

A close-up photograph of a vanilla plant with green leaves and a single white flower with a yellow center. The background is a soft-focus green.

NIELSEN·MASSEY®

FINE VANILLAS & FLAVORS

MAKING A DIFFERENCE

Nielsen-Massey's
Commitment to Care

2018

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1 Introduction

Welcome to Our Inaugural Report

We are pleased to present Nielsen-Massey Vanillas' first annual 2018 Sustainability and Corporate Responsibility Report. Our Company has embraced sustainability and corporate social responsibility since our founding in 1907; however, this is the first year that we are formally outlining our goals and commitments. Evaluating the impacts of these initiatives will help guide our future sustainability journey.

Nielsen-Massey's commitment to sustainability is embodied by our dedicated sustainability team. In 2018, our team formalized our sustainability platform and developed goals for corporate giving. In 2019, we will conduct several new sustainability initiatives, including a stakeholder analysis, materiality assessment, and for the first time, will measure our total greenhouse gas emissions in line with the Greenhouse Gas (GHG) Protocol Corporate Standard.

Our sustainability goals are aligned with the United Nations Sustainable Development Goals (SDGs). We recognize how important global development policies are to the ethical operation of our business, and we will focus on the following six SDGs throughout our report:



SUSTAINABLE DEVELOPMENT GOALS



2 Who We Are

Nielsen-Massey is committed to producing products in an ethically and socially responsible manner. We aim to provide a variety of certifications for our vanillas and flavors that showcase the evolving social and environmental footprint of our company. Nielsen-Massey also has a strong desire to provide high-quality products that positively impact the health and well-being of our loyal customers and the farmers who supply our ingredients. We maintain the following certifications for the majority of our products:



We also offer organic and Fairtrade options for select products:



Nielsen-Massey is a member of key trade organizations that are dedicated to promoting sustainable vanilla practices:



Ethical and Social Accountability

As a family-owned and operated business for more than a century, Nielsen-Massey has prided itself on the ethical way we conduct business, including the way in which we treat our employees and customers. This ethical commitment also applies to our supplier relationships, with a focus on respecting the countries and cultures in which they operate. We require them to adhere to appropriate practices regarding their own suppliers and workers, and have formalized this commitment in the following statements, one which we have signed and pledged to on our website, and one which we have required our suppliers to sign.

OUR COMMITMENT,
AND WHAT WE ASK
OUR SUPPLIERS TO
COMMIT TO

OUR COMPANY VALUES

Nielsen-Massey pledges to remain committed to honesty and integrity, as well as openness and respect for the rights and interests of its employees. We are committed to maintaining working environments where there is mutual trust and respect, and where everyone feels responsible for the performance and reputation of the company. Nielsen-Massey will recruit, employ, and promote employees based on merit, qualifications and abilities needed to perform the work duties.



The Nielsen-Massey team received the Dean's Award at the 25th Annual Illinois Family Business Awards Gala on November 15, 2018 from Loyola University Chicago's Quinlan School of Business. The annual award recognizes a Chicago-area business with an exceptional commitment to family enterprise.

Discrimination is forbidden on the grounds of race, color, creed, religion, sex, national origin, disability, age, genetic information, gender identity, sexual orientation, marital and family status, military status, or any other characteristic protected by law. We will not use any form of child, forced, or compulsory labor. We will provide a safe, healthy, and sanitary working environment for our employees. Finally, we will conduct our business in accordance with local, state, and federal laws, and will ensure that the environmental impact of our operations is in line with governmental regulations.

Nielsen-Massey will similarly not discriminate against potential or current customers based on any of the characteristics listed above. While we do our very best to remain knowledgeable about our customers, should we find out that any of our customers are engaged in unethical business practices (including, but not limited to, illegal employment discrimination; child, forced, or compulsory labor; unsafe work environments for their employees; or conducting illegal business practices), then we will immediately review the customer relationship and make an appropriate decision.

OUR SUPPLIER PLEDGE

Key to our success is the ability to source high-quality ingredients from trusted suppliers. To ensure that suppliers conduct business with a shared level of integrity, we require them to sign a Supplier Code of Conduct in which they pledge the following:

- ◆ Our company will comply with local government regulations, including but not limited to laws that govern freedom of association and collective bargaining; discrimination; wages and benefits; work hours and overtime; worker health and safety; environment; and fraudulent practices.
- ◆ Our company will not use any form of child, forced, bonded, or compulsory labor.
- ◆ Our company will not subject workers to physical, verbal, sexual, or psychological abuse or harassment.
- ◆ Our company will not engage in bribery with elected officials.
- ◆ Our company will not knowingly participate in the destruction of protected natural areas and/or wildlife habitats.
- ◆ Our company will not use our operations to shield any kind of illegal activities, including but not limited to the illegal trade of wildlife, plants, lumber, gemstones or other commodities; human trafficking; and the sale of illegal substances.
- ◆ If sourcing from a sub-supplier or contract manufacturer, our company will ensure that the supplier adheres to the above rules.

Requiring suppliers to adhere to best business practices helps Nielsen-Massey produce the world's highest quality vanilla extracts and flavor products. If we were to discover any company in our supply chain engaging in illegal activities, such as the ones outlined above, we would immediately investigate, and if appropriate, terminate that relationship.

Working at Nielsen-Massey Vanillas

As a family company, when you come to work at Nielsen-Massey we are inviting you to be part of our family. We pride ourselves on treating every employee with care and respect. Whether that means giving someone extra time away to help a family member or handing out turkeys at Thanksgiving, we want all our employees to live happy, healthy lives in- and outside the workplace. Additionally, we offer many benefits such as 401(k) match, life insurance, generous medical coverage and an educational assistance program.

3 What We're Doing

Sustainability Goals

The following sustainability goals are designed to narrow our focus and more effectively increase the impact of our sustainability efforts. Each of our goals is aligned with one of the six United Nations Sustainable Development Goals we chose to focus on.

WORKING WITH
FARMERS WHO GROW
OUR HIGH-QUALITY
BEANS

Our 2019 plans include refining each goal with quantitative targets and measurements:

- ◆ Improve the livelihoods of vanilla farmers and families who we source beans from
- ◆ Provide access to clean water for vanilla farmers and families
- ◆ Improve access to education for the children of vanilla farmers we source from

Sustainability Initiatives in Sourcing Countries

MADAGASCAR



Madagascar is the source of approximately 80 percent of the world's vanilla, and its beans are noteworthy for their rich, complex flavor profile. Given the country's importance to global supply, we are deeply committed to supporting our Malagasy supplier partners and their farmers to ensure a consistent supply of high-quality beans for years to come. In July 2018, Nielsen-Massey visited Madagascar to assess the year's crop, meet with suppliers and NGO partners, and research ways Nielsen-Massey could support impactful sustainability projects. The research conducted on this trip, and our prior knowledge gained from previous research and travel, has informed the future direction of our sustainability program.

SUSTAINABLE VANILLA INITIATIVE (SVI) INVOLVEMENT

In 2016, Nielsen-Massey became a founding member of the Sustainable Vanilla Initiative (SVI), an industry-wide effort to support the long-term health of the vanilla industry, chiefly in Madagascar. We have been deeply involved in SVI projects since the beginning, and our

VP of Sustainability, Craig Nielsen, is a member of its steering committee. Our work with SVI in Madagascar has primarily focused on supporting the vanilla sector's governance and collaborating on a project with the International Labor Organization on preventing the use of child labor.

Nielsen-Massey's sustainability team officially joined SVI's working groups focused on traceability, communications and child labor prevention. Each working group is comprised of industry company representatives working towards a shared goal. Collaboration with other vanilla companies allows us to make progress toward the following SVI goals: 1) increasing vanilla traceability for non-organized farmers, 2) preventing child labor in the vanilla sector, and 3) effectively communicating vanilla sustainability issues and SVI's work to the public.

MADAGASCAR SUSTAINABILITY PROJECTS

2018 Initiatives

Nielsen-Massey has partnered with one of our suppliers to support the vanilla farmers of Andranovato, a village near the city of Sambava. After conducting a detailed needs analysis, we have agreed to support:

- ◆ Construction of a centralized village well that will provide clean water to Andranovato's 575 residents (including 300 children), while also reducing the amount of time that is required for households to fetch water. Our hope is that



this will help reduce the spread of water-borne diseases, and plans are in place for hygiene trainings to go along with the well construction. In addition, the well engineers will conduct several trainings on well repair and maintenance with key village members to ensure the community is able to keep the wells in good working order for years to come.

- ◆ We hope to improve the overall sanitation of the Andranovato village by building two latrines. Currently there are no latrines in the village, and open defecation provides a substantial risk of transmitting communicable diseases. Nielsen-Massey is sponsoring health and sanitation training sessions as well as creating a village association for latrine maintenance and upkeep. Once the initial two latrines are finished, we will evaluate the future implementation of more installments.



Previous Initiatives

- ◆ In 2017, we supported 41 vanilla farmers from Andranovato and provided them with raincoats, boots and flashlights to help them guard their crop from thieves. This equipment made it easier for them to protect their fields during the rainy season when beans are susceptible to theft. The equipment we provided also helps the quality of the beans produced and yield of the vines, enhancing farmers' livelihoods. We partnered with our supplier who purchases from this village to distribute 500 new vanilla vines to each of these farmers. In 2018, we visited the farmers, observed their new plantings firsthand and received feedback about the security equipment.



- ◆ In 2017, we also assisted vanilla farmers impacted by the devastating Cyclone Enawo, and provided 3,000 households with vanilla vines to help replace vanilla vines that were lost in the cyclone. We donated vegetable and plant seeds as well as training tools from CARE (Cooperative for Assistance and Relief Everywhere) to help promote food security for these farmers. Nielsen-Massey donated \$25,000 to CARE's relief efforts through the Sustainable Vanilla Initiative.



Nielsen-Massey met with CARE representatives to discuss how to support food security for vanilla farmers who were impacted by Cyclone Enawo.

Upcoming Initiatives

- ◆ We will continue to support projects that commenced in 2018, like our clean water and sanitation initiatives in Andranovato.
- ◆ We are exploring involvement with new vanilla farmer cooperatives in the Analanjirofo region. We hope to partner on projects that assist with crop security and promote food security through vanilla vine intercropping/ agroforestry alongside edible crops.
- ◆ We are considering a supplier project that will bring clean water access to 3,000 people in one of the villages the supplier sources vanilla from.
- ◆ We may assist one of our suppliers with creating a new cooperative of organic- and Fairtrade-certified vanilla farmers.
- ◆ We would like to fulfill a vanilla farmers' cooperative request to build a primary school in a village where one of our suppliers sources beans from – as the youngest children in the village currently do not have a school to attend.
- ◆ We are continuing our involvement with SVI working groups and look forward to making progress on our 2019 goals.



INDONESIA



The 17,000-island nation of Indonesia is another important vanilla supplier. At over 3,000 miles from east to west, each island region has its own distinct microclimate and growing season for vanilla beans. The Nielsen-Massey leadership team traveled to Indonesia in April 2018 and met with suppliers, local leaders and the Royal Family of Yogyakarta. During the visit, the team researched Indonesia's vanilla supply and a new sustainability initiative known as "Food Forest Garden."

INDONESIA SUSTAINABILITY PROJECTS

2018 Initiatives

- ◆ We are participating in the “Food Forest Garden” initiative which has been developed and overseen by one of our Indonesian suppliers. The project aims to increase vanilla farmers’ income and food security by creating an “edible forest.” Central to the “Food Forest Garden” system is the planting of 250 different crops on approximately four hectares of land, creating a space-efficient ecosystem that provides a continuous harvest. Twelve of the crops are considered high-value crops, including vanilla. The project is being piloted on the islands of Java (West Java and Central Java), Bali, Lombok and Alor, with plans to expand to additional islands in the future.



Upcoming Initiatives

- ◆ Nielsen-Massey’s continued involvement in Food Forest Garden projects will help vanilla farmers generate higher incomes and improve their food security. In 2019, we will assess the project to learn how it can be scaled to additional locations.
- ◆ We are also considering a new supplier project focused on organic certification, farmer education and training, and support for improving farmer livelihoods.

MEXICO

Mexico is the birthplace of vanilla and remains an important vanilla-producing country. We feel strongly about supporting the Mexican vanilla industry due to its important historical agricultural significance, as well as the unique and complex flavor profile of its beans.



MEXICO SUSTAINABILITY PROJECTS

Upcoming Initiatives

- ◆ We continue to evaluate partnerships with suppliers on sustainability projects, which will be evaluated during a 2019 trip to Mexico.

UGANDA

Uganda is another country with strong roots in the global vanilla sector and given that it produces two vanilla crops each year, it's an important supplier for the overall stability of the natural vanilla market. The country faces similar challenges as other producers such



as the need to prevent early harvesting to ensure the quality of its vanilla beans. This will require the industry to work together to build a value proposition and to promote and protect quality. The government is working to establish an appropriate regulatory framework that will enable farmers to keep beans on the vines until maturity.

SVI is actively working to support Uganda. In assessing the situation, the SVI Ugandan working group, with Nielsen-Massey's Craig

Nielsen as a participant, determined that strengthening the institutions surrounding the Ugandan vanilla sector is the most critical task to support the industry. The most notable governmental policy concern is strengthening the local exporter's association, Vanex. In 2018, SVI contracted a local Ugandan expert to work with Vanex as an international development partner in the vanilla sector. Strengthening Vanex will help achieve SVI's short- and long-term goals to promote a strong, well-governed vanilla industry that produces high-quality, sustainably-grown vanilla beans and Nielsen-Massey will partner along the journey.

The immediate priorities in Uganda are to declare national market opening dates, enforce consequences for exporters who drive early picking, execute a communications campaign in all vanilla-growing districts, continue to implement district level vanilla ordinances, and support community level security efforts. In the long-term, SVI would like to place vanilla on the National Gazette of Uganda's important crops.

UGANDA SUSTAINABILITY PROJECTS

Upcoming Initiatives

- ◆ We continue to explore potential involvement with supplier sustainability projects as they are already working with farmers cooperatives in various districts.



Sustainability at Our Facility

In 2018, we began analyzing the sustainability profile of our headquarters in Waukegan, Illinois. Our headquarters consists of offices connected to a manufacturing and distribution plant. In late 2018, we conducted a facilities audit for the first time to understand our energy and water usage as well as our waste and recycling output. We are now tracking metrics for all these areas and will utilize this data to determine potential future projects.

IMPACT STARTS
AT HOME



The manufacturing and distribution plant at our U.S. headquarters has improved sustainability efforts by composting vanilla bean waste and providing unusable extract products to power companies to be used as fuel.

NIELSEN-MASSEY HEADQUARTER SUSTAINABILITY PROJECTS

2018 Initiatives

◆ **Office**

- Requested catering vendors use limited and recyclable packaging
- Began employee recycling education programs and increased recycling bins on-premise
- Furnished new office space with repurposed office furniture

◆ **Product Packaging and Shipping**

- Switched to using 100 percent Sustainable Forestry Initiative-certified cardboard boxes

◆ **Trade Shows**

- Transitioned from plastic sampling cups to biodegradable/compostable paper cups. We estimate that this will save approximately 7,500 2-ounce plastic cups from being sent to the landfill each year, which is about 937 pounds of plastic



Earlier Initiatives

◆ Office

- Printers default to double-sided printing to save paper and toner
- Every employee provided with a cubicle/office recycling bin
- All electronic waste gets sent to recycling
- Lights are all on motion sensors

◆ Operations

- All vanilla bean waste is composted during the summer months
- Any finished extract product that needs to be disposed of is recycled and used as fuel by power companies

◆ Product Packaging and Shipping

- All cardboard boxes are made of 96 percent recycled material
- Cardboard is printed only with water-based inks
- Dunnage material for packing boxes is 100 percent recycled
- Wooden pallets are sold back to a recycler who either chips up broken pallets or repairs them
- Plastic barrels (used for extract storage) are chipped up and recycled



Upcoming Initiatives

◆ Office

- Looking at implementing recycled paper products and switching to all reusable utensils and dishes in the break room
- Evaluating feasibility of installing solar energy

◆ Operations

- Evaluating feasibility of composting bean waste during fall/winter/spring months

◆ Product Packaging and Shipping

- Switching to biodegradable tasting spoons

Corporate Giving

Since 1907, Nielsen-Massey Vanillas has demonstrated its commitment to civic and social responsibility. Although our business has evolved and the needs of the communities we've served have changed over the years, our basic commitment to community prosperity continues.

At Nielsen-Massey, we believe we have a responsibility to invest in enhancing the quality of life for our Chicagoland and Southeast Wisconsin communities. In the true spirit of diversity, we work with groups from many different backgrounds, tailoring our relationships and our assistance to meet their needs whenever possible.

SUPPORTING
OUR LOCAL
COMMUNITIES

NIELSEN-MASSEY'S COMMUNITY RELATIONS INITIATIVES ENCOMPASS THREE MAIN OBJECTIVES

- ◆ Building relationships with the communities in which we live and work;
- ◆ Showing our commitment through financial contributions to charities in support of education, youth, veterans and the environment;
- ◆ Actively promoting volunteer service among our employees and demonstrating as a team that we make a difference.

Through our charitable contributions, Nielsen-Massey seeks to address critical issues and needs by aiding accredited schools and 501(c)(3) nonprofit organizations. We are committed to supporting the local and regional communities, projects and organizations, where our employees live and work, with financial, in-kind and volunteer resources.

While we recognize there are many important issues facing our communities today, Nielsen-Massey has chosen to focus on four key areas to achieve more effective results:

Education

Education is a critical building block in the success of individuals, the community and the future workforce of our communities. Nielsen-Massey supports education initiatives that focus on preparing at-risk individuals to become productive employees, community leaders and responsible citizens.

At-Risk Children & Youth

The children and youth of our communities are simply our future and, as such, Nielsen-Massey believes in providing them with pathways to success. By strengthening the quality of opportunities for children and youth involvement and leadership, we are helping them prepare for the future.

Military and Veterans Organizations

Nielsen-Massey respects and honors the sacrifices the many brave individuals and their families have made and continue to make in order to keep all of us safe. Nielsen-Massey supports efforts to improve wounded military services, military social services and family support services.

Environmental Protection

The sustainability of our communities lies not only on a solid economic foundation, but also in the strength and preservation of the natural ecosystems. We partner with organizations that demonstrate leadership in protecting our natural resources and promoting sustainable environmental practices in our communities.

CHARITABLE CONTRIBUTIONS INITIATIVE

Nielsen-Massey's Charitable Contributions Committee identified, evaluated and issued grants to 10 worthy organizations in 2018:

- ◆ **Beacon Place:** www.beacon-place.org
- ◆ **Community Action Partnership of Lake County:** www.caplakecounty.org
- ◆ **Inspiration Corporation:** www.inspirationcorp.org
- ◆ **Mothers Trust Foundation:** www.motherstrustfoundation.org
- ◆ **Northern Illinois Food Bank:** www.solvehungertoday.org
- ◆ **Preservation Foundation:** www.lcfpd.org/preservation-foundation
- ◆ **Roberti Community House:** www.roberticommunityhouse.org
- ◆ **A Safe Place:** www.asafeplaceforhelp.org
- ◆ **Seven Generations Ahead:** www.sevengenerationsahead.org
- ◆ **YouthBuild Lake County:** www.youthbuildlakecounty.org

Nielsen-Massey also supported Midwest Veterans Closet and Catholic Charities of Lake County as part of our seasonal giving in December 2018. We continue to support two legacy organizations by donating product to Careers through Culinary Arts Program and Icing Smiles.

In 2019, the Charitable Contributions Committee will continue to evaluate and reward grant requests. They will also promote volunteer service among Nielsen-Massey employees for individuals, small groups and all employee outings, demonstrating that we can make a difference.

NIELSEN-MASSEY FOUNDATION

In 2009, The Nielsen-Massey Foundation was founded with a mission to assist disadvantaged children and adults with education and leadership development, especially in the field of culinary arts. The Foundation also considers requests for assistance in the development of sustainable environmental practices or for programs benefiting people in countries of need where our vanilla beans are grown. The board of directors consists of Craig, Beth and Matt Nielsen—third-generation owners of Nielsen-Massey Vanillas—and their mother, Camilla Nielsen. A few examples of organizations we support include: Feeding America, Johnson & Wales University and Angelic Organics Learning Center.

4 Conclusion

Our 2018 sustainability efforts represent important steps to demonstrate our commitment to being an ethical corporate citizen. We are proud of what we have achieved so far, but also view our sustainability and corporate responsibility initiatives as continuously evolving. We are excited to discover additional ways to make an impact in vanilla-growing countries and at home. We look forward to sharing more about developing sustainability and corporate responsibility initiatives in the coming months.

