

McDONALD'S GLOBAL FIBER SOURCING POLICY



FIBER/PACKAGING

McDonald's aims to continually improve the overall sustainability of our packaging. The objectives of our sustainable packaging efforts are to:

- Optimize weight and simplify the number of materials used in our packaging
- Design recoverable packaging with viable end-of-life options¹
- Increase use of recycled² or certified raw materials

While our initial focus is on our consumer packaging, in the coming years we will work to develop standards for secondary packaging, as well.

2020 FIBER ASPIRATIONAL GOAL

100% OF FIBER-BASED PACKAGING FROM CERTIFIED OR RECYCLED SOURCES BY 2020

HOW WE WILL MEASURE SUCCESS

% of fiber-based packaging from certified or recycled sources

(Weight of fiber-based packaging with certified claims) + (Weight of fiber-based packaging with verified recycled claims)

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Global Total Weight of fiber-based packaging

¹ To be counted as recoverable, the packaging meets the following two conditions:

- 1) The product must be designed to meet industry accepted specifications for recyclability or compostability, and
- 2) The country where the product is used provides sufficient access to infrastructure enabling the recovery of materials in the product.



Fiber-based packaging counting towards our 2020 goal may include the following:



Fiber or fiber-based packaging³ certified to the Forest Stewardship Council™ (FSC)



Fiber or fiber-based packaging⁶ certified to any system endorsed by the Programme for the Endorsement of Forest Certification (PEFC)



Verified post-industrial or post-consumer recycled fiber⁴

We give preference to Forest Stewardship Council (FSC) certified fiber when it meets product performance requirements and competitive market conditions. Other forest certifications recognized include Programme for the Endorsement of Forestry Certification (PEFC) and PEFC endorsed schemes [e.g., Sustainable Forestry Initiative® (SFI), CSA Group (Canada), and Cerflor (Brazil)]. We will be able to disaggregate our volumes according to certification schemes and recycled content.

² We will only count recycled content as recycled content if it is third-party verified.

³ We will count the entire volume of packaging products where the entire product is certified by the FSC or a PEFC endorsed program and is labeled and/or has the certification claim on the invoice or shipping documents. To fully meet our goal, the product must contain a minimum of 70% certified content with the remainder from non-controversial sources; if the product certified claim is less than 70%, then the product will not be deemed to fully meet our goal, but the certified claim will be recognized as contributing to our progress. In Europe the goal is for packaging products to be made with 100% certified fiber, which can only be met by FSC 100%, FSC Mix Credit and 100% PEFC invoice claims.

⁴ In some markets, legal and regulatory restrictions prohibit the use of post-consumer recycled fiber in packaging intended for food contact.

All virgin fiber counted towards this goal must have chain of custody through the converter and must be documented in the transaction between the converter and the distributor to avoid double counting. Examples of sufficient documentation could include notation of the certification claim along with the chain of custody number on the invoice and/or shipping documentation, depending on the documentation requirements of the forestry scheme.

With regard to fiber-based packaging, in addition to prioritizing sustainably sourced fiber-based packaging, we are also working to reduce the amount of fiber needed for our packaging by optimizing the weight of our packaging and using recycled content where possible. Recycled claims may be made without certified chain of custody, but must be traceable and verified to count towards this goal.

FIBER-BASED PACKAGING MINIMUM REQUIREMENTS

Our primary focus is on fiber sourcing, as it is the predominant material used for our consumer packaging (e.g. sandwich wraps, fry boxes, takeout bags, etc.). McDonald's will leverage chain of custody certification and other traceability systems to verify that all of the fiber used in our packaging comes from known and legal sources and is from land that:

- Does not have significant volumes being converted from natural forest to plantation or non-forest use⁵
- Is compliant with the International Convention on Trade in Endangered Species (CITES) regulation
- Is not harvested in forests where high conservation values are threatened
- Is not harvested in violation of traditional and civil rights

McDonald's works with our packaging suppliers to ensure that wood fiber used in our supply chain originates from sustainable sources that meet our minimum requirements and will not knowingly purchase from suppliers that cannot meet these minimum requirements. Ultimately, we give preference to fiber-based packaging that has earned credible third-party certification, and our long term vision is for 100% of the fiber used in our packaging to come from certified or recycled sources.

5 The source forest is not being actively converted from natural forest to a plantation or other land use, unless the conversion is justified on grounds of net social and environmental gain, including the enhancement of high conservation values in the surrounding landscape.

KNOWN AND LEGAL ASSURANCE OPTIONS

McDonald's will require all suppliers of fiber-based consumer packaging to provide third-party evidence of forest fiber origin and legality and to have due diligence systems to minimize the risk of fiber from unwanted⁶ sources entering our supply chain. Furthermore, we reserve the right to require further verification that minimum requirements are met, particularly where risk of unwanted sources is high⁷. Acceptable forms of assurance include, but are not limited to the following schemes (all other local codes accepted unless the market is deemed as high risk):

- CSA Group (CSA), formerly Canadian Standards Association (CSA Z809 and/or CSA Z804)**
- Forest Law Enforcement, Governance and Trade (FLEGT)*
- Forest Stewardship Council (FSC)**
- Malaysian Timber Certification Scheme (MTCS)**
- Mandatory Legal Timber Validation (MLTV) (certification by SGS)*
- Origin and Legality of Timber (OLB) (certification by Bureau Veritas)*
- Programme for the Endorsement of Forest Certification (PEFC)**
- Sustainable Forestry Initiative (SFI)**
- Timber Legality Assurance System (TLAS)*
- Verification of Legal Compliance (VLC) (certification by Rainforest Alliance)*

As this is a new requirement, it will be phased in over time, initially focused on highest risk sources and strategic suppliers, then others (i.e., second tier suppliers). We will review all referenced standards annually and update our requirements in accordance with updates to those standards.

* Third-party verification of legality

**Third-party verification of legality plus some evaluation of forest management

6 In this policy the term "unwanted" refers to sources that do not meet our minimum requirements.

7 McDonald's annually evaluates the level of risk that fiber not meeting our minimum requirements could enter our supply chain based on the country of origin, pervasiveness of illegal logging driven by the pulp and paper industry, local governance, and corruption.



OUR JOURNEY

HAVI Global Solutions (HGS) partnered with McDonald's to develop a framework for a packaging design evaluation tool, Eco-Filter 2.0, to provide better information about packaging decisions. HGS leveraged the expertise of Environmental Packaging International (EPI), a consulting firm that specializes in design for environment tools, to assist with building the tool. The tool builds on McDonald's historic key packaging performance indicators, best practices from the European and North American markets, and advice from outside experts and non-governmental organizations, such as the Environmental Defense Fund. We will also use our EcoFilter Portfolio Assessment Tool (EFPAT) to make sure that these indicators are influencing our entire packaging portfolio.



Our overarching sustainable packaging strategy focuses on driving improvements in the following metrics, which address the design and sourcing of our packaging:

| Priority | Metric | GRI | Indication & Importance |
|---|--|-----------|--|
| Amount of packaging provided per transaction count (in grams of packaging material) | Amount of packaging used, by weight, per thousand units | EN1 | Comparing this metric to those of previous years will highlight the impacts of packaging optimization efforts, McDonald's packaging decisions, and changes in portfolio mix. |
| Recoverability | % of packaging designed to meet end-of-life goals | EN27 | Ensure that supply chain's sustainable packaging strategy supports restaurant waste strategies. |
| Sourcing | % of fiber-based packaging from certified or recycled sources | EN1 + FP2 | These metrics will track our progress towards sustainably sourcing our packaging. |
| Sourcing | # and % of converters with FSC or PEFC chain of custody certification systems in place | FP2 | This metric shows that McDonald's supply base is building the infrastructure and business processes to verify the volumes of certified fiber within our products will be an important first step toward increasing the volumes of certified fiber in our products. |
| Sourcing | % of fiber verified legal and compliant | | Will ensure that all of McDonald's fiber continues to come from sources that meet our sustainability standards for fiber. Will be supplier substantiated through the fiber survey (i.e. self-reported) until chain of custody is established through converter level. |

To help us understand the status and directional trends of our packaging with regards to use of renewable materials, we will also track the following metrics for internal use only:

- Total packaging volumes (finished product)
- % and volumes of resin-based packaging by resin type (recycled + virgin)
- % and volumes of fiber-based packaging (recycled + virgin)

WHAT'S NEXT:

- Work with our suppliers to institute business processes necessary for chain of custody certification for all converters supplying the system
- Add certification requirements to our product specifications as implemented (now through 2020)
- We are evaluating coatings for fiber-based packaging that improve ability to recycle or compost
- Extend guidelines and metrics to secondary and transport packaging (Europe and U.S. have begun this process)