercisable was $96.0 million. At November 30, 2022 the differences between options outstanding and options expected to vest and their related weighted-average exercise prices, aggregate intrinsic values and weighted-average remaining lives were not material. The total intrinsic value of all options exercised during the years ended November 30, 2022, 2021 and 2020 was $41.0 million, $10.7 million and $68.4 million, respectively. A summary of our stock options outstanding and exercisable at November 30, 2022 follows:

(shares in millions)	Options outstanding			Options exercisable		
Range of exercise price	Shares	Weighted-average remaining life (yrs.)	Weighted-average exercise price	Shares	Weighted-average remaining life (yrs.)	Weighted-average exercise price
$27.00 - $51.00	1.7	3.4	$ 46.49	1.7	3.4	$ 46.49
$51.01 - $75.00	1.6	6.4	65.39	1.4	6.3	64.93
$75.01 - $99.00	1.5	8.8	92.85	0.4	8.4	89.48
	4.8	6.1	$ 67.08	3.5	5.9	$ 65.89

Price-Vested Stock Options

In November 2020, we granted approximately 2,482,000 price-vested stock options to certain employees. The price-vested stock options were granted with an exercise price of $93.49 which was equal to the market price of our stock on the date of grant. The price-vested options are not exercisable until a three year service condition is achieved, and will become exercisable after that time period only if the average closing price of our stock price equals or exceeds thresholds of 60%, 80% or 100% appreciation from the exercise price for 30 consecutive trading days within a five-year period from the date of grant. If the options become exercisable, they are exercisable up to 10 years from the date of grant. The options granted were divided equally between the three appreciation thresholds. Employees who retire vest on a pro-rata basis over a three-year period if the market condition is met in the five-year period from the date of grant. If the market conditions are not met in the five-year period from the date of grant, the options do not become exercisable and will be forfeited.

The fair value of the price-vested options was estimated using a lattice model. The per share weighted-average fair value for the price-vested stock options granted was $11.88, $9.26, and $7.05, for the 60%, 80% and 100% appreciation thresholds, respectively. These fair values were computed using the following range of assumptions:

Risk-free interest rates	0.85 %
Dividend yield	1.5 %
Expected volatility	21.2 %
Expected lives	5.6 - 6.2 years

The following is a summary of our Price-Vested Stock Options activity for the years ended November 30:

(shares in thousands)	2022		2021		2020	
	Number of Shares	Weighted-Average Grant-Date Fair Value	Number of Shares	Weighted-Average Grant-Date Fair Value	Number of Shares	Weighted-Average Grant-Date Fair Value
Beginning of year	2,193	$ 9.40	2,482	$ 9.40	—	$ —
Granted	—		15	9.66	2,482	9.40
Forfeited	(86)	9.40	(304)	9.41	—	—
Outstanding—end of year	2,107	$ 9.40	2,193	$ 9.40	2,482	$ 9.40

As of November 30, 2022, 2021, and 2020, the outstanding options are divided equally between the three appreciation thresholds.

LTPP

LTPP awards granted in 2022, 2021 and 2020 will be delivered in company stock, with the award attainment calculated as a percentage of target based on a combination of a performance-based component and a market-based total shareholder return. These awards are valued based on the fair value of the underlying stock on the date of grant.

A summary of the LTPP award activity for the years ended November 30 follows:

(shares in thousands)	2022		2021		2020	
	Shares	Weighted-average price	Shares	Weighted-average price	Shares	Weighted-average price
Beginning of year	497	$ 83.74	382	$ 71.20	392	$ 57.98
Granted	152	95.00	141	98.30	130	86.14
Vested	(251)	75.26	(124)	51.73	(88)	44.98
Performance adjustment	59	86.14	126	75.26	(44)	50.95
Forfeited	(6)	95.37	(28)	90.32	(8)	65.68
Outstanding—end of year	451	$ 106.32	497	$ 83.74	382	$ 71.20

13. INCOME TAXES

The provision for income taxes for the years ended November 30 consists of the following:

(millions)	2022	2021	2020
Income taxes			
Current			
Federal	$ 62.8	$ 71.7	$ 98.3
State	14.8	14.0	14.8
International	69.2	71.0	73.0
	146.8	156.7	186.1
Deferred			
Federal	37.1	23.5	4.6
State	(3.2)	16.8	0.5
International	(12.1)	(4.3)	(16.3)
	21.8	36.0	(11.2)
Total income tax expense (benefit)	$ 168.6	$ 192.7	$ 174.9

The components of income from consolidated operations before income taxes for the years ended November 30 follow:

(millions)	2022	2021	2020
Pretax income			
United States	$ 600.7	$ 588.1	$ 624.3
International	212.1	307.7	257.2
	$ 812.8	$ 895.8	$ 881.5

A reconciliation of the U.S. federal statutory rate with the effective tax rate for the years ended November 30 follows:

	2022	2021	2020
Federal statutory tax rate	21.0 %	21.0 %	21.0 %
State income taxes, net of federal benefits	1.2	1.6	1.5
International tax at different effective rates	(0.1)	0.8	1.3
U.S. tax on remitted and unremitted earnings	0.6	0.1	0.8
Stock compensation expense	(1.1)	(0.4)	(1.5)
Changes in prior year tax contingencies	(0.8)	(2.5)	(0.3)
Acquisition-related state tax rate change, net of federal benefits	—	1.2	—
Valuation allowance release	(0.6)	(0.5)	(1.4)
Intra-entity asset transfer	—	—	(1.1)
Other, net	0.5	0.2	(0.5)
Total	20.7 %	21.5 %	19.8 %

Deferred tax assets and liabilities are comprised of the following as of November 30:

(millions)	2022	2021
Deferred tax assets		
Employee benefit liabilities	$ 49.9	$ 91.2
Other accrued liabilities	36.1	39.8
Inventory	17.4	12.9
Tax loss and credit carryforwards	59.7	56.6
Lease liabilities	18.1	33.3
Other	22.7	21.7
Valuation allowance	(26.4)	(32.7)
	177.5	222.8
Deferred tax liabilities		
Depreciation	93.0	97.5
Intangible assets	847.4	841.3
Lease ROU assets	12.3	3.3
Other	18.6	5.9
	971.3	948.0
Net deferred tax liability	$ (793.8)	$ (725.2)

At November 30, 2022, we have tax loss carryforwards of $162.6 million. Of these carryforwards, $5.1 million expire in 2023, $16.1 million from 2024 through 2025, $54.6 million from 2026 through 2039, and $86.8 million may be carried forward indefinitely. At November 30, 2022, we also have U.S. foreign tax credit carryforwards of $7.0 million, $3.9 million, and $5.3 million which expire in 2030, 2031, and 2032, respectively.

A valuation allowance has been provided to cover deferred tax assets that are not more likely than not realizable. The net decrease of $6.3 million in the valuation allowance from November 30, 2021 to November 30, 2022 resulted primarily from the net decrease of valuation allowances for net operating losses and other tax attributes in the U.S. and certain non-U.S. jurisdictions.

Our intent is to continue to reinvest undistributed earnings of our non-U.S. subsidiaries and joint ventures indefinitely. As of November 30, 2022, we have $1.4 billion of earnings that are considered indefinitely reinvested. We have not provided any deferred taxes with respect to items such as foreign withholding taxes, other income taxes, or foreign exchange gain or loss. It is not practicable for us to determine the amount of unrecognized tax expense on these reinvested international earnings.

The following table summarizes the activity related to our gross unrecognized tax benefits for the years ended November 30:

(millions)	2022	2021	2020
Balance at beginning of year	$ 26.8	$ 39.3	$ 32.0
Additions for current year tax positions	4.7	4.8	7.8
Additions for prior year tax positions	0.1	0.1	2.5
Reductions of prior year tax positions	(0.8)	(11.6)	—
Statute expirations	(5.0)	(6.0)	(4.2)
Settlements	—	(0.2)	—
Foreign currency translation	(0.7)	0.4	1.2
Balance at November 30	$ 25.1	$ 26.8	$ 39.3

As of November 30, 2022, 2021, and 2020, if recognized, $25.1 million, $26.8 million, and $39.3 million, respectively, of the unrecognized tax benefits would affect the effective rate.

We record interest and penalties on income taxes in income tax expense. We recognized interest and penalty expense (benefit) of $0.2 million, $(3.7) million, and $0.8 million in 2022, 2021, and 2020, respectively. As of November 30, 2022 and 2021, we had accrued $4.7 million and $4.7 million, respectively, of interest and penalties related to unrecognized tax benefits.

Tax settlements or statute of limitation expirations could result in a change to our uncertain tax positions. We believe that the reasonably possible total amount of unrecognized tax benefits as of November 30, 2022 that could decrease in the next 12 months as a result of various statute expirations, audit closures and/or tax settlements would not be material.

We file income tax returns in the U.S. federal jurisdiction and various state and non-U.S. jurisdictions. The open years subject to tax audits vary depending on the tax jurisdictions. In the U.S federal jurisdiction, we are no longer subject to income tax audits by taxing authorities for years before 2019. In other major jurisdictions, we are no longer subject to income tax audits by taxing authorities for years before 2014.

We are under normal recurring tax audits in the U.S. and in several jurisdictions outside the U.S. While it is often difficult to predict the final outcome or the timing of resolution of any particular uncertain tax position, we believe that our reserves for uncertain tax positions are adequate to cover existing risks and exposures.

14. CAPITAL STOCK AND EARNINGS PER SHARE

On April 5, 2021, following approval by the Company's shareholders on March 31, 2021, amendments to the Company's Charter became effective that increased the number of authorized shares of each class of common stock from 320,000,000 to 640,000,000 and established the par value of each class of common stock at $0.01 per share. The par value and additional paid in capital associated with each class of common stock is recorded in Common stock and Common stock non-voting in our consolidated balance sheet.

On September 28, 2020, our Board of Directors approved a 2-for-1 stock split in the form of a stock dividend on all shares of the Company's two classes of common stock, Common Stock and Common Stock Non-Voting. On November 30, 2020, one like share was issued for each share outstanding to shareholders of record as of November 20, 2020. Trading of the Company's common stock began on a split-adjusted basis on December 1, 2020. All common stock and per-share data have been retroactively adjusted for the impact of the stock split.

Holders of Common Stock have full voting rights except that (1) the voting rights of persons who are deemed to own beneficially 10% or more of the outstanding shares of Common Stock are limited to 10% of the votes entitled to be cast by all holders of shares of Common Stock regardless of how many shares in excess of 10% are held by such person; (2) we have the right to redeem any or all shares of Common Stock owned by such person unless such person acquires more than 90% of the outstanding shares of each class of our common stock; and (3) at such time as such person controls more than 50% of the votes entitled to be cast by the holders of outstanding shares of Common Stock, automatically, on a share-for-share basis, all shares of Common Stock Non-Voting will convert into shares of Common Stock.

Holders of Common Stock Non-Voting will vote as a separate class on all matters on which they are entitled to vote. Holders of Common Stock Non-Voting are entitled to vote on reverse mergers and statutory share exchanges where our capital stock is converted into other securities or property, dissolution of the company and the sale of substantially all of our assets, as well as forward mergers and consolidation of the company or any amendment to our charter repealing the right of the Common Stock Non-Voting to vote on any such matters.

The reconciliation of shares outstanding used in the calculation of basic and diluted earnings per share for the years ended November 30 follows:

(millions)	2022	2021	2020
Average shares outstanding—basic	268.2	267.3	266.5
Effect of dilutive securities:			
Stock options/RSUs/LTPP	2.0	2.6	2.6
Average shares outstanding—diluted	270.2	269.9	269.1

The following table sets forth the stock options and RSUs for the years ended November 30 which were not considered in our earnings per share calculation since they were antidilutive:

(millions)	2022	2021	2020
Antidilutive securities	0.9	0.6	0.1

15. COMMITMENTS AND CONTINGENCIES

During the normal course of our business, we are occasionally involved with various claims and litigation. Reserves are established in connection with such matters when a loss is probable and the amount of such loss can be reasonably estimated. At November 30, 2022 and 2021, no material reserves were recorded. The determination of probability and the estimation of the actual amount of any such loss are inherently unpredictable, and it is therefore possible that the eventual outcome of such claims and litigation could exceed the estimated reserves, if any. However, we do not expect the outcome of the matters currently pending will have a material adverse effect on our financial statements.

16. BUSINESS SEGMENTS AND GEOGRAPHIC AREAS

Business Segments

We operate in two business segments: consumer and flavor solutions. The consumer and flavor solutions segments manufacture, market and distribute spices, seasoning mixes, condiments and other flavorful products throughout the world. Our consumer segment sells to retail channels, including grocery, mass merchandise, warehouse clubs, discount and drug stores, and e-commerce under the “McCormick” brand and a variety of brands around the world, including “French's,” “Frank's RedHot,” “Lawry’s,” “Zatarain’s,” “Simply Asia,” “Thai Kitchen,” “Ducros,” “Vahiné,” "Cholula," “Schwartz,” “Club House,” “Kamis,” "DaQiao," "La Drogheria," "Stubb's," "OLD BAY" and "Gourmet Garden." Our flavor solutions segment sells to food manufacturers and the foodservice industry both directly and indirectly through distributors, with the exception of our businesses in China and, prior to 2022, India, where foodservice sales are managed by and reported in our consumer segment.

In each of our segments, we produce and sell many individual products which are similar in composition and nature. With their primary attribute being flavor, the products within each of our segments are regarded as fairly homogenous. It is impracticable to segregate and identify sales and profits for each of these individual product lines.

We measure segment performance based on operating income excluding special charges as this activity is managed separately from the business segments. We also excluded transaction and integration expenses related to our acquisitions, including the recent acquisitions of Cholula and FONA, from our measure of segment performance as these expenses are similarly managed separately from the business segments. These transaction and integration expenses excluded from our segment performance measure include the amortization of the acquisition-date fair value adjustment of inventories that is included in cost of goods sold, costs directly associated with that acquisition and costs associated with integrating the businesses. Although the segments are managed separately due to their distinct distribution channels and marketing strategies, manufacturing and warehousing are often integrated to maximize cost efficiencies. We do not segregate jointly utilized assets by individual segment for purposes of internal reporting, performance evaluation, or capital allocation.

We have a large number of customers for our products. Sales to one of our consumer segment customers, Wal-Mart Stores, Inc., accounted for approximately 12%, 11% and 12% of consolidated sales in 2022, 2021, and 2020, respectively. Sales to one of our flavor solutions segment customers, PepsiCo, Inc., accounted for approximately 11% of consolidated sales in 2022, 2021, and 2020.

Accounting policies for measuring segment operating income and assets are consistent with those described in note 1. Because of integrated manufacturing for certain products within the segments, products are not sold from one segment to another but rather inventory is transferred at cost. Inter-segment sales are not material. Corporate assets include cash, deferred taxes, investments and certain fixed assets.

Business Segment Results

(millions)	Consumer	Flavor Solutions	Total segments	Corporate & other	Total
2022					
Net sales	$ 3,757.9	$ 2,592.6	$ 6,350.5	$ —	$ 6,350.5
Operating income excluding special charges and transaction and integration expenses	710.7	206.7	917.4	—	917.4
Income from unconsolidated operations	33.1	4.7	37.8	—	37.8
Assets	—	—	12,332.9	792.0	13,124.9
Capital expenditures	—	—	220.1	41.9	262.0
Depreciation and amortization	—	—	153.4	47.2	200.6
2021					
Net sales	$ 3,937.5	$ 2,380.4	$ 6,317.9	$ —	$ 6,317.9
Operating income excluding special charges and transaction and integration expenses	804.9	296.6	1,101.5	—	1,101.5
Income from unconsolidated operations	47.8	4.4	52.2	—	52.2
Assets	—	—	12,185.1	720.7	12,905.8
Capital expenditures	—	—	227.6	50.4	278.0
Depreciation and amortization	—	—	147.0	39.3	186.3
2020					
Net sales	$ 3,596.7	$ 2,004.6	$ 5,601.3	$ —	$ 5,601.3
Operating income excluding special charges and transaction and integration expenses	780.9	237.9	1,018.8	—	1,018.8
Income from unconsolidated operations	34.1	6.7	40.8	—	40.8
Assets	—	—	11,339.2	750.5	12,089.7
Capital expenditures	—	—	150.1	75.2	225.3
Depreciation and amortization	—	—	123.9	41.1	165.0

A reconciliation of operating income excluding special charges and transaction and integration expenses, to operating income for 2022, 2021 and 2020 is as follows:

(millions)	Consumer	Flavor Solutions	Total
2022			
Operating income excluding special charges and transaction and integration expenses	$ 710.7	$ 206.7	$ 917.4
Less: Special charges	23.9	27.7	51.6
Less: Transaction and integration expenses	—	2.2	2.2
Operating income	$ 686.8	$ 176.8	$ 863.6
2021			
Operating income excluding special charges and transaction and integration expenses	$ 804.9	$ 296.6	$ 1,101.5
Less: Special charges and transaction-related expenses included in cost of goods sold	8.7	2.3	11.0
Less: Other special charges	31.5	14.9	46.4
Less: Other transaction and integration expenses	7.8	21.2	29.0
Operating income	$ 756.9	$ 258.2	$ 1,015.1
2020			
Operating income excluding special charges and transaction and integration expenses	$ 780.9	$ 237.9	$ 1,018.8
Less: Special charges	5.5	1.4	6.9
Less: Transaction and integration expenses	7.5	4.9	12.4
Operating income	$ 767.9	$ 231.6	$ 999.5

Geographic Areas

We have net sales and long-lived assets in the following geographic areas:

(millions)	United States	EMEA	Other countries	Total
2022				
Net sales	$ 3,921.3	$ 1,116.4	$ 1,312.8	$ 6,350.5
Long-lived assets	7,892.5	1,051.7	854.6	9,798.8
2021				
Net sales	$ 3,817.5	$ 1,191.3	$ 1,309.1	$ 6,317.9
Long-lived assets	7,872.2	1,146.6	909.8	9,928.6
2020				
Net sales	$ 3,445.9	$ 1,046.7	$ 1,108.7	$ 5,601.3
Long-lived assets	7,202.0	1,135.6	916.5	9,254.1

Long-lived assets include property, plant and equipment, goodwill and intangible assets, net of accumulated depreciation and amortization.

17. SUPPLEMENTAL FINANCIAL STATEMENT DATA

Supplemental consolidated information with respect to our income statement, balance sheet and cash flow follow:

For the year ended November 30 (millions)	2022	2021	2020
Other income, net			
Gain on sale of business [1]	$ 49.6	$ —	$ —
Gain on settlement of treasury locks [2]	18.7	—	—
Pension and other postretirement benefit income	9.6	6.4	10.0
Interest income	17.8	9.3	7.8
Other	2.6	1.6	(0.2)
	$ 98.3	$ 17.3	$ 17.6

[1] The sale of Kitchen Basics is further described in note 2.
[2] The settlement of these treasury locks is further described in note 8.

At November 30 (millions)	2022	2021
Trade accounts receivable allowance for doubtful accounts	$ 7.3	$ 5.2
Inventories		
Finished products	$ 649.0	$ 556.2
Raw materials and work-in-process	691.1	626.1
	$ 1,340.1	$ 1,182.3
Prepaid expenses	$ 61.7	$ 41.7
Other current assets	77.2	70.6
	$ 138.9	$ 112.3
Property, plant and equipment		
Land and improvements	$ 90.1	$ 95.1
Buildings (including finance leases)	738.8	694.7
Machinery, equipment and other	1,265.4	1,200.5
Construction-in-progress	238.7	211.9
Accumulated depreciation	(1,135.0)	(1,061.9)
	$ 1,198.0	$ 1,140.3
Other long-term assets		
Investments in affiliates	$ 167.9	$ 164.0
Long-term investments	115.1	137.3
Right of use asset	218.9	136.8
Software, net of accumulated amortization of $251.6 for 2022 and $248.5 for 2021	160.6	141.1
Pension asset	123.5	61.6
Other	153.4	140.6
	$ 939.4	$ 781.4
Other accrued liabilities		
Payroll and employee benefits	$ 141.9	$ 229.4
Sales allowances	181.0	189.3
Dividends payable	104.6	99.0
Other	326.6	332.5
	$ 754.1	$ 850.2
Other long-term liabilities		
Pension	$ 92.0	$ 179.4
Postretirement benefits	47.6	60.8
Operating lease liability	176.1	106.1
Unrecognized tax benefits	29.6	31.0
Other	139.4	113.6
	$ 484.7	$ 490.9

For the year ended November 30 (millions)	2022	2021	2020
Depreciation	$ 136.3	$ 124.6	$ 121.1
Software amortization	18.9	12.6	12.4
Interest paid	148.8	135.7	134.1
Income taxes paid	192.4	179.3	183.3

Dividends paid per share were $1.48 in 2022, $1.36 in 2021 and $1.24 in 2020. Dividends declared per share were $1.50 in 2022, $1.39 in 2021, and $1.27 in 2020.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

Internal Control over Financial Reporting

Management's report on our internal control over financial reporting and the report of our Independent Registered Public Accounting Firm on internal control over financial reporting are included in our 2022 financial statements in Item 8 of this Report under the captions entitled "Report of Management" and "Report of Independent Registered Public Accounting Firm."

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information responsive to this item is set forth in the sections titled "Corporate Governance" and "Election of Directors" in our 2023 Proxy Statement, incorporated by reference herein, to be filed within 120 days after the end of our fiscal year.

We have adopted a code of ethics that applies to all employees, including our principal executive officer, principal financial officer, principal accounting officer, and our Board of Directors. A copy of the code of ethics is available on our internet website at www.mccormickcorporation.com. We will satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding any material amendment to our code of ethics, and any waiver from a provision of our code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer, or persons performing similar functions, by posting such information on our website at the internet website address set forth above.

ITEM 11. EXECUTIVE COMPENSATION

Information responsive to this item is incorporated herein by reference to the sections titled "Compensation of Directors," "Compensation Discussion and Analysis," "Compensation and Human Capital Committee Report," "Summary Compensation Table," "Grants of Plan-Based Awards," "Narrative to the Summary Compensation Table," "Outstanding Equity Awards at Fiscal Year-End," "Option Exercises and Stock Vested in Last Fiscal Year," "Retirement Benefits," "Non-Qualified Deferred Compensation," "Potential Payments Upon Termination or Change in Control," "Compensation and Human Capital Committee Interlocks and Insider Participation" and "Equity Compensation Plan Information" in the 2023 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information responsive to this item is incorporated herein by reference to the sections titled “Principal Stockholders,” “Election of Directors” and “Equity Compensation Plan Information” in the 2023 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information responsive to this item is incorporated herein by reference to the section entitled “Corporate Governance” in the 2023 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Our independent registered public accounting firm is Ernst & Young LLP, Baltimore, Maryland, PCAOB ID: 00042.

Information responsive to this item is incorporated herein by reference to the section titled “Report of Audit Committee" and "Fees of Independent Registered Public Accounting Firm” in the 2023 Proxy Statement.

PART IV.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

List of documents filed as part of this Report.

1. Consolidated Financial Statements

The Consolidated Financial Statements for McCormick & Company, Incorporated and related notes, together with the Report of Management, and the Reports of Ernst & Young LLP dated January 26, 2023, are included herein in Part II, Item 8.

2. Consolidated Financial Statement Schedule

Supplemental Financial Schedule:

II–Valuation and Qualifying Accounts

Schedules other than that listed above are omitted because of the absence of the conditions under which they are required or because the information called for is included in the consolidated financial statements or notes thereto.

3. Exhibits required to be filed by Item 601 of Regulation S-K

The information called for by this item is incorporated herein by reference from the Exhibit Index included in this Report.

EXHIBIT INDEX

The following exhibits are attached or incorporated herein by reference:

Exhibit Number		Description
(3) (i)	Articles of Incorporation and By-Laws	
	Restatement of Charter of McCormick & Company, Incorporated dated April 16, 1990	Incorporated by reference from Exhibit 4 of Registration Form S-8, Registration No. 33-39582 as filed with the Securities and Exchange Commission on March 25, 1991.
	Articles of Amendment to Charter of McCormick & Company, Incorporated dated April 1, 1992	Incorporated by reference from Exhibit 4 of Registration Form S-8, Registration Statement No. 33-59842 as filed with the Securities and Exchange Commission on March 19, 1993.
	Articles of Amendment to Charter of McCormick & Company, Incorporated dated March 27, 2003	Incorporated by reference from Exhibit 4 of Registration Form S-8, Registration Statement No. 333-104084 as filed with the Securities and Exchange Commission on March 28, 2003.
	Articles of Amendment to Charter of McCormick & Company, Incorporated dated April 2, 2021	Incorporated by reference from Exhibit 3(i) of McCormick's Form 10-Q for the quarter ended May 31, 2021, File No. 1-14920, as filed with the Securities and Exchange Commission on July 1, 2021.
(ii)	By-Laws	
	By-Laws of McCormick & Company, Incorporated Amended and Restated on November 26, 2019	Incorporated by reference from Exhibit 99.1 of McCormick's Form 8-K dated November 26 2019, File No. 1-14920, as filed with the Securities and Exchange Commission on November 26, 2019.

Exhibit Number	Description
(4)	Instruments defining the rights of security holders, including indentures
(i)	See Exhibit 3 (Restatement of Charter and By-Laws)
(ii)	Summary of Certain Exchange Rights, incorporated by reference from Exhibit 4.1 of McCormick's Form 10-Q for the quarter ended August 31, 2001, File No. 1-14920, as filed with the Securities and Exchange Commission on October 12, 2001.
(iii)	Indenture dated July 8, 2011 between McCormick and U.S. Bank National Association, incorporated by reference from Exhibit 4.1 of McCormick's Form 8-K dated July 5, 2011, File No. 1-14920, as filed with the Securities and Exchange Commission on July 8, 2011.
(iv)	Form of 3.50% notes due 2023, incorporated by reference from Exhibit 4.2 of McCormick's Form 8-K dated August 14, 2013, File No. 1-14920, as filed with the Securities and Exchange Commission on August 19, 2013.
(v)	Form of 3.15% notes due 2024, incorporated by reference from Exhibit 4.3 of McCormick's Form 8-K dated August 7, 2017, File No. 1-14920, as filed with the Securities and Exchange Commission on August 11, 2017.
(vi)	Form of 3.25% notes due 2025, incorporated by reference from Exhibit 4.2 of McCormick's Form 8-K dated November 3, 2015, File No. 1-14920, as filed with the Securities and Exchange Commission on November 6, 2015.
(vii)	Form of 3.40% notes due 2027, incorporated by reference from Exhibit 4.4 of McCormick's Form 8-K dated August 7, 2017, File No. 1-14920, as filed with the Securities and Exchange Commission on August 11, 2017.
(viii)	Form of 4.20% notes due 2047, incorporated by reference from Exhibit 4.5 of McCormick's Form 8-K dated August 7, 2017, File No. 1-14920, as filed with the Securities and Exchange Commission on August 11, 2017.
(ix)	Form of 2.50% Notes due 2030, incorporated by reference from Exhibit 4.2 of McCormick's Form 8-K dated April 13, 2020, File No. 1-14920, as filed with the Securities and Exchange Commission on April 16, 2020.
(x)	Form of 0.90% Notes due 2026, incorporated by reference from Exhibit 4.2 of McCormick's Form 8-K dated February 11, 2021, File No. 1-14920, as filed with the Securities and Exchange Commission on February 11, 2021.
(xi)	Form of 1.85% Notes due 2031, incorporated by reference from Exhibit 4.3 of McCormick's Form 8-K dated February 11, 2021, File No. 1-14920, as filed with the Securities and Exchange Commission on February 11, 2021.
(xii)	Description of Securities of McCormick & Company, Incorporated, incorporated by reference from Exhibit 4(xiii) of McCormick's Form 10-K for the fiscal year ended November 30, 2021, File No. 1-14920, as filed with the Securities and Exchange Commission on January 27, 2022.
(10)	Material contracts
(i)	Deferred Compensation Plan, as restated on January 1, 2000, and amended on August 29, 2000, September 5, 2000 and May 16, 2003, in which directors, officers and certain other management employees participate, a copy of which Plan document and amendments was attached as Exhibit 10(viii) of McCormick's Form 10-Q for the quarter ended August 31, 2003, File No. 1-14920, as filed with the Securities and Exchange Commission on October 14, 2003, and incorporated by reference herein.*
(ii)	2004 Long-Term Incentive Plan, in which officers and certain other management employees participate, is set forth in Exhibit A of McCormick's definitive Proxy Statement dated February 17, 2004, File No. 1-14920, as filed with the Securities and Exchange Commission on February 17, 2004, and incorporated by reference herein.*

Exhibit Number	Description
(iii)	Non-Qualified Retirement Savings Plan, with an effective date of February 1, 2017, in which directors, officers and certain other management employees participate, a copy of which Plan document was attached as Exhibit 10(v) of McCormick's Form 10-Q for the quarter ended February 28, 2017, File No. 1-14920, as filed with the Securities and Exchange Commission on March 28, 2017, and incorporated by reference herein.*
(iv)	The 2007 Omnibus Incentive Plan, in which directors, officers and certain other management employees participate, is set forth in Exhibit A of McCormick's definitive Proxy Statement dated February 20, 2008, File No. 1-14920, as filed with the Securities and Exchange Commission on February 20, 2008, and incorporated by reference herein, as amended by Amendment No. 1 thereto, which Amendment is incorporated by reference from Exhibit 10(xi) of McCormick's 10-K for the fiscal year ended November 30, 2008, File No. 1-14920, as filed with the Securities and Exchange Commission on January 28, 2009.*
(v)	The Amended and Restated 2013 Omnibus Incentive Plan, in which directors, officers and certain other management employees participate, is incorporated by reference from Exhibit A of McCormick's definitive Proxy Statement dated February 14, 2019, File No. 1-14920, as filed with the Securities and Exchange Commission on February 14, 2019.*
(vi)	The 2022 Omnibus Incentive Plan, in which directors, officers and certain other management employees participate, is incorporated by reference from Exhibit A of McCormick's definitive Proxy Statement dated February 17, 2022, File No. 1-14920, as filed with the Securities and Exchange Commission on February 17, 2022.*
(vii)	Amendment No. 1 to the 2022 Omnibus Incentive Plan is incorporated by reference from Exhibit 10(vii) of McCormick's Form 10-Q for the quarter ended May 31, 2022, File No. 1-14920, as filed with the Securities and Exchange Commission on June 29, 2022.*
(viii)	Form of Long-Term Performance Plan Agreement, incorporated by reference from Exhibit 10(i) of McCormick's Form 8-K/A, as amended, dated March 30, 2022, File No. 1-14920, as filed with the Securities and Exchange Commission on April 5, 2022.*
(ix)	Form of Restricted Stock Units Agreement, incorporated by reference from Exhibit 10(ii) of McCormick's Form 8-K/A, as amended, dated March 30, 2022, File No. 1-14920, as filed with the Securities and Exchange Commission on April 5, 2022.*
(x)	Form of Restricted Stock Units Agreement for Directors, incorporated by reference from Exhibit 10(iii) of McCormick's Form 8-K/A, as amended, dated March 30, 2022, File No. 1-14920, as filed with the Securities and Exchange Commission on April 5, 2022.*
(xi)	Form of Non-Qualified Stock Option Agreement, incorporated by reference from Exhibit 10(iv) of McCormick's Form 8-K/A, as amended, dated March 30, 2022, File No. 1-14920, as filed with the Securities and Exchange Commission on April 5, 2022.*
(xii)	Form of Non-Qualified Stock Option Agreement for Directors, incorporated by reference from Exhibit 10(v) of McCormick's Form 8-K/A, as amended, March 30, 2022, File No. 1-14920, as filed with the Securities and Exchange Commission on April 5, 2022.*
(xiii)	Form of Stock Option Agreement for the Value Creation Acceleration Program, incorporated by reference from Exhibit 99.1 of McCormick's Form 8-K, File No. 1-14920, as filed with the Securities and Exchange Commission on December 3, 2020.*
(xiv)	Form of Indemnification Agreement, incorporated by reference from Exhibit 10(xv) of McCormick's Form 10-Q for the quarter ended February 28, 2014, File No. 1-14920, as filed with the Securities and Exchange Commission on March 26, 2014.*
(xv)	Employment Agreement between McCormick (UK) Limited and Malcolm Swift, incorporated by reference from Exhibit 10.1 of McCormick's Form 8-K, File No. 1-14920, as filed with the Securities and Exchange Commission on January 29, 2015.*

Exhibit Number		Description	
	(xvi)	Severance Plan for Executives, incorporated by reference from Exhibit 10(xix) of McCormick's Form 10-Q for the quarter ended February 28, 2015, File No. 1-14920, as filed with the Securities and Exchange Commission on March 31, 2015.*	
(21)		Subsidiaries of McCormick	Filed herewith
(23)		Consents of experts and counsel	Filed herewith
(31)		Rule 13a-14(a)/15d-14(a) Certifications	Filed herewith
	(i)	Certification of Lawrence E. Kurzius, Chairman and Chief Executive Officer, pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	
	(ii)	Certification of Michael R. Smith, Executive Vice President and Chief Financial Officer, pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	
(32)		Section 1350 Certifications	Filed herewith
	(i)	Certification of Lawrence E. Kurzius, Chairman and Chief Executive Officer, pursuant to Rule 13a-14(b) or Rule 15d-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	
	(ii)	Certification of Michael R. Smith, Executive Vice President and Chief Financial Officer, pursuant to Rule 13a-14(b) or Rule 15d-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	
(101)		The following financial information from the Annual Report on Form 10-K of McCormick for the year ended November 30, 2022, filed electronically herewith, and formatted in Inline XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Income Statements; (iii) Consolidated Statements of Comprehensive Income; (iv) Consolidated Statements of Shareholders' Equity; (v) Consolidated Cash Flow Statements; and (vi) Notes to Consolidated Financial Statements.	
(104)		Inline XBRL for the cover page of this Annual Report on Form 10-K of McCormick for the year ended November 30, 2022, filed electronically herewith, included in the Exhibit 101 Inline XBRL Document Set.	
	*	Management contract or compensatory plan or arrangement.	

McCormick hereby undertakes to furnish to the Securities and Exchange Commission, upon its request, copies of additional instruments of McCormick with respect to long-term debt that involve an amount of securities that do not exceed 10% of the total assets of McCormick and its subsidiaries on a consolidated basis, pursuant to Regulation S-K, Item 601(b)(4)(iii)(A).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, McCormick has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

McCORMICK & COMPANY, INCORPORATED

By:	/s/ LAWRENCE E. KURZIUS Lawrence E. Kurzius	Chairman & Chief Executive Officer	January 26, 2023

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of McCormick and in the capacities and on the dates indicated.

Principal Executive Officer:

By:	/s/ LAWRENCE E. KURZIUS Lawrence E. Kurzius	Chairman & Chief Executive Officer	January 26, 2023

Principal Financial Officer:

By:	/s/ MICHAEL R. SMITH Michael R. Smith	Executive Vice President & Chief Financial Officer	January 26, 2023

Principal Accounting Officer:

By:	/s/ GREGORY P. REPAS Gregory P. Repas	Vice President & Controller Principal Accounting Officer	January 26, 2023

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons, being a majority of the Board of Directors of McCormick & Company, Incorporated, on the date indicated:

THE BOARD OF DIRECTORS:	DATE:
/s/ ANNE L. BRAMMAN Anne L. Bramman	January 26, 2023
/s/ MICHAEL A. CONWAY Michael A. Conway	January 26, 2023
/s/ FREEMAN A. HRABOWSKI, III Freeman A. Hrabowski, III	January 26, 2023
/s/ LAWRENCE E. KURZIUS Lawrence E. Kurzius	January 26, 2023
/s/ PATRICIA LITTLE Patricia Little	January 26, 2023
/s/ MICHAEL D. MANGAN Michael D. Mangan	January 26, 2023
/s/ MARITZA G. MONTIEL Maritza G. Montiel	January 26, 2023
/s/ MARGARET M.V. PRESTON Margaret M.V. Preston	January 26, 2023
/s/ GARY M. RODKIN Gary M. Rodkin	January 26, 2023
/s/ JACQUES TAPIERO Jacques Tapiero	January 26, 2023
/s/ W. ANTHONY VERNON W. Anthony Vernon	January 26, 2023

Supplemental Financial Schedule II Consolidated

McCORMICK & COMPANY, INCORPORATED
VALUATION AND QUALIFYING ACCOUNTS
(IN MILLIONS)

Column A	Column B	Column C Additions		Column D	Column E
Description	Balance at beginning of period	Charged to costs and expenses	Charged to other accounts	Deductions [1]	Balance at end of period
Deducted from asset accounts:					
Year ended November 30, 2022:					
Allowance for doubtful receivables	$ 5.2	$ 2.2	$ (0.9)	$ 0.8	$ 7.3
Valuation allowance on net deferred tax assets	32.7	3.2	(1.7)	(7.8)	26.4
	$ 37.9	$ 5.4	$ (2.6)	$ (7.0)	$ 33.7
Deducted from asset accounts:					
Year ended November 30, 2021:					
Allowance for doubtful receivables	$ 5.2	$ 1.2	$ (1.1)	$ (0.1)	$ 5.2
Valuation allowance on net deferred tax assets	31.5	6.6	(0.4)	(5.0)	32.7
	$ 36.7	$ 7.8	$ (1.5)	$ (5.1)	$ 37.9
Deducted from asset accounts:					
Year ended November 30, 2020:					
Allowance for doubtful receivables	$ 5.6	$ 0.8	$ (1.4)	$ 0.2	$ 5.2
Valuation allowance on net deferred tax assets	32.4	11.8	(0.1)	(12.6)	31.5
	$ 38.0	$ 12.6	$ (1.5)	$ (12.4)	$ 36.7

[1] Includes the impact of foreign currency exchange.

EXHIBIT 21

Subsidiaries of McCormick

The following is a listing of Subsidiaries of McCormick including the name under which they do business and their jurisdictions of incorporation. Certain subsidiaries are not listed since, considered in the aggregate as a single subsidiary, they would not constitute a significant subsidiary as of November 30, 2022.

Company Name	Jurisdiction of Incorporation
Billy Bee Honey Products Company	Canada
Botanical Food Company Pty. Ltd.	Australia
Botanical Food Company, Inc.	Delaware, U.S.
Brand Aromatics, Inc	New Jersey, U.S.
CFCFlavor Holdings SA DE C.V.	Mexico
The Cholula Food Company LLC	Delaware, U.S.
Drogheria E Alimentari SPA	Italy
Enrico Giotti SPA	Italy
FONA International, LLC	Illinois, U.S.
The French's Food Company LLC	Delaware, U.S.
The French's Food Company, Inc.	Canada
McCormick Foods India Private Limited	India
La Cie McCormick Canada Co.	Canada
McCormick (Guangzhou) Food Company Limited	People’s Republic of China
McCormick (U.K.) Ltd.	Scotland
McCormick Cyprus Limited	Cyprus
McCormick de Centro America, S.A. de C.V.	El Salvador
McCormick EMEA Holdings Limited	United Kingdom
McCormick Europe, Ltd.	United Kingdom
McCormick Foods Australia Pty. Ltd.	Australia
McCormick France Holdings S.A.S.	France
McCormick France, S.A.S.	France
McCormick Holding Company Inc.	Delaware, U.S.
McCormick Ingredients Southeast Asia Private Limited	Republic of Singapore
McCormick International Holdings Unlimited.	United Kingdom
McCormick Italy Holdings S.R.L.	Italy
McCormick Pesa, S.A. de C.V.	Mexico
McCormick Polska S.A.	Poland
McCormick South Africa Pty Limited	South Africa
McCormick Switzerland GmbH	Switzerland
McCormick (Wuhan) Food Company Limited	People’s Republic of China
Mojave Foods Corporation	Maryland, U.S.
Shanghai McCormick Foods Company Limited	People’s Republic of China
Simply Asia Foods LLC.	Delaware, U.S.
One World Foods, Inc.	Delaware, U.S.
Wooden Cap, Inc.	Delaware, U.S.
Zatarain’s Brands, Inc.	Delaware, U.S.

EXHIBIT 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements of McCormick & Company, Incorporated and in the related Prospectuses (if applicable):

Form	Registration Number	Date Filed
S-8	333-263971	3/30/22
S-3ASR	333-249073	9/25/20
S-3ASR	333-237649	4/13/20
S-8	333-230556	3/28/19
S-8	333-220665	9/27/17
S-8	333-187703	4/3/13
S-8	333-186250	1/28/13
S-8	333-158573	4/14/09
S-8	333-155775	11/28/08
S-8	333-150043	4/2/08
S-8	333-114094	3/31/04
S-8	333-93231	12/21/99

of our reports dated January 26, 2023, with respect to the consolidated financial statements and schedule of McCormick & Company, Incorporated and the effectiveness of internal control over financial reporting of McCormick & Company, Incorporated, included in this Annual Report (Form 10-K) of McCormick & Company, Incorporated for the year ended November 30, 2022.

/s/ Ernst & Young LLP

Baltimore, Maryland
January 26, 2023

EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a)

I, Lawrence E. Kurzius, certify that:

1. I have reviewed this report on Form 10-K of McCormick & Company, Incorporated (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: January 26, 2023

/s/ Lawrence E. Kurzius

Lawrence E. Kurzius
Chairman & Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a)

I, Michael R. Smith, certify that:

1. I have reviewed this report on Form 10-K of McCormick & Company, Incorporated (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 26, 2023

/s/ Michael R. Smith

Michael R. Smith

Executive Vice President & Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of McCormick & Company, Incorporated (the “Company”) on Form 10-K for the period ending November 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Lawrence E. Kurzius, President & Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Lawrence E. Kurzius

Lawrence E. Kurzius
Chairman & Chief Executive Officer

Date: January 26, 2023

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of McCormick & Company, Incorporated (the “Company”) on Form 10-K for the period ending November 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael R. Smith, Executive Vice President & Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael R. Smith

Michael R. Smith
Executive Vice President & Chief Financial Officer

Date: January 26, 2023