

# Our journey



Good Food. Better Life.

## This is McCain Foods' first global corporate responsibility report (CSR).

The information we have presented in this report covers our full fiscal year of 2009, ending June 30, and primarily includes data resulting from our food manufacturing operations. The material included in this report was identified following a rigorous assessment of the key impacts of our manufacturing facilities, products and people programs, and the resulting actions we have taken to date. In some cases we have also included relevant trend data for prior years and future goals. Although this report has not been audited, it was prepared with the most current and best available data from our information systems.



While we have written this report with our two primary stakeholders in mind – our customers and our employees – we expect this report to also be of interest to our other stakeholders, including our shareowners, consumers, government, interest groups and others.

McCain Foods followed the Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines in preparing this report. GRI provides an internationally recognized framework for CSR reporting. The index found in the back of this report offers a guide to the performance indicators we have included that meet the GRI requirements for a C-Level report.

It is our goal to make our CSR report a living document on our website through periodic updates. We also intend to publish a formal report bi-annually. To track our progress, go to [www.mccain.com](http://www.mccain.com). We welcome feedback on this report and suggestions for future improvements at [cscr@mccain.com](mailto:cscr@mccain.com).

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Learning, listening and taking action

Our journey to both corporate and sustainability success hinges on the ongoing dialogue we hold with a vast number of stakeholders who share their views and insights into our operations.

This is what they have told us they expect from McCain Foods:

**Shareowners:** A responsible and profitable business over the long term.

**Employees:** Equitable compensation, a safe and respectful work environment, opportunities for personal development and ethical and sustainable business practices.

**Customers:** Quality products that are safe, affordable and represent the lifestyle desires of their consumers.

**Consumers:** Quality products that are safe, affordable and represent their lifestyle desires.

**Suppliers:** A relationship with McCain Foods that provides opportunities for the sustainable growth of their businesses.

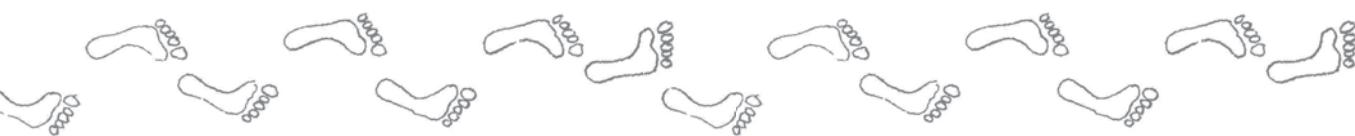
**Government:** Ensuring that McCain Foods is operating in accordance with all laws and regulations.

**Interest groups:** Opportunities to share their insights and interests with the company.



# Highlights

- Directly produced **air emissions reduced by 5%** per unit produced since 2005
  - > Our 23 biogas facilities capture methane gas generated from potato and other organic waste to produce fuel and electricity, reducing CO<sub>2</sub> emissions and our reliance on fossil fuels
- Since 2005 **energy consumption reduced by 5%** per unit produced – the equivalent energy required to power 90,000 North American homes for a year
  - > 18% of our energy consumption is derived from renewable sources
- **81% of water we intake is returned** to the receiving stream following extensive treatment
  - > Since 2005 **water consumption reduced by 2%** per unit produced or almost 500,000 cubic metres, the equivalent of 1 billion 500-mL bottles of drinking water



Frozen fresh

Frozen foods offer inherent advantages for today's health and eco-conscious consumers. The freezing process preserves nutrients and quality when food is frozen at its peak. It also prevents the growth of micro-organisms that cause spoilage and food-borne illness, and because you use only what you need when you need it, food lasts longer, creating less waste to be sent to landfill. As Wallace McCain would say: "Buy it frozen, know it's fresh."

- **95% of the waste we generate is recycled**
- More than **40% of the new products** we introduced in the last three years meet one or more of our *Better For You enhanced nutritional profiles*
  - In 2007 trans fats were removed from all of our branded potato products globally; at the same time, the average level of **saturated fat** in these products **fell by 46%**
- **84% fewer employees have been injured** on the job since 2002
  - > Our safety target is zero
- In 2009 **Wallace McCain was recognized by the United Nations** in Canada for his significant contribution to the world's potato economy

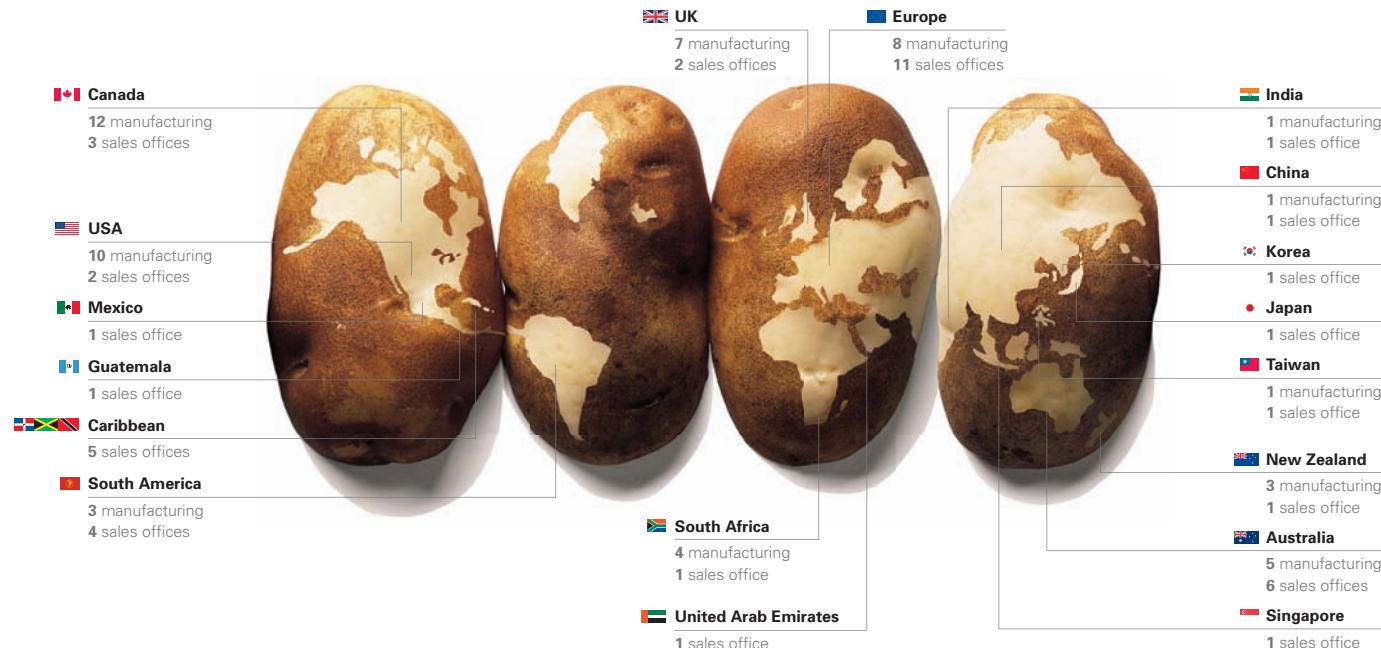


# The world of McCain Foods

McCain Foods Limited is a global leader in the frozen food industry and the world's largest supplier of French fries and potato specialties.

Our product line includes other frozen vegetables such as peas, carrots and broccoli, as well as appetizers, pizzas, oven-ready meals, desserts and juice.

We also own Day & Ross Transportation Group, a leader in the North American transportation business.



## Operations

### HQ

Corporate headquarters:  
Toronto and  
Florenceville,  
Canada

### 55

Number of  
manufacturing  
facilities

### Changes

During the reporting period, McCain Foods' founding facility in Florenceville, Canada was reconstructed and a new potato processing line was added to our existing manufacturing facility in Delmas, South Africa, increasing total company production by approximately 40,000 tonnes per year.

### 44

Number of  
sales and  
marketing  
offices

### R&D

Research and  
development  
facilities:  
Potato  
Processing  
Technology  
Centre,  
Florenceville,  
Canada

### Brands

McCain and Day & Ross. Each of our regional businesses around the world holds marketing or ownership rights to a variety of sub-brands and subsidiaries. For further information visit the Worldwide section of [www.mccain.com](http://www.mccain.com).



## Goods and services

### 36,700

Number of  
non-grower  
suppliers  
worldwide

### 3,200

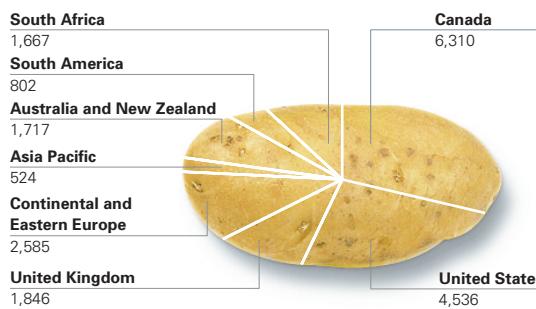
Number of  
growers  
under  
contract  
worldwide

## Our contribution to the economy

### Employment

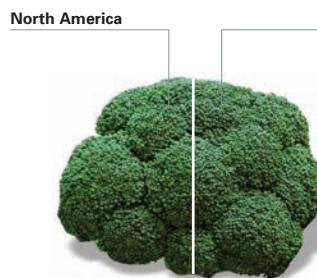
number of employees by region in 2009

- 15,000 of our 20,000 employees are employed within our manufacturing facilities
- Total value of our annual payroll: CDN\$1 billion
- Percentage of total workforce:  
Full-time salaried: 37% > Part-time salaried: 6% > Hourly paid: 55%



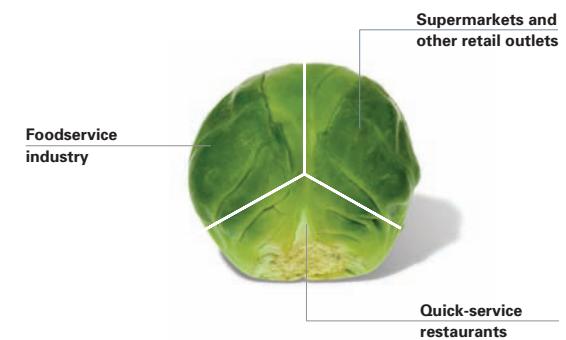
### Net sales

- Our products are sold in more than 130 countries and we are the world's largest manufacturer of frozen potato products, with net annual sales of CDN\$6.5 billion in 2009



### Our customers

- We serve a broad range of customers around the world, including grocery stores, foodservice operations and quick-service restaurant chains.



## Managing our impacts on society

### Key impacts

### Opportunities

<b>Manufacturing</b>	Energy and water are necessary inputs at our 55 manufacturing facilities, which also generate air emissions and waste. Our commitment to managing these precious resources in an economically and environmentally responsible manner is driven by our awareness of the critical role they play in the sustainability of the planet.
<b>Distribution</b>	We deliver products to and within more than 130 countries around the world. This generates travel miles that must be economized to lessen their associated impact on the environment.
<b>Supply chain</b>	We partner with almost 40,000 suppliers worldwide, including the growers of our produce. To ensure a stable and sustainable supply of goods and services, our suppliers must share our commitment to operating their business in a socially responsible manner.
<b>Quality, safety and nutrition</b>	We feed millions of people every day in a world where malnourishment, hunger and obesity are prevalent issues. Delivering quality food that is safe, nutritious and affordable is our foremost priority.
<b>People</b>	We employ 20,000 people directly around the world and many thousands indirectly. Ensuring safe working conditions and equitable pay, providing development opportunities for personal growth, embracing diversity and inclusion, and respecting human rights are all ways that we attempt to create a <i>Better Life</i> .
<b>Marketing</b>	As a global company our marketing efforts reach a vast audience. Our commitment to market responsibly is demonstrated by directing balanced and factual communication about our company and its products to mature household decision makers.



**85%**

Today more than 85% of McCain Foods' products are grown and processed within a short distance of our facilities and sold into regional markets, reducing food miles and supporting local suppliers.

## Our roots

In 1957 Wallace and Harrison McCain, supported by brothers Andrew and Robert, founded McCain Foods in Florenceville, New Brunswick, Canada. Immersed in agriculture from an early age, it was their father's search for stability as a grower that led the McCain brothers to the idea of a frozen food company – building factories to process regionally grown crops would increase demand for the raw materials. The knowledge gained in Florenceville with the first factory, and the acquired expertise in agronomy, provided the formula for expansion around the world.

Harrison and Wallace McCain at the site of the Florenceville, Canada factory



## Governance

A privately held corporation, McCain Foods' shareowners are members of the McCain family. Two Boards oversee the company: Holdco (McCain Foods Group Inc., the family holding company) and Opco (McCain Foods Limited, the operating company). Each Chairman of the two Boards is a non-executive officer. On the Opco Board, four independent directors complement McCain family members in providing oversight to the company's professional management team and business operations. The Holdco Board receives reports on the activities of the company from the Opco Board and approves budgets, certain capital expenditures and dividends. McCain president and CEO, Dale Morrison, is an Opco director, representing both shareholder and employee interests. Five committees support the Board in fulfilling its obligations: Audit, Compensation, Management Resources, Corporate Governance and Environment, Health & Safety.

Employee input to the Board is provided through a variety of communication vehicles, including surveys, the CEO's email hotline, a third-party operated Code of Conduct hotline (where legislation permits) and other formal and informal channels.

Consistent with our Code of Conduct, political donations of any kind are not permitted without the express consent of our president and CEO. Employees involved in sales, marketing and pricing decisions, as well as senior management, are trained on Competition/Anti-Trust policies which are tailored to the legislative requirements in our global markets. Risk assessments related to corruption were conducted at about 80 per cent of our operations in fiscal 2009. To provide further oversight, a new global Corruption Policy is planned for fiscal 2010.

## Our *Growing Together* business strategy

Driving sustainable, profitable growth by creating *Good Food* and a *Better Life* for our customers and consumers through the development of our people, stewardship of the environment and our actions as a responsible corporate citizen

We believe that social responsibility is an expression of how we conduct all aspects of our business and cannot be defined within a single program or policy. This belief is reflected in the *Growing Together* business strategy we introduced in 2005, which is anchored by three interdependent pillars:

- **Distributed and networked leadership:** Developing people as leaders at all levels of the organization and collaborating through learning and project networks to leverage our global scale and best practices.
- **Market facing:** Making decisions at the closest level to the customer and creating demand for our products through innovation, value, differentiation and in the way we interact with our customers and consumers.
- **Corporate social responsibility:** Making good, nutritious food on the principles of sustainability and food safety and supporting our employees, customers and consumers in their aspiration for a *Better Life*.

Each section of this report – Respecting our Environment, Inspiring Wellness and Positively Impacting our People – describes the policies, practices and initiatives that underpin our strategy and the progress we are making on our journey of continuous improvement in advancing our goals in a socially responsible manner.

# A letter from our chief responsibility officer, our CEO

**"A journey of a thousand miles begins beneath one's feet"** Lao Tzu, Chinese Philosopher (6th Century BC)

Our journey began more than 50 years ago, quite literally beneath our feet, with the potato, one of nature's greatest nutritional gifts and the core of our product offering.

The term "Corporate Social Responsibility" was not common language when Harrison and Wallace McCain first ventured out, but they operated with the philosophy that good ethics is good business and with the highest regard for people, cultural differences and for building mutually beneficial relationships. Even then, our founders knew that making decisions with a view to social, economic and cultural challenges was the key to sustained success.

As we have grown, we have gained a deeper appreciation for the impacts our business has on society and on the environment, and of our responsibility to manage these impacts. We have also learned that there is opportunity for McCain Foods to be part of the solution to the greater challenges facing the world today.

It is for these reasons that, in 2004, Corporate Social Responsibility was embedded into our first *Growing Together* strategic plan, the same year we took our first big step toward eliminating trans fats and reducing saturated fats across our branded potato products around the world – an industry-leading initiative.

Our overarching goal is to drive sustainable and profitable growth by creating *Good Food* and a *Better Life* for our customers and consumers through the development of our people, our stewardship of the environment and our actions as a responsible corporate citizen. We made a conscious decision to hold the company's Senior Leadership Team – my direct reports – accountable for delivering on this goal. They are, in effect, our Corporate Social Responsibility Committee. It is this group of individuals that determines the initiatives we will take to reach our business objectives and makes the decisions that define us as a responsible organization. Creating a culture of social responsibility – where all of our employees participate – starts at the top.

Dale F. Morrison  
President and  
Chief Executive Officer



I believe we have made progress since the introduction of this strategy. We began to track and measure many aspects of our business, which have led to meaningful initiatives and outcomes, such as improving workplace safety, conserving water and energy and introducing new products with enhanced nutritional profiles. We are on the right path, but there is much more to do.

This report is a first for McCain Foods, and a step forward in our journey. To paraphrase the Chinese philosopher Lao Tzu, *wherever you go, the first place in any journey is where you are now*. We are taking stock of our progress to set a course for the future. Continuous improvement – a core value at McCain Foods – guides all of our actions today, but it is our intention to take what we have learned and use this knowledge to establish stretch goals for the future.

In publishing this report, we hope to bring transparency to our efforts in managing our environmental impacts, advancing wellness and developing people. We are also inviting dialogue with our many stakeholders around the world to help us in our ultimate goal to deliver *Good Food* and a *Better Life*. We look forward to that dialogue and to reporting on our future targets and continued progress.

A handwritten signature in black ink, appearing to read "Dale F. Morrison".

Dale F. Morrison  
President and Chief Executive Officer

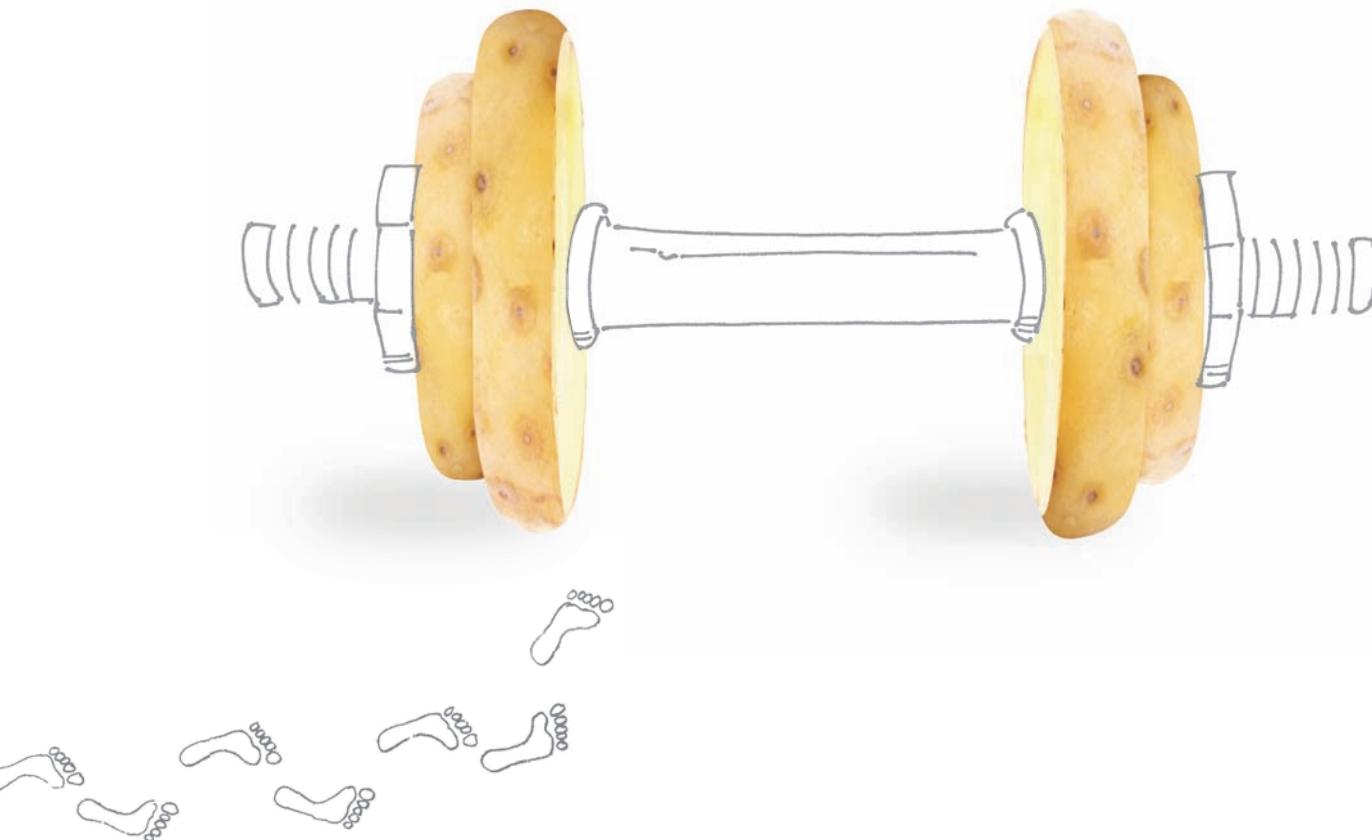
# The mighty potato

## Building bodies, strengthening communities

At McCain Foods, potatoes have been at the heart of our product offering for more than 50 years.

Naturally fat-free and the perfect foundation for a well balanced diet, the potato is an excellent source of complex carbohydrates (your body's source of energy) and is packed with vital nutrients essential to the maintenance of good health, especially vitamin C and potassium. Quite simply, when it comes to building a healthy, strong body, the humble potato is nature's nutritional powerhouse.

Offering attractive environmental, health and economic opportunities for developing nations, the potato yields more nutritious food more quickly on less land and in harsher climates than any other major crop, prompting the United Nations Food and Agriculture Organization to state that the potato is on the front line in the fight against world poverty and hunger.



Where McCain Foods can make a difference

Helping build sustainable food economies

Our environmental resources are under stress and the actions we all take today will have a profound impact on the next generation. At the same time, we are challenged to feed a population of six billion people – one billion of whom go hungry every day – and that population is estimated to rise to more than nine billion people by 2050. When you are in the business of making food, there is no statistic that weighs more heavily on the conscience or that presents a catalyst for action.

In these economic times, affordable nutrition is a universal pursuit – in developing nations, it is the essence of life. For many years now, McCain Foods' agronomy experts have trained and supported local farmers in the developed and developing worlds in modern and responsible cultivating, irrigation and harvesting techniques. By transferring this knowledge, McCain Foods is helping farmers produce higher yields with less water, improving their local economy and feeding more families with good, nutritious food.





Respecting our environment

## Where we're going

Making good nutritious food on the principles of sustainability and  
food safety, and supporting our employees, customers and  
consumers in their aspiration for a *Better Life*

# Our progress fiscal 2009

July 1, 2008 to June 30, 2009

## Respecting our environment

- Reduced both emissions to atmosphere and energy consumption by 3 per cent at 53 of our 55 manufacturing facilities
- Recycled 95 per cent of the approximately 800,000 tonnes of waste we generated
- Introduced an enhanced Global Environment Policy
- Certified the first seven of 55 processing plants to ISO 14001
- Conducted a farm-to-storage emissions study of three potato processing plants
- Increased the number of biogas facilities to 23
- Completed construction of our sixth facility designed to LEED standards
- Introduced comprehensive energy and water-reduction programs in all facilities – the Search for Joules and Search for Pools
- Introduced McCain Foods' Good Agricultural Program (GAP) to all contract growers and set metrics for future agricultural reporting
- Further expanded use of non-genetically modified potato variety that requires significantly less water and fewer pesticides



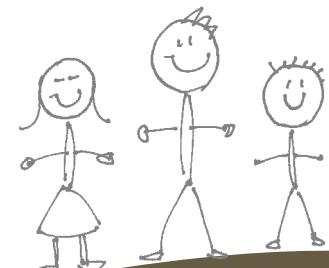
## Inspiring wellness

- Introduced 68 new products, of which 33 fit our *Better For You* guidelines
- Advanced research on the next generation of healthier oils
- Introduced Sustainable Palm Oil Sourcing policy
- Increased total reduction of sodium across our product line in Great Britain to 18 per cent; set global sodium reduction target
- Introduced Responsible Advertising policy
- Implemented quality management program (Key Elements of Quality) across all facilities
- Increased number of American Institute of Baking (AIB) Gold Standard Certified facilities from 28 to 35 – AIB is a comprehensive food safety system
- Implemented In-plant Sensory Testing program in all facilities
- Key partner to the United Nations' International Year of the Potato



## Positively impacting our people

- Rolled out revised Code of Conduct
- Introduced Global Diversity Guidelines
- Increased senior-level succession ratio to 1.5:1
- Increased promotion-from-within rate among senior leaders from 25 per cent to 50 per cent
- Employees completed more than 27,000 e-Learning courses through the McCain Learning Centre
- Introduced Global Staffing Principles
- Implemented e-Recruitment system, providing expanded opportunities for employees to find new roles at McCain Foods
- Introduced new President's Safety Awards with a focus on continuous safety improvements
- Reduced Total Incident Rate (TIR) by 30 per cent, from 3.3 to 2.3
- Increased number of employees participating in continuous improvement programs to approximately 8,000



# Respecting our environment

McCain Foods is committed to sustainable growth.  
Our vision is: *Good Food. Better Life.*

McCain Foods is committed to sustainable growth. Our vision is: *Good Food. Better Life.* To us this means continually preserving the quality of the environment in which we operate by using natural resources wisely and employing the best economically achievable technologies to reduce our impacts.

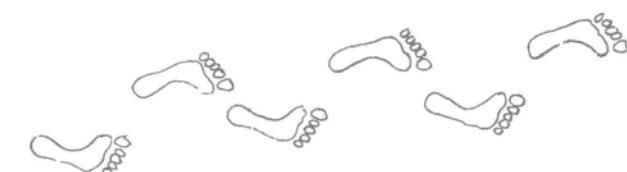
Quite simply, a healthy environment and sustainable agricultural practices are essential to the production of our wholesome foods.



## Every drop counts

**"We partner with local farmers by transferring our knowledge in emerging environmental technologies and helping them to put these advanced systems in place. By teaching growers the advantages of using irrigation systems, such as drip technology, which puts water only where and when it is needed, our water consumption has dropped by up to 50 per cent."**

Devendra Kumar,  
McCain Foods India,  
General Manager, Agriculture



## Respecting our environment

continued



Our environmental impacts are representative of the size and scope of our 55 manufacturing operations, their supply requirements and the breadth of our product distribution globally. The opportunity to reduce these impacts has increasingly become a primary focus of our business. In those areas that we have strategically focused on to date, our results have been encouraging, including reducing our energy consumption, improving our raw product utilization, redirecting 95 per cent of the waste we produce to recycling activities and returning 81 per cent of the water we intake back to our rivers and waterways following treatment.

In 2005 our business reorganized to leverage its global strengths, emerging from a regionally managed and led entity to a globally networked enterprise with Global Councils established to tackle some of our biggest challenges and seize some of our greatest opportunities through shared leadership.

For the first time we began monitoring and tracking our global water and energy use, the waste we produce and the associated carbon emissions we generate from our plant manufacturing process. What we learned was that the vast majority of our current environmental impacts from manufacturing are generated by our 32 potato processing facilities, while our remaining 23 appetizer and snack food facilities account for the equivalent impact of only one of these potato plants. The vast difference in impacts is a result of scale – in 2009 the 23 appetizer and snack food facilities together produced only one-tenth the mass of product that one potato processing facility produced.

We have since focused our reduction efforts within our potato processing facilities, while at the same time ensuring that our other facilities are guided and held accountable to our global targets and initiatives. As we move forward, we will continue to expand our efforts to activities outside of manufacturing, as well as those throughout our supply chain, including assessing and minimizing our product packaging, working with our suppliers and focusing on our distribution and transport operations.

Our value of continuous improvement drives internal goals to generate year-over-year reductions in our use of energy and water and the generation of greenhouse gas emissions. The work of the global teams we have established to identify best practices and prove their application across our manufacturing network will be used to set future long-term targets to accelerate our momentum in reducing our environmental impacts.

## How we manage continuous environmental performance



## Respecting our **environment**

continued

### Our Global Environment Policy

Revised in 2008, McCain Foods' Global Environment Policy, guided by our principles of integrity, quality, safety and social and environmental responsibility, establishes the framework for how we manage our business and our growth sustainably. We regard compliance with the law as a minimum standard to be achieved, and our aim is to continuously improve our environmental performance by finding effective ways to reduce the adverse impacts of our business from farm to fork. Read our entire Global Environment Policy at: [www.mccain.com](http://www.mccain.com).

### Our Global Environment Policy: Continuous environmental improvement

<b>Measure</b>	<ul style="list-style-type: none"> <li>Set, measure and monitor targets for performance improvement</li> <li>Monitor emerging environmental advances and issues</li> <li>Conduct regular audits to verify compliance and best practice</li> <li>Annually review and report on progress</li> </ul>
<b>Surpass compliance</b>	<ul style="list-style-type: none"> <li>Implement ISO 14001 environmental management systems to identify and manage environmental risks, obligations and opportunities</li> <li>Apply McCain Foods' standards of responsible environmental practice where local legal requirements are insufficient</li> </ul>
<b>Reduce impacts</b>	<ul style="list-style-type: none"> <li>Use natural resources wisely by reducing or eliminating waste and reusing and recycling to the most practical extent</li> <li>Evaluate and invest in alternative sources of energy and advanced environmental technology where it makes sense to do so</li> </ul>
<b>Collaborate</b>	<ul style="list-style-type: none"> <li>Collaborate with our suppliers and customers to reduce the impacts of our products and services while ensuring food safety and quality control</li> <li>Engage with community stakeholders on environmental issues</li> </ul>
<b>Educate</b>	<ul style="list-style-type: none"> <li>Raise awareness of our environmental challenges with our employees, train them to effectively meet the intent of this policy and our objectives, and educate them on individual responsibility</li> </ul>

### Environmental leadership

Every employee is responsible for ensuring that we manage our business in an environmentally responsible manner but our environmental commitment is led by our CEO and channeled through our senior leadership team through our Chief Supply Chain Officer. Our Global Environment Council shares best practices and ensures that continuous environmental improvement is at the forefront of everything we do as an organization.

### ISO 14001

ISO 14001, a management tool developed by the International Organization for Standardization (ISO), enables an organization to:

- Identify and control the environmental impact of its activities, products or services
- Continually improve its environmental performance
- Implement a systematic approach to setting environmental targets

Today seven of our 55 manufacturing facilities are ISO 14001 certified, with all remaining facilities targeted to achieve certification by year-end 2013.

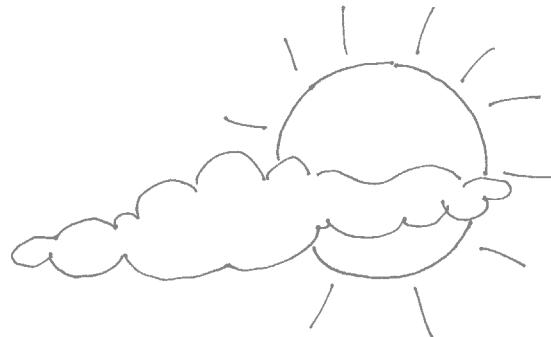
### Sustainable agriculture

Our agricultural practices are managed by our Global Food Safety & Environmental Sustainability Working Group and governed by the McCain Foods' Good Agriculture Practices (GAP) program. We are also a member of the Sustainable Agriculture Initiative (SAI) Platform, an organization created by the food industry to actively support the development and promotion of sustainable agriculture worldwide.

### Environmental Compliance

While we regard environmental compliance as a minimum standard to be achieved, in 2009 we received 17 official notices of violation, including one fine of CDN\$2,259. We also experienced 17 reportable spills (wastewater, vegetable oils and refrigerants), of which we were fined for two of these incidents at a total of CDN\$12,000. To prevent the reoccurrence of these incidents, action plans have been developed and implemented.

# Emissions to atmosphere



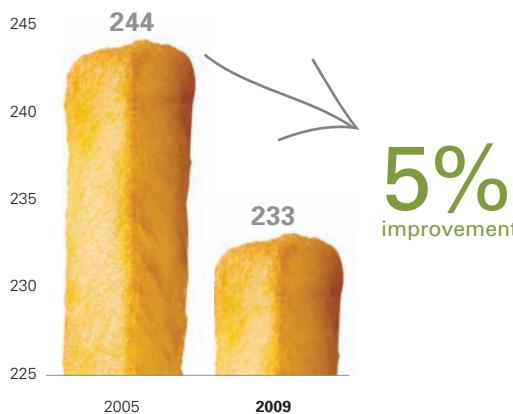
## Our progress

To date we have focused our efforts on reducing direct emissions (Scope 1 of the Greenhouse Gas Protocol) resulting from our manufacturing operations. In 2009 we emitted 808,707 tonnes\* of CO<sub>2</sub>, resulting in a 2-per-cent increase per unit produced over the prior year, the first year we experienced an increase since we began monitoring emissions from energy use, with 0.3 tonnes attributed to the emission of ozone-depleting substances. This increase was attributable to two small facilities which are solely fueled by coal and which substantially increased production in fiscal 2009. Excluding these two facilities, direct CO<sub>2</sub> emissions declined 3 per cent year over year. Since 2005 our emissions have decreased 5 per cent on a unit basis, representing 35,108 fewer tonnes of CO<sub>2</sub> entering the atmosphere.

### Manufacturing facilities:

#### Direct (Scope 1) CO<sub>2</sub> emitted per unit produced

Total produced kg/t



### Significant emissions by type – 2009\*\*

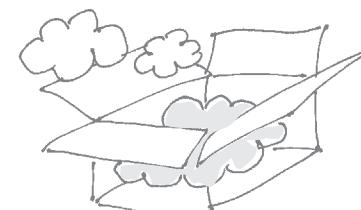
VOC	116.1 tonnes
NO <sub>x</sub>	1,152 tonnes
SO <sub>2</sub>	1,460 tonnes
PM <sub>10</sub>	404 tonnes
PM <sub>2.5</sub>	7,880 tonnes

### Greenhouse gas protocol contributors

**SCOPE 1** Occurring from sources that are owned or controlled by the organization

**SCOPE 2** Indirect greenhouse gas emissions from the consumption of purchased electricity, heat or steam.

**SCOPE 3** Other indirect emissions not covered in Scope 2, such as waste disposal and transport activities.



We have tracked emissions resulting from our energy use throughout our manufacturing process since 2005. To better understand our overall direct and indirect emissions contribution from farm to cold storage, in 2009 we piloted a project to examine emissions produced at three of our potato processing facilities using Scope 1, 2 and 3 of the Greenhouse Gas Protocol and Publicly Available Specification (PAS) 2050 methodology as guidelines. The results of the study will help focus our reduction efforts moving forward.

**CO<sub>2</sub>**

Between 1990\* and 2008, we reduced our emissions by

**22%** | **11%**  
on a unit production basis      on a total basis

## Kyoto Protocol CO<sub>2</sub> reduction targets

In 1998 the Kyoto Protocol to the United Nations Framework Convention on Climate Change established a requirement that would reduce man-made CO<sub>2</sub> emissions to 5 per cent below 1990 levels between 2008 and 2012, with individual targets set for each participating country. At McCain Foods we used this target as a benchmark to assess our progress, and by 2008, despite a 14-per-cent increase in production over this period, we reduced our emissions by almost 11 per cent below 1990 levels on a total basis or 22 per cent on a unit-production basis.

\*McCain Foods began formally tracking its Scope 1 emissions in 2005. To calculate 1990 emissions, we used standard emission factors established by the U.S. Environmental Protection Agency and historical production and energy consumption data for our French fry facilities. In a few cases where data was not available, 2004 benchmark data was used as the 1990 equivalent.

\*Figures are based on the type and amount of fuel burned on site and standard emission factors established by the U.S. Environmental Protection Agency (AP 42 Standard).

\*\*Data is based on a calculation using site-specific fuel (amount and type of fuel) and default emission factors (US EPA FiRE data base).

## Our initiatives

### Green power

Each of the renewable energy initiatives we have implemented over the years provides a window into future possibilities. Not all of these initiatives are viable at each of our facilities – wind turbines, for example, are highly dependent on location for adequate wind to generate meaningful power – but we continue to explore opportunities to expand their application across our network with a view to both environmental benefit and economic feasibility.

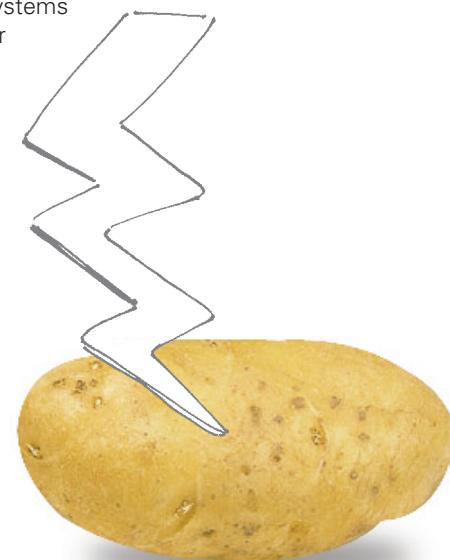
#### Making power from potatoes: biogas generation

Biogas is naturally produced when organic matter decomposes in the absence of oxygen. The gas (methane and carbon dioxide) released from the organic matter during this breakdown process can be collected and used as fuel, much like natural gas. Since the late 1970s McCain Foods has been harnessing this technology in two ways – by capturing the biogas generated through our wastewater treatment systems and by digesting food waste to create methane.

Today 16 of the 21 McCain Foods' facilities that have advanced anaerobic water treatment systems installed are capturing the methane produced and using it to fuel the plants' boiler systems or produce electricity, thereby reducing CO<sub>2</sub> that would otherwise be released naturally and reducing our reliance on less renewable sources of energy. Six of our plants have solid waste digesters in operation with four more in the planning stages and we continue to review opportunities to further expand our capacity for biogas generation.

**74%**

In fiscal 2009 we improved the rate of biogas used from 45% to 74% through the implementation of procedures and policies which ensure that biogas is the fuel of choice in those facilities that have biogas production systems installed.



Anaerobic lagoon,  
Whittlesey,  
Great Britain



MCCAIN FOODS CSR BENCHMARK REPORT 2009

### Covered anaerobic lagoon

At McCain Foods' manufacturing facility in Whittlesey, Great Britain, we implemented a £5-million covered anaerobic treatment lagoon. The size of two football fields, wastewater lives in the lagoon for approximately 27 days producing methane gas, at which time it is cleaned, treated and returned to the local receiving stream. In contrast to our traditional wastewater treatment plants, the covered anaerobic lagoon offers the potential for much greater generation of biogas, particularly as our Whittlesey plant has installed a gas engine, which allows biogas from the lagoon to provide up to 10 per cent of the plant's electrical demand.

## Our initiatives

### Green power continued

#### **Local innovation – purchasing steam:**

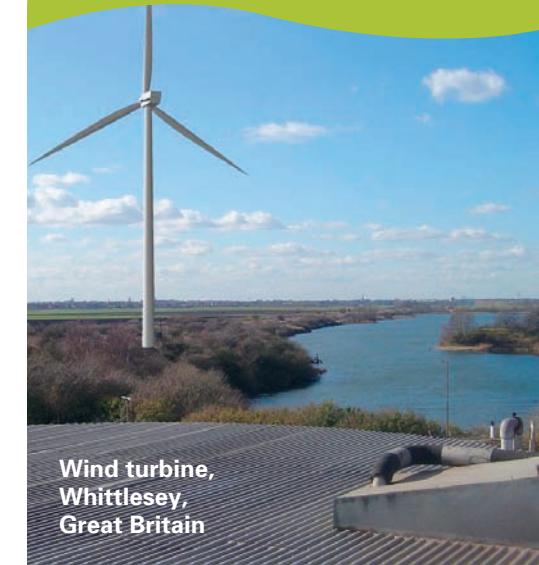
To complement its conversion of wastewater to biogas to fuel its boilers, McCain Foods' manufacturing facility in Easton, Maine, U.S., is purchasing excess steam from a nearby chipboard factory. Received through a one-kilometre pipe running from the chipboard factory to our facility, the steam is used to heat the facility's fryers and blanchers, reducing the facility's total boiler fuel requirement by 19 per cent.

#### **Wind power:**

In August 2007 we installed three 3-MW wind turbines at our Whittlesey, Great Britain manufacturing facility. The first of its kind for a food manufacturer and the country's largest land-based turbines at the time, these wind turbines generate approximately 60 per cent of the facility's electrical needs. When the plant is not in operation, the unused electricity generated is directed back to the national grid.

#### **Making the switch to cleaner burning natural gas:**

Today 45 of McCain Foods' 55 manufacturing facilities have converted from heavy fuel oil to natural gas. These conversions have enabled us to lower our overall consumption of energy and reduce air emissions generated by these facilities by an estimated 24 per cent.



## Agriculture

#### **Fertilizer use**

While fertilizers can improve the health and productivity of soil and plants by providing essential nutrients to encourage plant growth, the use of nitrogen-based fertilizers is a contributor to air emissions. At McCain Foods we assist our contract growers in minimizing fertilizer use by employing various decision support systems that assess needs based on regional soil conditions, climate, weather patterns and other factors. While an effective short-term approach, the long-term goal is to continue to research and develop potato varieties that require less fertilizer to grow efficiently.

#### **Growing clover**

**Potato growers should rotate their crops every year to maintain soil structure and health. In Canada during rotation years much of McCain Foods' corporate-managed farmland grows clover. Clover infuses the soil with its naturally high nitrogen content, reducing the need for fertilizer by 25 per cent in potato growing years.**



## Refrigerant use

**To remove the heat from refrigeration units and cold storage facilities, we primarily use an ammonia-based system, which, unlike other commonly used refrigerants, doesn't contribute to ozone depletion or global warming if leaked and has superior thermodynamic qualities, which makes it from 3 to 10 per cent more energy efficient. Ammonia is also characterized by a very distinct odour, which means if there is a leak it can be detected long before the concentration of ammonia reaches dangerous levels.**

**At a few of our smaller facilities, such as potato storage warehouses, we do operate some hydrochlorofluorocarbon (HCFC) and hydrofluorocarbon (HFC)-based refrigeration systems which will emit GHG emissions when leaked. In 2008, as a result of accidents, we experienced the loss of 1,208 kilograms of the HCFC refrigerant R22 to atmosphere from potato storages at two plants in France. This release contributed 2,066 tonnes of CO<sub>2</sub> to our Scope 1 emissions, representing less than 1 per cent of our global total for that period. These systems have since been replaced with HFC-based systems which, although they have a similar global warming potential to R22, have an ozone-depleting potential of zero.**

## Our initiatives

### Distribution

Throughout McCain Foods' global distribution network we are implementing initiatives to reduce our road miles and increase our fuel efficiency. Since 2005, for example, McCain Foods' subsidiary, Day & Ross Transportation Group, has increased its fuel efficiency by 6 per cent through a comprehensive program for its company-owned fleet, including:

- replacing one quarter of all units with new fuel-efficient tractors
- equipping all tractors with aerodynamic fairings
- installing new tractors purchased after 2007 with emissions-compliant engines
- installing electrical outlets at larger terminals to keep truck engines warm by plugging in rather than idling

In 2010 Day & Ross will be implementing a new city dispatch and route planning application that will reduce its total miles by 5 to 10 per cent.

In Great Britain McCain Foods reduced customer miles by more than 530,000 in 2009, and is targeting an additional 85,000 in 2010. One of the ways we set out to achieve this was through the use of double-decker transport trucks, which enables more efficient delivery through increased loads. An additional benefit to these trucks is their inclined roof, which results in a further 12-per-cent fuel-efficiency improvement in addition to the double loads.

Cold storage,  
McCain Foods South Africa



### Optimizing case and pallet sizes

In the U.S. we are investigating case and pallet redesign of more than 200 products, enabling a greater volume of product per pallet while reducing corrugate packaging. Once complete, this project will standardize the way McCain Foods designs, produces, packs and stores finished goods.

Our team in India also set out to reduce packaging while retaining volume in specific foodservice packs, resulting in a 20-per-cent increase in the number of cartons per pallet stored. The team is now exploring the opportunity to expand this reduction across other product lines.

**6%**

Day & Ross has increased its fuel efficiency by 6% since 2005.

**1.1**

### Road Trains

In 2009 Day & Ross implemented Road Trains – Long Combination Vehicles (LVCs) – comprised of two 53-foot trailers hauled by one power unit to improve operational and fuel efficiency. Currently five Road Trains per day are being used, with the intention to expand the use of these LVCs where legislation permits.



**18 million**

Since 2007 we have reduced road miles in the U.S. by 18 million

# energy

## The Search for Joules

A typical McCain Foods' plant draws enough energy to power 22,000 North American homes for a year. Reducing energy consumption has a number of benefits: it saves money and reduces air emissions and our reliance on non-renewable forms of energy. Achieving these benefits is the focus of our Global Energy Work Group, which in 2008 introduced a comprehensive program, called The Search for Joules, to integrate our energy initiatives into a systematic approach to continuous improvement. The Search for Joules is being implemented across all facilities, providing the tools necessary for plants to self assess, identify gaps and opportunities, develop a fiscal site energy management plan and make energy reduction a component of the facility's overall business plan.



# 2%

**The reduction in energy consumption between 2008 and 2009.**



## Our progress

In 2009 we consumed 18 million GJ of energy, representing a 2-per-cent reduction per unit produced over 2008 and a 5-per-cent reduction since 2005, which is a cumulative savings of more than 1.2 million GJ, the annual equivalent energy requirement of four of our factories. With a continued focus on reducing our energy consumption and implementing renewable solutions we believe we can set and achieve even greater reductions moving forward.

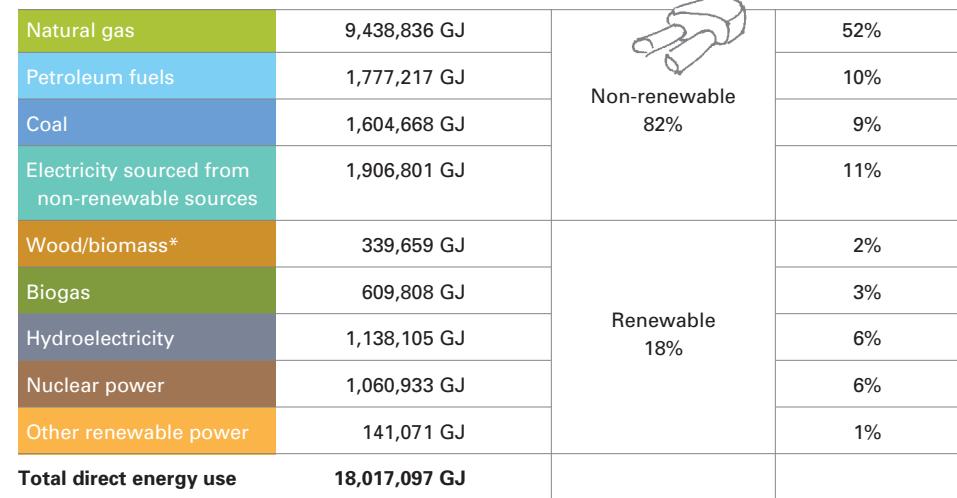
# +131%

**The percentage increase between 2005 and 2009 in the use of biogas used within our facilities produced by our own organic waste and wastewater treatment systems.**

### Energy use per unit produced

	2005	2009	% Change
<b>Total GJ/t</b>	<b>5.5</b>	<b>5.2</b>	<b>5% improvement</b>
Electricity GJ/t	1.3	1.2	8% improvement
Fossil fuels GJ/t	4.1	3.7	10% improvement
Renewable fuel GJ/t	0.2	0.3	50% improvement

### Total energy use by primary source 2009



## Our initiatives

### Heat recovery:

Our manufacturing facilities create a lot of waste heat, particularly from our fryers. Over the past three years we have invested CDN\$50 million to implement systems to capture the waste heat we produce and recycle it back into the plant to preheat the water required for our boiler systems and other production operations. Today 30 of our 32 potato processing facilities feature this technology, reducing our fuel use by 9 per cent in these facilities.



### Real-time management system:

Unlike water use or waste generation, energy use is invisible to our manufacturing operators, and most of the available information is based on historical data. To make real-time use visible to our facilities, we are implementing an energy control panel or "dashboard" within the plants, which will provide an indication of energy use at any given time and allow corrections to be made immediately if use exceeds established targets.



Our manufacturing facility in Matouges, France, built to LEED specification.

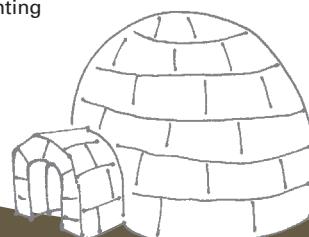
### Lighting:

#### Conversion to fluorescent

In the U.S. we converted halogen lighting to fluorescent lighting at nine facilities, resulting in an 11-million-kWh annual savings and a 3-per-cent reduction in overall energy consumption. We are currently exploring opportunities to expand this initiative globally.

#### LED lighting pilot

To test the feasibility of implementing LED lighting throughout our facilities, which provides lower energy consumption, longer light bulb lifetime and faster switching than fluorescent, we are currently undergoing a pilot at our cold storage facility in Scarborough, Great Britain, which is projecting an 80-per-cent reduced lighting energy requirement as a result.



### Refrigeration:

In 2006 following an assessment of the existing refrigeration systems in place at our French fry manufacturing facility in Whittlesey, Great Britain, new compressors, motors, systems to recover waste heat and a "smart" control mechanism that adjusts the system in response to "real time" requirements and outside temperature were installed. To date operation of the new refrigeration system has resulted in energy savings of 15,000 KWh/day, representing approximately 1 per cent of the total electrical power used on the site. The Whittlesey project now forms the template for McCain Foods' standard refrigeration system globally, with conversions completed at 13 of our facilities and a further 17 underway.

### Building to (LEED) standard Leadership in Energy and Environmental Design®

Although we did not seek formal LEED certification, our recently reconstructed potato processing plant in Florenceville, Canada, was built to LEED specification and rated by a third-party assessor at the LEED Bronze level. LEED-standard building design has guided construction at six of our facilities around the world.

The LEED Green Building Rating System encourages global adoption of sustainable green building practices, recognizing performance across five key areas: sustainable site development; water efficiency; energy efficiency; materials selection; and indoor environmental quality.

**15,000**

Operation of the new refrigeration system has resulted in energy savings of 15,000 KWh/day.

# water

## The Search for Pools

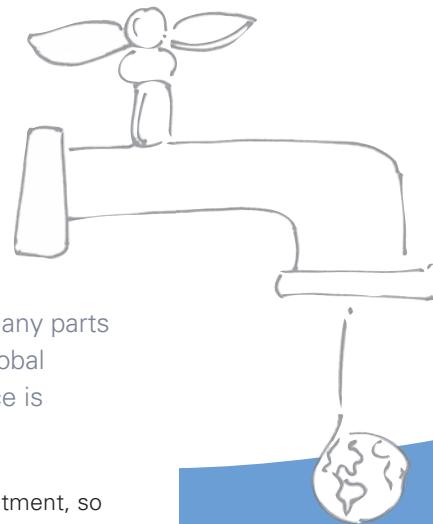
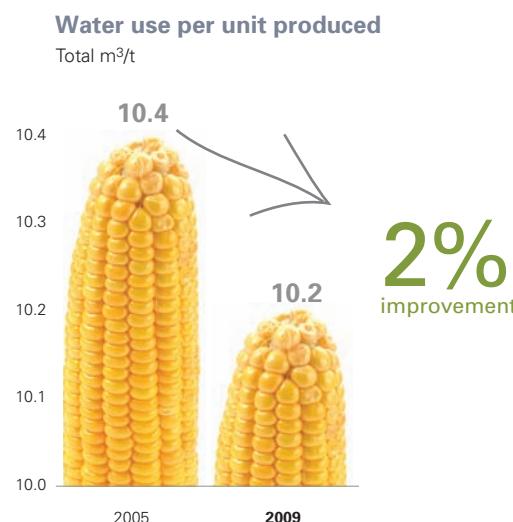
Fresh water is a scarce resource, with demand already exceeding supply in many parts of the world. We believe that water conservation is one of the most critical global environmental issues and taking steps to better manage this precious resource is responsible action and good business.

We return 81 per cent of the water we draw back to the receiving stream following treatment, so our immediate concern is ensuring that we manage our water use effectively in the three most water-stressed locations where we operate: Mehsahna, India; Delmas, South Africa; and Ballarat, Australia. But we also recognize that reducing our water intake across all of our operations reduces the amount of energy we consume to draw and treat it, thereby reducing energy costs, impact on fossil fuel resources and the release of associated greenhouse gas emissions.

As with our energy program, the Search for Joules, our Water Work Group has established a sustained effort to manage and control water use at the facility level through a comprehensive global water reduction program called the Search for Pools. Rolled out to our facilities in late 2008, the program is designed to identify gaps between a facility's actual water use and McCain Foods' best practice. Identified reduction opportunities are then integrated into the plant's overall continuous improvement business plan.

## 1 billion

**Since 2005 we have reduced our water intake by 2 per cent per unit produced, which is equivalent to 500,000 cubic metres or 1 billion 500-mL bottles of water.**



### Total water withdrawal by source – 2009

**Surface water (fresh water rivers and lakes):**  
928,316 cubic metres

**Ground water (well water):**  
23,492,728 cubic metres

**Municipal water supply:**  
10,133,273 cubic metres

### Total water discharge by source – 2009

**Ocean:** 2,076,546 cubic metres

**Surface water (fresh water rivers and lakes):**  
19,350,166 cubic metres

**Municipal treatment:**  
7,145,793 cubic metres

*As is typical in most industries, McCain Foods withdraws water from various sources, including ground water. Following use, it is treated to applicable standards and returned to an approved receiving surface body. Where a surface body is not available, the discharged water is used for crop irrigation.*

## Our progress

In 2009 we drew 35 million cubic metres of water into our manufacturing facilities. Since 2005 we have reduced our intake by 2 per cent per unit produced, which is equivalent to 500,000 cubic metres or one billion 500-mL bottles of drinking water. Water plays a critical role in the manufacture of our food, but our goal is to reduce our water consumption while ensuring the quality and safety of our products. In one of our most water-stressed regions, Ballarat, Australia, a necessary focus on water reduction has produced a 40-per-cent decline since 2005. Our success at Ballarat is driving our Search for Pools program at all of our facilities and assisting in the definition of a meaningful long-term global target that will sustain a continued focus on our water-reduction efforts.

## Our initiatives

### Our water-stressed regions

Our manufacturing facilities in Mehsahna, Ballarat and Delmas are a focal point of our water-reduction efforts as they are located in regions where water resources are scarce and diminishing at a faster rate than our other locations.

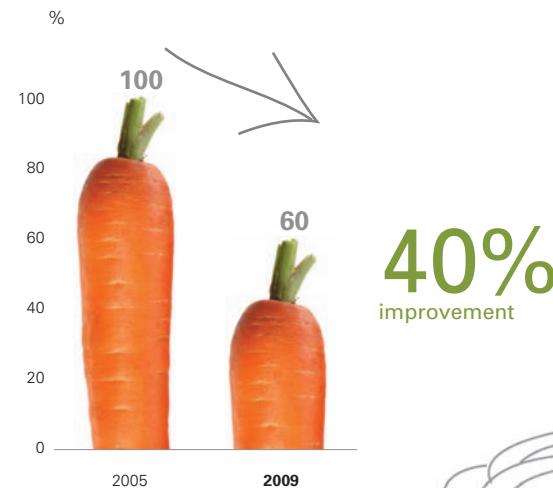
#### McCain Foods' water minimization project in Ballarat, Australia

Since 2006 severe drought conditions across many parts of Australia have dried up Ballarat's water supply, with the severity of the situation climaxing in April 2008 when Ballarat's White Swan Reservoir hit its lowest level on record at just 7 per cent capacity. In response, the local government funded the development of the 87-kilometre Goldfields Superpipe, assuring a sustainable water supply to Ballarat when it was turned on in May 2008.

As Ballarat's largest employer and industrial consumer of water, we recognize the impact our operations have on the region and our associated responsibility. A strategic water-reduction effort between the company and the region has resulted in a 40-per-cent reduction in overall water use since 2005. In addition to the AUS\$1 million spent at the plant level to date, we have also trained our employees on at-home water-reduction techniques and provided a subsidy to those who have implemented water-savings devices in their homes.



**McCain Foods' annual water reduction: Ballarat, Australia**



Australia's new  
Goldfields Superpipe



# waste

## Our progress

The mass of waste we dispose of in landfill equals about 1 per cent of the amount of product we manufacture in a year and less than 1 per cent of the raw materials we bring into our manufacturing facilities.

In 2009 we recycled 95 per cent of the estimated 800,260 tonnes of waste generated, but our long-term goal is to create as little waste as possible in the first place. To reach our goal, we are developing initiatives – that we will track and measure – to make greater use of our raw materials and to increase the recycling potential of any resulting waste.

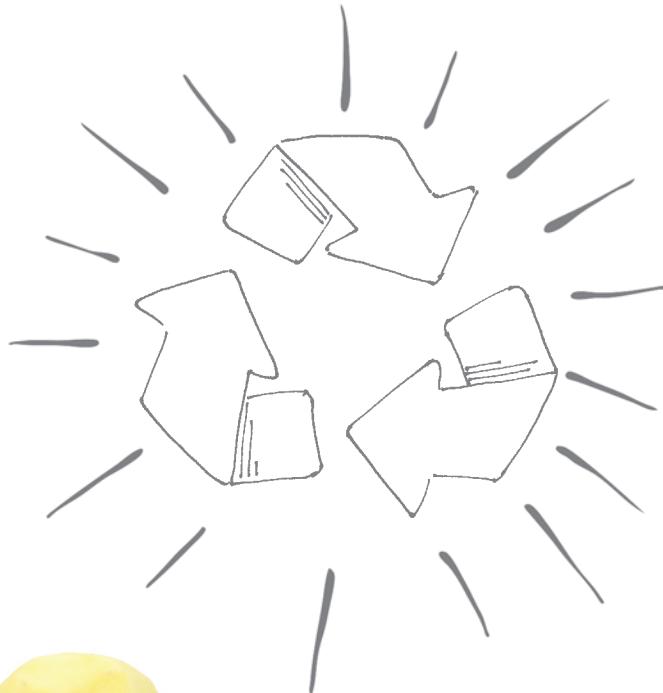
### A sampling of the waste produced at a typical French fry manufacturing facility

Waste	Disposal or re-use path	% of total
Potato waste	recycling (animal feed or biogas generation)	93%
Potato starch	recycling	3.2%
Waste oil	recycling	1.07%
Garbage to disposal	disposed to landfill	1.05%
Cardboard	recycling	0.96%
Scrap metal	recycling	0.26%
Plastic/paper	recycling	0.19%
<b>Total</b>		<b>100%</b>

**20%**

decrease in weight per unit

**At the 16 McCain Foods' facilities that have been comprehensively tracking waste-reduction efforts, a 20% decrease in waste per unit of production occurred between 2005 and 2009.**



## Our initiatives

### Raw material utilization

Ten years ago, when McCain Foods realized that a significant amount of the raw product purchased was being lost in the factory as waste, we began to investigate how to improve this loss, with the purpose of both optimizing our raw materials and our manufacturing processes. Focusing on a broad spectrum of initiatives throughout the process, our Raw Material Utilization (RMU) program has resulted, for example, in reducing potato waste by 29 per cent by redirecting it to value-added waste streams, such as biogas generation and animal feed.



#### Creating compost

**Since 2001 our Balcarce, Argentina, plant has composted approximately 100 tonnes of organic waste unsuitable for use as animal feed every month, using it on our fields to fertilize new potato crops or to fill in green areas.**

#### Using our bio-solids

**Our wastewater systems only process organic food matter and water from our factories. The resulting bio-solid waste is rich in nitrogen and phosphorous, which when applied to our crops, reduces the need for chemical fertilizers.**

By focusing significant efforts on reducing packaging, our division in Canada has:

- Reduced overall corrugate and is using recycled fibres on boxes
- Minimized poly thickness to 34 microns on foodservice packaging
- Decreased stretch wrap from 20 microns to 16 microns and is now testing 13 microns
- Eliminated wax from pizza cartons to make them recyclable
- Reduced thickness of juice cans by 12%

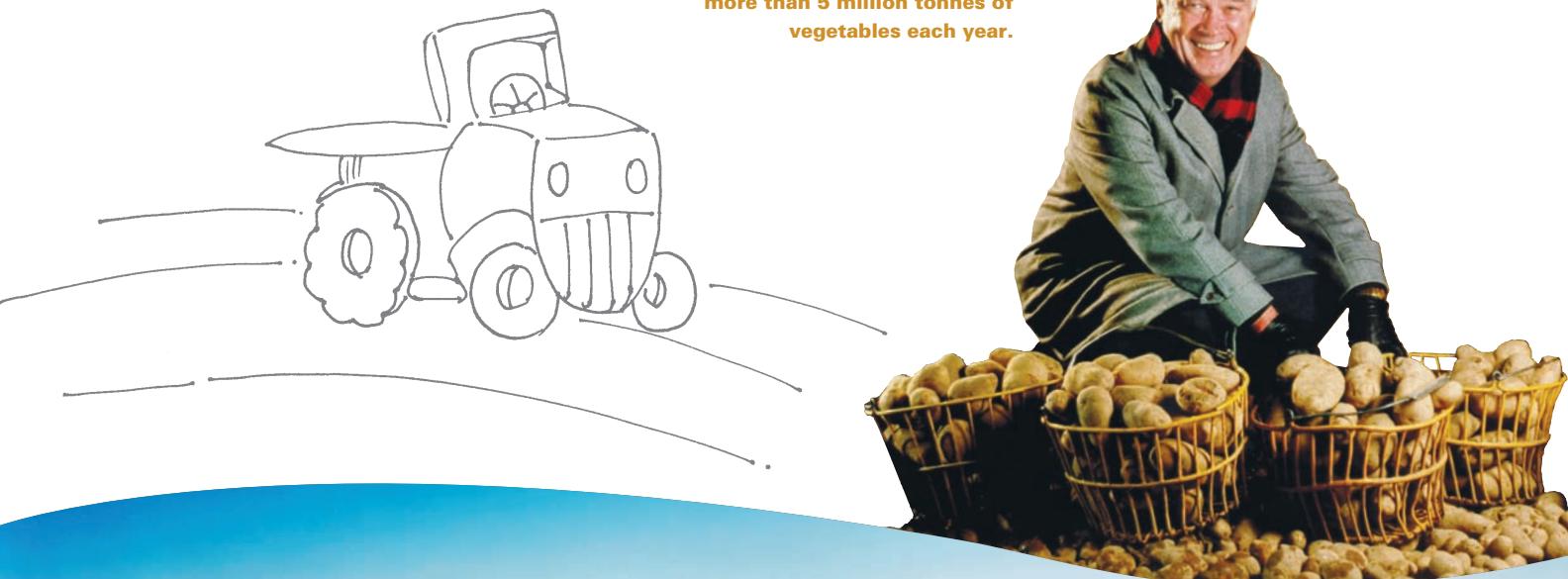


# agriculture

At McCain Foods we source more than 5 million tonnes of potatoes and more than a quarter million tonnes of other vegetables each year for use in the production of our potato products, other vegetable lines and our oven meals and appetizers. Our philosophy has always been to build and transfer our knowledge and expertise to our 3,200 grower partners around the globe to ensure all of our vegetables are grown in an environmentally responsible manner.

## 5 million+

**At McCain Foods we source  
more than 5 million tonnes of  
vegetables each year.**



**"If you don't get the agronomy right, nothing else matters."**

Harrison McCain

## Measuring progress

We have outlined five key agricultural metrics that we are now monitoring with a view to identifying targets that we can set and measure progress against:

- Pesticide use
- Nitrogen use efficiency
- Water use efficiency
- Soil conservation best practice
- McCain Foods' Good Agriculture Practices (GAP) compliance



**McCain Foods' pea harvesters in South Africa**

## The way we manage agriculture

### McCain Foods' Global Food Safety & Environmental Sustainability Working Group

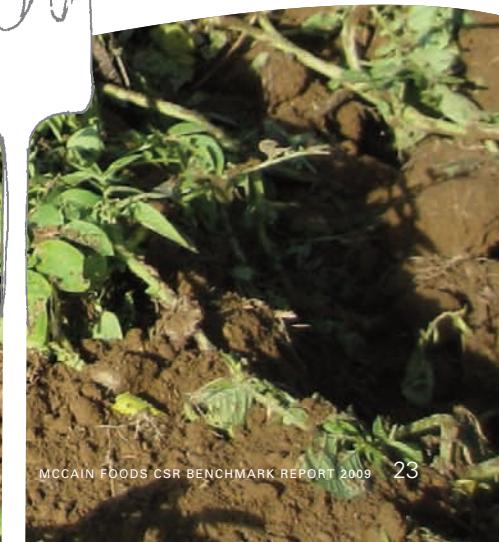
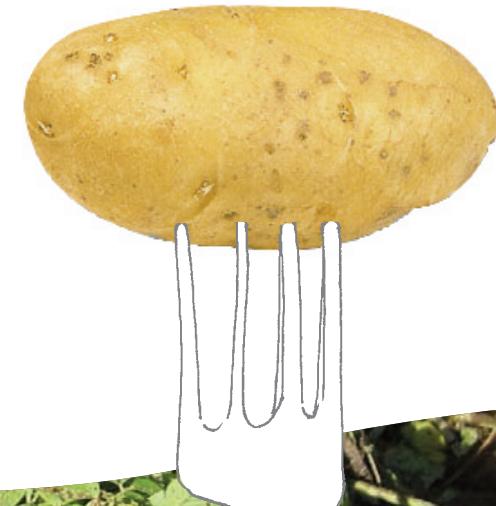
Our Food Safety & Environmental Sustainability Work Group, reporting to our global vice president, Agriculture, is mandated with identifying and integrating best practices into our global agricultural sustainability plan.

#### Focus on research and transfer of knowledge

Our global agronomy team, comprising 150 agricultural experts, works directly with farmers to develop and transfer best practices related to continuous productivity improvement, new varieties, Integrated Pest Management, food safety and environmental sustainability. This work is done in collaboration with research bodies, universities and governments around the globe.

### McCain Foods' Good Agriculture Practices (GAP) Program

At McCain Foods, food safety and environmental sustainability are paramount to everything we do. In 2009 we added another layer of oversight through the introduction of McCain Foods' Good Agriculture Practices (GAP) Program. This program incorporates global best practices and steps that are specific to McCain Foods to ensure our agricultural product is handled safely and sustainably at every stage of the process.



## The way we manage agriculture continued

### Sustainable Agriculture Initiative (SAI) Platform

McCain Foods is a member of the Sustainable Agriculture Initiative Platform, an organization created by the food industry to actively support the development and promotion of sustainable agriculture worldwide. As a condition of membership, participating companies commit to a Code of Conduct. McCain Foods' global vice president of Agriculture sits on SAI's Board of Directors and we have representation on the Arable & Vegetable Crops Working Group and the Water & Agriculture Working Group. In addition, McCain Foods has led three SAI Platform pilot projects:

#### **The SAI Platform potato pilot**

##### **Great Britain**

Between 2006 and 2008 McCain Foods in Great Britain sponsored a project to understand potato crop production within a whole farming system and its impact on selected sustainability indicators. The end result will be the development of a Potato Toolbox to guide farmers in ensuring sustainability of production while enhancing biodiversity on the farm.

#### **Irrigation management initiative**

##### **India**

India is the third-largest potato producing country in the world, but lack of infrastructure and outdated growing methods meant a limited supply of the type of quality potatoes needed by McCain Foods when we first began working with local growers in the early 2000s, seven years prior to building our first plant there. Supporting farmers in their acquisition of drip and sprinkler technology and teaching them in its application has resulted in a 30-per-cent decrease in water use and an increase in produce yields of more than 40 per cent.

#### **Assisting McDonald's global rollout of the McDonald's Agricultural Assurance Program (MAAP)**

In 2005 McDonald's, a key McCain Foods' customer, asked us to assist in the global implementation of its own agricultural sustainability program, the McDonald's Agricultural Assurance Program. Pilot projects were initiated to adapt European requirements for North America and the world and determine how these would be met by growers in each country. In March 2008 agreement was reached by all McDonald's potato suppliers to implement MAAP in North America, with work currently underway to implement it in other markets.



A McCain Foods' contracted grower in Pune, India



1.5

## Our initiatives

### Agricultural water use & irrigation

Our irrigation practices vary widely based on geography – while rainfall in some locations provides sufficient water throughout the growing season, other locations require 100 per cent irrigation. In irrigation-reliant regions, McCain Foods has promoted best practices, encouraging growers to convert from flood or furrow irrigation to overhead sprinkler systems, use more efficient nozzles, improve irrigation scheduling techniques and better understand seasonal changes in crop water demand, resulting in seasonal water application decreasing from approximately 50 inches to 30 inches.

In Australia and India, where water supply is scarce due to ongoing drought conditions, we are leading the development and testing of drip irrigation in these regions. In contrast to traditional flood and even overhead sprinkler methods, the drip method essentially puts the water where and when it is needed – directly to the plant's roots. While expensive and labour intensive to implement, following McCain Foods' proven pilot results which demonstrated a 50-per-cent reduction in water use, the Indian government is providing subsidies to growers to install this advanced drip irrigation system. Today more than 90 per cent of McCain Foods' contracted potatoes in India are grown under improved irrigation technologies.



Harvesting broccoli for McCain Foods South Africa

7x

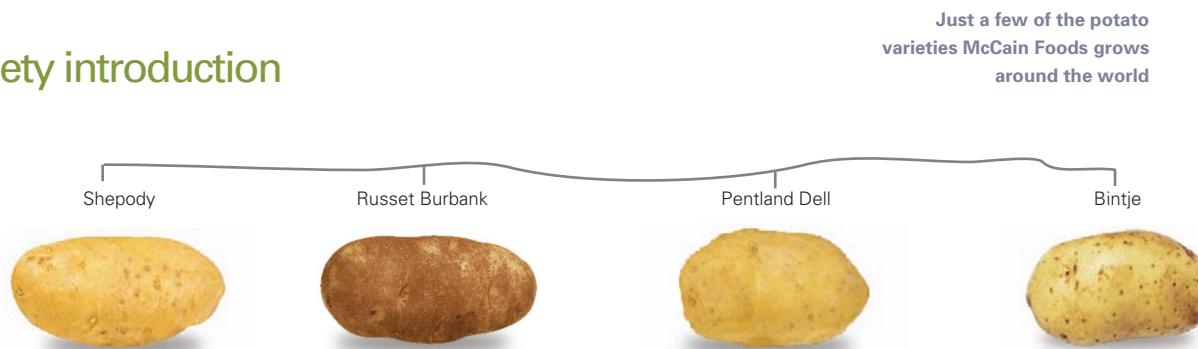
**Potatoes produce more food per unit of water than any other main crop, and are up to seven times more efficient in using water than cereal crops, such as rice and wheat.**

40%

Growers in Australia who have used the Potato Calculator over recent seasons have reduced nitrogen inputs by approximately 40% on some soil types, while maintaining yields.

Our initiatives continued

## Variety introduction

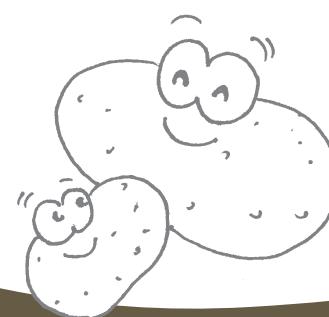


### The McCain Global Potato Variety Development Program

With a focus on growing the best product, optimizing production, improving quality and reducing costs and impact on the environment, McCain Foods works with public and private breeders around the globe to identify promising new non-genetically modified potato varieties. This process is lengthy – it can take more than 15 years to breed, test and trial a promising new variety.

### Genetically Modified Organisms (GMO)

Since 1999 McCain Foods has abided by a policy of not using genetically modified potatoes in any of our products globally. This policy holds true today, but we also recognize that science holds the potential to address many of the issues that continue to challenge the world with respect to the sustainable production of affordable and nutritious food to meet the demands of a growing population. It is the positive potential of science that drives our continued interest in plant biotechnology, and as such, we actively monitor and may participate in research and development projects that seek to offer significant social benefits. Regulatory compliance and consumer acceptance for the use of any new technology will guide our actions.



**7% → 13%**

Globally the percentage of total raw material supplied by new or non-standard varieties will increase from 7% in 2009 to approximately 13% in 2011.

**1.5**

**20%**  
less water

**30%**  
less nitrogen fertilizer

**20%**  
fewer fungicides

In 2008 in Tasmania, Australia, McCain Foods expanded the introduction of a non-genetically modified potato variety that is providing similar yields to our traditional varieties, but requires irrigation only eight times per season versus 10 times for the traditional variety, and also needs less fertilizer and fewer fungicides. While environmental impact varies among regions based on weather patterns, soil structure and more, this variety now represents a significant proportion of our potato volume in Argentina, Continental Europe and Poland and increasing volumes in Canada and the United States.

## Our initiatives continued

### Integrated crop management

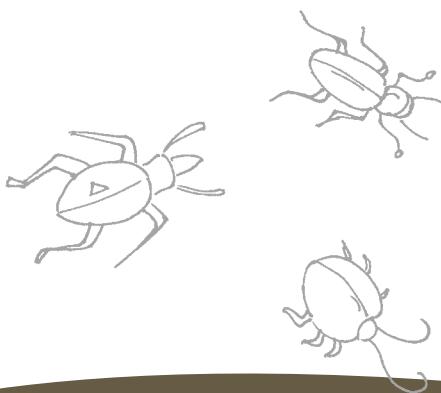
We strongly believe that, while a long-term solution, a significant reduction in agricultural inputs can be achieved through the introduction of new varieties. In the meantime, we are also focused on solutions we can implement today to reduce our dependence on these agricultural inputs.

#### Optimal pesticide use

Pests and diseases can have a significant effect on the yield and quality of crops. In using agricultural inputs, our growers are required to follow both local government regulation and the McCain Good Agriculture Practices (GAP) program, which advocates globally accepted pesticide handling and application and Integrated Pest Management (IPM) practices. Further, our team of agronomists, among the largest of the world's food processors, partners with growers to assist them in optimal pesticide use using various decision support systems.

With the increase in productivity per acre since the 1970s, our use of pesticides has decreased significantly, and the majority of pesticide products in use today have been replaced by new active ingredients with fewer risks. Further, in collaboration with global research institutes, we are currently researching a number of pesticide-reduction strategies, including:

- The evaluation of a new Late Blight forecasting model that predicts infection periods, reducing the use of pesticides.  
Late Blight is one of the biggest threats to potato crops, responsible for the Great Irish Famine during the late 1800s
- The evaluation of spore traps as a predictive model for Late Blight infestation and control
- The use of green manures for the control of verticillium wilt (a fungus) and nematodes (a type of roundworm)



#### Innovar Award

In 2008 the National Ministry of Science and Technology in Argentina awarded McCain Foods its Innovar Award for our work in collaboration with the University of Mar del Plata on the use of phosphites to improve the control of disease and reduce the use of pesticides.

### Safe use of pesticides: McCain Foods' Good Agricultural Practices program requirements

1. Pesticide use must be in accordance with local legislation and via trained operators.
2. Pesticide use record keeping is a must, and must be made available to McCain Foods.
3. Multi-tier farm practice auditing must be conducted.
4. Product must be tested to ensure that pesticide residue is at or below levels set by regulatory bodies.

### Integrated Pest Management (IPM)

Integrated Pest Management is often described as a continuum whereby growers continuously improve their management of pests and diseases by adopting various measures (chemical, cultural, biological and mechanical) to control them. IPM principles include:

1. **Acceptable pest levels:**  
Focus on control, not eradication
2. **Preventive cultural practices:**  
Selecting best varieties for local growing conditions, rotating between crops and maintaining healthy crops is the first line of defense
3. **Monitoring:**  
Regular observation and field scouting is the cornerstone of IPM
4. **Chemical controls:**  
Pesticides are only used as required and only at specific times in a pest's life cycle

# Inspiring wellness

McCain Foods is committed to sustainable growth.  
Our vision is: *Good Food. Better Life.*

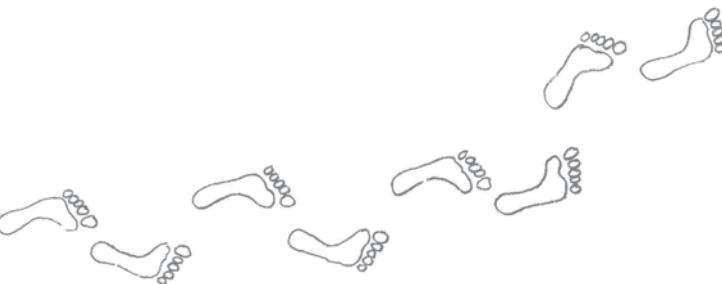
At McCain Foods our vision is *Good Food. Better Life*. To us this means responding to our customer and consumer desires for great tasting, safe food products that support the many facets of their life, including healthy living, convenience, value and sometimes indulgence, and helping to improve the quality of life in the communities where we live and work around the world.



Providing a hand up,

**"We fully support the spirit of *ubuntu* – making a difference by creating economic prosperity through the creation of new markets over time. There is so much that McCain Foods can bring to small communities by simply extending a hand up. The opportunities we are providing for local emerging black farmers in South Africa to create sustainable businesses, particularly in potato growing, by sharing our skills and knowledge in agriculture and by offering them financial assistance, land and mentorship will strengthen the future prospects of the community and create a stable base of supply for McCain Foods."**

Bane Ndlovu,  
McCain Foods South Africa  
Manager, Transformation &  
Corporate Social Responsibility



## Inspiring wellness

continued

### **At McCain Foods we are committed to delivering *Good Food* that makes our customers and consumers smile.**

Our products are delicious, nutritious, affordable and convenient, which all contribute to making people feel good and enhancing their sense of wellbeing.

At the heart of our offering is our wide selection of products that feature the nutritional goodness of the potato. At the same time, we are focused on delivering enhanced quality and nutrition across our entire product range. To this end, in 2009 we set sodium-reduction targets for our salted products, implemented a project team to focus our efforts on continuing our leadership in the development of healthier oils and we are currently enhancing what *Good Food* means to our products, with a commitment to reformulate those products that don't meet our definition.

But delivering wellness goes beyond our products. Our business model also inherently strives to contribute to the wellness of the local communities in which we operate, in part by assisting in the development of thriving local economies, often where none previously existed.



Australia



U.S.



South Africa



**Our goal is to create our products from ingredients sourced locally to our manufacturing facilities, and the first step in this process is ensuring a stable and quality-driven supply of raw ingredients.** We work closely with local growers, transferring our agronomy knowledge and research, assisting the farming community in advancing its technology and irrigation methods and committing to longer-term contracts that allow growers the stability required to invest in their farms. This process can take many years, but in the end these growers and their families build successful farming operations that not only support McCain Foods, but support themselves and the communities in which they live.

Once the local agronomy is assured, we then develop manufacturing facilities which employ hundreds of local residents and demand the support of a large number of local suppliers and services. The end result is that today approximately 85 per cent of our products are sold in the markets they are produced.



One of our Core Values states we "**Drink the Local Wine.**" Bringing the community into McCain Foods means we are benefitting from the rich knowledge and resources of the local market and becoming an integral component of the communities in which we operate. As we expand into emerging markets, such as China and India, we realize our business model can be challenging, but the reward of providing a "hand up" rather than a "hand out," the concept that underlies our participation in our communities, as well as the development of products that meet local needs, has proven to enhance the wellbeing of ourselves, our customers and our consumers in a long-term and sustainable manner.

### **Good Food. Better Life.**

Creating wellness in  
our communities

- Assisting in building local growing economies
- Providing careers and supporting local services and suppliers
- Delivering goodness and affordable nutrition through our products
- Inspiring active living and providing nutrition education

## our products

We recognize that continually updating our product range and introducing new products is a key part of delivering wellness to our customers and consumers. Our goal is to consistently increase the number of products we introduce with enhanced nutritional profiles.



## Food safety & quality management

At McCain Foods we are committed to providing our customers and consumers with food they can trust to be safe, nutritious and taste great. Led by our Global Quality Council, we employ a comprehensive food safety and quality management program within each of our manufacturing facilities worldwide, ensuring that processes are consistent and that collaboration delivers continuous quality improvement.



Trim tables at McCain Foods'  
Ballarat, Australia facility

**3,000**

The number of quality controls carried out every day in an average McCain Foods' manufacturing facility.

### How we deliver *Good Food*

#### Global Innovation Councils

Our Innovation Councils, including the CEO Innovation Council (CIC), the Innovation Technology Council and the Retail and Foodservice Marketing & Innovation Councils, work collectively to share global best practices, set innovation priorities and performance metrics.

#### Our global food safety principles

- Our expectations are clearly communicated to all employees and partners from farm to fork
- We value and encourage continuous improvement in our people, our products and our quality and food safety systems
- We use external food safety audits to monitor the compliance of McCain Foods' processing plants and our food safety programs to ensure they meet internationally recognized standards



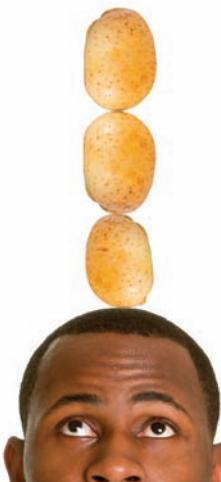
## How we deliver *good food* continued

### Extensive research & development

#### Global Health & Wellness Advisory Board and Scientific Committee

To support McCain Foods on new product innovation at the science level, two groups of advisors comprised of both internal and external experts help guide our priorities and actions. The Global Health & Wellness Advisory Board, chaired by Dr. Harvey Anderson, Professor of Nutritional Sciences, Physiology and Medical Sciences at the University of Toronto, Canada, includes leading scientific experts in human nutrition and its impact on health, including Dr. Joanne Slavin of the University of Minnesota and Dr. Fergus Clydesdale of Chenoweth Laboratory at the University of Massachusetts.

Providing further insight to McCain Foods is a multi-disciplinary group of world-renowned specialists in the field of cardio-metabolic diseases based in Continental Europe, with external members including Professor Jean-Charles Fruchart, president of the International Atherosclerosis Society in France, Professor Jean Davignon, director of the Research Group on Hyperlipidemia at the University of Montreal in Canada, Professor Gerd Assman, director of the Institute of Clinical Chemistry and Laboratory Medicine and director of the Arteriosclerosis Research Institute at Münster University in Germany, and Professor Rafael Carmena, chair of Medicine and head of the Department of Endocrinology and Nutrition at the Hospital Clínico Universitario de Valencia in Spain.

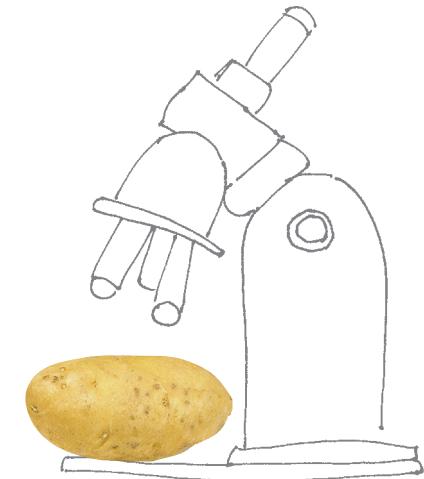


#### Potato Processing Technology Centre

McCain Foods' 16,000-square-foot Potato Processing Technology Centre (PPTC), located in Florenceville, New Brunswick, Canada, is a McCain Foods' corporate research centre dedicated to new product development featuring our core ingredient – the potato. Our team includes a Food Safety and Innovation leader to ensure that new product innovations are tested against our rigorous food safety principles and processes.

#### Research

McCain Foods is currently undertaking more than 25 research projects in partnership with various university and industry organizations around the world, with a focus on fat reduction, quality-improvement technology and food allergens, among others. In addition, to ensure high-quality, nutritious ingredients that support the development of our products, our team of agronomists – our agricultural scientists – conducts ongoing field and storage research, sharing its findings with our growers and vegetable handlers worldwide.

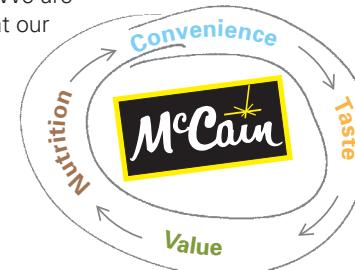


## A Better Life

**Our research suggests that consumers the world over believe that what we eat is often at the core of how we define a *Better Life*.**

## Our progress

In 2009 we launched 68 new products around the world, including 33 products that fit our *Better For You* guidelines. New products introduced in the last three years represented approximately 13 per cent of our total revenue, with 49 per cent of this innovation revenue derived from new *Better For You* products. We are committed to innovating to meet consumer and customer needs and desires, and we are confident that our innovation pipeline will enable us to continue to introduce more *Better For You* products each year.



## A few of the new product concepts we introduced in 2009



Australia

### Sous Chef: delivering nutritious convenience

Responding to consumer demand for non-fried potato products, in 2009 McCain Foods introduced its first range of fresh-frozen convenience potato products – potatoes simply cut and frozen. Known as Purely Potato® in retail and foodservice, but informally called *Sous Chef* reflecting the role of the individual in a restaurant kitchen who is responsible for preparation of ingredients, this line features the goodness of potatoes, and offers convenience for both the restaurant and home cook to incorporate their own flavourings and preparation method.



Canada

### Sweet potatoes: enhanced nutrition and great taste

Sweet potatoes are a powerhouse of nutrients and minerals, ranking among the top vegetables for their nutritional value. Following introduction of sweet potato products at foodservice and retail in the United States in 2007, our line of sweet potato products has now expanded to many other McCain Foods' regions.

## Our *Better For You* commitments:

- Innovate to provide *Better For You* products and to improve the nutritional value of our current products without compromising on taste
- Ensure our consumers, customers and employees are informed and educated on how to incorporate *Better For You* products into a healthier lifestyle
- Make nutrition convenient and affordable



**McCain Foods' Better For You guidelines**

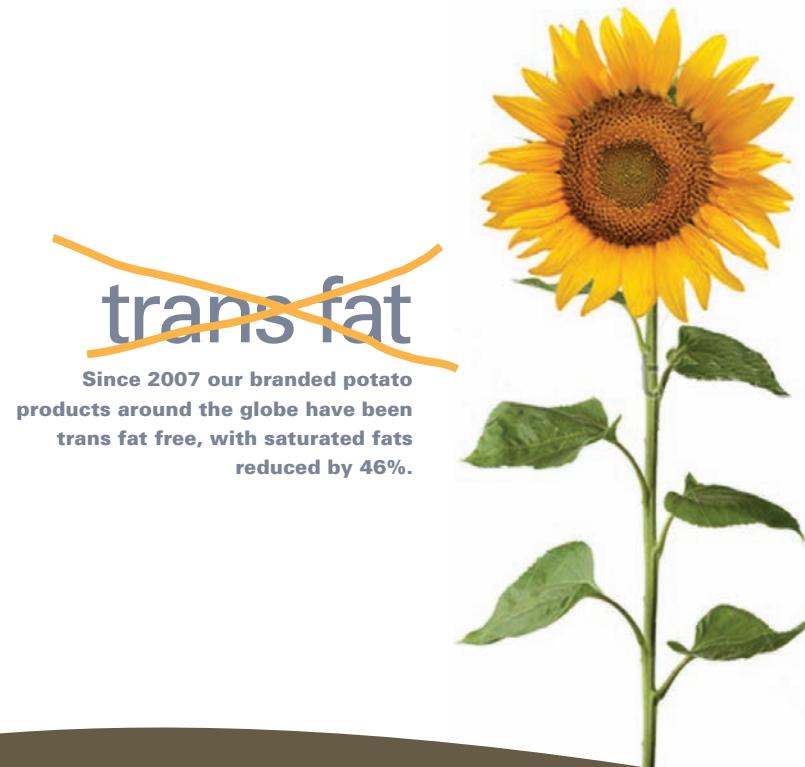
While many of McCain Foods' products are inherently nutritious, in 2006 we introduced guidelines to help lead our product development in innovating around specific nutritional criteria while delivering the great taste and quality consumers expect. Products considered *Better For You* may include the following criteria:

- Trans fat free (under 0.5 grams)
- 30% or fewer total calories from fat, with less than 25% of this fat originating from saturated fats (World Health Organization guidelines)
- Portion-controlled following local dietary intake guidance
- Low salt according to local dietary intake guidance

## Our initiatives

### Good Food formulation workstream

To continue delivering on our mission of *Good Food. Better Life.* in July 2009 we established a global workstream to define how we can better deliver *Good Food* to our customers and consumers. Through the development of global ingredient standards and a process to reformulate our product offering according to these standards, which will address continued efforts to reduce fat and sodium, as well as elimination where possible of ingredients that cannot be found in the home kitchen, by mid-2010 we intend to have a clear roadmap for the reformulation of our entire product portfolio.



### Healthier oils

In 2004 non-hydrogenated oils such as canola and sunflower oils began replacing all hydrogenated oils used in the preparation of our branded potato products, eliminating trans fat from these products and significantly lowering saturated fat. By 2007 this initiative expanded to all McCain Foods' branded potato products globally, incorporating other non-hydrogenated oils which also reduced saturated fat across our branded potato portfolio by 46 per cent.

In our ongoing efforts to reduce fat from our products, in 2008 the McCain Foods' Innovation Technology Council implemented a Healthier Oils Workstream with the goal of continuing research and development into the next generation of improved frying oil.



United Kingdom



potatoes ✓  
sunflower oil ✓

## Our initiatives continued



### Nutrition research

Substantial research has established that potatoes are inherently good for you, energy dense and nutrient rich. As the core of our product line, we are actively interested in further research into supporting the goodness of potatoes.

#### Nutritional Contribution of White Potatoes

**Key findings:** White potatoes, including French fries, contribute many minerals and nutrients, including fibre, potassium, vitamin B6, copper, vitamin K, vitamin C, thiamin, niacin, phosphorous, vitamin E, iron, folate and magnesium, in the diets of U.S. consumers.

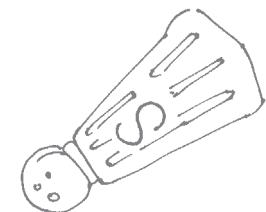
NHANES, 2003–2006, Victor L Fulgoni, III, Nutrition Impact, LLC, Battle Creek, MI; Debra R Keast, Food & Nutrition Database Research, Inc., Okemos, MI; Joanne L Slavin, University of Minnesota, St. Paul, MN



### Sodium

Excess sodium in the diet has become a growing health concern primarily because of its connection to elevated blood pressure, which is directly related to cardiovascular disease. Reducing sodium levels in food is a careful and complex undertaking as it plays a key role in food preservation, hindering the growth of micro-organisms when it binds with water. McCain Foods is committed to reducing excess sodium in our retail products globally while maintaining food safety and nutritional quality. Our goal is to reduce the salt level in our branded products by 10 per cent per year until such time as these products meet consumer preference thresholds.

The vast majority of the products we make that are destined for the foodservice industry do not contain any salt as the products are prepared on-site after delivery to our customers. To maintain our commitment to salt reduction and assist the ultimate consumers of our products, we are developing education and research materials for our foodservice customers and sharing best practices that identify opportunities for sodium reduction.



**18%**

McCain Foods in the U.K.  
leads the way in salt  
reduction

**Intense consumer demand had forced food manufacturers in the United Kingdom to reduce sodium across their product lines. Our business in Great Britain has responded, having reduced sodium across its entire product range by 18 per cent since 2001.**



### Responsible advertising

In 2008 McCain Foods introduced a global policy which commits the company to marketing our products in an honest and ethical manner. Specifically, we will not:

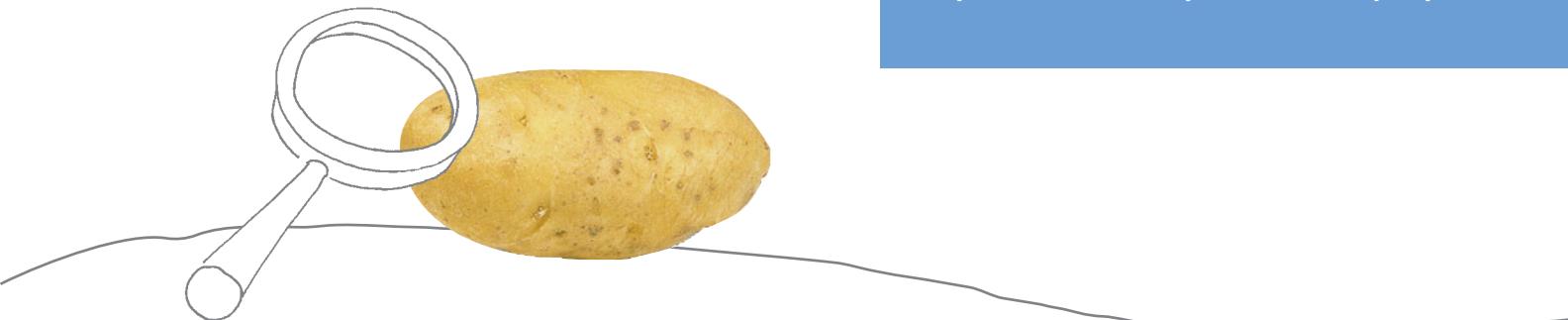
- Create advertising, advergaming, promotional initiatives or other communications targeted directly to children under the age of 12
- Place advertisements in media targeted to children under the age of 12
- Unfairly or inaccurately represent the nutritional value or benefits of our products

## Our initiatives continued

### Food safety & quality management

#### Key Elements of Quality (KEQ)

Introduced in 2009 to further enhance McCain Foods' quality and food safety management program, the Key Elements of Quality is a comprehensive, disciplined system that provides a process of gap analysis, action planning and continuous improvement against McCain Foods' defined food quality standards, all of which meet or exceed global regulations. Organized into nine key pillars, the Food Safety pillar was the first to be defined, and by mid-2009 a baseline assessment of all facilities will be completed, with the results setting the agenda and plan for continuous food safety improvement within each of our facilities moving forward. Further rollout of the remaining pillars will continue into 2010.



#### Food safety: areas of consumer interest and our actions

**Acrylamide:** In 2002 Swedish researchers discovered trace levels of acrylamide in some baked and fried foods raising concerns due to the levels of acrylamide toxicity previously found in lab animals exposed to very high doses of it in its chemical form. Acrylamide is a naturally occurring substance produced when sugars and an amino acid react with high-temperature cooking.

Since its discovery in food, and given that acrylamide is present in a wide variety of foods, such as breads, cereals, coffee, potatoes and more, governments, non-governmental organizations, academic institutions and food companies around the world, including McCain Foods, have focused substantial resources to understanding acrylamide in the human diet.

As part of our efforts, our research team has contributed its knowledge to the development of industry codes of practice for potential measures to reduce acrylamide levels which led McCain Foods to adjust the cooking instructions on all our potato product packaging to guide end users to bake or fry at optimal times and temperatures to limit the formation of acrylamide.

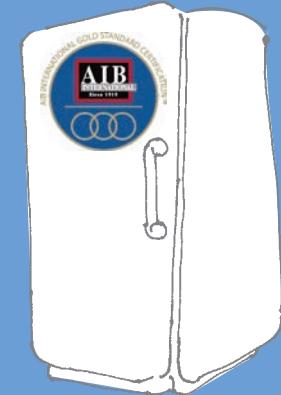
Several new studies were released in 2008–2009 on the dietary impact of acrylamide to human health, and the results are encouraging. Research is ongoing, however, and regulatory agencies around the world agree that there is insufficient data to make determinations about acrylamide levels in food and continue to guide consumers to eat a balanced diet.

#### AIB Gold Standard Certification

At McCain Foods we have adopted the American Institute of Bakers (AIB) Gold Standard certification system, which assures our customers that our facilities have met high standards for food safety and quality through a process which includes:

1. The industry-standard Good Manufacturing Practice audit, conducted twice per year over two to four days
2. Hazard Analysis Critical Control Points (HACCP) verification
3. AIB's Quality Systems evaluation

In 2008 13 of our manufacturing facilities were awarded Gold Standard Certification, bringing the total number of our facilities certified to 35. Our goal is to have 43 facilities certified by year-end 2010. Once facilities are certified, the focus moves to maintaining certification, which becomes more rigorous as industry standards improve with the incorporation of newly acquired knowledge.

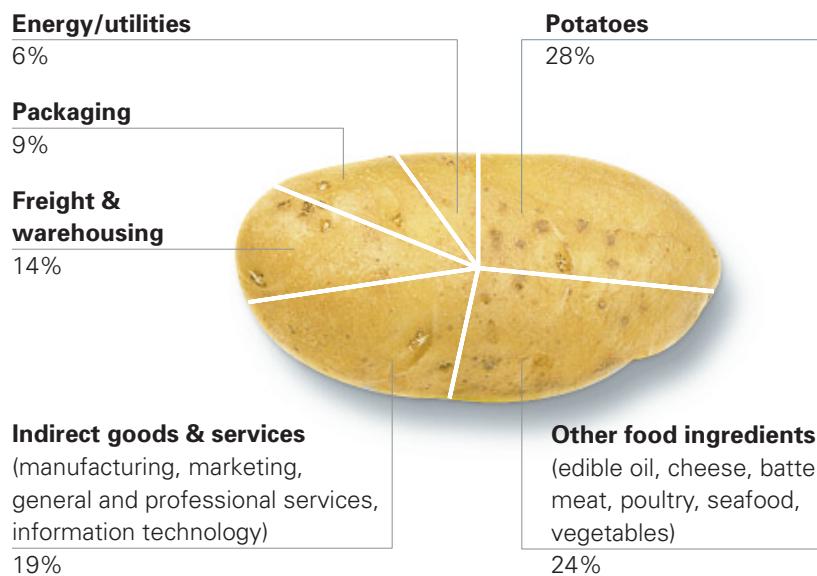


#### Food safety

In 2009 food safety incidents around the world created consumer concern like never before. McCain Foods takes anything that might conceivably impact food safety very seriously. As part of our overall manufacturing process, and in our effort to mitigate risk and enhance food safety, we employ a comprehensive food safety and quality management program within each of our 55 plants worldwide – this includes strict manufacturing procedures, expert leadership and thorough employee training, ongoing process innovation, the use of quality ingredients and internal and external testing and auditing. We are committed to continuously improving our own high standards for food safety.

# Working with our suppliers

**McCain Foods purchases billions of dollars of products and services from around the globe. Our purchases include:**



Responsible purchasing is core to our vision of *Good Food. Better Life.* and inextricably linked to our ability to create sustainable and profitable growth. By choosing to work with suppliers that respect compliance, human rights, decent working conditions and strong environmental standards, we create value for our customers and minimize our business risk.

**40,000**  
**suppliers**

Since McCain Foods was founded, we have had supplier contracts in place that incorporate the most recent food safety and quality assurance, and we take steps to ensure compliance with these contracts. But we believe there is more we can do to improve transparency in our supply chain, and we intend to develop a Supplier Code of Conduct in 2010 that commits our vendors to a relationship built on a shared commitment to quality, safety, fair labour conditions, responsible environmental practices and ethical business conduct.



McDonald's  
Global Best of Green 2009,  
supplier leadership

McCain Foods was recognized by  
McDonald's for improving irrigation  
practices with local growers in India,  
resulting in greater potato yields, while  
using less water and electricity.

## Transferring knowledge & building local economies

Vegetable agronomy and the transfer of knowledge to contract growers have played key roles in McCain Foods' worldwide success. Today approximately 80 per cent of our raw product is supplied by contract farmers, and our role is to share our research, knowledge and expertise with our grower partners to ensure their operations have the least impact on the environment and deliver quality product and a profitable return. This transfer of knowledge and expertise has helped to develop local economies the world over.

### India and China

Farming in rural India is traditionally done manually, but after McCain Foods' arrival just 10 years ago, partner growers have learned the technology of sowing and reaping with machines and the value of applying fertilizers. The result has been record-breaking, with yields from one acre of land once averaging one to 10 tonnes of potatoes increasing to 15 tonnes today. Further, a farmer used to spend Rs 23,000 to grow potatoes in one *vigha* of land, earning only Rs 28,000 from it. After McCain Foods came into the picture, we helped reduce the farmers' expenditure by 35 per cent and increase income by 104 per cent. Today more than 100 farmers in India are cultivating 1,500 acres of potatoes for our use. In China, where similar initiatives were implemented when we entered this market in 1998, our supply of raw product, which was 100 per cent grown by McCain Foods corporate farms just three years ago, is 95 per cent supplied by the local growing community today.



### South Africa

In South Africa the Broad Based Black Economic Empowerment (BBBEE) Act was invoked to increase the effective participation of black people in the economy, with the goal of promoting increased employment and equitable income distribution among this group. In response, McCain Foods embarked on key strategic initiatives and partnerships with emerging black farmers, with the emphasis on entrepreneurial Broad Based Black Economic Empowerment Framework for Agriculture (AgriBEE) businesses. The *Imbewu* program is just one example, training farm labourers in basic aspects of agriculture to enhance their opportunity for promotion through a mentorship approach, where candidates are supported on farm by experienced employees who help them apply their learning.



### Palm oil

Palm oil is a natural ingredient that has unique properties unlike any other oil. The challenge in using it is that increased global demand has pushed the growing of this plant into ecologically sensitive regions, such as the rainforests of Malaysia and Indonesia.

**At McCain Foods our use of palm oil comprises less than 15 per cent of our total oil use. The vast majority of the palm oil we purchase (95%) is from suppliers who are members of the Roundtable for Sustainable Palm Oil (RSPO), a joint initiative of industry and the World Wildlife Fund, which has developed standards and certification processes for sustainable palm oil production. In 2008 McCain Foods introduced a Sustainable Palm Oil Sourcing policy, which outlines our commitment to purchasing only RSPO-certified palm oil as it becomes available in the marketplace and encouraging our suppliers to join the RSPO.**

# Inspiring better life

McCain Foods has a long-standing tradition of helping to improve the quality of life in the communities where we operate. This ranges from encouraging wellness at home through our McCain in Motion initiative that supports employees in their quest to lead healthier lives to supporting efforts that have widespread social impact, particularly in the areas of education, health and active living – all of which are universally associated with a *Better Life*.

Our support comes in many forms – through the volunteer efforts of the people who make our *Good Food*, the transfer of our knowledge and expertise to growers, the donation of our products and services, sponsorships that inspire broad participation toward worthy goals and through financial support.

Our operations in markets all over the world best understand the needs of their local communities, and our giving strategy is primarily based on supporting these needs at the local level. In China, for example, we make ongoing donations of clothing and blankets to a small village in Sichuan province for victims of the 2009 earthquake and in South Africa we have provided computers and associated infrastructure for students in local schools. The McCain Foundation – the purely philanthropic arm of our shareowners – supports initiatives largely in the Atlantic provinces of Canada where McCain Foods was founded and where fewer large corporate donors exist to support the region's hospitals, universities, libraries and community facilities. Collectively, McCain Foods Limited and the McCain Foundation have donated in excess of CDN\$30 million since 2003, not including our sponsorships and donations-in-kind.

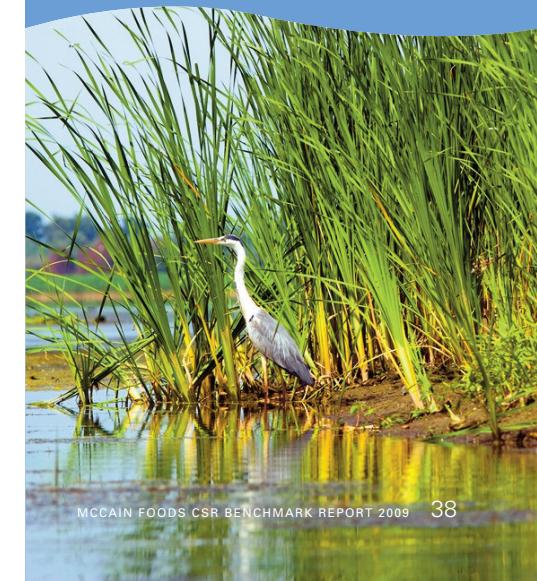


## Preserving the environment

**In addition to its support for health, education and community services, the McCain Foundation has an interest in projects that advance conservation and sustainability of Canada's natural resources. Donations of CDN\$500,000 to the Nature Conservancy of Canada have helped the organization purchase ecologically sensitive land for permanent preservation.**

**CDN\$30 million**

**Since 2003 McCain Foods Limited and the McCain Foundation have donated in excess of CDN\$30 million, not including our sponsorships and donations-in-kind.**



## Our initiatives

Here are just a few examples of our initiatives around the globe:



### Inspiring active living

#### **McCain Foods in the U.K. puts its running shoes on**

In the spring of 2008, impressed by the growing health and wellness perception associated with the McCain Foods' brand, UK Athletics approached the company with a partnership opportunity designed to achieve its vision of creating a healthier Britain. Over the next five years McCain Foods will be supporting more than 165,000 competitive athletes through sponsorship of the Young Athletics League (young athletes competing at the amateur level), the UK Challenge (top athletes competing in 56 annual events) and [www.powerof10.info](http://www.powerof10.info), an athletic ranking site designed to inspire athletes and clubs. Over the same five-year period we are also raising the profile of athletics as a healthy lifestyle amongst families and consumers through the launch of McCain Track & Field, a unique roadshow which travels throughout the country allowing visitors to test their fitness levels. Since mid-2008, 5,000 visitors have participated in McCain Track & Field roadshows. Learn more at [www.mccain.co.uk/trackandfield](http://www.mccain.co.uk/trackandfield).

#### **Ronald McDonald House**

Named after its founder, McDonald's, a long-standing McCain Foods' customer, Ronald McDonald Houses around the world provide accommodations for families of seriously ill children who are receiving treatment at local hospitals. To assist in the operation of these houses, each year McCain Foods' employees organize and participate in events, such as golf tournaments and barbeques to help raise funds for their local Ronald McDonald House. Further, in 2009 McCain Foods made a leadership pledge of CDN\$1 million toward the construction of Toronto, Canada's new Ronald McDonald House. Toronto is home to the world-renowned Hospital for Sick Children, a specialized facility that treats children from around the world. The new home will be the largest Ronald McDonald House, designed to support a capacity of 80 families, increasing from its current 28 rooms, and will include a primary school and other program spaces that will give children and parents the opportunity for some normalcy and support during a time of great distress and upheaval.



### Providing emergency relief

**Over the past 10 years, McCain Foods USA has donated US\$700,000 worth of Emergency Relief Vehicles to Red Cross chapters where our plants are located, providing crucial support in times of crisis for our employees, their families and our neighbours.**



## Our initiatives continued

### Delivering nutrition through food and education

£2 million

McCain Foods has invested £2 million in the Potato Story over the last two years



#### The Potato Story Bus

To teach children about where their food comes from, the growing of potatoes and the role they can play in a balanced diet, McCain Foods in Great Britain developed an interactive educational resource called the *Potato Story Bus* that details the journey a potato makes from field to fork. An experiential tour brought to life by a farmer who teaches children how to plant and harvest potatoes and a chef who discusses potato varieties and how they are turned into favourite potato dishes, the touring bus is complemented by a dedicated web site, [www.thepotatostory.co.uk](http://www.thepotatostory.co.uk), which offers a comprehensive teaching resource aligned to the national curriculum for seven to 11 year olds. To date more than 17,000 children have experienced the Potato Story Bus.



**"Feeding families and nurturing healthy communities worldwide is the McCain Food's legacy."**

Wallace McCain, Honoured by the UN  
As part of its activities surrounding the International Year of the Potato, the United Nations in Canada honoured McCain Foods' founder Wallace McCain for his significant contribution to the world's potato economy.



#### International Year of the Potato

The year 2008 was the United Nations' Food & Agricultural Organization (FAO) International Year of the Potato (IYP), with its mission to raise awareness of the importance of the potato and address issues of global concern, including hunger, poverty and threats to the environment. As a key partner to this initiative and a member of its Steering Committee, McCain Foods provided funding to assist 14 developing countries in bringing together farmers, scientific institutions and public, private and non-governmental organizations to promote potato knowledge and production. Learn more at [www.potato2008.org](http://www.potato2008.org).

**"The potato is on the frontline in the fight against world hunger and poverty."**

Jacques Diouf, Director-General, FAO



## Our initiatives

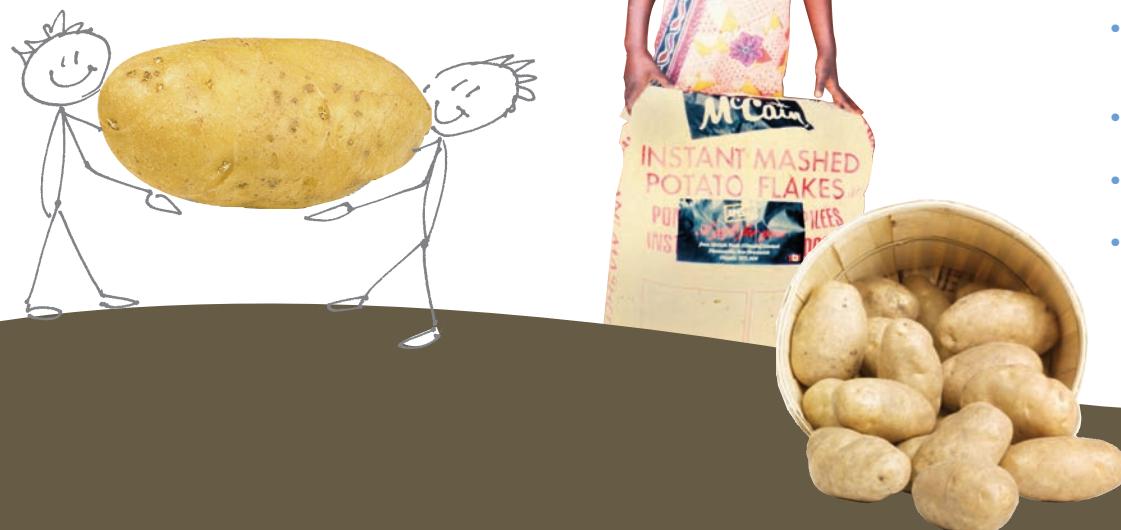
### Delivering nutrition through food and education

continued

#### Collaborations

An official partner to France's Fondation Coeur et Artères, McCain Foods sits on its Partner Advisory Board to develop educational materials on cardiovascular disease prevention. In the U.S. we collaborate with the Alliance for a Healthier Generation, a joint initiative of the American Heart Association and the William J. Clinton Foundation with a mission to fight childhood obesity.

A young girl in Tanzania,  
bringing mashed potato flakes  
home to her family



#### Better living with healthy nutrition

In Australia McCain Foods developed [www.potatoeducation.com.au](http://www.potatoeducation.com.au) to educate school children on the nutritional and sustainable benefits of the potato as part of a balanced diet.

#### Feeding the hungry

As a food company, one of the most effective contributions we can make to society is simply donating our product to organizations that feed people in need. We do this all around the world, with just a few examples in 2009 including:

- 365 tonnes of product to approximately 80 charities and institutions in South Africa
- 247,000 kilograms of potatoes to the Arquidiocesano de alimentos Food Bank in Colombia, a partner of McCain Foods since 2006
- A commitment of CDN\$1 million over the next three years to Food Banks Canada
- US\$600,000 worth of product to Feeding America (formerly Second Harvest)
- AUS\$100,000 in product to the Victoria Relief Food Bank to support bushfire victims

# Positively impacting our people

McCain Foods is committed to sustainable growth.  
Our vision is: *Good Food. Better Life.*

Building our strategic capabilities and achieving our business objectives by investing in the 20,000 employees who comprise the McCain Foods' family is integral to our vision of *Good Food. Better Life*. We hope that by doing so we will positively impact the lives of our people, both within and beyond our workplace, building an even brighter future for the company.



## Tapping into our employees' experience

**"Once I learned first-hand the principles of McCain Competitive Edge, our continuous improvement program that encourages solutions developed by all employees to improve safety, quality and productivity, I knew that I could make a difference. Since then, I've helped my colleagues understand the role they can play in making Appleton a better facility by setting key performance indicators for safety, quality, delivery and cost."**

Sue Seely,

McCain Foods USA

Line Leader at our manufacturing facility in Appleton, Wisconsin



**Creating Better Life inspires our people to deliver Good Food & do good things**

Living our values

Building distributed & networked leadership

Developing our capability

Fostering a recognition-rich & rewarding work environment

Inspiring health, safety & performance excellence

**"We were two young guys, eager to have a business we could call our own, eager to succeed.**

**We never really did it for the money. We liked building things, and we loved the people we worked with. We were able to build a team of truly great people. People who cared a lot...just like Harrison and me, and they wanted to make a difference. People who were honest, hardworking, persevering, direct and dedicated to success, people who shared our dreams."**

Wallace F. McCain *on the occasion of the 50th anniversary of McCain Foods*

**3.0**

## Positively impacting our **people**

continued

At McCain Foods, while expanding from a single factory in Canada's small town of Florenceville, New Brunswick, to becoming the world's largest producer of frozen potato products, employing 20,000 people in local communities around the globe, we have stayed true to our roots of family values and big aspirations, and our growth as a result has been directly linked to the drive, tenacity and success of our people.

**One of the defining characteristics of McCain Foods' culture is a strong sense of entrepreneurialism. Our culture supports and encourages taking action, creating opportunity and thinking outside of one's role. And while our systems, processes and policies are becoming more and more globally structured as we move from a highly decentralized organization to a network of McCain Foods' businesses that leverage the company's global strength, we continue to rely on the creativity, innovation and interdependent spirit of our employees for our continued success.**

Five years ago, as a result of rapid growth and a corresponding shift in the market which compelled the company to begin a transition from one which was challenged to keep pace with demand over its first 50 years to a market-facing company that is focused on creating demand, our employees needed a catalyst for personal development so that we could leverage their skill and talent more effectively.

With the investment in a global Human Resources team, building capability throughout the organization and developing leaders beyond our founders formed the core of the People agenda and the development of programs and resources to support this next phase of McCain Foods' growth. This change has been significant in both the company's culture and the impact it has had on employees, and the global agenda continues to be ambitious moving into the future.



### Our people in today's economy

**We like to say that being in the food business is the best business to be in during times of economic uncertainty, and the fact that McCain Foods delivers value-priced solutions provides us even greater strength. We have weathered the economic storm of 2008–09, but that's not to say we have not been forced to make some challenging decisions along the way. Ultimately our decisions were made with consideration for the least impact on our people, including not filling vacant roles, holding salaries to current levels where not governed by collective agreements and reviewing and optimizing our scheduling practices. In some regions difficult staffing decisions to remain competitive had to be made. Those employees that were affected by selective workforce reductions were, in some cases, transferred to vacant roles in the company. Where that was not possible, they received transition benefits in the form of outplacement support. As a private company that considers its employees a part of its family, making these decisions was tough. As we move forward, our hope is that by managing the business with efficiency in mind, continuing to invest in our people and driving product innovation that meets consumer and customer needs, we will be even better prepared to take on external threats such as this to our business.**

## How we manage our people

### Guiding our actions

Together our Core Values and the McCain Foods' Code of Conduct outline our commitment to lawful and ethical behaviour in all of our affairs, guiding our decision making and interactions.

#### **McCain Foods' Core Values**

- We work every day to make our customers and consumers SMILE
- We value continuous improvement in our people, our products and our business
- We cherish the "Can Do" spirit: Trying but failing is okay; failing to try is not
- We dare to be different: New ideas, innovation and differentiation matter
- We value teamwork and the sharing of ideas
- We win market by market, and create advantage by leveraging our global scale
- We believe that honesty, integrity and fair dealings are integral to our success – good ethics is good business
- We will "drink the local wine:" We are multicultural and care about our people, our families and our local community
- We take pride in being a family business



### Positively impacting our **people**

continued

#### **McCain Foods' Leading Growth model**

Our Leading Growth model provides employees with a strategic framework for understanding our *Growing Together* business strategy, our organizational design, our values and our commitment to our customers and consumers. It then identifies behaviours expected of employees at each level of the organization to enable us to achieve our goals. The model forms the basis of evaluation in our performance review program, and is a foundation for development and succession planning.

#### **Global Human Resources Council**

Led by our Chief Human Resources Officer, our Human Resources Council develops the global People programs, practices and plans which are executed at the regional level by local teams.

# Living our values

## Our initiatives

### Employee satisfaction survey

Percentage of employees who *Tend to agree* to *Strongly agree*

90%

89%

85%

85%

83%

83%

I am proud of McCain Foods' products

I am proud to work for McCain Foods

My company places a high value on safety

I feel that McCain Foods is a socially responsible company

I am well informed on the company's *Growing Together* business plan

I know what I can do in my job to move the *Growing Together* plan forward

In 2007 McCain Foods conducted its first employee opinion survey, generating a 65-per-cent response rate or more than 13,000 responses globally.

While the survey results exceeded our expectations, there were also areas within the survey which highlighted opportunity, particularly in the areas of compensation, performance feedback, coaching and recognition.

We have since put action plans in place to address these gaps, which include an investment in the development of our leaders and the establishment of our global performance review process, *Performance Excellence*. Our next employee survey is scheduled for 2010.



### Code of Conduct

In 2009 we refreshed our company's Code of Conduct to better reflect how we expect our employees to behave in an increasingly competitive marketplace. Among the areas added to the Code include: Treating our Stakeholders with Respect; Diversity; Privacy; Competitive Intelligence; Protection of the Environment; Proper Use of Company Assets; External Communications; and Substance Use. Read our Code of Conduct in its entirety at [www.mccain.com](http://www.mccain.com).



## Our initiatives continued

### Diversity

#### **McCain Foods is working to be as diverse as the products we make**

We believe that our competitive advantage and reputation are greatly enhanced when our workforce reflects the diversity of our customers, consumers, suppliers and communities. With this in mind, in 2008 we formalized our global Diversity Principles and built the foundation of our diversity program in one of the most diverse markets in the world, the U.S. Our principles are designed to connect with diverse communities so that we are positioned to attract, retain and develop employees and deepen relationships with our suppliers and other business partners.

#### **Diversity at McCain Foods in the U.S.**

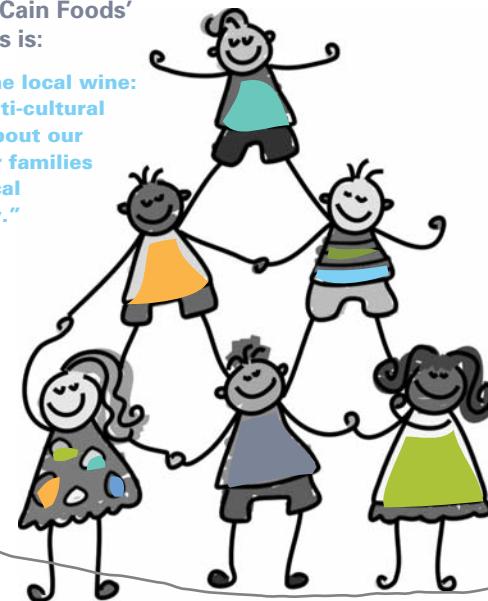
Taking the lead on tackling the issue of diversity for McCain Foods globally, in 2007 our business in the U.S. hired its first Diversity director. With the goal to reflect the company's employee demographic with the communities in which it operates, and leverage these differences to generate innovation in workplace problem solving, product development and supplier partnership, the year 2008–09 was a foundation-building year, with the development of a diversity web site and two key programs – the Supplier Diversity Program and Diversity Advisory Committee.

#### **Supplier Diversity Program**

The Supplier Diversity Program reaches out to suppliers certified as Minority or Women's Business Enterprises (M/WBE), as well as tracks the dollars spent with these suppliers. The goal in 2009 is to spend a minimum of 3 per cent of McCain Foods' total purchases with certified M/WBE.

**One of McCain Foods' core values is:**

**"We drink the local wine:  
We are multi-cultural  
and care about our  
people, our families  
and our local  
community."**



#### **McCain Foods' global diversity principles**

- Implement strategic programs designed to connect with diverse communities so that we are positioned to attract, retain and develop employees and deepen relationships with our suppliers and other business partners
- Develop a comprehensive strategy to enable diverse companies to supply products, goods and services to our company
- Promote diversity through leadership, training, mentoring and networking
- Train and develop our employees to seek, respect, value and leverage diversity of thought and ideas
- Hold all employees accountable to share in the responsibility for inclusiveness
- Ensure that inclusiveness is visible in management decisions and behaviour
- Abide by the principle that all of our relationships are based on mutual respect and growth

It takes a village  
to settle a new  
Canadian

Between 2003 and 2008,  
challenged by the IT industry's lack of  
domestic IT professionals, McCain  
Foods' Global Technology Centre (GTC),  
located in the small town of  
Florenceville, Canada, with a population  
of just 1,500 people, hired more than  
100 skilled workers from South America,  
India, Southeast Asia and Eastern  
Europe, and today these new Canadians  
comprise 30 per cent of the GTC's  
workforce. McCain Foods has put much  
effort toward ensuring these new  
employees transition effectively, and the  
result is clear – 99 per cent of employees  
who arrive as temporary foreign  
workers apply for permanent resident  
status and remain in Florenceville.\*

\*Conference Board of Canada,  
"Immigrant Friendly Communities 2009"



# Building distributed & networked leadership

## Our initiatives

### Leading Growth leader development

Each quarter McCain Foods' president & CEO and Chief Human Resources Officer invest three days in facilitating Leading Growth. Designed to nurture our leaders' personal and professional leadership skills, obtain 360-degree feedback, contribute their ideas to making McCain Foods a better company and connect with other leaders around the McCain Foods' world, each session of 16 individuals representing all regions and functions of the Company includes leadership discussions, an organizational assessment, an opportunity to discuss our president and CEO's leadership approach and the creation of a personal leadership development plan. Since 2006 more than 200 of our leaders have participated in the 14 global Leading Growth sessions.

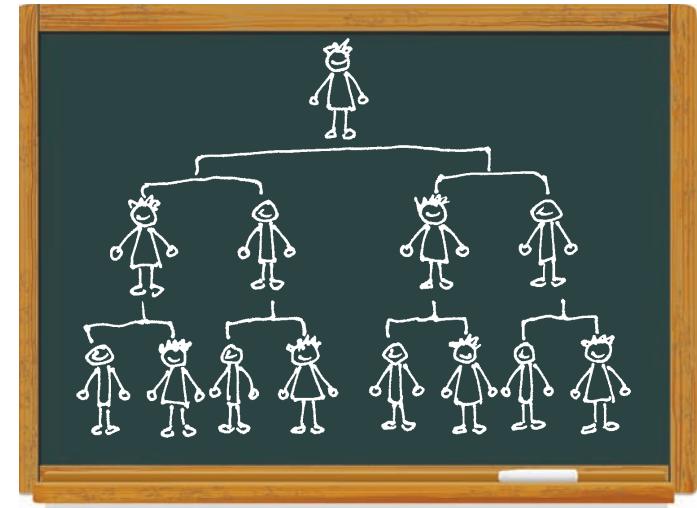
#### Feedback from just one of our Leading Growth participants.

**"I found the content, 360-degree feedback and time for reflection unexpectedly life changing. I returned to my role and team, sharing my feedback and discussing improved ways of working. I know I am a better leader today, having seen my role expanded, and as importantly, getting the best from the people I work with."**

Sue Jefferson,  
Director of Prepared Foods for McCain Foods in the U.K.

2:1

**Our goal is to identify a minimum of two viable successors from within the organization for every role two levels below our president and CEO.**



### Leadership Development Review

Our Leadership Development Review (LDR) process provides a framework to identify, develop and invest in the company's future leaders, as well as appropriately match valued employees to careers they will flourish in. This is particularly important for McCain Foods, a private family business, as research suggests that investing in succession planning substantially improves the ability of family-owned businesses to survive and thrive through the generations.



The goal of the LDR process is to ensure organizational continuity and employee growth by identifying a minimum of two viable successors from within the organization for every role two levels below our president and CEO, representing a succession ratio of 2:1. To reach this goal we are supplementing our employee pipeline with talent from outside the organization, as well as providing our employees more opportunities to build their individual capabilities through training, knowledge building and experience.

# Developing our capability

## Our initiatives

### Learning

#### **McCain Learning Centre**

Initiated in 2006 the McCain Learning Centre (MLC) offers our employees the opportunity to shape their career path and sharpen their minds. In 2008–09 the following new programs and learning modules were introduced:

#### **Leadership**

##### **Leading Growth Map:**

MLC developed a 90-minute session designed to engage employees around our *Leading Growth* business model and how it applies to them.

##### **Leadership Essentials:**

Directly linked to our *Leading Growth* business strategy, MLC developed a customized leadership curriculum designed to equip supervisors and managers with the leadership skills required to be successful at McCain Foods. The program is facilitated by 171 of our own leaders who have been trained to lead the program through a “Leaders as Teachers” approach.



#### **Pilot – Practical Problem Solving:**

Partnering with the University of Kentucky (U.S.) and Toyota Motor Company, two pilot sessions on practical problem solving have been delivered, with the goal of enabling the organization to create a culture which focuses on exposing the root cause and solving issues to avoid reoccurrence.

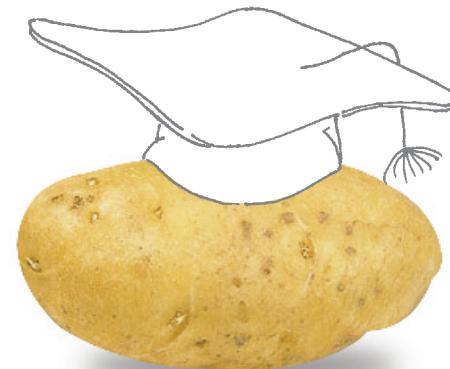
#### **e-Learning**

##### **The McCain Foods' e-Learning Portal:**

Our e-Learning portal, accessible to all employees globally, currently features almost 3,000 learning titles in English and an additional 3,000 in other languages. More than 27,000 e-Learning courses were completed over the last year, with new customized programs including the McCain Code of Conduct orientation, Safety at McCain Foods, Competition Law Compliance and Travel & Expense System training.

4,500 hours

In 2008 more than 400 McCain Foods' employees across 37 countries completed approximately 4,500 hours of English language training.



## Recruiting new graduates as tomorrow's leaders

Graduates in the new millennium are seeking organizations that can provide opportunities for international careers which will help them grow into successful global leaders, as well as those which demonstrate commitment and responsibility to the environment and its communities. To help recruit entry to managerial-level roles and develop these employees with a view to becoming future leaders, in 2010 we are launching a global graduate recruitment program, which will provide new graduates the opportunity to enter a leadership development stream within a global company.

#### **Global Staffing Principles**

In 2008 we developed global Staffing Principles to formalize and reflect the importance we place on equitable and fair employment practices, including our commitment to diversity, fair selection procedures, promotion from within where possible and human rights, including the protection of children and restrictions against the use of forced labour.

#### **e-Recruitment**

In 2008 we launched a global online e-Recruitment tool, which allows both internal and external candidates the opportunity to search and apply online for roles that suit their skills and interests within McCain Foods around the globe. While the system helps us to reach out to new candidates, it also enhances current employees' opportunities for advancement by providing them a window into available roles.



3.3

# Fostering a recognition-rich & rewarding work environment

## Recognition

### Harrison McCain Leadership Awards

Initiated in 2006, the Harrison McCain Leadership Awards are designed to recognize McCain Foods' businesses each year which best exemplify our *Growing Together* spirit and achieve outstanding performance. Our two winners for fiscal 2009 – McCain Foods USA and Japan – share a common commitment to quality and continuous improvement:



#### McCain Leadership Award for Developed Business: McCain Foods USA

McCain Foods has steadily improved its earnings since entering the U.S. – one of the world's largest and most competitive markets – shifting from an unknown, fifth-ranked potato producer to a thriving business. In 2009 McCain Foods USA grew net sales and earnings in a challenging economic environment and contributed more than any other single division to the company's global operating income. With a focus on quality, McCain Foods USA has boosted its prominence in the market as a leading producer of specialty potato products and appetizers.

#### Harrison McCain Leadership Award for Developing Business: McCain Foods Japan

Three years ago McCain Foods' Japan began the process of shifting perceptions around belief that it was not a strong enough brand to be successful in Japan and that a Canadian company couldn't possibly understand the Japanese marketplace by focusing on selling a high-quality product at a profit, building capability through people and driving costs out of the business through such efforts as inventory reduction. Fiscal 2009 witnessed a remarkable turnaround, with McCain Foods' Japan posting record earnings on newly gained business in a market known around the world for the highest quality standards.



## Compensation & benefits

### Redesigning our compensation program

Until 2006 we were challenged by regional inconsistency pertaining to salary levels and relative compensation, as well as incentive programs not linking rewards with performance. At this time we began the process of redesigning our program to align with our *Growing Together* business plan, ensure competitiveness to attract and retain talent needed and pay for performance. The goal globally is to ensure that our compensation programs are competitive to our peer group in each region.

To date much work has been completed in aligning our incentive reward program for senior managers, and work is currently being done to align roles across markets. In 2010 we will further elevate our ability to track and evaluate employee compensation globally with the implementation of a global Talent Management System, enabling managers to make more effective decisions about their teams and people.

# Inspiring health, safety & performance excellence

## Health

### McCain in Motion

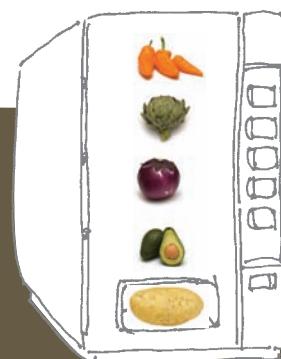
McCain Foods' global employee health and wellness program, McCain in Motion, supports McCain Foods' employees in their quest to live healthier lives through programs and events, education on living healthier lifestyles and continuous support. One of McCain in Motion's first global initiatives was led by our business in Australia/New Zealand which targeted smoking cessation, resulting in the elimination of smoking from all its sites.



**"Encouraging our employees to live healthier lives is a win-win – for us, for them and for our consumers and customers, who will feel the impact through the products we make."**

Dale Morrison, President & CEO

Providing healthy meal options



**Motivating our employees to stay active is just one component of our healthy living strategy. Today we are also focused on ensuring they have healthy food options throughout our facilities. For example, in the U.S., vending machines offer snacks that feature fewer than 5 per cent of calories from fat, and in Colombia a special Cold Storage employee menu ensures that employees who work in low-temperature environments get the appropriate nutrition.**

## Performance

### Performance excellence

In 2006 we implemented McCain Foods' Performance Excellence Program (PEP), a global performance review system designed to help employees achieve our *Growing Together* business strategy by aligning work with organizational goals and assessing performance against a clear set of leadership expectations, stretch targets and measures. Our goal moving forward is for every employee to participate in the PEP process.

## McCain Competitive Edge

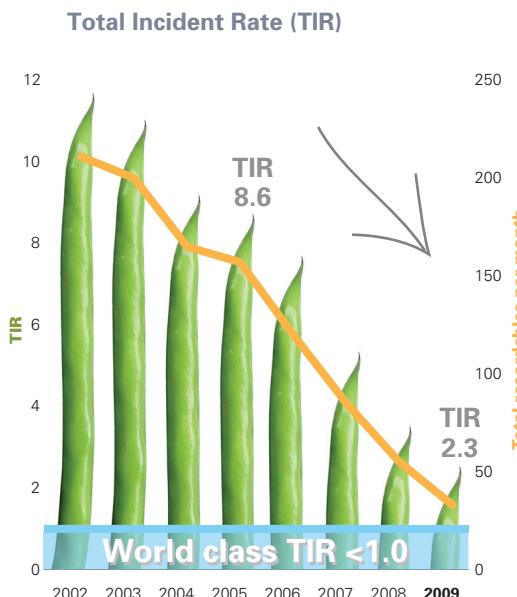
**McCain Competitive Edge (MCE) is the transcending umbrella for all McCain Foods' continuous improvement programs including safety, quality and productivity. Employing a combination of Lean and Six Sigma tools to drive our competitive advantage, an important facet of MCE is the kaizen event. In Japanese, kaizen means "Change for the Better." Once a month in every facility, a team of McCain Foods' employees meet for one to five days to review and improve one specific part of the operation. The results of these kaizens have led to thousands of quality and safety improvements and millions of dollars in savings.**



## Safety

### Our progress

By the end of fiscal 2009, we reduced our Total Incident Rate (TIR) by 73 per cent over 2005, resulting in an average TIR of 2.3, exceeding our annual target of 2.5. This resulted in 5,874 lost work days and sadly a fatality of one of our employees in South Africa. Our goal for 2010 is a TIR of 1.6.



### How we manage safety

We work every day, under the direction of our Global Safety Council and through our Health & Safety Management System – the Key Elements of Safety (KES), which includes nine pillars, including Safe Practices, Safety Policies and Procedures, Planning and more – to create the conditions and behaviours that ensure a safe workplace



### Our initiatives

#### Target Zero Campaign

Our ultimate goal in our safety journey is zero. To that end, we implemented a global safety campaign that is designed to inspire a culture of safety and build on the great success we have achieved to create a safe work environment. Year one of the quarterly campaign focuses on reinforcing the building blocks of safety at McCain Foods and introduces our commitment to achieving a zero-injury workplace.

#### Infectious disease policy

Outlining a global framework to protect McCain Foods' employees from risk of infection at work, to protect food products from contamination and to ensure employees with infectious diseases are treated in a respectful, tolerant and equitable manner, in 2008 McCain Foods developed and implemented an infectious disease policy.

### Our safety principles:

- Nothing we do is worth getting hurt for
- Safety can and must be managed
- Every injury could, and should, be prevented
- We owe ourselves and each other a safe place to work

0

Our workplace safety goal is zero injuries.

# Global Reporting Initiative (GRI) Index

McCain Foods followed the Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines in preparing this report. GRI provides an internationally recognized framework for CSR reporting. The index found below offers a guide to the performance indicators we have included that meet the GRI requirements for a C-Level report.

	GRI references	Inclusion	Page
<b>Vision and strategy</b>	1.1	Yes	5
	1.2	Partial	3
<b>Organizational profile</b>	2.1	Yes	IFC
	2.2 2.3 2.4 2.5 2.7 2.8 2.9	Yes	2
	2.6	Yes	4
	2.10	N/A	
<b>Report parameters</b>	3.1 3.2 3.3 3.4 3.5 3.6 3.7 3.8	Yes	IFC
	3.12	Yes	52
	3.10 3.11	N/A	
	3.9 3.13	No	
<b>Governance</b>	4.1 4.2 4.3 4.4	Yes	4
	4.8	Yes	11 30 44 45 46
	4.12	Yes	11 24 35
	4.13	Yes	24 40
	4.14 4.15	Yes	IFC
	4.5 4.6 4.7 4.9 4.10 4.11 4.16 4.17	No	
<b>Economic performance indicators</b>	EC1	Yes	2 38
	EC6	Partial	3
	EC2 EC3 EC4 EC5 EC7 EC8 EC9	No	
<b>Environmental performance indicators</b>	EN3 EN4 EN5	Yes	16
	EN7	Yes	17
	EN8 EN9 EN10 EN21	Yes	18
	EN16 EN19 EN20	Yes	12
	EN18	Yes	13
	EN22	Yes	20
	EN23 EN28	Yes	11
	EN1	Partial	22 36
	EN2	Partial	21
<b>Labour practices and decent work performance indicators</b>	EN6 EN11 EN12 EN13 EN14 EN15 EN17 EN24 EN25 EN26 EN27 EN29 EN30	No	
	LA1	Yes	2
	LA7	Yes	51
	LA8	Partial	51
	LA11	Partial	48
	LA12	Partial	50
<b>Human rights performance indicators</b>	LA2 LA3 LA4 LA5 LA6 LA9 LA10 LA13 LA14	No	
	HR1 HR2 HR3 HR4 HR5 HR6 HR7 HR8 HR9	No	
<b>Society performance indicators</b>	SO2 SO4 SO6 SO7	Yes	4
	SO1 SO3 SO5 SO8	No	
<b>Product responsibility performance indicators</b>	PR1	Partial	33
	PR6	Partial	34
	PR2 PR3 PR4 PR5 PR7 PR8 PR9	No	

For further information on the Global Reporting Initiative, visit [www.globalreporting.org](http://www.globalreporting.org).

...our journey continues...



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