



## **ESG Reporting Website Archive 2018**

A download of the Scale for Good section of the McDonald's corporate website. Content covers McDonald's Corporation and its majority-owned subsidiaries worldwide operations during the fiscal year 2018 (January to December) unless otherwise stated.



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# Scale for Good

**We believe that delicious food can also be sustainable – for our customers, producers and the environment. As one of the world’s leading restaurant brands, we’re using our Scale for Good to make this vision a reality.**

## Our responsibility is our opportunity

Using our Scale for Good plays an important role in the Velocity Growth Plan, and is right at the heart of [our values](#). In order for people to feel good about visiting us, they need to feel good about our food, our company and the impact that we have on the world.

The world is changing. The population is growing, cities are expanding and temperatures are rising, stretching basic resources like water and food to their limits. These are complex challenges that demand innovative solutions and collective action. As one of the world’s largest restaurant companies, we have the responsibility and opportunity to take action on some of the most pressing social and environmental challenges in the world today. We embrace this opportunity to drive meaningful progress, and to do so by collaborating with millions of customers, employees, Franchisees, suppliers and other partners.

These initiatives are most impactful when they go beyond the direct reach of our company to influence action both within our business network and beyond. We call this using our Scale for Good. We hope our efforts can drive real change, so they become tomorrow’s standard. It’s an ongoing effort, and we’re always looking to what’s next.

*“We recognize that the size and reach of our business puts us in a unique position to improve people’s lives and the environment. We want to use our Scale for Good and continue raising the bar on what it means to be a responsible company committed to people and the planet.”*

**Francesca DeBiase, Executive Vice President and Chief Supply Chain and Sustainability Officer, McDonald’s Corporation**

## Where we can make the biggest difference

While we’re committed to taking on many challenges facing society today, we’re elevating a few global priorities where we believe we can make the greatest difference and drive industry-wide change. We can’t do this alone – to make truly meaningful progress, we will need to use our scale and reach to collaborate with others both within and beyond the McDonald’s system.

Our global priorities below reflect:

- Analysis of major social and environmental impacts of our food and our business.
- The material environmental and social issues that matter most to our customers and employees, Franchisees, suppliers and wider stakeholders.



## **Climate Action**

Climate change is the biggest environmental issue of our time. That's why we're committed to reducing emissions right along our value chain, from farm to restaurant to customer, to hit our science based target.

## **Beef Sustainability**

We've been working with farmers, environmental groups and governments for more than a decade to help advance beef farming and production practices. And we're making progress.

## **Packaging and Recycling**

We've set new progressive goals to improve our packaging, reduce waste and recycle more, to amplify our positive impact on the planet.

## **Commitment to Families**

In partnership with the Alliance for a Healthier Generation, we're raising the bar with more fruit, vegetables and dairy in our Happy Meals.

## **Youth Opportunity**

Impacting the lives of young people through pre-employment job readiness training, employment opportunities and workplace development programs, in partnership with the International Youth Foundation.

# **A solid foundation**

Beyond these global priorities, we will continue to drive progress on our goals and commitments across key social and environmental topics such as forest conservation, diversity, animal health and welfare, and supporting families and farmers. This is part of our ongoing effort to produce food responsibly and take care of people and the planet.

## **Producing our food**

We're using our scale and reach to help create a food system in which people, animals and the planet thrive. We use high-quality ingredients, support sustainable sourcing and promote animal health and welfare.

## **Protecting our planet**

We have both a responsibility and an opportunity to leave the planet a better place, by reducing our greenhouse gas emissions, minimizing food and packaging waste, conserving forests and protecting water resources across our value chain.

## **Supporting our people and communities**

Whether in our restaurants, franchises or supply chain, an investment in those who work for us means a positive impact in local communities around the world. This means working environments that respect human rights and better opportunities for individuals, families and farmers.



## **We're listening**

It's important that we listen to our stakeholders so that we can address the social and environmental priorities that matter the most, collaborate to drive action, ensure transparency and strengthen continued dialogue over time. We're constantly working to improve in this area. We continue to engage in conversations, reviewing and adapting our approach as we make progress and as challenges evolve.

## **Supporting the UN SDGs**

We acknowledge the positive contribution our experience, actions, resources and scale can make to support the UN's Sustainable Development Goals, which aim to end poverty, protect the planet and ensure prosperity for all. We've assessed our connections to each goal and identified those where we can make the biggest impact.



# UN Sustainable Development Goals

McDonald's Scale for Good initiatives support the UN Sustainable Development Goals, a global agenda to end poverty, protect the planet and ensure prosperity for all.

## A roadmap for sustainability

In 2015, the UN set 17 universal [Sustainable Development Goals](#) (SDGs) to provide a holistic and ambitious roadmap for governments, businesses and civil society to work together in partnership toward making these goals a reality.

The SDGs are important to our stakeholders, including customers and their communities, the farmers and suppliers that produce our food, McDonald's employees and our non-governmental organization (NGO) advisors and partners. In taking our first steps to map our Scale for Good initiatives to the SDGs, we hope that we will help to drive meaningful action that positively impacts this global agenda.

*"We welcome and fully support the SDGs as a roadmap for our Scale for Good journey to ensure we make a positive difference to some of the most pressing social and environmental challenges in the world today. We have a role to play in helping society meet the goals and are committed to drive meaningful change that reaches beyond the McDonald's system in the areas where we can have the biggest impact."*

**Keith Kenny, Vice President Global Sustainability, McDonald's Corporation**



# McDonald's and the SDGs

## **SDG 2 – Zero Hunger**

Universal access to safe, nutritious and sufficient food at all times of the year requires sustainable food production systems and more resilient agriculture practices. McDonald's is committed to serving delicious food, sourced in a way that is better for both the planet and the communities in our supply chains and where we operate. We've also set new goals on kids' nutrition as part of our commitment to families.

## **SDG 8 – Decent Work and Economic Growth**

Reducing unemployment and developing useful skillsets, especially for young people, are essential components of sustained and inclusive economic growth. The Company and its independent Franchisees employ over a million people worldwide at any given point in time. Together we have the opportunity to provide meaningful work, valuable development opportunities across McDonald's restaurants and offices, and are proud to promote diversity and inclusivity in our communities.

## **SDG 12 – Responsible Production and Consumption**

Sourcing our food and packaging responsibly is critical for us to continue sourcing high-quality raw materials long into the future. This includes making the most efficient use of natural resources, and minimizing negative impacts on people and the planet. The Company aspires toward supporting a more circular economy by focusing not only on where our ingredients and materials come from, but also what happens to packaging waste along the supply chain, in McDonald's restaurants and in our communities.

## **SDG 13 – Climate Action**

Climate Change is the biggest environmental issue of our time, affecting our customers, our employees, and everything from our supply chain to the thousands of communities around the world in which we operate our restaurants. As the world's largest restaurant company, we're using our scale to help address this defining issue for current and future generations.

## **SDG 15 – Life on Land**

Forests around the world are under threat from deforestation, which is estimated to account for 15% of global greenhouse gas (GHG) emissions. This represents a real risk to our business, our supply chain and our customers. We believe that an effective approach to address deforestation will require strong collaboration between governments, civil society and the private sector. We are committed to working with suppliers, governments, producers and other corporate and NGO partners to eliminate deforestation from our global supply chains, and promoting responsible forestry and production practices that benefit people, communities and the planet.

## **SDG 17 – Partnerships for the Goals**

We believe that we can only drive meaningful change across all of our Scale for Good initiatives by partnering within the McDonald's system as well as externally with other



stakeholders and organizations to tackle global issues collaboratively. We are all in this together – from McDonald’s employees, Franchisees and suppliers to investors, NGOs and academics – and we know that local communities and subject matter experts are critical for lasting impact. Continuing to build meaningful partnerships will help us to prioritize issues of greatest concern to our business and society, and drive innovation.

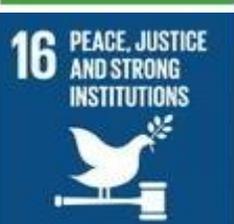
### **A wider contribution to all goals**

While we focus on the topics where we can make the greatest difference, our work globally touches on all of the SDGs, as shown below.

	<a href="#">Farmer Livelihoods</a>
	<a href="#">Animal Health and Welfare</a> , <a href="#">Beef Sustainability</a> , <a href="#">Chicken</a> , <a href="#">Climate Change</a> , <a href="#">Coffee</a> , <a href="#">Commitment to Families</a> , <a href="#">Minimizing Waste</a> , <a href="#">Farmer Livelihoods</a> , <a href="#">Fish</a> , <a href="#">Palm Oil</a> , <a href="#">Our Food</a>
	<a href="#">Ronald McDonald House Charities</a> , <a href="#">Commitment to Families</a>
	<a href="#">Diversity and Inclusion</a> , <a href="#">Our Investment in People</a> , <a href="#">Youth Opportunity</a>
	<a href="#">Diversity and Inclusion</a> , <a href="#">Our Investment in People</a> , <a href="#">Youth Opportunity</a> , <a href="#">Human Rights</a>

 <p>6 CLEAN WATER AND SANITATION</p>	<p><a href="#">Beef Sustainability</a>, <a href="#">Our Food</a>, <a href="#">Protecting Water Resources</a></p>
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	<p><a href="#">Climate Change</a>, <a href="#">Smart Restaurant Design</a>, <a href="#">Transporting Our Food</a></p>
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p><a href="#">Youth Opportunity</a>, <a href="#">Our Investment in People</a>, <a href="#">Farmer Livelihoods</a>, <a href="#">Human Rights</a>, <a href="#">Diversity and Inclusion</a></p>
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<p><a href="#">Minimizing Waste</a>, <a href="#">Packaging and Recycling</a>, <a href="#">Our Food</a></p>
 <p>10 REDUCED INEQUALITIES</p>	<p><a href="#">Diversity and Inclusion</a>, <a href="#">Our Investment in People</a>, <a href="#">Youth Opportunity</a></p>
 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	<p><a href="#">Packaging and Recycling</a>, <a href="#">Ronald McDonald House Charities</a></p>
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p><a href="#">Beef Sustainability</a>, <a href="#">Climate Change</a>, <a href="#">Minimizing Waste</a>, <a href="#">Packaging and Recycling</a>, <a href="#">Our Food</a>, <a href="#">Ronald McDonald House Charities</a></p>



 <p>13 CLIMATE ACTION</p>	<a href="#">Beef Sustainability</a> , <a href="#">Climate Change</a> , <a href="#">Packaging and Recycling</a>
 <p>14 LIFE BELOW WATER</p>	<a href="#">Fish</a> , <a href="#">Packaging and Recycling</a> , <a href="#">Protecting Water Resources</a>
 <p>15 LIFE ON LAND</p>	<a href="#">Beef Sustainability</a> , <a href="#">Conserving Forests</a> , <a href="#">Packaging and Recycling</a>
 <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	<a href="#">Human Rights</a>
 <p>17 PARTNERSHIPS FOR THE GOALS</p>	All Scale for Good initiatives

We are proud to demonstrate how we believe our work contributes to the SDGs, but acknowledge that there is more to do. We look forward to continuing our journey and further evolving how we can make the most meaningful contribution towards making a sustainable future possible.



# Engaging Stakeholders

We know that tackling important issues isn't something we can do on our own. By listening to and collaborating with others, we can elevate our awareness, critically examine emerging issues and trends, and take informed action to drive greater impact.

## We're listening

In order to make a meaningful impact around the world on key social and environmental issues, stakeholder partnerships are critical. Our independent partners and advisors bring invaluable expertise, knowledge and experience to help us identify our global and local priorities, and develop responsible and appropriate actions to address them. Essentially, they help shape what we do and how we do it.

As we transitioned from our Global Sustainability Framework (2014) to our Scale for Good platform (2018), we reached out to external experts to understand expectations and gauge the impact of our aspirations within the context of the food and beverage industry, as well as among corporate sustainability leaders. These engagements are supplemented by the long-standing relationships we have with partners and advisors, with whom we have worked more closely on the development of specific initiatives. Some of this is part of our [Scale for Good governance and materiality](#) processes.

## Building lasting relationships

We've developed lasting relationships with experts from academia, non-governmental organizations, the socially responsible investment community and others to understand key issues and advance progress on a range of topics.

Working with external experts complements and stretches our thinking, often resulting in greater impact. For example, World Wildlife Fund (WWF) experts on forestry, climate change and oceans challenge us to take action in ways that are both impactful and make sense for our business. WWF led an independent analysis of our supply chain in 2010 to help us identify the raw materials that represented the biggest sustainable sourcing opportunities for us to prioritize. Their experts informed the goals and ambitions of our 2014 Global Sustainability Framework and the new Scale for Good platform. Currently, we continue to work together on a variety of topics, including [beef sustainability](#) and [conserving forests](#).

## Our engagement journey

Our engagement with stakeholders goes back more than four decades. We have developed relationships with many partners to advance progress on a range of issues, and we'll continue to cultivate meaningful relationships into the future.



<p><b>1974</b></p> <p><b>First Ronald McDonald House</b> An American football team, McDonald's, the medical community and the community at large came together to build the first Ronald McDonald House where families could stay close to their sick child</p>	<p><b>1984</b></p> <p><b>McDonald's helped found Ronald McDonald House Charities</b> We helped found this ongoing, global network that provided comfort and care to children and their families through Ronald McDonald Houses, Ronald McDonald Family Rooms and Ronald McDonald Care Mobiles</p>	<p><b>1990</b></p> <p><b>Environmental Defense Fund</b> Participated in a task force to reduce, reuse and recycle materials at McDonald's restaurants</p>
<p><b>1992</b></p> <p><b>National Recycling Coalition</b> Founding member of Buy Recycled Business Alliance</p>	<p><b>1993</b></p> <p><b>U.S. Environmental Protection Agency</b> Participated in Green Lights for energy-saving lighting</p>	<p><b>1996</b></p> <p><b>Dr. Temple Grandin</b> Collaboration to develop McDonald's animal welfare auditing program</p>
<p><b>1997</b></p> <p><b>Environmental Defense Fund</b> Member of the Paper Task Force, developing recommendations for purchasing environmentally preferable paper</p>	<p><b>2000</b></p> <p><b>Animal Welfare Council</b> Establishment of McDonald's Animal Welfare Council and guiding principles</p>	<p><b>2001</b></p> <p><b>Food Animal Initiative</b> We work/partner with the FAI on our agriculture programs, including the Agricultural Assurance Program in Europe</p>
<p><b>2001</b></p> <p><b>Conservation International</b> Partnership to develop our Sustainable Fisheries Program</p>	<p><b>2002-03</b></p> <p><b>Environmental Defense Fund</b> Collaboration to create our Global Antibiotics Policy</p>	<p><b>2002-06</b></p> <p><b>Project Kaleidoscope</b> Collaboration to promote sustained compliance with labor standards</p>
<p><b>2003</b></p> <p><b>McDonald's Global Advisory Council</b></p>	<p><b>2004</b></p> <p><b>Refrigerants, Naturally!</b> Member of global initiative to combat climate change and ozone layer depletion</p>	<p><b>2005-12</b></p> <p><b>Ceres</b> Member of Ceres, supporting our stakeholder engagement efforts</p>



Formation of global expert panel on nutrition and children's well-being		
<b>2005</b> <b>Conservation International</b> Partnership to develop McDonald's Supplier Environmental Scorecard	<b>2005</b> <b>Sustainable Agriculture Initiative Platform</b> Member of global food value chain initiative for sustainable agriculture	<b>2006</b> <b>Amazon Soy Moratorium</b> Supporter of moratorium to stop illegal deforestation
<b>2008</b> <b>Global Food Safety Initiative</b> Member of the GFSI Board	<b>2009</b> <b>Coalition for Sustainable Egg Supply</b> Partnership to study humane and sustainable laying hen options in the U.S.	<b>2010</b> <b>World Wildlife Fund (WWF)</b> Supply Risk Analysis to inform the Company's Sustainable Land Management Commitment; conveners of Global Conference on Sustainable Beef
<b>2011</b> <b>Global Sustainability Framework Stakeholder Team</b> Establishment to inform McDonald's global aspirational goals	<b>2011</b> <b>Roundtable on Sustainable Palm Oil</b> Became member	<b>2011</b> <b>Global Roundtable for Sustainable Beef</b> Founding member
<b>2011</b> <b>Catalyst award</b> For our Freedom Within a Framework: Global Women's Initiative	<b>2012</b> <b>KaBOOM!</b> Partnership to build 12 playgrounds (McDonald's Foundation)	<b>2012</b> <b>Brazilian Roundtable on Sustainable Livestock</b> Became member
<b>2013</b> <b>Alliance for a Healthier Generation</b> Partnership with Alliance for a Healthier Generation to	<b>2014</b> <b>WWF's Global Forest &amp; Trade Network</b>	<b>2014</b> <b>NY Declaration on Forests Endorsed New York</b> Declaration on Forests, a call for companies,



<p>promote balanced food and beverage choices</p>	<p>Signed GFTN agreement in support of responsible forest management</p>	<p>governments and organizations to “do their part” to halve the loss of natural forests globally by 2020 and end it by 2030</p>
<p><b>2014</b></p> <p><b>Joining Forces Coalition</b></p> <p>Joined the U.S. White House Joining Forces coalition as part of our commitment to create more than 100,000 career opportunities for military veterans in three years</p>	<p><b>2015</b></p> <p><b>U.S. Roundtable for Sustainable Beef</b></p> <p>Founding member</p>	<p><b>2017</b></p> <p><b>Bioplastic Feedstock Alliance</b></p> <p>McDonald’s becomes member of WWF’s Bioplastic Feedstock Alliance</p>
<p><b>2018</b></p> <p><b>Science Based Targets initiative</b></p> <p>McDonald’s becomes the first global restaurant company to address climate change by setting a goal to reduce greenhouse gas emissions in our restaurants, offices and supply chain approved by the Science Based Targets initiative</p>		



# McDonald's Scale for Good Terms and Definitions

Given the complexity of McDonald's business, communicating about sustainability can be challenging. To facilitate understanding of what we mean, we've defined key terms below used on this website.

What we mean when we say...

**McDonald's:** Our global brand, unless specified otherwise

**We/The Company:** McDonald's Corporation and its majority-owned subsidiaries worldwide

**The System:** The Company, its Franchisees and suppliers are collectively referred to as the "System"; Also known as McDonald's "three-legged stool"

**Franchisees:** Collective group of independent individuals and entities owning and operating McDonald's restaurants under one of the following structures – conventional franchise, developmental license or affiliate; for more information, please see the Company's [Annual Report](#)

**McDonald's restaurants/Restaurants:** Includes restaurants owned by the Company and its Franchisees

## Scale for Good goals

The goals included in our Scale for Good platform provide a roadmap of what we are working to achieve, depending on the end date set for each goal. Our platform currently includes goals on our Global Priorities, as well as across our core foundational programs.

As a brand, we realize that it will be difficult to measure progress in all the countries where we operate, but will strive to motivate the entire System by providing tools and resources to drive engagement and performance across our System. The majority of our aspirational goals focus on markets which account for nearly 80% of global sales. This scope reflects our available baseline data and short-term measurement capabilities, which we will continue to improve over time.

Progress toward our goals will be aggregated and reported on the Scale for Good platform, but market-by-market progress may vary and may be communicated in market-specific reports or country websites. Plans to achieve the global goals will be created based on market-by-market considerations.

Where we have communicated that we will meet a goal by a specific year, we include that full year in the allotted timeframe to meet the goal. For example, if our goal is to deliver something by 2025, we reserve the right to meet the goal by the 31st December 2025.

We cannot guarantee that we will achieve our stated goals. The Company is committed to putting forth good-faith efforts to make progress toward these goals, to report on a regular



basis tangible progress and measurements, where possible, and to explain both successes and challenges along this journey.

## **Scale for Good boundaries**

Our Franchisees and suppliers are independent business owners who make decisions for their own organizations, while maintaining core standards for our brand and customer satisfaction. We cannot prescribe solutions for them. Rather, we work in collaboration to raise awareness and provide tools and opportunities to help them on their sustainability journeys. We work with suppliers to mutually set objectives and targets and monitor their progress. Through self-managed excellence, suppliers are encouraged to identify and manage their key sustainability risks and opportunities, and incorporate goals into their business strategies.

Company employees and Company-owned restaurants are in our direct sphere of control. Therefore, many of the measures start with Company restaurants, with a plan to demonstrate success and expand measurement, as more independent Franchisees choose to implement sustainability initiatives.



# Beef Sustainability

## Why it matters

Our burgers are some of our most iconic menu items, made from 100% ground beef. We're one of the world's biggest buyers of beef, so – although we don't own farms or rear animals directly – it's no surprise that we take seriously our responsibility to help lead the industry toward more sustainable production practices.

We support beef production that's environmentally sound, protects animal health and welfare, and improves farmer and community livelihoods, and we have done so for over a decade. We believe that well managed beef production has an important role to play in a thriving ecosystem, and we're in a unique position to use our scale and our many relationships from the farm to the restaurant to help accelerate the pace and widespread adoption of best practices and new solutions. This global movement is gaining extensive momentum through conversations, collaborations, pilot programs, and global and local roundtables, and is helping influence not just beef in McDonald's supply chain, but beef production around the world.

Demand for meat is expected to grow substantially in the coming decades, meaning we need to collaborate within the industry to find solutions to produce more with less impact. Our work on [climate change](#) mitigation and [conserving forests](#) are examples of how we're helping to drive change.

Our [Beef Sustainability Report](#) (pdf, 19.8MB) shows our journey so far.

## Our approach

It's easy to use terms like beef sustainability but what does it actually mean? For us, it's about beef production that's environmentally sound, protects animal health and welfare, and improves farmer and community livelihoods. We call this holistic approach the "3 E's" of sustainability: environmental protection, ethical practices and long-term economic viability.

We cannot drive beef sustainability alone. As a result, since 2011, we have worked closely with industry leaders as a founding member of the [Global Roundtable for Sustainable Beef](#) (GRSB), which brings together stakeholders from across the supply chain – from farmer and rancher to packer-processor, retailer and the consumer, as well as non-governmental organizations. This diverse representation builds constructive dialogue and mutual understanding. Through this work, in 2014 the GRSB collectively finalized a global set of principles and criteria to:

- Manage natural resources responsibly.
- Respect people and communities.
- Care for the welfare of animals.
- Ensure the safety and quality of beef.
- Drive efficiency and innovation to reduce waste and improve economic viability.



We acknowledge that the way beef is produced and the associated impacts vary greatly from country to country. These principles guide us because we believe that no matter where in the world beef is produced or what type of production system, these principles hold true.

As part of the Company's ethos to use our Scale for Good, we leverage our position on cross-sector platforms like the GRSB to drive wider collaboration and action. To support the delivery of the GRSB principles and criteria on the ground, McDonald's has helped set up national and regional multi-stakeholder platforms such as in Canada, the US and Europe, and we participate in several others around the world. Additionally, we continue to partner with farmers, suppliers, academics and NGO experts like the World Wildlife Fund, as well as with our industry partners across the value chain to accomplish our beef sustainability commitments.

*"As one of the largest single customers of beef globally, McDonald's is able to engage every point along the value chain. The Company helped create the Global Roundtable for Sustainable Beef and plays a big part in supporting the local roundtables and groups working on beef sustainability around the world."*

**Jason Clay, Senior Vice-President, Markets and Food, World Wildlife Fund (WWF)**

## McDonald's Beef Sustainability Program

Since the release of our global commitment to sustainable beef in 2014, we've released a [Beef Sustainability Report](#) (pdf, 19.8MB), which sets out our strategy, aims and achievements so far. It's designed to empower beef producers to broaden their beef sustainability efforts within and beyond our supply chain, while helping to strengthen beef farming communities, conserve forests and other habitats, reduce greenhouse gas emissions of beef production and protect animal health and welfare.

Across McDonald's top 10 beef sourcing countries, our goal is to promote beef sustainability programs that take sustainable farming practices to scale. We aim to engage key industry stakeholders to help develop initiatives aligned with the principles and criteria of the GRSB. We believe this will help build and accelerate the adoption of good practices throughout the beef sector.

Working closely with farmers, ranchers and our beef suppliers, we support the development of industry resources to help measure, benchmark and demonstrate advancements in beef sustainability that add value to all of our businesses. We also encourage peer-to-peer knowledge sharing through initiatives such as our [Flagship Farmers Program](#), which showcases farmers leading sustainable practices and equips them to share those practices with their peers to encourage wider adoption.

*"We started the ranch 42 years ago from scratch with nothing but the desire to succeed. Today, that desire to succeed and to be the best we can be, while sharing what we have learned with others is stronger than ever. Consumers will always have questions... Our future will depend on our ability to answer those questions with credibility and trust."*



### **Gary Price, Owner of 77 Ranch and McDonald's U.S. Beef Flagship Farmer**

We are also committed to working with partners around the world to innovate and discover new practices, working to advance research that will help solve the challenges we face. Using agricultural and scientific expertise, we'll assess and validate the impact and benefits of these new practices and solutions. We'll then identify and engage progressive farmers to trial the cutting-edge practices and help scale them up.

*"Without McDonald's, the roundtable would not have made the global, industry-wide inroads it has toward making beef a socially responsible, environmentally sound and economically viable product. McDonald's is also involved in many local offshoots of our work, demonstrating its commitment at every level."*

### **Dennis Laycraft, Immediate Past President, GRSB**

Our beef sustainability work supports the [UN Sustainable Development Goals](#), a global agenda to end poverty, protect the planet, and ensure prosperity for all, specifically:

- [Goal 2 – Zero hunger](#) (specifically targets 2.3 and 2.4).
- [Goal 12 – Responsible consumption and production](#) (specifically target 12.2).
- [Goal 13 – Climate action](#) (specifically target 13.2).
- [Goal 15 – Life on land](#) (specifically targets 15.1, 15.2 and 15.5).
- [Goal 17 – Partnerships for the goals](#) (specifically targets 17.16 and 17.17).

As well as these, we've mapped our [Scale for Good initiatives](#) to all 17 goals.

## **Our 2020 aspirational goals**

As a part of our broader commitment, we have launched a new set of ambitious goals for 2020. By the end of 2020, in each of our top 10 beef sourcing countries (the U.S., Australia, Germany, Brazil, Ireland, Canada, France, New Zealand, the U.K. and Poland – which collectively represent more than 85% of our global beef volumes), we will:

### **Accelerate industry progress**

Source a portion of our beef from suppliers participating in sustainability programs aligned with the GRSB principles and criteria, and that meet McDonald's requirements for each applicable market.

### **Share knowledge and tools**

Engage with local farmers through farmer outreach projects to help develop and share best practices related to our Priority Impact Areas.

### **Promote Flagship Farmers**

Select and showcase McDonald's [Flagship Farmers](#) to demonstrate leading best practices related to our Priority Impact Areas.

### **Pioneer new practices**



Set up McDonald's Progressive Farm Partnerships to trial and discover new practices related to our Priority Impact Areas.

### **Conserve forests**

In regions with identified risks relating to the preservation of forests, verify that the beef sourced from those regions comes from farms where primary forests and high conservation value lands are preserved. Read more about our [Commitment on Forests](#).

It's easy to use terms like beef sustainability but what does it actually mean? For us, it's about beef production that's environmentally sound, protects animal health and welfare, and improves farmer and community livelihoods. We call this holistic approach the "3 E's" of sustainability: environmental protection, ethical practices and long-term economic viability.

We cannot drive beef sustainability alone. As a result, since 2011, we have worked closely with industry leaders as a founding member of the [Global Roundtable for Sustainable Beef](#) (GRSB), which brings together stakeholders from across the supply chain – from farmer and rancher to packer-processor, retailer and the consumer, as well as non-governmental organizations. This diverse representation builds constructive dialogue and mutual understanding. Through this work, in 2014 the GRSB collectively finalized a global set of principles and criteria to:

- Manage natural resources responsibly.
- Respect people and communities.
- Care for the welfare of animals.
- Ensure the safety and quality of beef.
- Drive efficiency and innovation to reduce waste and improve economic viability.

We acknowledge that the way beef is produced and the associated impacts vary greatly from country to country. These principles guide us because we believe that no matter where in the world beef is produced or what type of production system, these principles hold true.

As part of the Company's ethos to use our Scale for Good, we leverage our position on cross-sector platforms like the GRSB to drive wider collaboration and action. To support the delivery of the GRSB principles and criteria on the ground, McDonald's has helped set up national and regional multi-stakeholder platforms such as in Canada, the US and Europe, and we participate in several others around the world. Additionally, we continue to partner with farmers, suppliers, academics and NGO experts like the World Wildlife Fund, as well as with our industry partners across the value chain to accomplish our beef sustainability commitments.

## **Our actions**

### **Responsible Use of Antibiotics**

McDonald's has [an antibiotics policy for beef](#) that is focused on responsible use. Through this policy and in collaboration with our suppliers, producers and farmer partners, we will reduce the overall use of medically important antibiotics - as defined by the World Health



Organization (WHO) - in our beef supply chain. Similar to many of our beef goals, this policy also focuses on the top ten beef sourcing countries, which represents more than 85% of McDonald's global beef supply.

*"The path for creating and implementing a global antibiotic use policy for beef is unprecedented. I've been encouraged by the thoroughness with which McDonald's has engaged diverse experts while creating this policy and the seriousness with which they take this important issue."*

**Dan Thomson, MS, PhD, DVM, College of Veterinary Medicine, Kansas State University**

As a first step, McDonald's committed to developing "pilot tests" in the Company's top 10 beef sourcing countries in order to gather current baseline usage data from which we will establish market specific reduction targets by the end of 2020.

By 2022, we will be reporting progress toward our antibiotic reduction targets across all top 10 sourcing countries.

This policy marks an important milestone in McDonald's food journey and for the industry. By partnering with our supply chain - representing suppliers and beef and dairy producers around the world - we believe this ambitious commitment will accelerate the responsible use of antibiotics within the beef industry and help preserve antibiotic effectiveness for future generations.

### **Farmer-to-farmer initiatives**

The farming community has a vital role to play in informing the development of industry tools for benchmarking, decision-making and measuring progress, as well as inspiring other farmers and developing new practices. We have pioneered various programs in partnership with our suppliers to support knowledge sharing between farmers, such as BEST Beef (Germany), McDonald's Sustainable Beef Network (U.K. and Ireland), the Agro-Ecological Strategy (France) and the Young Farmer Program (in several countries), and actively participate in other programs including the Novo Campo project (Brazil).

Our [Flagship Farmers Program](#) showcases progressive farmers and producers to encourage farmer-to-farmer peer influence, inspiration and knowledge sharing. The program offers an online resource for producers worldwide that celebrates innovative solutions around issues such as soil health, sustainable grazing techniques, animal welfare, biodiversity, ecosystem protection and greenhouse gas emissions. We have Flagship Farmers in 15 countries across nine different product groups. The program's current area of focus is identifying beef farmers and producers from our top 10 beef sourcing countries.

### **Forest-friendly burgers**

We want you to have the confidence of knowing the beef we use only comes from farms that meet the criteria outlined in our [Commitment on Forests](#). We've pledged to eliminate deforestation from our beef supply chain by 2020 by focusing on countries with identified deforestation risks. This commitment makes us one of the first global restaurant brands to take a stand to ensure forests are protected while beef is produced.



## Traceability

Knowing where food comes from is important to today's consumer. Our food safety requirements help us ensure the quality and safety of our ingredients from farm to the front counter. In all countries where we source beef, we have traceability from the abattoirs through the processing plant and to McDonald's restaurants. We audit the processors that supply our beef annually and 100% of them pass our strict requirements for food safety.

In many of these countries, traceability systems also exist to track further up the supply chain to the individual farms where animals are raised.

## Our goals and progress

As a part of our broader strategy, we have launched a new set of ambitious beef sustainability goals for 2020. These goals apply in each of our top 10 beef sourcing countries, which collectively represent more than 85% of our global beef volumes. We aim to set more specific country-based beef sustainability targets in these 10 countries.

### **Goal**

**Accelerate industry progress:** By 2020, source a portion of our beef from suppliers participating in sustainability programs aligned with GRSB principles and criteria, and that meet McDonald's requirements for each applicable market.

### **Progress**

In 2016, we began purchasing a portion of our beef from a fully verified supply chain sustainability pilot program in Canada. This initiative is now being led by the [Canadian Roundtable for Sustainable Beef](#). Arcos Dorados – Latin America's largest restaurant chain and one of the Company's largest Franchisees – sourced beef through the [Novo Campo](#) program during the Rio Olympics. Through these programs we continue to source a portion of our beef from recognized sustainability programs in two of our top 10 beef sourcing countries. We are actively collaborating through national multi-stakeholder and industry platforms to use our scale for good to develop beef sustainability programs in the remaining eight countries.

### **Goal**

**Share knowledge and tools:** By 2020, engage with beef producers through outreach projects to help develop and share best practices related to our Priority Impact Areas.

### **Progress**

As of June 2018, five of our top 10 beef sourcing countries are supporting or sponsoring beef producer sustainability groups, tools or programs.



## **Goal**

**Promote Flagship Farmers:** By 2020, use our Flagship Farmers Program to select and showcase our most progressive suppliers.

## **Progress**

As of January 2019, seven of our top 10 beef sourcing countries have recognized one or more beef producers as Flagship Farmers to work with peers and share their industry-leading processes and practices. The remaining three countries will be recognizing beef Flagship Farmers throughout 2019 and 2020. In addition to adding these sustainability champions to the Flagship Farmer Program, we're also focused on providing them with resources and tools that better enable and equip them to engage with other farmers and industry influencers.

## **Goal**

**Pioneer new practices:** By 2020, set up McDonald's progressive farm partnerships to trial and discover new practices related to our priority impact areas.

## **Progress**

As of June 2018, four of our top 10 beef sourcing countries have one or more pioneering projects underway or have a Progressive Farm Partnership in progress to test the scalability of key research.

## **Goal**

**Conserve forests:** By 2020, in regions with identified risks relating to the conservation of forests, verify that the beef sourced from those regions comes from farms where primary forests and high conservation value lands are preserved. This is part of our Global Commitment on Forests and includes regions outside of our top 10 beef sourcing countries.

## **Progress**

The first step for the Company was to identify the list of countries that we currently source beef from that have a high deforestation risk, as defined by the [WWF Living Forests report](#). We are working with these countries and our suppliers, alongside expert consultants including Proforest and Agrotools, to identify tailored risk mapping and implementation plans for these identified regions.

We're also engaged in multi-stakeholder groups to address these issues, including:

- [Collaboration for Forests and Agriculture \(CFA\)](#).
- TFA2020.
- GRSB and other local beef sustainability roundtables.
- GRSB/GTPS Joint Working Group on Forests Leadership Committee.



## **Goal**

**Responsible Antibiotics Use:** In collaboration with our suppliers, producers and farmer partners, we will reduce the overall use of medically important antibiotics - as defined by the World Health Organization (WHO) - in our beef supply chain, focusing on our top 10 beef sourcing countries: Australia, Brazil, Canada, France, Germany, Ireland, New Zealand, Poland, the U.K. and the U.S. [Full policy specifics here.](#)

## **Progress**

McDonald's has established pilots in each of our top 10 beef sourcing countries. Within each of these 10 countries, there are pilot farms selected that represent differing geographies and rearing practices covering beef and dairy beef.

## **That's not all...**

See how we're addressing beef sustainability around the world.

### **An industry first for Canada**

In July 2018, McDonald's Canada became the first company in Canada to serve Canadian beef from certified sustainable farms and ranches, beginning with its Angus line-up.

This means that for the first time, McDonald's Canada's 3 million daily guests are able to enjoy Angus beef sourced from farms and ranches certified sustainable according to world-class standards set by the Canadian Roundtable for Sustainable Beef (CRSB)<sup>1</sup>. McDonald's Canada is the first company to use the CRSB's Certification Mark in advertising and on packaging, beginning with its Angus beef line of burgers in restaurants across Canada. This is all possible because McDonald's Canada positioned itself to meet the requirements of the CRSB's Certified Sustainable Framework. As a founding member of the CRSB, established in 2014, McDonald's Canada was a driving force and strong supporter in developing Canadian standards for beef sustainability. The CRSB consists of a diverse group of stakeholders representing academia, government, food and agricultural businesses, producer associations, processors like McDonald's supplier, Cargill, retail and foodservice as well as NGOs like the World Wildlife Fund U.S., Nature Conservancy of Canada and Ducks Unlimited Canada.

Prior to this, in 2016, our first beef sustainability pilot scheme was successfully implemented in Canada. Working with industry partners, we were able to purchase a portion of our beef from sustainable sources through a program based on the principles and criteria of the Global Roundtable for Sustainable Beef (GRSB). Across 144 operations including farms and ranches, feedlots, packers and a patty plant, the following activities were verified:

- Maintaining well-managed grazing systems.
- Establishing management plans to protect rivers, creeks and riparian systems.
- Nutrient management plans and storm water containment.
- Implementing leading animal welfare practices.
- Supporting local rural economies.



Through the pilot, we were able to test an independent verification process, using GR SB principles, with guidance from the Canadian counterpart of the GR SB, the Canadian Roundtable for Sustainable Beef. By sharing experiences with other stakeholders, the pilot is positively influencing the wider beef industry in Canada.

By June 2016, the pilot program had:

- Verified 144 operations and tracked beef cattle through a sustainable supply chain.
- Enabled us to purchase a portion of our beef from verified sustainable sources, meeting a commitment to achieve this by 2016.
- Helped advance sustainability across the Canadian beef industry.
- Provided valuable learning for the Canadian Roundtable for Sustainable Beef.

*“Well-managed cattle grazing is key to maintaining North America’s grasslands. The partnership with the Canadian Roundtable for Sustainable Beef shows that businesses, local ranching communities, and conservationists can listen to and learn from each other while pushing toward mutual goals.”*

**Nancy Labbe, Senior Program Officer, World Wildlife Fund (WWF)**

“The Canadian Roundtable for Sustainable Beef is really thankful for the McDonald’s Project, because it’s created the framework that we needed to be able to advance our industry as a whole down the path of verified sustainable beef.”

**Cherie Copthorne-Barnes, Chair, Canadian Roundtable for Sustainable Beef**

## **Conserving forests in Brazil**

The most relevant challenges of cattle raising in Brazil is to avoid deforestation and increase efficiency and productivity – essentially producing more with the same amount of land while still respecting environmental ethical and human aspects.

McDonald’s is a member of the Cerrado Manifesto Statement of Support group, which represents an international coalition of over 100 companies and investors working together to eliminate deforestation in cattle and soy supply chains in Brazil’s Cerrado Biome. This group is especially important because it leverages the collective action of many major companies who source from this area and therefore have significant capability to work together and send a market signal to end deforestation and vegetation loss in the region.

In Brazil’s Cerrado Biome, McDonald’s is using geographic information system (GIS) technology to map the farms in our supply chain, in partnership with our Latin American Franchisee Arcos Dorados and specialists Agrotools and Proforest. Together the group has developed a deforestation-free purchasing protocol based on the definitions developed by the Collaboration on Forests and Agriculture.

Arcos Dorados, McDonald’s Franchisee in Latin America, has also engaged with a Sustainable Beef Project in Alta Floresta State called the [Novo Campo Project](#), supported by the GTPS (local Roundtable for Sustainable Livestock), local non-governmental organizations (NGOs) and industry partners. This program is designed to address many of



the unique challenges to a sustainable beef supply in this region, while meeting the global principles and criteria established by the GRSB.

Specifically, the project aims to:

- Meet our commitment to zero deforestation.
- Verify that production does not occur within Conservancy Units and Indian areas.
- Ensure that conditions resembling slavery or child labor do not occur.
- Meet the GTPS Guide principles, criteria and indicators.
- Achieve third-party verification audits.

This project does not represent an end to the Company and Arcos Dorados's long-standing commitment to not source beef from within the Amazon Biome, which was established in 1989. Our commitment to protecting the rainforests remains steadfast. At the same time, given innovations in sustainable sourcing and related partnerships with credible NGOs and our suppliers, we are leveraging this pilot to evaluate whether it is possible – and even productive – to source beef from the Amazon. The results of the pilot will help inform our policy and related strategies moving forward, but our commitment to preventing deforestation and supporting sustainability initiatives that reclaim degraded lands will remain fundamental to our approach.

*“The Novo Campo Program results point out large-scale assistance and implementation of best management practices are key actions to enhance beef production performance in Brazil.”*

**Ciniro Costa Junior and Marina Piatto, Institute for Agriculture and Forestry Management and Certification (IMAFLOA) – Brazil**

### **Elevating farm management in Europe**

In partnership with the National Breeding Institute in France, we and our supplier MoyPark Beef are supporting the development of the Cap'2ER tool which evaluates the environmental footprint of a farm, compares the farm's footprint to regional and national peers, and then identifies practical steps the farm can take to improve its carbon footprint.

We buy around 2.5% of all beef produced in the European Union, sourced from approximately 470,000 farms, and have the opportunity and responsibility to help promote and enable sustainable production. In collaboration with members of the European Beef Industry through the SAI Platform Beef Working Group, our suppliers and local farm assurance schemes, we're piloting a process across six European countries that aims to support the creation of scalable programs to address key sustainability priorities for the European beef sector.

### **Beef sustainability in Ireland**

As one of the largest purchasers of Irish beef, we work closely with Bord Bia (the Irish Food Board), which runs the Origin Green program, the only sustainability program in the world to



operate on a national scale. Origin Green brings together government, farmers and food producers, and a key element is the Beef and Lamb Quality Assurance scheme.

Some 49,000 farms – representing 90% of Irish beef output – are certified through the scheme and audited every 18 months. Farmers provide data on key sustainability measures such as greenhouse gas emissions, and the information is used to help improve the efficiency and reduce the carbon footprint of their farms. To date, some 117,000 carbon assessments have been carried out on Irish beef farms.

“Sustainability to me on this farm means that I am getting the maximum amount of production off of every acre that I have here, and that our farming methods are as near to nature as they can possibly be.”

John Power, Bord Bia certified beef producer and McDonald’s Flagship Farmer

### **Rebuilding soils in the U.S.**

In support of the Company’s commitment to trial and discover new practices related to our priority impact areas, we have identified innovative grazing practices and soil health as potential levers to amplify our positive impacts. To this end, McDonald’s U.S. and our Franchisees have committed a \$4.5 million matching grant to support scientific research to evaluate and quantify the extent to which Adaptive Multi-Paddock (AMP) grazing can remove carbon from the atmosphere and store it in soil while also improving farm productivity and natural landscapes. Arizona State University is leading the research team, which includes scientists from Colorado State, Michigan State, New Mexico State and Texas A&M Agrilife Research.

The short film [Soil Carbon Cowboys](#) illustrates the basic premises of AMP grazing and features the stories of a few ranchers who are already using these practices.

In the U.S., the Company is working to advance beef sustainability through industry engagement, collaboration with ranchers and the full value chain, support for scientific inquiry and recognition of ranchers leading on sustainability.

McDonald’s U.S. was a founding member of the U.S. Roundtable for Sustainable Beef (USRSB) and has served on the Roundtable’s Board of Directors since its inception. The USRSB has been working on developing metrics for beef sustainability for each sector in the U.S. beef value chain. The first draft of the [USRSB Metrics and Sustainability Assessment Guides](#) was published in May 2018 for public comment.

Working with the Noble Research Institute, the Integrity Beef Alliance, the Beef Marketing Group, Tyson Foods and Golden State Foods – all USRSB members – the [Integrity Beef Sustainability Pilot](#) will test the draft USRSB metrics for beef sustainability throughout the full beef value chain and provide farmer-tested input and feedback to the USRSB on the metrics. In doing so, the project will incorporate sustainability metrics into established producer engagement programs (Integrity Beef and Progressive Beef) to develop replicable and scalable models for advancing beef sustainability across the country.

In 2018, we began recognizing and promoting leading ranchers in sustainability by selecting our first Flagship Farmers in the U.S. McDonald’s U.S. and our Franchisees have also



committed to a three-year sponsorship of the National Cattlemen's Beef Association's [Environmental Stewardship Awards Program](#).



# Packaging and Recycling

At McDonald's, we're finding new and innovative ways to reduce our use of packaging, switch to more sustainable materials and help our customers to reuse and recycle too.

## Why it matters

Packaging helps us serve hot, fresh and delicious food quickly and safely to our customers. It also reduces food waste by keeping food fresher for longer. But we know that packaging and plastic waste can have a negative impact on our planet, and we want to help tackle this challenge.

We also know that customers care about our packaging. They want it to perform well, but they also tell us that the environmental impact of our packaging and waste is their number one environmental concern for us to address.

## Our approach

At McDonald's, we want to use our global scale to help accelerate a circular economy. As part of our Scale for Good ambition, we've made two key commitments:

1. Source 100% of our guest packaging from renewable,<sup>i</sup> recycled,<sup>ii</sup> or certified<sup>iii</sup> sources by 2025. This includes an interim goal to source 100% of primary<sup>iv</sup> fiber-based guest packaging from recycled or certified sources where no deforestation occurs by 2020.
2. Recycle guest packaging in 100% of McDonald's restaurants by 2025. We understand that recycling infrastructure varies from city to city and country to country, but we plan to be part of the solution and help influence powerful change.

### We're focusing on four key strategies:

- **Eliminate packaging** through design innovation, introducing reusable solutions, and encouraging behavior change to reduce usage
- **Shift materials** to use 100% renewable, recycled, or certified content and streamline the variety of materials used to enable easier recovery without compromising on quality and performance
- **Recover and recycle** by finding ways to scale up systems to allow for greater acceptance of recycling, and making it easier for our guests to recycle, too
- **Close the loop** by using more recycled materials in our packaging, restaurants, and facilities, and helping to drive global demand for recycled content



## Tackling plastic pollution

We believe that some plastic packaging is necessary in the food industry to maintain quality and safety. Plastic has many benefits compared with other materials. For example, it's lighter than glass and fiber, and therefore emits less CO<sub>2</sub> emissions when transported. However, we know that when plastic isn't recycled or recovered correctly, it creates plastic pollution which is harmful to the environment. Today, the use of plastic is rapidly increasing around the world, yet according to the OECD<sup>vi</sup> just 14-18% of all plastic gets recycled globally. We want to play our part in addressing this issue.

Although the majority of our packaging is fiber-based, approximately 22% percent of our packaging globally remains in plastic mainly for functional property needs and food safety. To improve capture rates and reduce the leakage of plastic waste into the environment, we're working to:

- Reduce plastic in guest packaging which is hard to recycle,<sup>vi</sup> is not needed for safety or functionality, and is likely to leak into the environment, such as straws, plastic bags and cutlery.
- Prioritize innovation of new materials and redesign of plastic packaging to be more recyclable. We understand the importance of streamlining plastics in order to improve recycling rates. Our goal is to streamline material types and design packaging so that it's easier for customers to recycle.
- Increase the amount of recycled plastic content used in all parts of our restaurants, where possible, to help drive demand for plastic recycling. For example, using recycled plastics in trays, toys, and interior design elements of our restaurants.
- Partner with companies and non-profit organizations to support the development and expansion of recycling programs for plastics. Use our local restaurants to support community level anti-litter initiatives such as consumer communication campaigns and clean-up days.

## Working in partnership

Addressing plastic pollution is not a challenge we can tackle alone. We're engaging with the wider business community, expert NGO partners, political stakeholders, as well as our Franchisees, suppliers, customers, and our restaurant crew to help drive change at scale.

We're proud to be a Principal Member of *ReSource: Plastic*, World Wildlife Fund's platform to leverage the power of business to stop the flow of plastic waste into nature. We're also collaborating with Quantis on the [Plastic Leak Project](#). This one-year multi-stakeholder initiative will allow us to measure our system's plastic waste impact and use this to inform and develop scalable solutions.

Our packaging and recycling efforts support the [UN Sustainable Development Goals](#), a global agenda to end poverty, protect the planet and ensure prosperity for all, specifically:

- [Goal 12](#) – Responsible consumption and production (specifically target 12.5).
- [Goal 14](#) – Life below water (specifically target 14.1).



- [Goal 17](#) – Partnerships for the goals (specifically target 17.16).

Along with these, we've [mapped our Scale for Good initiatives](#) to all 17 Sustainable Development Goals.

## Our actions

We're testing new packaging solutions and recycling initiatives in our restaurants around the world to learn how we can reduce packaging and switch to more sustainable materials, while still delivering a great experience for our customers. By using our restaurants as mini innovation hubs, we can get immediate customer feedback and identify the best solutions to accelerate and scale across multiple markets.

## Eliminating packaging through material innovation and design

### Giving our desserts a make-over

Across Europe, we are in the process of switching to new McFlurry packaging which eliminates the need for a separate plastic lid, which will save more than 1,200 metric tons of plastic per year. In Sweden, we have also introduced a more sustainable paper-based cup for Milkshakes, moving away from the traditional plastic cups.

### Introducing a new strawless lid

In McDonald's France we've introduced a new fiber lid for cold fountain drinks, removing the plastic lid and the need for a plastic straw. This innovation will result in an annual reduction of 1,200 metric tons of plastic. We are encouraged by successful pilot tests of this lid in Canada, but know there are some obstacles to overcome, such as consumer acceptance of drinking from a new, less familiar material.

### Reusing cups in Germany

McDonald's Germany is currently piloting a program called ReCup where customers can ask for a reusable coffee cup and return it at other partnering McDonald's or quick service restaurants in Germany to be cleaned and reused.

### Optimizing packaging

We're continuously searching for ways to optimize packaging, whether that be clamshell boxes or using bags instead of boxes for nuggets. By making smart changes like using lighter bags and reducing the weight of cutlery, McDonald's Taiwan is saving 120 tons of fiber annually. McDonald's Canada, meanwhile, has switched to napkins that are 20% smaller and produced with 100% recycled fiber.



## Shifting to materials of the future

### Moving from plastic straws

Across the world we've been trialing paper straws in place of plastic straws, and straws-upon-request initiatives. In 2019, McDonald's restaurants in the UK and Ireland completed their transition from plastic to paper straws, in response to consumer demand for a reduction in plastic straws. McDonald's in a number of other markets are also transitioning to paper straws.

### Creating the cup of the future

In 2018, McDonald's U.S. joined forces with Starbucks and Closed Loop Partners as a convening member of the NextGen Consortium, a multi-year consortium that aims to address single-use food packaging waste globally. NextGen Cup is the first initiative by the NextGen Consortium, which aims to advance recoverable solutions for the fiber, hot and cold, to-go cup system. The NextGen Cup Challenge identified innovative solutions for single-use cups that are functional to a high standard, minimize and streamline material use and encourage wide recoverability. While initial prototyping and potential pilots of winning solutions will take place in the U.S., we continue to think globally and see potential for the right solutions to be scaled across our global system. [Follow the progress and learn more](#) about the NextGen Consortium.

*"The leadership exhibited by McDonald's and Starbucks in the NextGen Consortium demonstrates their commitment to solving a critical global waste issue and accelerating change together. Collaboration is critical if we are to innovate, test, and scale the sustainable cup solutions of our future."*

**Bridget Croke, VP of External Affairs, Closed Loop Partners**

## Recovering and recycling our packaging

### Making recycling easier for our guests

Recycling shouldn't be a chore. That's why we want to make it easier for our guests. We're in the process of launching sorting and recycling points in select restaurants across our top markets and piloting improved recycling bin signage to make the recycling process easier to understand.

### Keeping communities clean

Our restaurant crew across the world take part in local litter clean-ups. For example, McDonald's Belgium launched the 'Garbage, We Take It Personally' campaign in 2018 with the ambition to reduce the litter in the cities in which McDonald's operates by 20% by the end of 2023. In 2019, McDonald's Switzerland convened crew members, senior leaders in the business, suppliers and guests for a joint clean-up day across nine cities.

### Recycling back of house materials

We've also made progress in recycling behind the kitchen counter at our restaurants. At more than 85% of McDonald's restaurants globally, crew recycle materials such as used cooking oil and corrugated cardboard. [Learn more](#) about how we're looking at McDonald's



restaurant design, equipment and crew operations to ensure our environmental footprint is low and our community legacy is positive.

## **Resourcing materials to close the loop**

### **Closing the loop on the coffee cup**

We're testing coffee cup recycling schemes to find the best ways to scale up recycling and provide quality recycled material which can be reused in new packaging. In the UK, our paper cups are sent to specialist recycling centers to make different recycled products, such as park benches, from the fiber and plastic lining.

### **Recycling ocean plastic waste**

McDonald's Norway is producing serving trays made of from 100% recycled marine plastic waste from the Nordland coast, in partnership with a small group that makes plastic pellets from marine waste collected by fishermen. The group creates products out of the marine plastic, like sunglasses, shoes and now, trays for McDonald's restaurants.

### **Reusing toys in trays**

In 2018, McDonald's Japan initiated a toy recycling program with the Japanese Ministry of the Environment to collect plastic Happy Meal toys and convert them into restaurant serving trays. As part of this program, McDonald's Japan collected around 1.27 million used plastic toys which were turned into over 100,000 trays.

To keep delighting our customers now and in the future, we're working to identify more sustainable solutions for our Happy Meal toys globally, while offering the same safety, quality and durability. We have a global working group exploring the production of more sustainable toy options and we're looking forward to sharing more soon. [Learn more](#) about our global commitment to families.

## **Inviting customers to trial and test new packaging ideas**

In June 2019, we trialed a nearly plastic packaging-free restaurant in Berlin for 10 days. We tested edible waffle cups in place of condiment sachets and containers. Paper straws replaced plastic straws. Wooden cutlery replaced plastic cutlery. Sandwiches were wrapped in packaging made from grass, not paper. And Chicken McNuggets were served in paper bags, rather than cardboard boxes.

The idea wasn't to make every sustainable packaging change at once. Instead, it was to facilitate an open discussion about what works, what doesn't, and the challenges with possible solutions between McDonald's, our customers and various stakeholders. It was also an opportunity for customers and stakeholders to experience various solutions and provide us with feedback. Our customers believed the paper straws were eco-friendly, but had challenges with respect to ease of use and durability. We also learned that wooden cutlery isn't many peoples' favorite option, as one in two guests disliked the "woody" taste of the spoon.



We're running similar concept restaurants in Canada and plan to expand this to other markets in the future. This will continue to help us innovate, learn about our customers' expectations, and help engage a broad group in the conversation.

## **Our goals and progress**

As one of the world's largest restaurant companies, we've set goals to use less packaging, promote values of circularity, in our packaging design, drive innovation in sustainable packaging and in the recycling sector, and engage millions of customers in the thousands of communities we call home to adopt recycling behaviors as the norm.

### **Goal**

By 2025, 100% of McDonald's guest packaging will come from renewable, recycled or certified sources.

Interim target: 100% of primary fiber-based guest packaging will come from recycled or certified sources where no deforestation occurs by 2020.

### **Progress**

As of 2018, we are approximately 60% of the way to our goal of guest packaging to come from renewable, recycled or certified sources.

Globally, we are 80% of the way to achieving our interim target to source 100% of primary fiber-based guest packaging from recycled or certified sources where no deforestation occurs by 2020.

### **Goal**

By 2025, our goal is to recycle guest packaging in 100% of McDonald's restaurants. We understand that recycling infrastructure, regulations and consumer behaviors vary from city to city and country to country, but we plan to be part of the solution and help influence powerful change.

<sup>i</sup> Renewable: Renewable Material that is composed of biomass from a living source and that can be continually replenished. ISO 14021:2016 "renewable" and "recycled" material; for plastic, ASTM 6866 or ISO 16620-2. Renewable applies to plastics only, not fiber.

<sup>ii</sup> Recycled: Material that has been reprocessed from recovered [reclaimed] material by means of a manufacturing process and made into a final product or into a component for incorporation into a product. [ISO 14021:2016 "renewable" and "recycled" material.] Recycled material applies to plastics and fiber. Fiber-based packaging made from 100% recycled content must be third-party verified, unless certified under a Chain of Custody forest management standard.

<sup>iii</sup> Certified: Specifically, all guest packaging items (including hot cups, cold cups, carry-out bags, folding cartons, clamshells, wraps, food service bags, napkins, salad bowls, Happy Meal cartons, drink carriers) made from paper/ board sold to McDonald's globally must be certified by Forest Stewardship



Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC). FSC is required when fiber is sourced from the following high deforestation risk countries: Russia, China, Malaysia, Indonesia, Laos, Vietnam, Cambodia, and Argentina by 2020.

<sup>iv</sup> Primary guest packaging refers to products that are used to package guest food on premises at McDonald's restaurants. This type of packaging includes containers, cups, wraps, bags for food, beverages, napkins, and cup carriers. The goal excludes food packaged off-site, wood, and limited locally sourced items.

<sup>v</sup> <http://www.oecd.org/environment/waste/policy-highlights-improving-plastics-management.pdf>

<sup>vi</sup> Fewer local recycling systems accept 'hard to recycle' plastic due to their shape and size, and therefore they are more likely to leak into the environment.

### **Progress**

As of 2018, we recycle guest packaging in an estimated 10% of McDonald's restaurants around the world.

In some markets, McDonald's restaurants offer customer-facing recycling, such as sorting bins, or collect guest waste and sort it for recycling behind the counter.

12 of our top 16 markets have recycling and litter programs and partnerships in place.



# Commitment to Families

## Why it matters

As one of the most frequented restaurants in the world, McDonald's recognizes the opportunity we have with families. In 2013, we began working with the Alliance for a Healthier Generation to develop a comprehensive plan for 20 major markets to increase customers' access to fruit, vegetables, low-fat dairy and water; many of these markets are ahead of schedule in their progress on those prior commitments.

Over the years, parents have responded enthusiastically to our ingredient and menu changes and we've made real progress. When soda was removed from the Happy Meal section of U.S. menu boards, we saw positive shifts in consumer behavior, and the number of Happy Meals served with water, milk, or juice has since increased by 14 percentage points. As of November 2017, and for the first time, more than half of Happy Meals served in the U.S. have included water, milk or juice as the beverage of choice rather than soda and other beverages. We know we can continue making meaningful changes for the millions of families who visit McDonald's restaurants.

## Our approach

We are focusing on the ways that we can make a difference for families and kids through our Happy Meals.

- Focusing on Happy Meals by offering more balanced choices and recommended food groups that kids and parents love.
- Helping inspire a lifelong love of reading for kids through our Happy Meal Readers Book Program.
- Leading in the important role we have played for more than 40 years by supporting RMHC® (Ronald McDonald House Charities®), which keeps families with sick children near each other and provides the care and resources they need.

## Our Global Happy Meal Goals

We're listening to and learning from families to find areas where our System has the best opportunity to create positive and meaningful change. In 2018, we announced new, ambitious global goals through 2022 together with the Alliance for a Healthier Generation. These Global Happy Meal goals continue our collaboration to focus on Happy Meals, offering more balanced choices that kids and parents love. We aim to offer balanced meals that provide a variety of offerings from recommended food groups, using simpler ingredients so parents can feel good about our Happy Meal menu.

### Happy Meal Readers

McDonald's is using its Scale for Good to help inspire a passion for reading.



Our Happy Meal Readers book program celebrates the joy of reading and offers books as an option for Happy Meal customers. Designed with families in mind, Happy Meal Readers is an important step in our journey of building a better McDonald's. Our passion for reading dates back to 2001, starting with Sweden first introducing a children's book offering as part of the Happy Meal bundle. Since then, Happy Meal Readers has expanded to markets across the world. To date, McDonald's and its Franchisees have distributed close to 450 million books globally through Happy Meal Readers. By making it fun, we can help inspire a lifelong love of reading for kids.

### **RMHC (Ronald McDonald House Charities)**

When it comes to supporting families, the Company has played an important role for more than 40 years in keeping families together when their children are sick. McDonald's is the charity's Founding Mission Partner. RMHC keeps families together, near the care they need, through more than 365 Ronald McDonald Houses, 241 Ronald McDonald Family Rooms, and 50 Ronald McDonald Care Mobiles in about 64 countries and regions around the world. RMHC provides care and resources to millions of children and families each year and saved families over \$880M in meal/lodging expenses in 2017 alone.

## **Global Happy Meal Goals**

[Download our Global Happy Meal Goals](#)

### **Goal #1: Offer balanced meals**

Ensure 50% or more of the Happy Meal bundle offerings presented on menus (restaurant menu boards, primary ordering screen of kiosks and owned mobile ordering applications) in each market meet McDonald's Global Happy Meal nutrition criteria of less than or equal to:

- 600 calories
- 10% of calories from saturated fat
- 650 mg of sodium
- 10% of calories from added sugar
- Qualifying Happy Meal bundles must meet all of the above criteria.

### **Goal #2: Simplify ingredients**

Remove artificial flavors and added colors from artificial sources in Happy Meals, and reduce artificial preservatives where feasible in Happy Meals without sacrificing the safety, taste, quality or value of our food. Consumers' tastes and preferences continue to evolve and we will continue to seek new ways to simplify ingredients where we can.

### **Goal #3: Be transparent with Happy Meal nutrition information**

McDonald's has made a continuous effort to meet consumers' desires to have easy access to the nutrition information for the menu items we serve. Our goal is to ensure that nutrition information for Happy Meals is available and accessible through all owned websites and mobile apps used for ordering where they exist.



#### **Goal #4: Market responsibly**

All Happy Meal bundles advertised to children will meet our new nutrition criteria (as stated in Goal #1) and continue to meet any existing applicable local/regional advertising pledges.

#### **Goal #5: Leverage innovative marketing to help increase purchase of foods and beverages that contain recommended food Groups in Happy Meals**

We will continue to leverage innovative marketing – which may include things like packaging and promotions – to generate excitement for fruit, vegetables, low-fat dairy, whole grains, lean protein and/or water to help increase purchases of foods and beverages containing these food groups in Happy Meals.

### **Meaningful changes**

By the end of 2022, we aim to achieve these goals in all markets globally,<sup>1</sup> with measurement and reporting of progress among 20 major markets representing nearly 85% of our global sales. The 20 major markets are: the U.S., Canada, Brazil, Argentina, U.K. France, Germany, Austria, Spain, the Netherlands, Italy, Poland, Sweden, Switzerland, Russia, Hong Kong, China, Japan, Taiwan and Australia. We will work with the Alliance for a Healthier Generation, along with an independent third party, to develop an approach to measure and publicly report progress every two years.

Currently, 28% of the meals already offered on Happy Meal menu boards in these 20 major markets meet these nutrition criteria, and with these new goals in place, we will be making changes to the Happy Meal. In order to reach the 50% goal from where we are today, markets can make a number of different changes to their menus, including reformulation, adding new items or removing items from the Happy Meal menu.

1. It is important to note that our global System consists of both Company-owned and franchised restaurants. The franchised restaurants are operated by conventional Franchisees, developmental licensees (i.e., a Franchisee that operates most or all of the McDonald's-branded restaurants in a specific market) or pursuant to other licensing arrangements, and make up the majority of McDonald's-branded restaurants around the world. Our Franchisees make independent decisions for their own business organizations, subject to their obligations under the operative franchise or other license agreements and core standards required for the McDonald's brand. McDonald's does not prescribe all business requirements for our Franchisees, but rather we work in collaboration with them to raise awareness and provide tools and opportunities to assist them as part of the brand's food journey. We also work with Franchisees to mutually set objectives and targets and to help monitor their related progress. As a result, while we will encourage Franchisees to participate in the important goals outlined in this document, we cannot guarantee their compliance. However, we can drive change in our Company-owned restaurants so much of this work will start with Company-owned restaurants, with a plan to demonstrate success and expand measurement, and that will ultimately help to support independent Franchisees that choose to join us on this journey.

### **Our Work with the Alliance for a Healthier Generation**

In September 2013, McDonald's joined forces with the [Alliance for a Healthier Generation](#) ("Healthier Generation") in a global effort to increase customers' access to fruits, vegetables, low-fat dairy, and water options and to help families make informed choices. McDonald's and Healthier Generation have worked together on five commitments related to



menu offerings, menu boards, packaging, and advertising directed to children. McDonald's pledged to implement these actions in 20 major markets by 2020.

#### **Commitment 1**

Feature only water, milk and juice as the beverages on Happy Meal menu boards and ads directed to children.

#### **Commitment 2**

Offer a side salad, fruit or vegetable option as a substitute for fries in value meals.

#### **Commitment 3**

Offer a new fruit, vegetable, low-fat dairy or water option in the Happy Meal or use new packaging innovations to generate excitement for these options.

#### **Commitment 4**

Dedicate one panel of Happy Meal boxes or bags to communicate a fun nutrition or children's well-being message four times annually.

#### **Commitment 5**

Include a fun nutrition or children's well-being message in 100% of external ads directed to children.

## **Progress**

In May 2019, McDonald's and the Alliance for a Healthier Generation released a five-year progress report on McDonald's progress toward its 2013 global commitments to increase customers' access to fruits, vegetables, low-fat dairy and water options. The report documents that a majority of McDonald's 20 major markets\* have met the [2013 commitments](#) two years ahead of schedule, and the remaining markets are on track to achieve these by the 2020 deadline.

#### **Global Progress Highlights:**

- Across the 20 major markets, the percentage of Happy Meal customers served milk, water, or juice as their beverage choice increased 12 percentage points (from 36 percent to 48 percent) between September 2013 and September 2018.
- McDonald's has served over 6.4 billion fruit, vegetable, low-fat dairy and water items in Happy Meals since September 2013 across the 20 major markets.
- McDonald's has also increased the variety of balanced side options served in Happy Meals. In 2018, 161 fruit, vegetable, low-fat dairy and water options were offered in Happy Meals across the 20 major markets, including 43 new options that were added to menus after the commitments were announced in September 2013. Examples include the grape tomatoes in Australia, apple puree in Brazil, and heart-shaped carrots in Austria.



- Over 200 million value meal customers chose a fruit, vegetable or side salad option as a substitute for french fries since September 2013.

### **McDonald's USA progress Highlights:**

- McDonald's USA reported a 15 percentage point increase (from 37 percent to 52 percent) in Happy Meals served with milk, water or juice between September 2013 and September 2018. With this shift, more than half of Happy Meals in the U.S. now include milk, water or juice as the beverage choice.
- In 2018 alone, over 250 million sides of apple slices were served in the U.S.

### **2018 Progress Report Links:**

View the [Interactive Five Year Progress Report](#)

Download the [Five Year Progress Report](#)

Download the [Five Year Progress Report Markets at-a-Glance](#)

Download the [Methodology & Glossary of Terms](#)

### **2016 Progress Report Links:**

View the [Interactive 2016 Progress Report](#)

Download the [Progress Report](#) (pdf, 2.5MB)

Download the [Executive Summary](#) (pdf, 0.2MB)

### **2014 Progress Report Links:**

Download the [Progress Report](#) (pdf, 2.3MB)

Download the [Executive Summary](#) (pdf, 1MB)

The 20 participating major markets represent nearly 85 percent of McDonald's System's global sales, and include: U.S., Canada, Brazil, Argentina, U.K., France, Germany, Austria, Spain, Netherlands, Italy, Poland, Sweden, Switzerland, Russia, Hong Kong, China, Japan, Taiwan, and Australia.



# Youth Opportunity

## Why it matters

Almost one in four young people across the world (21.8 percent) are not in employment, education or training, which can dramatically impact their skills development, earning capacity, long-term employability and wellbeing.<sup>1</sup> We believe this needs to change.

Together with our independent Franchisees we have a longstanding commitment to providing training, education and career pathways to unlock the potential of Company and Franchisee employees. Yet, many young people face barriers to entry into the workplace and – through no fault of their own – are being left behind, unable to take advantage of employer-based education and training opportunities that exist. As a major employer of young people, McDonald's has the potential and the scale to help bridge this opportunity gap.

## Our approach

In 2018, we launched a new initiative called *Youth Opportunity*, with a global goal to reduce barriers to employment for two million young people by 2025, through pre-employment job readiness training, employment opportunities, and workplace development programs. As part of this goal, McDonald's joined the [Global Initiative on Decent Jobs for Youth](#), a United Nations led multi-stakeholder initiative, to help accelerate efforts to tackle the youth employment challenge.

Our *Youth Opportunity* initiative supports the [UN Sustainable Development Goals](#), a global agenda to end poverty, protect the planet and ensure prosperity for all, specifically Goal 8: to promote inclusive and sustainable economic growth, employment and decent work for all.

## Pre-employment Training

In the US, we have partnered with local community organizations and the International Youth Foundation (IYF), which has over two decades of experience in youth development around the world, to offer a pre-employment work-readiness and soft skills training program. The program is designed to help young people develop the competencies employers look for in entry-level employees, such as self-awareness and management, communication skills, healthy relationship building, and conflict management. In addition to being considered for job opportunities at Company-owned and participating Franchisee restaurants, graduates from the training have the chance to pursue opportunities with potential employers across a variety of industries, such as healthcare, supply chain logistics, and IT.

Internationally, McDonald's in participating markets has partnered with local organizations and programs to provide pre-employment training to young people, as part of the *Youth Opportunity* initiative. For example, McDonald's Italy has partnered with a local, certified training partner to provide a training program for young people not in employment,



education, or training. The program will provide participants the technical skills necessary to search for, apply, interview, and secure a job, as well as soft skills required to be effective in the job, including time management, interpersonal skills, and ethical behavior.

*“McDonald’s investment in youth development stands to make a real impact in the United States and around the world in providing young people with both skills and opportunities for employment.”*

**Susan Reichle, President, IYF**

## **Employment Opportunities and Workplace Development Programs**

Through our *Youth Opportunity* initiative, we want to attract a diverse and untapped pool of talented youth to McDonald’s restaurants across the world. Focusing on young people who have less access to opportunities, McDonald’s, including participating Franchisees, will continue to provide job opportunities that young people need to kick-start their career. Through these jobs, young people will develop transferable soft skills, such as teamwork, communication and decision making, as well as hospitality experience and work ethic that will enable them to progress in their workplace.

Eligible employees from company-owned restaurants and participating Franchisee restaurants can go on to access training, education and leadership development programs to progress their careers. For example, McDonald’s Hamburger University has grown to seven campuses around the world and prepared hundreds of thousands of students for leadership positions in the restaurant industry. Our global education program, Archways to Opportunity, also offers eligible employees from Company-owned restaurants and participating Franchisee restaurants the opportunity to graduate from college, earn a high school diploma, learn English as a second language, complete an apprenticeship, and gain access to advising services. Across the globe, the Company and its Franchisees offer education opportunities to restaurant employees in 25 countries and counting.

## **Our actions**

### **Preparing young people for the workplace**

McDonald’s launched the pilot of the *Youth Opportunity* pre-employment training initiative in Chicago in 2018, in partnership with the International Youth Foundation. McDonald’s Corporation distributed \$1 million in grants to four local community-based organizations with deep regional roots and decades of experience serving young people and their communities. These organizations paired relevant skills training programs with a specialized version of IYF’s Passport to Success curriculum, developed in partnership with McDonald’s.

The Chicago pilot program provided life skills training to over 4,200 young people, exceeding the program’s initial goal of reaching 4,000 youth. Upon completion of the program, 87% of young people surveyed reported an increase in life skills and 71% were engaged in education or employment.<sup>2</sup>



Following the success of the pilot program, Youth Opportunity expanded to Washington DC in July 2019. In partnership with IYF and local community-based organizations, the DC program aims to reach 1,000 youth in the area. The program is also continuing in Chicago in 2019, with a goal of serving an additional 4,000 young people.

### **Supporting youth across Latin America**

Youth unemployment is one of the most critical issues in Latin America. As one of the region's largest employers of young people, Arcos Dorados, a McDonald's Franchisee, has long been committed to supporting the social mobility of youth and offering formal employment opportunities to those with little to no prior work experience.

For example, in Mexico, Arcos Dorados is a member of the "Jovenenes Construyendo el Futuro" (Youth Building the Future) program. In partnership with the national government, the program aims to provide young people training on critical life skills, such as personal finance, to aid their entry into the formal workforce.

In Colombia, Arcos Dorados is a member of the "40 Mil Primeros Empleos" (40,000 First Jobs) initiative, which seeks to provide first employment opportunities to 40,000 young Colombians in vulnerable conditions.

In Argentina, Arcos Dorados supports a number of skills programs, including the "Creando Tu Futuro" (Creating Your Future) workplace skills program, which combines online and classroom education focused on three key areas: guidance for work; technical skills in hospitality, customer service, or computer literacy; and personal finance, math, and Spanish.

Another initiative Arcos Dorados supports is *Empleo con Apoyo*, which aims to provide employment opportunities and skills development to young people with disabilities. During 2018, approximately 2,000 employees across several countries were part of the program. In 2018, Arcos Dorados received the Global Recognition Award from the United Nations for their employment practices for disabled workers in Brazil.

Arcos Dorados is also widely recognized as a leader in the Great Place to Work awards; several markets have participated and are recognized on a yearly basis.

### **Investing in apprenticeships**

The success of our *Youth Opportunity* initiative depends not only on helping young people access jobs but also on our significant and ongoing commitment to young people who join us, through training, education and development programs.

In Europe, McDonald's, including participating Franchisees, have pledged to offer 45,000 apprenticeships by 2025 as one of the career development opportunities that young people can access. The apprenticeships combine workplace training and study, enabling people to gain practical work experience and new skills that will last a lifetime - all while earning money at the same time. These apprenticeships will be offered in Austria, Denmark, France, Germany, Italy, the Netherlands, Switzerland, and the UK. Through this pledge, McDonald's joined the European Alliance for Apprenticeships to help promote and improve access to vocational training for young people.



In the U.S., we granted \$1 million to Skills for Chicagoland's Future in support of a new apprenticeship program in partnership with City Colleges of Chicago. The program builds on City Colleges of Chicago's mission to deliver exceptional learning opportunities and educational services for students. Launched in fall 2018, this pilot enables students to earn an associate degree in business administration while working toward a restaurant management role. The grant provides scholarships to pay for time spent in class by any student who is an employee of a Franchisee. As part of this initiative, we have also joined the Chicago Apprenticeship Network to continue best practice sharing with other companies that are committed to expanding professional advancement through apprenticeships.

*"There continues to be a disconnect between employers struggling to find qualified candidates and young adults looking for jobs. With its Youth Opportunity Initiative, McDonald's is sending a clear signal that they are investing in young people and their career pathways. We are proud to partner with McDonald's to identify and place young people into jobs as well as provide them job readiness services and connect them to mentoring resources to provide a holistic program to support them. This approach puts the focus on an individual's potential – not their circumstance – and empowers Chicago's youth to turn that potential into achievement."*

**Marie Trzuppek Lynch, founding President and CEO of Skills for Chicagoland's Future**

<sup>1</sup> Source: [International Labour Organization, Global Employment Trends for Youth \(2017\)](#)

<sup>2</sup> Percentages were collected from IYF and include results from Chicago participants who elected to share with the local organizations that collect education/employment data. Therefore, not all data sets add up to the total enrollment number.

Franchisees are independent employers and each franchisee and each franchisee restaurant is unique. Franchisees are alone responsible for all employment matters in their restaurant(s), including alone making all decisions regarding the requirements for jobs and setting all terms and conditions of employment, including hiring, firing, discipline, supervision, staffing and scheduling. McDonald's Corporation and its subsidiaries have no control over employment matters at restaurants owned and operated by franchisees.



# Climate Action

## Why climate action matters

If society and industry continue business as usual, climate change will have serious consequences for our planet, its people today, and for generations to come – from melting ice caps and forest fires to shifting weather patterns that impact the way food is produced.

McDonald's is taking action. When you operate 37,000 restaurants in over 100 countries around the world, serving 69 million people each day, every change makes a big difference.

## Our approach

We're committed to building a better McDonald's and that includes using our scale to help address this defining issue for current and future generations. In March 2018, we became the first restaurant company in the world to address global climate change by setting a science based target to significantly reduce our greenhouse gas emissions.

**The Company will partner with Franchisees to reduce greenhouse gas emissions related to McDonald's restaurants and offices by 36% by 2030 from a 2015 base year. Through collaboration and partnership with our suppliers and producers, the Company also commits to a 31% reduction in emissions intensity (per metric ton of food and packaging) across our supply chain by 2030 from 2015 levels. This combined target has been approved by the [Science Based Targets initiative \(SBTi\)](#).**

Through actions we take to meet our targets across our supply chain and in company and franchised restaurants, we expect to prevent 150 million metric tons of CO2 equivalents (CO2e) from being released into the atmosphere by 2030. This is the equivalent of taking 32 million passenger cars off the road for an entire year or planting 3.8 billion trees and growing them for 10 years. The target will enable McDonald's to grow as a business without growing its emissions.

To reach its target, McDonald's will work across its supply chain, offices and restaurants to be more innovative and efficient through improvements such as investing in renewable energy, LED lighting, energy efficient kitchen equipment, [sustainable packaging](#), [restaurant recycling](#), and by elevating and supporting sustainable agriculture practices. In collaboration with thousands of franchisees, suppliers and producers, McDonald's will prioritize action on the largest segments of its carbon footprint: beef production, restaurant energy usage and sourcing, packaging and waste.

The whole McDonald's supply chain is a critical part of our climate work. All supplier contributions are meaningful and will help to drive significant reductions for our 2030 target. To read more about our approach to driving innovation and improvements in responsible sourcing, click [here](#).



While we have made progress in restaurants and in our supply chain, with our science-based target we are taking bigger and bolder actions to lessen our impact moving forward. We know that we can't fight climate change alone, so we're partnering with our suppliers, Franchisees, industry, governments, non-governmental organizations and others to take action. Knowing we are stronger working in partnership with others, McDonald's is part of the We Are Still In (WASI) Leader's Circle and works with the coalition of businesses, cities, states, faith groups and health care organizations to continue to support climate action to meet the Paris Agreement.

Additionally, since announcing McDonald's climate commitment in 2018, McDonald's has been meeting with members of U.S. Congress and their staff to share our commitment to climate action and also to discuss important topics such as recycling, soil health and renewable energy because we believe public policy is an important part of the conversation.

Our climate change work supports the **UN Sustainable Development Goals**, a global agenda to end poverty, protect the planet and ensure prosperity for all, specifically:

- **[Goal 7 – Affordable and clean energy](#)** (specifically targets 7.2 and 7.3).
- **[Goal 13 – Climate action](#)** (specifically target 13.2).
- **[Goal 17 – Partnerships for the goals](#)** (specifically targets 17.16 and 17.17).

Read more about our **[work to support the goals](#)**.

## Our actions

### Restaurants and Offices

As we are making progress towards our restaurants and offices goal, two key areas of focus are around renewable energy and energy efficiency within our restaurants.

- In 2019, McDonald's committed to two renewable energy projects that will expand the amount of renewable energy available in the U.S. These projects will be in the form of virtual power purchase agreements (VPPAs) located in Texas - firsts for McDonald's in the U.S. - and help us join other leading corporate renewable energy buyers in adding large-scale new renewable energy to the grid. The energy generated by these U.S. projects will be equivalent to over 2,500 restaurants-worth of electricity. Once online, McDonald's portion of these two renewable energy projects will help to prevent approximately 700,000 metric tons of CO<sub>2</sub>e emissions each year<sup>2</sup>, which is equivalent to planting 11 million trees or taking over 140,000 cars off the road<sup>3</sup>.
- Energy efficiency measures and renewable energy are already being utilized in a big way in McDonald's restaurants in other markets. European renewable energy purchases in 2018 covered over 6,000 McDonald's restaurants-worth of electricity across twelve markets. McDonald's restaurants in Austria, France, Germany, Portugal, Sweden, Switzerland, The Netherlands and UK/Ireland are already at or close to sourcing 100% of the energy needed to power their restaurants from renewable sources as of 2018.



Energy efficiency improvements have been a part of McDonald's restaurant sustainability journey for many years, such as through kitchen equipment, lighting, and building and site design.

1 <https://www.epa.gov/greenpower/green-power-partnership-national-top-100-0>

2 <https://www.epa.gov/statelocalenergy/avert-web-edition>

3 <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>

## Supply Chain

To achieve our supply chain goal, we need engagement with all of our suppliers and producers, particularly our biggest suppliers in the product categories that form the highest proportions of our emissions profiles. We have actively communicated with all globally managed suppliers setting out the need for them to set targets, measure emissions, and look to make reductions, particularly in Scope 3, in line with their broader sustainability strategies.

CDP Supply Chain helps us to better understand the level of action these key suppliers are undertaking across their business activities and will help to inform our future conversations. Suppliers representing the majority of our food and packaging spend are asked to report to CDP Climate Change and Forests, including 100% of our globally managed beef, chicken, dairy and cheese suppliers and the suppliers making up the majority of our fiber-based packaging. This year, a total of 55 global suppliers were asked to report, and we're proud to be counted among [CDP's](#) Supplier Engagement leader board in 2019.

Outside the supplier categories detailed above, we have also encouraged all suppliers to report to CDP and have plans to expand our direct requests for disclosure to globally managed suppliers in other key categories in 2020. This guidance is available to all suppliers through our Global Sustainable Sourcing Guide.

We are working on specific plans for each of our key commodity groups that focus on specific areas of action to maximize impact. Looking across all of these, we know there are general action areas that will be a focus for many commodity groups, including:

- **Elevated Farm Management:** On farms, sustainability and efficiency are interconnected. A farm's carbon footprint is an indicator of its overall efficiency and therefore its profitability. When farmers are able to optimize their resources, they also improve their economic viability and minimize their carbon footprint. We are improving our insight into the farming systems which supply the food for our menu and around the world, McDonald's and our suppliers are working with farmers to help them improve their efficiency and reduce emissions by taking on more sustainable practices.
- **Rebuilding Soils:** Progressive grazing techniques and other agricultural practices can bolster soil's ability to store carbon while at the same time optimizing its capacity to provide nutrition for animals. We are supporting initiatives to both help farmers to adopt management practices which improve soil health and at the same time ensure that farming systems which actively sequester carbon can be recognized in greenhouse gas measurements.



- **Conserving Forests:** Forests play a vital role in absorbing greenhouse gas emissions and creating oxygen, yet forests around the world are under threat from deforestation and degradation. We're verifying that beef production in our supply chain is not putting forests at risk, and we're working with partners to halt deforestation, which is estimated to account for 15 percent of global GHGs and presents a real risk to our business, supply chain and customers.
- **Post-Farm Efficiency:** We're looking for opportunities to reduce emissions throughout the rest of our supply chain, including improving energy usage at supplier facilities, transportation efficiency and reducing food waste.

Learn more about our work in these areas on our [Beef Sustainability](#) and [Forests](#) pages.

## Our Climate Journey

While the most recent step in our climate strategy of setting a science-based targets is an important milestone to drive meaningful change at scale, the Company's work to take care of the planet spans almost three decades:

- The Company first began its focus on sustainable packaging nearly 25 years ago with the establishment of a groundbreaking partnership with Environmental Defense Fund (EDF). The initiative eliminated more than 300 million pounds of packaging, recycled 1 million tons of corrugated boxes and reduced waste by 30 percent in the decade following the partnership.
- In 2015, we put forth our [White House American Business Act on Climate Change Pledge](#), which outlined commitments that help address climate change through specific actions on issues such as deforestation, beef production and energy used in McDonald's restaurants. This is supported by [McDonald's Energy and Climate Position Statement](#) from 2014, which set out our view on taking effective, collaborative action to tackle climate change.

Also in 2015, the Company developed our [Commitment on Forests](#) which addresses our supply chain impacts on deforestation, focused on verifying and promoting responsible production practices in regions most at risk. This commitment strengthened the foundation of the company's climate strategy as deforestation accounts for an estimated 15% of global greenhouse gas emissions. We are making progress in our sourcing of beef, soy, palm oil, coffee and fiber. Read more [here](#).

## Our goals and progress

We will regularly share updates about our journey, both progress and challenges, and report milestones against our goals and our carbon footprint. The Company currently reports annually into CDP Climate Change and plans to continue as we work toward this target. You can view our ESG reporting page [here](#).



We are developing a new, enterprise-level climate tracking system in conjunction with our supply chain sustainability reporting system, TraQtion. We work with CDP Supply Chain to measure the actions of key suppliers on climate and forests.

We also support the development of several on farm measurement tools, such as CAP'2ER, a French carbon footprint tool for beef farms developed by McDonald's France, MoyPark Beef, and the French National Breeding Institute, which has become the official tool of the European "Beef Carbon" program. We support the Cool Farm Tool to provide farmers with free access to a GHG measurement system, which they can use across multiple farming sectors and countries to assess their carbon footprint. We actively support projects to develop and align measurement systems, such as the Global Roundtable for Sustainable Beef's climate action project, the C-Sequ group, and the work of Gold Standard. We will continue to invest in this work to help to measure and report progress in greater detail across the globe going forward.

### **Goal**

#### **Restaurants and Offices:**

The Company will partner with Franchisees to reduce greenhouse gas emissions related to McDonald's restaurants and offices by 36% by 2030 from a 2015 base year.

### **Progress**

5% of our target has been achieved, which represents a 2% reduction from the 2015 baseline. The US VPPA deals referenced above are expected to contribute an additional 16% of the progress towards our total target.

### **Goal**

#### **Supply Chain:**

Through collaboration and partnership with our suppliers and producers, the Company also commits to a 31% reduction in emissions intensity (per metric ton of food and packaging) across our supply chain by 2030 from 2015 levels.

### **Progress**

We are in the process of establishing a new data system to comprehensively track progress towards this goal and will report at a later time. We have issued clear expectations to all suppliers in 2019, and are developing more detailed expectations for key commodity category strategies.

### **Beef Sustainability**

We're working with farmers, ranchers, our beef suppliers, and industry leaders to identify, magnify and share best practices on farming, grazing, and conservation, in ways that empower more producers to adopt those practices.



### **Smart Restaurant Design**

Together with our Franchisees, we're continuing to tackle restaurant energy usage and sourcing through innovations and programs to promote energy efficiency and renewable energy. This includes equipment and building design innovation, energy monitoring, and crew training programs which could provide long-term cost savings.

### **Packaging and Recycling**

By 2025, 100 percent of McDonald's guest packaging will come from renewable, recycled, or certified sources. Also by 2025, the Company has set a goal to recycle guest packaging in 100 percent of McDonald's restaurants. We understand that recycling infrastructure, regulations and consumer behaviors vary city to city and country to country, but we plan to be part of the solution and help influence powerful change.



# Our Food

As the world's largest restaurant company, we have the opportunity to use our scale and reach to drive innovation and improvements in responsible sourcing, and create a food and packaging system in which people, animals and the planet thrive.

## Food safety, quality and choice

We're passionate about our food and take great care that what we serve every day is safe, great quality, offers choice and is produced in a responsible way. We use real, quality ingredients to elevate the taste of our food and the spirits of people who enjoy it all over the world. For example, we only use 100% pure beef in our burgers.

We strive to offer a diverse menu to give our customers the meal and snacking options they need for their entire family. We believe customers should have easy access to nutritional information to help them make informed food choices when they visit our restaurants.

## Our responsible sourcing strategy

Behind the scenes, we're working hard to continuously improve how we source our ingredients in a way that allows people, animals and the planet to thrive. Sourcing our food responsibly is critical for us to continue to use high-quality raw materials long into the future. It's also an important part of what makes our customers feel good about our food.

We want to ensure that our sustainable sourcing programs drive lasting, meaningful outcomes on critical issues for people, animals, the environment and our business. We define sustainable sourcing through what we call the three "E"s, and we've identified seven priority impact areas to support them:

### Ethical practices

We work with our suppliers to ensure the health and safety of people, safeguard the health and welfare of animals in our supply chain, and conduct business ethically.

- [Promoting the health and welfare of animals](#)
- [Respecting human rights](#)

### Environmental protection

From forest and farm to front counter, we're working to minimize and improve the lifecycle impacts of our food and packaging on the environment.

- [Addressing climate change](#)
- [Reducing food and packaging waste](#)
- [Protecting water resources](#)
- [Conserving forests](#)



## Long-term economic viability

We strive to deliver affordable food while supporting equitable trade practices and investment in the communities that our supply chain touches.

- [Farmer livelihoods](#)

## Priority ingredients and materials

In the long term, we want to source all our food and packaging sustainably. Currently, we focus on six priority products: beef, chicken, coffee, fish, fiber-based packaging and palm oil. These products were identified through independent analysis by the World Wildlife Fund (WWF) as the products that carry the greatest sustainability impacts – such as biodiversity loss or deforestation – and where we have the most potential to create positive change.

### Beef

We're helping lead a global movement for beef sustainability. Our teams work with farmers, environmental groups and governments to discover, test and scale methods that support decent farming livelihoods, while protecting resources for generations to come.

### Chicken

We might be famous for our beef burgers, but we care just as much about the chicken we serve. From cutting antibiotic use to protect human health to sourcing chickens with improved welfare outcomes, we're committed to ensuring a sustainable supply of one of our most popular ingredients.

### Coffee

We believe coffee should not only taste great, but also be sustainably sourced. That's why we take steps to make sure that McCafé supports farmers, their communities and their land. Buying from verified sustainable sources is a key part of our strategy.

### Fiber for packaging

Derived from wood, fiber is the main material in our product packaging. As part of our larger packaging and recycling strategy, we've set an interim goal to purchase 100% of fiber-based customer packaging from recycled or certified sources by 2020. In doing so, we're helping to conserve the world's forests.

### Fish

Filet-O-Fish is one of our best-loved menu items, so it's really important that we work with independent experts like the Marine Stewardship Council (MSC) and the Sustainable Fisheries Partnership to identify ways to protect long-term fish supplies and improve the health of marine ecosystems. Our goal is that all the wild-caught fish purchased for use in McDonald's restaurants will be from verified sustainable sources by 2020.

### Palm oil



Palm oil is used in some markets as a frying oil or as an ingredient in our products. Our goal is for 100% of this palm oil to support sustainable production. It's a complex issue and we engage with platforms like the Roundtable on Sustainable Palm Oil to increase the scale of our efforts.



# Responsibly sourced chicken

We might be famous for our beef burgers, but we care just as much about the chicken we serve. From cutting antibiotic use to preserve their effectiveness for human health to sourcing chickens with improved welfare outcomes, we're committed to ensuring a sustainable supply of one of our most popular ingredients.

## Why it matters

Food made with quality ingredients is one of our top priorities, and part of our vision to source our food sustainably. That's why for more than a decade we've been working with suppliers, animal welfare organizations, scientists and industry experts on our chicken sustainability journey.

While we don't raise chickens ourselves, the health and welfare of the chickens in our supply chain is important to us. This is why we're committed to sourcing chicken raised with improved welfare outcomes. In light of the possible impact on antibiotic resistance in humans, which is increasingly recognized as an important public health issue, we require the responsible use of antibiotics in our chicken supply chain.

The United Nation's Food and Agriculture Organization estimates that meat production – including chicken, pork and beef – will [more than double by 2050](#) (pdf, 627KB) and global animal feed production will have to [increase by 70%](#) (pdf, 5.6MB) if we are to meet the growing population's demands. Unless action is taken to make production more sustainable, this elevated demand will increase the risk of environmental and ethical issues. For example, chicken feed currently uses a lot of soy, and converting land to grow soy is widely believed to be a major cause of deforestation. Feed production on existing cropland also provides challenges, such as preserving soil health and reducing the impact of fertilizers.

We are committed to taking a holistic, outcomes-based approach to chicken sustainability: from antibiotic use to welfare to feed sustainability. We believe the innovation and flexibility that this approach will unlock are crucial for tackling some of the long-standing challenges in sustainable chicken production.

## Our approach

As there are no broadly accepted standards for chicken sustainability, we've been working with stakeholders across the industry to define what it means. For more than a decade, we have been [on a journey](#) (pdf, 9.3MB) with our suppliers, non-governmental organizations (NGOs), academics and industry experts to advance the sustainability of the chicken served at McDonald's restaurants.

We're prioritizing the most impactful areas of chicken sustainability and setting goals and a roadmap for action, which are further detailed below:



- Antibiotic stewardship.
- Animal health and welfare.
- Sustainable chicken feed.

Our chicken sustainability work supports the [UN Sustainable Development Goals](#), a global agenda to end poverty, protect the planet and ensure prosperity for all, specifically:

- [Goal 2 – Zero hunger](#) (specifically target 2.4).
- [Goal 12 – Responsible consumption](#) (specifically target 12.2).
- [Goal 15 – Life on land](#) (specifically targets 15.1 and 15.2).
- [Goal 17 – Partnerships for the goals](#) (specifically target 17.16).

As well as these, we've mapped our [Scale for Good initiatives](#) to all 17 UN Sustainable Development Goals.

## Our actions

### Responsible use of antibiotics

Building on our 2003 Global Vision for Antibiotic Stewardship in Food Animals, starting in 2018 we began to implement a new broiler chicken antibiotics policy in markets around the world,<sup>1</sup> which requires the elimination of antibiotics defined by the World Health Organization (WHO) as Highest Priority Critically Important Antimicrobials (HPCIA) to human medicine. Additionally, the routine preventative use of antibiotics will be prohibited. To ensure this policy is effectively implemented, we are taking a [tiered approach](#).

This approach builds on the progress we have made in our U.S. chicken supply chain with the removal in 2016 of antibiotics that the WHO has determined important to human medicine. We achieved this goal nearly a year ahead of schedule. Find out more about our work on the responsible [use of antibiotics](#) and our [Global Vision for Antimicrobial Stewardship in Food Animals](#) (pdf, 183KB).

### Welfare on the farm

As part of our broader chicken sustainability journey, in 2017 we made a global commitment to source chicken raised with improved welfare outcomes. This means:

1. Measuring key farm-level welfare outcomes on an ongoing basis, setting progressive targets and reporting on progress. Welfare outcomes are objective measures, which provide a direct assessment of the welfare chickens experience throughout their lives. These measures are collected by directly observing the animal, such as the way it walks, the presence of any injuries or its ability to express natural behaviors such as pecking, perching, dust bathing and foraging. Collectively, they provide a comprehensive assessment of animal welfare, regardless of the production system or where they were raised. The key welfare outcomes associated with a good quality of life for chickens are well-established from an academic perspective, for example the work of Welfare Quality<sup>®</sup>, funded by the European Commission.



2. Developing state-of-the-art welfare measurement technology. Through our engagement with academics and industry leaders, we know that some welfare outcome measures, such as gait scores and behavioral measures, cannot be reliably assessed commercially at present. McDonald's wants to help identify solutions to measuring these important outcomes. We are committed to partnering with technology companies, producers, and suppliers to support the development of innovative on-farm camera monitoring systems. This pioneering research will aim to develop technology that can automatically capture these important welfare outcomes. Once established, these systems will be among the first of their kind at a commercial scale.
3. Providing enrichments to support the expression of natural behavior.
4. Supporting commercial trials to study the effects of certain production parameters on welfare outcomes.
5. Implementing third-party auditing.
6. Requiring that our Approved Suppliers transition stunning methods to Controlled Atmospheric Stunning (CAS) in the U.S. and Canada.
7. Establishing a McDonald's Advisory Council for Chicken Sustainability to support our continued journey on chicken sustainability.
8. Completing an assessment to measure the feasibility of extending these commitments to the remaining global markets where McDonald's operates.

These commitments apply to markets across the globe <sup>2</sup>, which impact more than 70% of our global chicken supply and will be fully implemented on or before 2024. Together, we believe these commitments provide the ability to deliver sustained, measurable improvements in the welfare of millions of birds across our global supply chain. It will enable producers and suppliers, operating across diverse geographies and climates, to develop their own tailored solutions to meeting our progressive welfare outcome targets. The innovation and flexibility this approach will unlock is crucial for tackling some of the most important challenges in sustainable food production

These latest commitments build on our [existing position](#) (pdf, 469KB) that all chickens used for meat in our global supply chain are required to be reared only in cage-free systems.

### **Welfare at slaughter**

McDonald's requires that abattoirs must pass a rigorous animal welfare audit. All our facilities providing chicken raw material globally are compliant with McDonald's requirements. We don't accept abattoirs of suppliers that fail to meet these standards.

For more information on our approach, please see the following Guidelines and Criteria: [McDonald's Animal Health and Welfare Guidelines and Audit Criteria – Chickens at Slaughter](#) (pdf, 478KB).

### **Taking the pressure off tropical forests**

As part of our [commitment to eliminate deforestation](#) from our global supply chains, we worked with Greenpeace to establish and support the Soy Moratorium, a voluntary agreement between retailers, NGOs and traders to prevent soy being grown on Amazon land deforested after 2008. In the first decade since its inception in 2006, deforestation has fallen



86% in the municipalities covered by the Moratorium (accounting for 98% of the soybeans in the Amazon biome<sup>3</sup>).

In 2015, along with Greenpeace and Cargill, we were recognized for this work by the Keystone Policy Center for Leadership in the Environment. In 2016, we supported the indefinite extension of the Moratorium, which will now remain in place until it is no longer needed.

Further significant progress is being made in Europe, where we've set a 2020 target for chicken suppliers to ensure their soy volumes in chicken feed are covered by sustainability certifications. In 2018, approximately 74% of the soy volumes used in the feed of chickens supplied to our restaurants in Europe was covered by a combination of ProTerra and Roundtable on Responsible Soy certification.

McDonald's is also a member of the Cerrado Manifesto Statement of Support group, which represents an international coalition of over 100 companies and investors working together to eliminate deforestation in cattle and soy supply chains in Brazil's Cerrado Biome. This group is especially important because it leverages the collective action of many major companies who source from this area and therefore have significant capability to work together and send a market signal to end deforestation and vegetation loss in the region.

### **Developing alternative chicken feeds**

We've been working with our suppliers and research institutes to support the development of novel alternative protein feeds, to reduce our reliance on soy for chicken feed and thereby help alleviate pressure on forests. This includes studies on insects and algae, and how these feeds will impact chicken health and welfare. While our early results are encouraging, developing these new and innovative supply chains is a long-term project that may run up to 10 years.

## **Our goals and progress**

### **Goal**

Eliminate the use of antibiotics defined by the World Health Organization as Highest Priority Critically Important (HPCIA) to human medicine as defined by the WHO from all chicken served by 2027.<sup>2</sup>

### **Progress**

In 2017, we released our new Chicken Antibiotics Policy for markets around the world. The information below outlines progress as part of our phased process:

Objective: By 2017, 100% of chicken served in the U.S. is free of antibiotics important to human medicine.

Update: We have achieved this goal. Since 2016, no chicken served in McDonald's restaurants in the U.S. is treated with antibiotics important to human medicine.



Objective: By January 2018, HPClAs will be eliminated in broiler chicken for Brazil, Canada, Japan, South Korea, the U.S., and Europe,<sup>1</sup> with an exception for colistin for Europe only; Implementation of all other elements of the Global Chicken Antibiotics policy across all markets, including a prohibition on routine preventive use.

Update: This objective has been achieved.

Objective: By January 2019, the usage of HPClAs will be eliminated in broiler chickens for Australia and Russia, and Europe plans to have removed colistin.

Update: As of July 2019, all chicken suppliers to Australia and European markets have eliminated the usage of HPClAs in our chicken supply chain. For new suppliers in Russia (added after July 2018), an extension has been granted until the end of 2021, to enable them to responsibly convert their supply chain to colistin-free.

January 2027: HPClAs will be eliminated in all other designated markets<sup>2</sup> around the world.

### **Goal**

Purchase 100% sustainable certified soy by 2020 in Europe.

### **Progress**

In 2018, approximately 74% of the soy volumes used in the feed of chickens supplied to our restaurants in Europe was covered by a combination of [ProTerra](#) or [Roundtable on Responsible Soy](#) certification.

### **Goal**

Source chicken with improved welfare outcomes.

### **Progress**

- In 2018, we launched an independent Global Chicken Sustainability Advisory Council of diverse experts including genetics experts, FAI Farms, leading academics and researchers like Dr. Temple Grandin and Dr. Harry Blokhuis, and NGOs including conservation organization World Wildlife Fund.
- In 2019, we defined farm-level and processing-level key welfare indicators (KWIs) and the methodology for measuring them. In 2020, we'll begin gathering data on all these indicators as we work toward setting progressive targets with the support of our multi-stakeholder Chicken Sustainability Advisory Council.
- In partnership with Foundation for Food and Agricultural Research (FFAR), we launched the SMART (Sensing, Monitoring, Analysis, Reporting, Technologies) broiler initiative to identify and fund emerging technology solutions to enable global, commercial-scale, on-farm measurement of key welfare indicators. Through this initiative, McDonald's has invested US\$2 million, while enabling another \$2 million in matching grants. The SMART Broiler Program represents one of the largest investments in animal agriculture technologies focused on health and welfare.



- McDonald's was one of the first retailers to implement a Controlled Atmospheric Stunning (CAS) system into a broiler supply chain in the U.S. Currently, 100% of our Canadian supply chain and 20% of our U.S. supply chain utilizes CAS. We are on track to meet our commitment of implementing CAS throughout U.S. and Canadian facilities by 2024. CAS is currently widely practiced by McDonald's suppliers in Europe and Australia.

1. Markets covered by the policy include: Brazil, Canada, Japan, South Korea, the U.S., Australia, Russia, China and Europe. For the sake of this policy, Europe includes the following countries: Austria, Azerbaijan, Belarus, Belgium, Bosnia & Herzegovina, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Ireland, Italy, Kazakhstan, Latvia, Lithuania, Luxembourg, Malta, Moldova, Netherlands, Norway, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Switzerland, Sweden, United Kingdom, Ukraine.

2. These commitments apply to chicken raised for sale at McDonald's restaurants in Australia, Canada, France, Germany, Italy, Ireland, the Netherlands, Poland, Russia, South Korea, Spain, Switzerland, U.K., and U.S.

3. Greenpeace (2016) reports that "a study published in 2015 in the journal Science by Dr. Holly Gibbs, from the Department of Environmental Studies at the University of Wisconsin shows that the Soy Moratorium was five times more effective in reducing deforestation than the Brazilian Forest Code. The success of the Moratorium is a business case that captured the attention of the world."



# Responsibly sourced fish

Filet-O-Fish is one of our best-loved menu items, and the McDonald's Sustainable Fisheries Standard guides all our purchases to ensure that McDonald's sources from sustainably managed fisheries.

## Why it matters

We agree with the Marine Stewardship Council (MSC) that healthy oceans are essential for thriving marine ecosystems, livelihoods and economies. This is why our goal is to source 100% of our wild-caught fish from verified sustainable sources by 2020.

Sustainably managed fisheries are those that maintain healthy fish stocks, minimize the impact of fishing on ecosystems and manage the seas, oceans and fisheries responsibly. We fully support global efforts to restore depleted fish stocks, improve fishery management and conserve marine environments.

## Our approach

The McDonald's Sustainable Fisheries Standard defines our approach for purchases of wild-caught fish for our Filet-O-Fish sandwiches. We began the journey back in 2001, working with Conservation International and later, The Sustainable Fisheries Partnership, along with our suppliers, to set up a rating program for fisheries based on management quality, fish stock status and marine environment efforts. The program requires improvement plans for fisheries that score poorly and, if progress is delayed, we will temporarily move our sourcing away from that fishery but continue working with the different stakeholders on improvements, with the aim of returning to that fishery once our standard is met.

*"The Sustainable Fisheries Partnership has been proud to work with McDonald's for many years and has seen huge improvements in the quality of fisheries management as a result of our joint efforts. We commend the company's visionary approach to supporting the improvement of fisheries rather than just switching to other sources."*

**Jim Cannon, Chief Executive Officer, Sustainable Fisheries Partnership**

Since the early 2000s, we've continued to support the improvement of the fisheries we source from and continue to work with the Sustainable Fisheries Partnership, who review each of the fisheries in our supply chain against our standard on an annual basis. Additionally the majority of the fisheries from which we source are also MSC certified and, McDonald's displays the MSC certification logo for our Filet-o-Fish in the U.S., Canada, Brazil and many of our European markets<sup>1</sup>, where fisheries are certified against the MSC Chain of Custody traceability standard.

*"McDonald's was the first global restaurant chain to put the MSC label on its menus in Europe. Over time, they have built on those strong foundations with MSC certification"*



*for McDonald's restaurants in America, Canada and Brazil, making McDonald's a world leader in sustainable seafood sourcing. Long-term partnerships like this underpin the MSC program. They help to incentivize fisheries around the world to seek MSC certification, delivering improvements where needed to support healthy oceans for generations to come."*

**Rupert Howes, CEO, Marine Stewardship Council**

Our fish sustainability work supports the [UN Sustainable Development Goals](#), a global agenda to end poverty, protect the planet and ensure prosperity for all, specifically:

- [Goal 2 – Zero hunger](#) (specifically target 2.4).
- [Goal 14 – Life below water](#) (specifically target 14.4).
- [Goal 17 – Partnerships for the goals](#) (specifically targets 17.16 and 17.17).

As well as these, we've mapped our [Scale for Good initiatives](#) to all 17 goals.

## **Our actions**

### **The journey behind a Filet-O-Fish**

Take a glimpse behind the scenes at Espersen, McDonald's fish supplier in Denmark, which supplies restaurants in 42 countries. Espersen has been processing cod and haddock for McDonald's for more than 40 years!

### **Protecting fragile marine environments**

As part of an industry-led voluntary agreement brokered by Greenpeace to protect fragile arctic marine habitats, we announced we would no longer source fish caught in vulnerable or not yet explored areas of the Barents and Norwegian seas in 2016. This was a proactive response to concerns that, due to climate change-related ice melt, fishing boats may be able to operate in previously un-fished areas around the sensitive Svalbard Archipelago.

We will continue to keep this policy in place until there is robust, independent research demonstrating that fishing in the area will not cause serious harm to the marine environment.

### **Teaching the next generation**

To underscore our commitment to sustainably managed fisheries and make the topic accessible for children, McDonald's U.S. created "Reel It In!" – a card game about the importance of sustainable fishing that all generations of Filet-O-Fish fans can understand. [Click here](#) to find out more and download it to play.

## **Our goals and progress**

### **Goal**



By 2020, all the wild-caught fish purchased for use in McDonald's restaurants will be from verified sustainable sources.

### **Progress**

Our focus is on assuring the sustainability of the fish used in our famous McDonald's Filet-O-Fish sandwich. This represents over 97% of all wild-caught fish used globally by the Company.

In 2018, 98% of the fish for the Filet-O-Fish was sourced from sustainably managed wild-caught fisheries, assessed and verified annually against the McDonald's Sustainable Fisheries Standard by the Sustainable Fisheries Partnership. We are partnering with our supply chain to verify the remaining 2% of the fish sourced for Filet-O-Fish by 2020.

1. The full list of countries where McDonald's displays the MSC certification logo: U.S., France, U.K., Canada, Russia, Germany, Netherlands, Austria, Belgium, Italy, Spain, Switzerland, Ukraine, Poland, Sweden, Morocco, Norway, Hungary, Denmark, Romania, Portugal, Ireland, Czech Republic, Belarus, Croatia, Serbia, Latvia, Bulgaria, Greece, Malta, Brazil



# Coffee

We believe coffee should not only taste great, but be sustainably sourced. That's why we take steps to make sure McCafé supports farmers, their communities and their land. Sustainable sourcing is a key part of our strategy.

## Why it matters

Great tasting, quality coffee is important for many consumers. But this rising global demand, combined with more erratic weather patterns relating to a changing climate and labor shortages, is adding to the pressure on the world's coffee-growing communities.

Over the last decade, McDonald's has partnered with coffee roasters to help advance coffee sustainability, and we remain committed to further progress, since a continued supply of quality coffee beans is critical for our business and for our customers. From iced coffees and mochas to lattes and cappuccinos, we want all our customers to be able to enjoy great-tasting coffee, now and long into the future.

We're part of the global movement to ensure coffee is grown and traded in ways that support farmers, communities and their land. We believe that by sustainably sourcing coffee we support the growth of a market that rewards farmers for adopting sound environmental and social practices. To this end, we are committed to sustainably sourcing 100% of our coffee by 2020.

## Our approach

Sourcing coffee certified to international sustainability standards such as Rainforest Alliance, UTZ, and Fair Trade is key to our strategy. In parallel with our certification work, we've also launched the McCafé Sustainability Improvement Platform (SIP) in partnership with [Conservation International](#). These two approaches are complementary efforts, and we will continue to support both certification and direct collaboration with farmers as methods to achieve positive impacts.

In 2018, 57% of our coffee was sourced sustainably through Rainforest Alliance, UTZ, Fair Trade International and Fair Trade USA certifications, as well as McCafé SIP-approved programs.

Our work on sustainable coffee supports the [UN Sustainable Development Goals](#), a global agenda to end poverty, protect the planet and ensure prosperity for all, specifically:

- [Goal 2 – Zero hunger](#) (specifically targets 2.3 and 2.4).
- [Goal 17 – Partnerships for the goals](#) (specifically target 17.16).

We have mapped all of our [Scale for Good initiatives](#) to the 17 Sustainable Development Goals.



## What is McCafé SIP?

The McCafé Sustainability Improvement Platform (SIP) was launched in partnership with Conservation International in 2016, as a framework to engage and guide our coffee supply chain in sustainable sourcing, as well as invest in coffee growers and their communities over the long term. McCafé also provides roasters, who supply our coffee, with guidance across four key elements they must achieve in order to have a SIP-approved program.

**Transparency** – understanding who grows our coffee and identifying all farms and farmers participating in a SIP-approved program.

**Producer collaboration** – identifying needs specific to the farming community and collaborating with them and local partners to provide relevant training and tools.

**Measured performance** – tracking progress against globally recognized minimum requirements and continuous improvement indicators for sustainable coffee production.

**Assurance** – verifying data through third-party audits.

McCafé SIP is currently active in five countries, reaching more than 6,200 farms as of 2018. Roasters can choose to develop programs, in collaboration with the communities they source from, that meet the McCafé SIP framework and therefore contribute to our sustainable coffee sourcing goal. The Company and its Franchisees partner with roasters to invest in programs that provide, for example, direct premiums to farmers to support economic viability, as well as farmer training, technical assistance, tools and resources, and measurement and evaluation.

### What results are we seeing?

Through McCafé SIP, we have better information about the farmers growing our coffee, which is verified by third parties. We're also enabling coffee roasters to leverage their expertise and relationships at origin to innovate and advance sustainable farming practices. Through roaster-led programs, farmers can access training and support from agronomists, helping them to take better care of their land and increase overall productivity and the quality of their coffee. Additionally, there are opportunities for farmers to engage in activities focused on improving their welfare.

For example, over 500 coffee farms in Quindio, Colombia nearly doubled their initial yield in 2017, due in part to the use of field farmer schools and frequent technical assistance. A further 1,725 farms in Antioquia and Norte del Valle, Colombia received support, such as installing vegetable gardens to grow food for coffee farming families, the distribution of safety equipment and the delivery of 300,000 disease-resistant coffee plantlets.

In the Chiapas region of Mexico, more than 500 farms participated in the program in 2017 and over 589,000 coffee trees were delivered to farmers as part of a roaster-led renovation program. The farmers were also offered support from six agronomists working in the field. In Peru, over 1,110 farmers have received training on fertilizing methods to increase yields, water treatment systems to protect their land and their communities and financial record



keeping to ensure their long-term financial stability. In the Cerrado biome of Minas Gerais in Brazil, coffee farmers participating in a SIP training program reported an 80% reduction in the use of agrochemicals, while productivity rose by 10%.

*“McDonald’s is becoming a global leader in serving sustainable coffee that is good for farmers, good for nature and good for its customers. The commitment of an industry giant like McDonald’s marks an important step in our work to make coffee the world’s first fully sustainable agricultural product.”*

**Peter Seligmann, Founder and Chairman of Conservation International**

## **Our actions**

### **Advancing coffee sustainability through McCafé SIP**

We have created an Advisory Council to provide input on the strategic direction of McCafé SIP. The Advisory Council members include Conservation International, the Rainforest Alliance, Committee on Sustainability Assessment (COSA), Sustainable Food Lab, Fair Trade USA and Solidaridad. In partnership with Conservation International and with input from the Advisory Council, we developed and introduced a set of minimum requirements that all farms must meet and that will be assessed through third-party audits. These requirements are focused on social and environmental impacts such as human rights, health and safety and deforestation.

In partnership with COSA, we have also expanded performance metrics, which measure continuous improvement towards social, environmental and economic standards annually. Through analysis of these metrics, our roasters can better target investments in programs that support income diversification or food security and help to build the resilience of these communities.

### **Bringing coffee farming to consumers**

To communicate our progress, and help consumers better understand what sustainability truly means and why it’s important, the Company brought the McCafé Sustainable Coffee Journey to life in 2018.

This event, held in downtown Chicago, featured a replication of a South American coffee farm and aimed to show consumers how sustainable farming practices help protect coffee from the impacts of climate change. Check out the video for more information.

### **A better deal for Guatemala’s growers**

Together with our Franchisees, McDonald’s USA and McDonald’s Canada invested more than \$6 million to support coffee growers in Guatemala between 2012 and 2016. Partnering with [TechnoServe](#), an international nonprofit that develops business solutions to poverty, we trained over 15,000 farmers in sustainable coffee-growing practices. Farmers completing the training in 2016 reported coffee bean yields on average 45% higher than those of neighboring farmers, despite difficult weather conditions and widespread coffee rust disease.



We also worked with the [Sustainable Commodities Assistance Network \(SCAN\)](#) to establish a formal training curriculum, available globally on both the SCAN and UN websites.

*“The work McDonald’s is supporting with smallholder coffee farmers in Central America has been best-in-class, and McDonald’s dedication to sustainability has made a positive, lasting difference on the lives of thousands of farmers.”*

**William Warshauer, President and CEO of TechnoServe**

## **The Sustainable Coffee Challenge**

We’ve been working with Conservation International for 25 years to help advance global agricultural sustainability. Our latest collaboration is the [Sustainable Coffee Challenge](#) (SCC), which aims to make coffee the world’s first sustainable agricultural product. As an Advisory Council member of the SCC, we are uniting with other key industry players – retailers, roasters, industry associations and non-governmental organizations – to help make the changes needed to transform the industry. This means:

- Supporting the prosperity and well-being of coffee-farming communities.
- Protecting the environment – particularly forest, water and soil conservation.
- Sustaining the supply of quality coffee to meet future demand.

## **Compost from coffee grounds**

McDonald’s uses tons of coffee grounds and espresso beans every year to make the coffee our customers love. Rather than sending these heavy grounds to the landfill, coffee grounds can be used in arboretums, school gardens and backyards to improve garden soil! This is an example of how we’re gradually [eliminating waste](#) in our restaurants.

[Learn more about coffee grounds recycling in this video.](#)

## **Our goals and progress**

### **Goal**

100% of coffee to be sustainably sourced by 2020.

### **Progress**

In 2018, 57% of our ground and whole bean coffee (64% of restaurant coffee globally and 3% of U.S. and Canada retail coffee) was sourced sustainably through Rainforest Alliance, UTZ, Fairtrade International and Fair Trade USA certification schemes, as well as McCafé SIP-approved programs. This includes espresso-based drinks and coffee brewed at restaurants, and all coffee retail products.

Our volume of sustainably sourced coffee increased by 5.6% from 2017 to 2018 and we are on track to achieve our global 2020 target for 100% sustainably sourced coffee. In November 2019, McDonald’s USA announced that 100% of ground and whole bean coffee for their restaurants is sustainably sourced<sup>1</sup>, representing the largest market portion of our global



coffee volumes. The European market has also met our commitment to sustainably source 100% of their coffee.

### **Goal**

By 2018, all coffee from high-deforestation risk regions<sup>2</sup> will be sourced from Rainforest Alliance-Certified farms.

### **Progress in certification**

As of the end of 2018, 97% of McDonald's global coffee supply is verified as compliant with our Commitment on Forests. This is a combination of; coffee coming from high-risk locations which is Rainforest Alliance certified, as well as coffee traced back to locations with a low-risk of deforestation.

Through our risk assessment, we determined that 7% of our global coffee supply is from high-risk locations (as of 2018). Of the coffee grown in high-deforestation risk countries, 60% was Rainforest Alliance certified in 2018. While we have not met the timeline for this goal, we are working diligently with our supply chain to source the remaining 3% of our high-risk supply from Rainforest Alliance certified farms.

More information on our Commitment on Forests can be found [here](#).

<sup>1</sup>Except Hawaii which sources locally and will be meeting the goal in 2020.

<sup>2</sup> High deforestation risk regions for coffee include Honduras, Indonesia, and Vietnam.



# Palm Oil

Our goal is for 100% of the palm oil used in our restaurants and as ingredients in our products to support the production of sustainable palm oil by 2020. It's a complex issue and we rely on platforms like the Roundtable on Sustainable Palm Oil to help increase the scale of our efforts.

## Why it matters

Palm oil is the world's most versatile and widely used oilseed. We use it as frying oil in some countries, while direct suppliers use it to par-fry some chicken and potato products. It can also be found in baked goods, sauces and confectionary items.

This ingredient is the basis of livelihoods of millions of farmers and communities. It requires less land than other major oil-producing crops due to its [substantially higher oil yield](#). However, with demand growing, natural forests have been replaced by palm oil plantations, leading to reduced biodiversity, increased carbon dioxide emissions and even the displacement of communities. We know that our brand carries a great deal of visibility and influence, which is why palm oil has been a key focus since 2011 when we joined the global [Roundtable on Sustainable Palm Oil](#) (RSPO).

## Our approach

We take the issue of deforestation very seriously, and are dedicated to eliminating it from our supply chain, as set out in our [Commitment on Forests](#). We are committed to sourcing RSPO certified palm oil. We do this alongside stakeholders from throughout the palm oil supply chain, including growers, traders, consumer goods manufacturers, retailers, non-governmental organizations, banks and investors.

We also have expectations of our centrally managed suppliers of restaurant and par-fry oil to address deforestation and human rights concerns. We've listened to expert stakeholders who have told us our palm oil goals and strategy could be strengthened, and we agree. We therefore updated our Global Sustainable Palm Oil Policy in 2016 to make it more rigorous ([see below](#)), and continue to take a holistic approach that will serve both ourselves and the wider industry.

Our work on palm oil sustainability supports the [UN Sustainable Development Goals](#), a global agenda to end poverty, protect the planet and ensure prosperity for all, specifically:

- [Goal 2 – Zero hunger](#) (specifically target 2.4).
- [Goal 12 – Responsible consumption](#) (specifically target 12.2).
- [Goal 15 – Life on land](#) (specifically targets 15.1 and 15.2).
- [Goal 17 – Partnerships for the goals](#) (specifically target 17.16).

As well as these, we've mapped our [Scale for Good initiatives](#) to all 17 goals.



## Our actions

### Supporting sustainable production

100% of palm oil used globally for restaurant cooking or by our suppliers to par-fry chicken, potato and globally managed bakery and sauce products has been RSPO-certified sustainable or covered by RSPO credits since 2017, the minimum level of verification currently required according to our Global Sustainable Palm Oil Policy. In 2017, we also reached an important milestone when the U.S. – our largest market for palm oil – moved to 100% RSPO Mass Balance certified palm oil for all national products. This reflects our commitment to physical supply chains of certified sustainable palm oil.

### Contributing to industry transformation

In 2016, we launched our Global Sustainable Palm Oil Policy, and held webinars and training sessions with all suppliers, as well as our market and product category teams that use palm oil around the world. We also selected suppliers that were best positioned to meet our future needs, in part based on their ability to show us that they can meet our sustainability expectations. In doing so, sustainability became even more integral to the way we do business.

### Transparency on progress

We communicate annually through the [RSPO Annual Communication of Progress](#) and our website. We also continuously update our Sustainable Sourcing Guide, which outlines our priorities and expectations for suppliers, including for palm oil. To help inform our reporting methodology, we use the [Reporting Guidance for Responsible Palm](#), developed by a wide range of organizations and published in 2017. It aims to provide common reporting guidance for companies throughout the supply chain, thereby increasing understanding, transparency and accountability for responsible palm oil production.

## Our goals and progress

### Goal

By 2020, 100% of the palm oil used in McDonald's restaurants and as ingredients<sup>1</sup> in McDonald's products will support sustainable production.

### Progress

100% of our palm oil supply has been Roundtable for Sustainable Palm Oil (RSPO) certified since 2017, in compliance with our Commitment on Forests.

We are committed to increasing traceability for the palm oil used in the McDonald's system in the greatest volumes, which means we are increasing our physical RSPO volumes (Segregated and Mass Balance). Our volumes of physical certified oils have increased from 11% in 2017 to 58% in 2018.



[2018 RSPO chain of custody system](#) (covering 100% of global supply):

- 33% verified using book and claim certificates (the minimum level of verification currently required according to our palm oil policy).
- 58% Mass Balance
- 9% Segregated

### **Goal**

All centrally managed suppliers of restaurant and par-fry oil must:

- Be active members of the RSPO and report through the RSPO Annual Communications of Progress.
- Have a public commitment to eliminate deforestation and supporting strategy.
- Have a strategy for traceability to the mill and plantation level.
- Be committed not to source from peatlands, high conservation value land and high carbon stock forests.
- Be committed to uphold human rights at the plantation level and Free and Prior Informed Consent.
- Have a third-party verification process.
- Have a strategy to address any open grievances.

### **Progress**

Since 2016, all direct suppliers of restaurant and par-fry oils submitted documentation outlining that they have policies and programs in place to fulfil the requirements outlined in our Global Sustainable Palm Oil Policy.

<sup>1</sup> Ingredients includes any type of palm oil used directly as an ingredient in a McDonald's product and listed on the product's ingredient statement.



# Animal Health and Welfare

We have a responsibility to care for the millions of animals in our supply chain. For more than a quarter of a century, we've worked with experts to enforce standards that protect and improve the health and welfare of animals.

## Why it matters

While McDonald's doesn't raise any livestock, or operate any slaughter facilities, we understand our responsibility to improve the health and welfare of those animals in our supply chain throughout their lives. Additionally, animal health and welfare are critical for our supply chain as healthy animals assure our ability to serve safe food. For a global restaurant company serving 65+ million customers every day, this is non-negotiable for us.

## Our approach

We have a responsibility to ensure that our suppliers implement practices that protect and improve the health and welfare of animals in our supply chain.

For more than a quarter of a century, we've collaborated with our suppliers, non-governmental organizations (NGO) and animal welfare experts to develop and improve the handling, housing, health and slaughter practices for the animals in our supply chain. In the early 1990s, we developed a set of Guiding Principles for Animal Health and Welfare that continue to direct our work and inform our decisions:

**Quality:** We believe treating animals with care and respect is an integral part of our commitment to serving McDonald's customers safe food. Healthy animals provide safe food.

**Animal treatment:** The Five Freedoms (freedom from hunger / thirst, from pain, injury, or disease, to express normal behavior, and from fear and distress) and the provision of positive welfare for those animals in our supply chain are the fundamental responsibilities of food suppliers to the McDonald's System. We maintain objective measurement systems at all our approved slaughter facilities to safeguard positive welfare and are committed to working further back into the supply chain to advance animal welfare at the farm.

**Partnership:** We're committed to working with our suppliers, industry leadership and NGOs, to continue advancing as the science of animal health and welfare continues to evolve.

**Leadership:** To be a leader, we must act like a leader. We recognize that our position in the global marketplace comes with that responsibility.

**Performance measurement:** We set performance objectives for ourselves, through our suppliers, which drive continuous improvement in health and welfare outcome measures. We also ensure that our purchasing strategies align with our commitment to improving the health and welfare of animals in our supply chain throughout their lives.



**Communication:** We will continue to communicate our plans, programs, processes and progress surrounding animal health and welfare.

## Some of our awards

- McDonald's U.K. was awarded both the 2017 RSPCA Assured's Food Service Award for commitment to Farm Animal Welfare and the Compassion in World Farming 2017 commendation for welfare standards in organic milk supply (a joint award with Arla)
- Henry Spira Corporate Progress Award 2016 by the Humane Society of the U.S.
- Good Egg Award 2016 by Compassion in World Farming for McDonald's Australia and New Zealand
- Best Marketing Award 2016 by Compassion in World Farming for McDonald's UK

## Ethical practices for antibiotic use in food animals

According to the World Health Organization, antibiotic resistance is one of the biggest threats to global health, food security, and development today. The Company has maintained a global vision on antibiotic stewardship in food animals since 2003. In 2017, we released an update to our [Global Vision for Antibiotic Stewardship in Food Animals \(VAS\)](#) (pdf, 183KB), which seeks to preserve antibiotic effectiveness into the future through ethical practices today.

As a framework for antibiotic stewardship, it endorses animal production practices that reduce and, where possible, eliminate the need for antibiotic therapies in food animals, by adopting existing best practices and/or developing new practices. However, we understand that animals, like people, get sick and require treatment. Treating sick animals is consistent with the Company's long-standing commitment to animal health and welfare. Engaging farmers, producers and veterinarians in the responsible use of antibiotics is key to achieving our vision of preserving antibiotic effectiveness for both humans and animals.

With the VAS as our guiding principle, we will develop species-specific policies outlining our requirements and implementation timelines for suppliers providing chicken, beef, and pork to McDonald's restaurants.

As part of our commitment to [responsibly sourced chicken](#), in 2017 we released our Chicken Antibiotics Policy in markets around the world. It sets out to eliminate the use of antibiotics defined by the World Health Organization as Highest Priority Critically Important to Human Medicine (HPCIA) in our chicken supply chain by 2027. We are taking a tiered approach to implementation of this global policy, as follows:

- By 2017: 100% of chicken served in the U.S. is free of antibiotics important to human medicine. We have achieved this goal - since 2016, no chicken served in the U.S. is treated with antibiotics important to human medicine.
- January 2018: HPCIA's eliminated in broiler chicken for Brazil, Canada, Japan, South Korea, the U.S., and Europe,<sup>1</sup> with an exception for Colistin for Europe only;



implementation of all other elements of the Global Chicken Antibiotics policy across all markets, including a prohibition on routine preventive use.

- January 2019: The usage of HPClAs will be eliminated in broiler chickens for Australia and Russia, and Europe plans to have removed Colistin. As of July 2019, all chicken suppliers to Australia and European markets have eliminated the usage of HPClAs in our chicken supply chain. For new suppliers in Russia (added after July 2018), an extension has been granted until the end of 2021, to enable them to responsibly convert their supply chain to colistin-free.
- January 2027: HPClAs will be eliminated in all other designated markets<sup>2</sup> around the world.

As part of our commitment to responsibly sourced beef, in 2018 we released our new [Antibiotic Use Policy for Beef](#). Through this commitment, in partnership with our suppliers and producers, we will reduce the overall use of antibiotics important to human health, as defined with the World Health Organization, across our top 10 beef sourcing markets, representing more than 85% of our global beef supply chain.

Currently, there is limited antibiotic usage data available across the global beef industry. That is why McDonald's, in collaboration with our suppliers and beef producers, is taking a strategic and phased approach:

- First, McDonald's is partnering with supplying beef producers in our top 10 beef sourcing markets<sup>3</sup> to measure and understand current usage of antibiotics across a diverse, global supply chain;
- By the end of 2020, based on what we have learned, we will establish reduction targets for medically important antibiotics for these markets; and
- Starting in 2022 – we will be reporting progress against antibiotic reduction targets across our top 10 beef sourcing markets. [Full Policy Specifics Here](#).

Furthermore, all the milk used in McDonald's U.S. low-fat white Milk Jugs, fat-free chocolate Milk Jugs and Go-Gurt® Low Fat strawberry yogurt will come from cows that are not treated with rbST<sup>5</sup>, an artificial growth hormone.

## Our actions

### At the farm

McDonald's has a long legacy of commitment to Animal Health and Welfare, and has a strong zero tolerance policy on cruelty to any animal within our Global Supply Chain.

Housing is critical to ensuring farm animal well-being and providing environments that are beneficial for overall health. As of 2018, approximately 35% of our global pork volumes are sourced from producers who do not use gestation crates. Across our Europe region<sup>4</sup>, 100% of our pork is sourced from farms that do not use gestation crates. In the U.K. and the Netherlands, we use 100% Royal Society for the Prevention of Cruelty to Animals (RSPCA) Assured pork, which means that all pig farmers are required to provide bright, airy environments for pigs, bedded pens and plenty of space for them to move around.



In the U.S., we're working with pork suppliers to phase out the use of gestation stalls (small enclosed pens) for housing pregnant sows by 2022. By 2017, McDonald's will source pork for its U.S. business only from producers who share our commitment to phase out gestation stalls.

100% of the chickens used for meat in our global supply chain are reared only in cage-free systems. We do not accept any chickens raised in caged housing, inclusive of stacked or patio systems.

### **Raising the bar on chicken welfare**

In 2017, the Company announced a [global commitment](#) to source chickens raised with improved welfare outcomes. We're committed to increased welfare outcomes for chicken sourced for sale in McDonald's restaurants, through:

- Measuring key farm-level welfare outcomes on an ongoing basis, setting targets, and reporting on progress across our largest markets
- Developing state-of-the-art welfare measurement technology
- Providing enrichments to support natural behavior
- Running commercial trials to study the effects of certain production parameters on welfare outcomes
- Implementing third-party auditing
- Transitioning stunning methods in the U.S. and Canada
- Establishing McDonald's Advisory Council for Chicken Sustainability to support our continued journey on chicken sustainability
- Complete an assessment to measure the feasibility of extending these commitments to the remaining global markets where McDonald's operates

These commitments impact more than 70% of our global chicken supply and will be fully implemented on or before 2024.

*"I think it's one of the most comprehensive corporate programs that I've seen for chickens."*

**Temple Grandin, animal welfare expert and livestock researcher who pioneered humane slaughterhouse practices**

### **Live transport**

We recognize that how live animals (beef, pork and chicken) in our supply chain are transported is important. As such, we work with local industry and regulatory authority on live animal transport programs such as those found in Canada, Australia and the E.U., focused on limiting transport time, or when transport times exceed local regulatory guidance, provide feed, water, and rest, as determined best practice. Where legislated (such as in the E.U.), transport time requirements must be met.

No beef may come from cattle that were shipped for more than 24 hours by sea and sent directly to slaughter. Shipment by sea for the purpose of relocating animals (Tasmania to Australia) or for establishing/expanding herd population (Russia from the U.S.) will be



reviewed for exception on a case-by-case basis by McDonald's Global Supply Chain & Sustainability teams. Without prior approval, all beef from such cattle is prohibited from entering the McDonald's supply chain.

We also aim to minimize pre-slaughter transport times in our supply chain, in line with expert animal welfare guidance. In Europe, transport times for beef and pork are by law required to be under eight hours\*. In 2017, this accounted for approximately 30% of global beef volumes and 15% of global pork volumes.

Beef, chicken, and pork suppliers are strongly encouraged to minimize transport times, reducing animal stress. In all cases, company specific animal welfare programs should seek to minimize animal transport times as much as possible.

\*Except in rare, non-routine exceptions that are fully defined in our policy and grounded in the best-interest of the animals.

### **Welfare at slaughter**

The Company has specific expectations to ensure that animals are humanely slaughtered in the approved slaughterhouses within our global supply chain. These expectations are defined in species specific standards and audit criteria and verified through independent audits at these approved slaughterhouses of specific key welfare indicators. These key welfare indicators (KWIs) are objective measurement systems are aligned with recognized national and international standards such as the North American Meat Institute and the World Organization for Animal Health. Slaughterhouses on our approved supplier list are required to meet these welfare standards, which are independently audited annually to ensure compliance.

Stunning animals to assure insensibility prior to slaughter is a critical animal welfare requirement for McDonald's. Failure to meet McDonald's Stun Efficacy requirements will result in immediate de-listment from the Company's approved supply list. Regardless of stun method, any sensible animal observed on the bleed rail constitutes an automatic audit failure. We estimate that more than 95% of chicken and beef volumes in our system are stunned prior to slaughter. The exception being those markets that do not allow stunning prior to slaughter for religious or ritual reasons.

As a global company, we comply with religious slaughter requirements including Halal and Kosher, when required by our customers. For animals subject to religious slaughter, McDonald's religious Animal Health and Welfare standards are strictly observed.

For more than two decades, we have worked with the industry and respected experts, such as Dr. Temple Grandin, to better understand and improve performance on issues associated with animal welfare at slaughter. We remain steadfast in our commitment to improving the health and welfare of animals in our supply chain throughout their lives, and we continue to monitor progress and identify opportunities to improve.

### **Learn More**

- [McDonald's Animal Health and Welfare Guidelines and Audit Criteria: Chickens at Slaughter](#) (pdf, 477KB)



- [McDonald's Animal Health and Welfare Religious Slaughter Requirements](#) (pdf, 331KB)

### **How we stay on track**

We have specific expectations to ensure animals are humanely slaughtered in our global network of approved abattoirs. The abattoirs on our approved supplier list are required to meet these welfare standards, which are independently audited annually to ensure compliance. 100% of the suppliers listed on our approved supplier list that provide the McDonald's System with beef, chicken and pork raw materials are compliant with the Company's requirements. If an approved abattoir fails an audit, it will be immediately suspended from our approved supplier list and shipment of raw material from that facility will cease. In the spirit of continuous improvement, we will work with suppliers to improve their practices and help them develop robust and sustainable corrective action plans, after which they can be re-audited by an independent third-party audit for compliance and re-approved if the noncompliance was addressed. In the case of repeated failed audits, the abattoir will be removed from our approved supplier list.

Our animal health and welfare expectations, along with all other global sustainable sourcing expectations, for all suppliers are outlined in our Global Sustainable Sourcing Guide. Our global and market Quality Systems teams are in frequent contact with our suppliers, reviewing supplier performance to ensure policies are properly implemented and consistently met.

We have also aligned with the National Milk Producers Federation's [Farmers Assuring Responsible Management](#) (FARM) program in the U.S. As of September 2018, all U.S. dairy suppliers have been tracking the percentage of the farms in their supply chain that have completed the FARM 2<sup>nd</sup> party assessment. McDonald's U.S. is on track to achieve its 2020 commitment for all U.S. dairy product suppliers to be able to demonstrate that 100% of farms in their supply chain participate in FARM and have completed the 2<sup>nd</sup> party assessment.

## **Cage-free and free-range eggs**

In the U.S., France, Germany, U.K., Australia, and Canada, we have committed to sourcing only cage-free eggs by 2025 at the latest. We've been cage-free for the breakfast menu in all European markets since 2011 (except Belarus, Russia and the Ukraine, which account for approximately 6% of whole eggs in Europe).

**U.S.:** In April 2019, McDonald's USA announced that we are making significant progress toward our commitment to source 100% cage-free eggs by 2025. The egg supply chain is now 33% percent cage-free, and in 2019 we will source more than 726 million cage-free eggs for our McDonald's U.S. restaurants.

**Canada:** Committed to source 100% cage-free eggs by 2025.



**UK:** Breakfast menu contains free-range eggs sourced from British and Irish farms, most of which are independent and family-owned. All eggs conform to the Lion Quality Code of Practice or equivalent and meet strict RSPCA Assured standards.

**Germany:** Exclusively uses free-range eggs for its breakfast menu and in all sauces.

**France:** Uses only French-sourced and free-range eggs for Egg McMuffins. In 2017, McDonald's France used over 7.3 million eggs for Egg McMuffins.

**Australia:** As of the end of 2017, McDonald's Australia uses 100% cage-free eggs for their breakfast McMuffins, wraps, and burgers.

**New Zealand:** McDonald's New Zealand uses free-range eggs sourced from New Zealand farms for their breakfast McMuffins, wraps, and burgers.

**Netherlands:** 100% of the eggs used in menu and as ingredients in McDonald's Netherlands products are free range.

1. For the sake of this policy, Europe includes the following countries: Austria, Azerbaijan, Belarus, Belgium, Bosnia & Herzegovina, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Ireland, Italy, Kazakhstan, Latvia, Lithuania, Luxembourg, Malta, Moldova, Netherlands, Norway, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Switzerland, Sweden, United Kingdom, Ukraine.

2. Markets covered by the policy include; Brazil, Canada, Japan, South Korea, the U.S., Australia, Russia, China and Europe.

3. Australia, Brazil, Canada, France, Germany, Ireland, New Zealand, Poland, the U.K and the U.S.

4. Our Europe region is defined as countries within the EU, plus Norway and Switzerland.

5. No significant difference shown between milk from rbST-treated and non-rbST treated cows.



# Our Planet

From farm to front counter, we're working to minimize the environmental impact of our business across the value chain. This includes reducing our greenhouse gas emissions to support a low-carbon economy and minimizing waste and water impacts.

## Climate action

Climate change is the biggest environmental issue of our time, affecting McDonald's customers, employees and everything from our supply chain to the thousands of communities around the world in which we operate.

McDonald's is the first global restaurant company in the world to set a science based target to significantly reduce our greenhouse gas emissions, to help address this defining issue for current and future generations.

## Sustainable packaging and recycling

We're reducing the amount of paper and plastic packaging we use, working with suppliers to source materials responsibly and designing more recyclable packaging. We're also strengthening recycling activities in McDonald's restaurants and supporting community initiatives to increase recycling access and reduce litter.

## Conserving forests

We are committed to protecting not only forests in the production regions from which we source but also areas of high conservation value and the communities that depend on them around the world.

## Minimizing waste

Beyond our efforts to tackle waste by reducing the amount of packaging we use and offering more restaurant recycling options for our customers, our commitment to minimizing waste extends back through our kitchens and across our supply chain.

## Protecting water resources

With agriculture accounting for 70% of global freshwater usage, and a reliance on local water sheds to provide beverages to our customers and keep our restaurants running, water is vital



to our business model. As a company, we intend to develop a holistic strategy, spanning water conservation, stewardship, quality and use.

## **Transporting our food**

As well as ensuring thousands of products arrive at McDonald's restaurants each day safely and in the best condition, our logistics providers are working to minimize the environmental footprint of our distribution activities.

## **Sustainable restaurant design**

We focus on smart restaurant and equipment design to deliver the most resource-efficient restaurants possible. This means minimizing our use of energy and water, and maximizing use of renewable energy wherever possible.



# Conserving Forests

We're committed to eliminating deforestation from our global supply chains, and promoting responsible forestry and production practices that benefit people, communities and the planet. We work in partnership with our suppliers to make this happen.

## Why it matters

People, plants and animals rely on forests for food, fresh water, resources and shelter, and forests play a vital role in absorbing greenhouse gas (GHG) emissions and creating oxygen. But forests around the world are under threat from deforestation and forest degradation, and the UN's Food and Agriculture Organization states that 18 million acres of forest – an area equivalent to Ireland – are being destroyed each year. Deforestation contributes to global GHG emissions and results in losses of biodiversity, displacement of indigenous communities and animal populations, and is a risk to the security of supply of our raw materials.

To help conserve our world's forests, McDonald's supports sustainable food production across our supply chains.

## Our approach

Our aim is to eliminate deforestation from our global supply chains by 2030.

Our [Commitment on Forests](#) (pdf, 350KB) and its [supporting addendum](#) (pdf, 491KB) set out our vision to achieve this, starting by 2020 with raw materials that we buy in the greatest volume and where we can have the biggest impact – beef, chicken (including soy in feed), palm oil, coffee and the fiber used in customer packaging. Our commitment also extends beyond forests, to areas of high conservation value, and to the individuals and communities around the world who depend on forests.

We are also a signatory to the [New York Declaration on Forests](#) (pdf, 786KB), a shared commitment from some of the world's most influential countries, companies and NGOs to help end deforestation by 2030, and to eliminate deforestation from private-sector supply chains of agricultural commodities such as beef, soy, palm oil and paper products by 2020. Our work on protecting forests supports the UN Sustainable Development Goals, a global agenda to end poverty, protect the planet and ensure prosperity for all, specifically:

- [Goal 13 – Climate action](#) (specifically target 13.2).
- [Goal 15 – Life on land](#) (specifically targets 15.1, 15.2 and 15.5).
- [Goal 17 – Partnerships for the goals](#) (specifically target 17.16).

As well as these, we've mapped our [Scale for Good initiatives](#) to all 17 goals.



## Identifying risk

McDonald's partnered with the World Wildlife Fund (WWF) and suppliers to map our five priority commodity supply chains to identify product origins and assess the risk of deforestation. Through this process we were able to identify high-risk geographies from which we source. This assessment paired McDonald's supply chain data with that of the eleven world regions accounting for the majority of deforestation, based on WWF's Living Forests report. It was an important first step for us to understand exactly where our commodities were at risk, and where we could take action to drive the greatest positive impact.

This chart shows which sourcing countries have been identified as having high risk regions for our priority commodities, using the WWF Living Forests report data.

## Measuring progress

We report our progress annually through CDP Forests, as well as on McDonald's corporate website.

### Definitions

Verified Compliant with our Commitment on Forests:

- '*Low Risk*' means that volumes have been traced back to countries, biomes, municipalities, postcodes or farms/plantations that are classified as no or low risk of deforestation, in line with the World Wildlife Fund (WWF) Living Forests Report. McDonald's works with WWF to assess this risk annually. For beef and soy, we also partnered with [Proforest](#) and [Agrotools](#) to develop a risk methodology, aligned with the [Accountability Framework](#) Initiative, which assesses risk associated with specific postcodes, municipalities or farms.
- '*Verified Compliant*' means that volumes are verified as compliant with McDonald's Commitment on Forests through monitoring, assessments or certifications, such as the Roundtable for Responsible Soy. (See [goals and progress](#) for more information on each commodity). We work with suppliers and expert advisors to determine the appropriate level of visibility and traceability needed for each commodity to ensure responsible production at origin and to verify our supply is compliant with our commitment. Each third party program used to verify that volumes are compliant must meet the environmental and social criteria outlined in McDonald's Commitment on Forests, where applicable and material to the commodity and geography. (Definitions of each criteria is aligned with the [Accountability Framework Initiative](#) and industry standards where they exist).
- '*High Risk Not Yet Verified Compliant*' means that volumes are sourced from a high-risk country that is not yet verified as compliant with our Commitment on Forests. This does not mean that those locations are not compliant – it just means that we have not verified that to be the case.



*“McDonald’s is taking significant steps to protect the world’s biologically diverse tropical forests and grasslands, and to make no conversion, deforestation or forest degradation a reality in their supply chains. WWF partnered with McDonald’s to create its Commitment on Forests in 2015, which included identifying the company’s highest risk commodities and geographies to help prioritize efforts. Since then, McDonald’s has played a leading role in testing and implementing recently launched guidance from the Accountability Framework initiative which consolidates effective practices that ensure critical biomes are not compromised at the expense of commodity production.”*

**Jason Clay, Senior VP Markets, WWF US**

### **Working with our suppliers**

The size and scale of McDonald’s supply chain, combined with our global business relationships with leading suppliers, results in a ripple effect of change across industries. We know that the policies and expectations that McDonald’s sets and the commitments and programs that our suppliers create are watched closely, and we are encouraged by this – because we know that no company can tackle deforestation alone. Where we have identified a risk of deforestation, we require our suppliers to put implementation plans in place to mitigate that risk and ensure compliance with our [Commitment on Forests](#), as well as reporting on progress and compliance annually. Many of our suppliers are signatories to the New York Declaration on Forests and we rely on our trusted and collaborative partnerships to deliver on our 2020 and 2030 forest commitment.

### **Developing transformative and tailored approaches**

Our ambition is to drive transformative practices by testing cutting edge technology, such as satellite mapping, and utilizing industry-standard definitions from the Accountability Framework Initiative and the Collaboration on Forests and Agriculture to define our work. We recognize that each commodity supply chain is different and production practices vary depending on the local context. That’s why it is critical that we work collaboratively with suppliers and expert partners to develop tailored solutions, strategies and definitions that are practical and effective.

For example, no existing certification scheme or credible process existed for tackling deforestation in beef supply chains so we established a relationship with Proforest, a not-for-profit organization focused on responsible production and sourcing, and AgroTools, a Brazilian ag-tech company and certified B-Corp that provides advanced monitoring technology, to increase our ability to monitor our beef supply chain and to help our suppliers take targeted action. During this process we aligned closely with NGOs like the World Wildlife Fund and tested emerging standards from groups like the Accountability Framework Initiative.

In 2013, we started working with [AgroTools](#) to track the origin of all the beef exported from Brazil and sold in McDonald’s restaurants around the world. We then developed a strategy in partnership with Proforest to define deforestation risk across the vast landscape of the Cerrado, determine the level of risk in specific locations, and assess whether deforestation was actually happening at the farm level. This process enables us to work with suppliers to



tackle deforestation where it is happening. We have expanded this project to include beef supplied from other high-risk regions: Argentina, Australia and Paraguay.

*“As McDonald’s Franchisee in Paraguay, Servicios Rápidos is proud to partner with our suppliers and the corporation to ensure the high-quality beef that is produced in Paraguay meets our global Commitment on Forests. The beef industry in Paraguay is demonstrating that the country is leading on conserving forests and producing beef sustainably. We are excited that the Global Roundtable on Sustainable Beef Conference will be hosted in Paraguay in 2020 and will help to showcase the leadership underway in Paraguay.”*

**Edgar Vuyk, Chief Operating Officer Servicios Rápidos**

## **Our approach to our beef supply chain**

### 1. Policy development and adaption

The McDonald’s Deforestation-Free Beef Procurement Policy (“Policy”) was developed for implementing the McDonald’s Commitment on Forests in our beef supply chain in line with the McDonald’s Global Sustainability Framework; Strategic Sustainability Process; and Global Sustainable Sourcing Guide. This Policy applies to a list of priority countries (Argentina, Australia, Brazil and Paraguay), where deforestation has taken place and/or is projected to take place. Each priority country has a distinct context, and for that reason, Proforest and AgroTools have gone through the process of adapting the Policy to the local context, including alignment with local expert NGOs.

### 2. Risk analysis at the territory level

The risk analysis is an important step to prioritize and direct efforts. We identify the main regions where McDonald’s beef is being sourced from within the high-risk countries and divide those regions into a smaller set of locations. AgroTools’ TerraSafe analysis tool uses a range of data sources to assess the level of risk within those specific locations - such as using the local definition of forests, and maps of peatlands, environmental hotspots, and other social and environmental aspects relevant in each location. This results in a risk score per location.

### 3. Slaughter-house engagement

We engage with slaughter-houses, prioritizing those with the greatest levels of supply to the McDonald’s System and the level of risk, based on their location. We require facilities to identify each farm that supplies the slaughter-house, and using the location risk-score AgroTools created we identify which farms are high risk.

### 4. Farm-assessments

While a farm location may be high-risk, it does not mean that deforestation is happening. AgroTools runs a farm level assessment, using satellite imagery of the farm area along with data analysis, to assess whether the farms are in compliance with our deforestation-free beef policy. Suppliers are expected to implement continuous improvement plans with any farms in their supply chain which are not in compliance to bring them up to compliance.



This reliable, real-time, level of detail has given us confidence in the changes that are being made in our high-risk beef regions, and allows us to continue to monitor our low-risk areas as well. It also means we can monitor and assess practices at scale, which helps us to progress toward our goals quicker and to achieve more. [View our risk maps.](#)

*“We have worked with McDonald’s for over five years, implementing a real digital transformation to drive their decision-making process and supply chain efficiency globally. As a leading Agtech company, dealing with significant challenges worldwide, we must use the most advanced technologies, multi-data sources, data analytics, sensors and innovative methods to build business cases for action. That’s exactly what we have been doing with McDonald’s so far.”*

**Sergio Rocha, Founder and CEO of Agrotools**

## Our actions

### Partnering to end deforestation

We know that we must work on wider industry transformation to achieve our ultimate aim of halting deforestation. To do this, we work in partnership with others – suppliers, governments, non-governmental organizations (NGOs) and other key stakeholders. McDonald’s is active in many multi-stakeholder dialogues to bring attention to forests and help drive action toward our goals. We also engage with a range of industry organizations and forums to identify solutions. These include:

- [CDP Forests](#) – In addition to our annual CDP Forests report, the Company joined [CDP Supply Chain Forests group](#) as a founding member in 2017, alongside one of our largest Franchisees Arcos Dorados.
- Cerrado Manifesto Statement of Support- In October 2017, we, along with 23 other global companies, launched a [statement of support](#) (pdf, 44KB) for the objectives of the [Cerrado Manifesto](#) (pdf, 400KB), reaffirming our individual and collective commitment to halting forest loss associated with agricultural commodity production and recognizing the critically important role played by the Cerrado for its role in climate change mitigation, biodiversity, water and agricultural production.
- [Collaboration for Forests and Agriculture \(CFA\)](#) – The focus areas of this work (beef and soy in the Brazilian Amazon and Cerrado, and the Gran Chaco in Argentina and Paraguay) align closely with our sourcing regions and products. We are providing continuous feedback to its framework and actively working to support solutions that help protect forests and native vegetation in the Amazon, Cerrado and Chaco.
- [Global Roundtable on Sustainable Beef \(GRSB\)](#) – McDonald’s is a founding member of the GRSB, and since 2011, has worked closely with industry leaders to bring together stakeholders from across the supply chain in order to drive collaboration and action around beef sustainability – which includes the conservation of forests. To support the delivery of the GRSB principles and criteria on the ground, McDonald’s has helped set up/ participates in national and regional multi-stakeholder platforms such as in Argentina, Brazil and Paraguay. Forests have also been featured on the agenda at GRSB Latin America meetings, and we are excited that Paraguay will host the GRSB



Global Conference in 2020 to showcase their leadership efforts on forest conservation and beef production.

- [Good Growth Partnership](#) – We're actively engaged in this collaboration between the UN Development Program, the Global Environment Facility, the International Finance Cooperation, World Wildlife Fund and Conservation International, and we are using GGP tools to support implementation of our forests policy.
- [Tropical Forests Alliance \(TFA\)](#) and its Latin America Working Group – A global public-private partnership in which McDonald's is taking voluntary actions to reduce the tropical deforestation associated with the sourcing of commodities such as palm oil, soy, beef, and paper and pulp.

*"McDonald's is an active member of the Tropical Forest Alliance (TFA), a platform hosted by the World Economic Forum that brings together governments, civil society and the private sector to address the critical issues of deforestation and forest degradation. McDonald's leadership within the TFA demonstrates a growing commitment to driving transformational change not only in their own supply chain, but also more broadly across industries and jurisdictions."*

**Justin Adams, Executive Director Tropical Forest Alliance**

*"Finding the balance between competing pressures on forests and other natural resources is a critically important and complex challenge. We applaud McDonald's for their ongoing efforts to not just avoid unsustainable practices in their supply chains, but to work constructively with their suppliers, governments, NGOs and communities to find practical and positive solutions."*

**John Buchanan, Vice President Sustainable Production Center For Environmental Leadership In Business, Conservation International**

## Demonstrating progress

McDonald's is proud to support the group of NGOs that make up the [Accountability Framework](#) Initiative as they work to create common definitions and guidance for establishing, implementing, and demonstrating progress on ethical supply chain commitments in agriculture and forestry.

McDonald's incorporated the Accountability Framework Initiative's initial guidance into our Deforestation-Free Beef Procurement Policy and our raw material specifications for beef, while providing feedback on the practical application of this important set of guidance. Additionally, in alignment with the Accountability Framework Initiative's reporting expectations, McDonald's believes it's critical that companies adopt a more transparent and consistent approach to tracking progress, clarifying what progress has been made at various stages of the implementation journey, as well as challenges that remain.

One of the ways McDonald's has been working to adopt a transparent and consistent approach is through our work with [Proforest](#). We have an ongoing relationship to develop criteria, definitions and protocols for our sourcing activities, as well as implementing a strategy for engaging with our suppliers and monitoring and supporting their continuous



improvement. Since 2017, McDonald's has been one of several organizations to work with [Proforest](#) to develop a comprehensive framework to report on commitments to conserve forests. This framework aims to provide greater transparency on the implementation phases of forest commitments and give visibility into the actions of companies as commodities move from being an unknown risk to demonstrating delivery on commitments to conserve forests. We believe that this is the most transparent way in which to demonstrate progress, as it reflects the work and analysis necessary throughout the process of a commodity becoming free from deforestation. Once finalized, we look forward to utilizing this framework to report on our commodities' progress toward our commitment.

*"McDonald's have demonstrated a commitment to leadership, clear focus on practical implementation and results, and a collaborative approach, which to date has made the implementation of its Commitment on Forests a relatively quick, efficient and transparent process. This is despite all of the complexities linked to the different supply chains and the sustainability challenges in the producing regions of their raw materials. Proforest is proud to provide technical support to McDonald's on this journey towards deforestation-free supply chains."*

**Neil Judd, Co-founder and Director**

## Supporting jurisdictional approaches

We are supportive of jurisdictional approaches as they enable companies sourcing agricultural commodities to collaborate with local governments, communities, and producers in their sourcing region. By working together, we can all ensure that local laws, regional efforts, and corporate policies work in concert to make regions deforestation-free. One of the leading jurisdictional approaches is the Produce, Conserve, Include (PCI) strategy in Mato Grosso, Brazil. McDonald's has been mapping our beef volumes sourced from the Mato Grosso area to understand what volumes of beef our suppliers buy from this jurisdiction for the McDonald's system and exploring ways to support this jurisdictional approach.

One of the projects under the PCI strategy is the PECSA Program (formerly Novo Campo), a program that McDonald's and Arcos Dorados - our Franchisee in Latin America - participated in along with the Brazilian Roundtable on Sustainable Livestock, local NGOs and industry partners. The PECSA Program aims to help eliminate deforestation in the Amazon Biome and to meet the Global Roundtable for Sustainable Beef principles and criteria. With a target to restore 10,000 hectares of degraded land to improved pastures, the PECSA Program focuses on the recovery of degraded pastures and improvements in animal management, protecting the area's biodiverse ecosystems.



## Overall Commitment on Forests Goals

**2020:** Eliminate deforestation in supply chains for our beef, chicken (including soy in feed), palm oil, coffee and the fiber used in guest packaging by 2020<sup>1</sup>. Below, you can find more information on our progress in these primary commodities against our 2020 goal.

**2030:** Eliminate deforestation from our global supply chain by 2030.

## Commodity Goals

### **Beef:**

- By 2020, in regions with identified risks relating to the conservation of forests, verify that the beef sourced from those regions comes from farms where primary forests and high conservation value lands are preserved. This is part of our Global Commitment on Forests and includes regions outside of our top 10 beef sourcing countries<sup>2</sup>.

### **Progress:**

#### **2018 Global Progress:**

- As of the end of 2018, 84% of McDonald's global beef supply is verified as compliant with our Commitment on Forests. This is a combination of beef coming from high-risk locations which has been verified through farm assessments, as well as beef traced back to locations with a low risk of deforestation.
- Through our risk assessment, we determined that 18% of our beef supply was from high-risk locations (as of 2018). We identified the Chaco in Argentina and Paraguay, the Amazon and Cerrado in Brazil and Queensland in Australia as high-risk regions for deforestation associated with beef production. Recognizing that not all areas within these regions are high-risk, McDonald's completed a risk analysis for each area in order to determine where to prioritize efforts. This analysis was completed using the WWF Living Forests report and will be reviewed on an annual basis.

### **Soy in chicken feed:**

- By 2020, source soy for chicken feed that does not contribute to deforestation.
- By 2020, 100% of soy used in the feed of chickens supplied to our restaurants in Europe will be covered by sustainability certifications.

#### **2018 Global Progress:**

McDonald's completed a forest risk assessment of the facilities and farms that produce chicken in our supply chain. The results indicated that the footprint and impact on forests of these facilities was immaterial compared to soy production. As a result, soy was prioritized for action. Facilities and farms will be revisited in our annual supply chain assessment.



As of the end of 2018, 72% of McDonald's global soy supply is verified as compliant with our Commitment on Forests. This is a combination of soy coming from high-risk locations which has been certified, through [ProTerra](#) or RTRS certification, as well as soy traced back to locations with a low risk of deforestation.

We have identified the regions where our suppliers source soy that have high deforestation risks. We have also taken a conservative approach and assumed that all soy used in the feed of chickens supplied to our restaurants in Europe, APMEA and Latin America is high risk, until further traceability is established as to their origin. This approach was informed by a traceability analysis we completed which demonstrated that the soy produced in Latin America is flowing into the chicken supply chain of Europe, APMEA and Latin America. We determined that 47% of our system's global soy supply, used in the feed of chickens, is from high-risk locations (as of 2018).

Our goal states that, at a minimum, [Roundtable on Responsible Soy](#) Book & Claim certificates will cover all soy volumes used in poultry feed where the soy is produced in Argentina, Brazil or Paraguay. We are also reviewing alternative programs to determine if they can verify that soy being produced under the Soy Moratorium in the Amazon is not being produced in the Cerrado or Chaco, or is produced under conditions that meet all of our Commitment on Forests criteria.

#### **European Progress:**

As of the end of 2018, approximately 74% of the soy volumes used in the feed of chickens supplied to McDonald's restaurants in Europe was covered by a combination of [ProTerra](#) or [Roundtable on Responsible Soy](#) certification.

#### **Palm Oil:**

- By 2020, 100% of the palm oil used in McDonald's restaurants and as ingredients<sup>3</sup> in McDonald's products will support sustainable production.
- All centrally managed suppliers of restaurant and par-fry oil must:
- Be active members of the RSPO and report through the RSPO Annual Communications of Progress.
- Have a public commitment to eliminate deforestation and supporting strategy.
- Have a strategy for traceability to the mill and plantation level.
- Be committed not to source from peatlands, high conservation value land and high carbon stock forests.
- Be committed to uphold human rights at the plantation level and Free and Prior Informed Consent.
- Have a third-party verification process.
- Have a strategy to address any open grievances.

#### **2018 Global Progress:**

- 100% of our palm oil supply has been Roundtable for Sustainable Palm Oil (RSPO) certified since 2017, in compliance with our Commitment on Forests.



- We are committed to increasing traceability for the palm oil used in the McDonald's system in the greatest volumes, which means we are increasing our physical RSPO volumes (Segregated and Mass Balance). Our volumes of physical certified oils have increased from 11% in 2017 to 58% in 2018.
- Since 2016, all direct suppliers of restaurant and par-fry oils submitted documentation outlining that they have policies and programs in place to fulfil the requirements outlined in our Sustainable Palm policy.

### **Coffee:**

- By 2018, all coffee from high-deforestation risk regions<sup>4</sup> will be sourced from Rainforest Alliance-Certified farms.

### **2018 Global Progress:**

- As of the end of 2018, 97% of McDonald's global coffee supply is verified as compliant with our Commitment on Forests. This is a combination of; coffee coming from high-risk locations which is Rainforest Alliance certified, as well as coffee traced back to locations with a low risk of deforestation.
- Through our risk assessment, we determined that 7% of our global coffee supply, is from high-risk locations (as of 2018). Of the coffee grown in high-deforestation risk countries, 60% was Rainforest Alliance certified in 2018.
- While we have not met the timeline for this goal, we are working diligently with our supply chain to source the remaining 3% of our high-risk supply from Rainforest Alliance Certified farms.

### **Fiber:**

- By 2025, 100% of McDonald's guest packaging will come from renewable, recycled or certified sources.

**Interim target:** 100% of primary fiber-based guest packaging<sup>5</sup> will come from recycled or certified<sup>6</sup> sources where no deforestation occurs by 2020.

### **2018 Global Progress:**

As of the end of 2018, 94% of McDonald's global fiber supply, used for primary fiber-based guest packaging, is verified as compliant with our Commitment on Forests. This is a combination of; fiber coming from high-risk locations that has been FSC certified, as well as fiber traced back to locations with a low risk of deforestation.

Through our risk assessment, we determined that 9% of our fiber supply, used for primary fiber-based guest packaging is from high-risk locations (as of 2018).

As of the end of 2018, 81% of our primary fiber-based guest packaging came from third-party verified recycled or certified fiber (FSC, Programme for the Endorsement of Forest Certification™ or PEFC-endorsed) sources.

<sup>4</sup> 2020 goals conclude December 2020, unless otherwise stated.



<sup>2</sup> High risk regions for beef include Argentina, Australia, Brazil and Paraguay and top 10 beef sourcing countries include the U.S., Australia, Germany, Brazil, Ireland, Canada, France, New Zealand, the U.K. and Poland.

<sup>3</sup> Ingredients includes any type of palm oil used directly as an ingredient in a McDonald's product and listed on the product's ingredient statement.

<sup>4</sup> High deforestation risk regions for coffee include Honduras, Indonesia, and Vietnam.

<sup>5</sup> All primary guest packaging made from paper/ board sold to McDonald's globally must be certified by Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC). FSC is required when fiber is sourced from the following high deforestation risk countries: Russia, China, Malaysia, Indonesia, Laos, Vietnam, Cambodia, and Argentina by 2020.

<sup>6</sup> Primary guest packaging refers to products that are used to package guest food on premises at McDonald's restaurants. This type of packaging includes containers, cups, wraps, bags for food, beverages, napkins, and cup carriers. The goal excludes food packaged off-site, wood, and limited locally sourced items.



# Minimizing Waste

While making it easy for customers to sort and recycle their meal packaging in our restaurants, we're also going behind the scenes in our kitchens and supply chain. We're working with suppliers to reduce, reuse and recycle in farms and factories, across our value chain.

## Why it matters

The UN estimates that every year, a third of all food produced is either discarded, by consumers or retailers, or spoiled due to poor handling. If food loss and waste were its own country, it would be the third-largest greenhouse gas emitter.<sup>1</sup> This is an important issue for our customers, our communities and our business.

It's simply not right that good food and precious resources go to waste, and we want to use our scale to help tackle the issue.

1 Sources for first and second sentences: <http://www.fao.org/food-loss-and-food-waste/en/> and <https://www.unenvironment.org/regions/north-america/regional-initiatives/minimizing-food-waste> respectively.

## Our approach

Through experience we know each form of waste involves its own issues and has its own unique solutions, so we believe our most effective role is to build momentum around different aspects of packaging, food waste and recycling through a variety of actions and more targeted goals, including customer-facing initiatives, community programs and working with our suppliers. We recently announced the latest step in this ongoing journey: our [2025 goals to improve our packaging and reduce lobby waste](#).

Our efforts to minimize waste in our kitchens and supply chain support the [UN Sustainable Development Goals](#), a global agenda to end poverty, protect the planet and ensure prosperity for all, specifically:

- [Goal 11 – Sustainable cities and communities](#) (specifically target 11.6).
- [Goal 12 – Responsible consumption and production](#) (specifically targets 12.3 and 12.5).
- [Goal 17 – Partnerships for the goals](#) (specifically targets 17.16).

As well as these, we've mapped our [Scale for Good initiatives](#) to all 17 goals.

## Food waste

We want to ensure that our food serves its purpose of feeding people. In several countries, we've started working with our suppliers to reduce food loss and waste in our supply chains

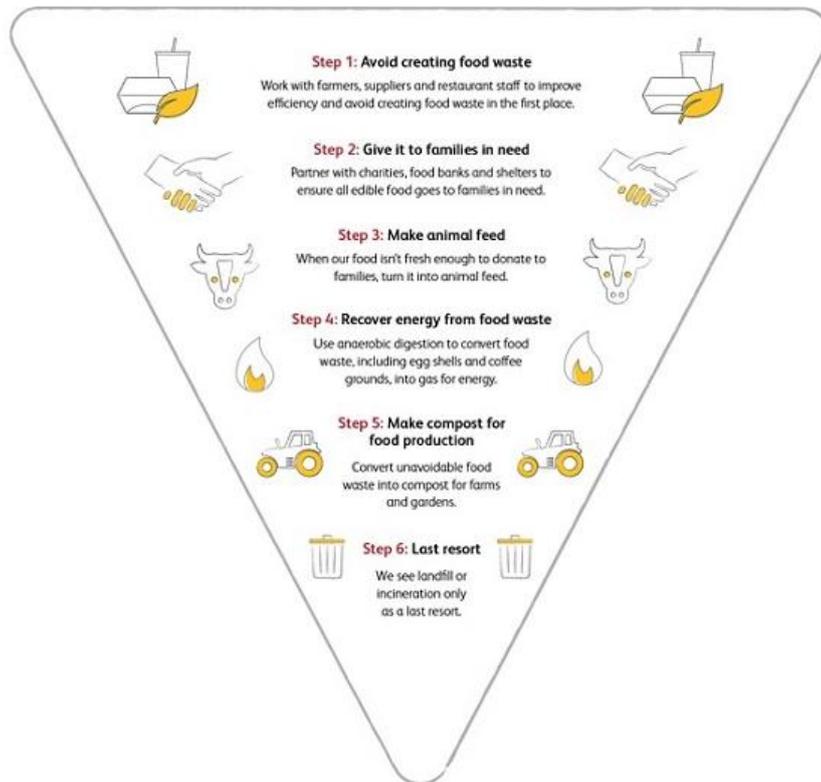


and with our Franchisees to reduce food going to waste in restaurants. Yet we recognize that there is a lot more to be done.

In 2018 we have developed a Global Food Disposition Policy, which will encourage our suppliers and distributors globally to dispose of food in alignment with the food waste hierarchy, including enabling food donations to be made where possible.

### Less is more: our food waste hierarchy

(Adapted from EPA's Food Recovery Hierarchy)



### Other kitchen waste

Around the world, our restaurants recycle kitchen waste materials, such as cooking oils, polyethylene foils, and corrugate or cardboard used in packaging, all of which can be turned into useful new resources. In Europe, countries have regularly reviewed roadmaps to minimize waste, with annual tracking to monitor progress.

## Our actions

### Fired up with cooking oil

Our long-term objective is to minimize food and packaging waste to landfill. Our logistics providers can play a key role by collecting and backhauling the waste when they drop off the



supplies at the restaurants. This not only helps recycle material from restaurants in remote locations but it also reduces road mileage because a waste company doesn't have to collect.

In the U.K., our logistics partner's fleet runs on biodiesel; around 50% of which is from our used cooking oil. **That's a saving of over 11,700 tonnes of CO2 emissions annually when compared to ultra-low-sulphur diesel.**

### **Food donations in the U.S.**

In the U.S., the McDonald's Food Donation Program in partnership with Food Donation Connection has 868 registered restaurants and has donated over 630,000 pounds of food to charities in need, as of January 2019.

### **Round in circles**

In the U.K., food waste from kitchens is taken to an anaerobic digestion plant which makes renewable energy. Microorganisms break down the food, turning it into bio-fertilizer for farmers, and biogas for the national grid and dairy businesses, where heat is used to pasteurize the milk and power the packing lines. Fresh organic milk is then transported to McDonald's restaurants across the U.K. – the full circle!

### **Foodbank, Australia**

In Australia, we're working with logistics partner Martin Brower Australia to support [Foodbank](#), a nonprofit organization that provides food to charities and community groups. The partnership has resulted in regular donations of surplus food to Foodbank's recipients, avoiding it being sent to landfill.



# Protecting Water Resources

With agriculture accounting for 70% of global freshwater usage, and a reliance on local water sheds to provide beverages to our customers and keep our restaurants running, water is vital to our business model. As a company, we intend to develop a holistic strategy, spanning water conservation, stewardship, quality and use.

## Why it matters

Whether from the seas and oceans or from freshwater sources, water is one of the world's most precious – and under-pressure – resources. Farming uses over two-thirds of the world's fresh water, making it critical to our business. We need clean water to process raw materials in our food and drinks, and to keep McDonald's restaurants clean.

Climatic events, extreme weather and growing demand for water are all adding pressure to water supplies. Heavy storms and extreme temperatures can destroy crops, contaminate freshwater supply and strand our operations. What's more, the infrastructure in place to help mitigate some of these challenges is crumbling and costs associated with their improvement are expected to rise. That's why it matters to us that we have a clear strategy to manage our impact on water and play our part in protecting the availability and quality of this vital resource.

## Our approach

Because water is so essential to our entire business, we're developing a holistic strategy around both the conservation of clean water and its efficient and safe use. To do this, we partnered with experts like World Wildlife Fund (WWF) and the World Resources Institute to identify the risks and create a stewardship approach that will drive actions and improvements across our entire value chain.

McDonald's has also been working on this strategy in partnership with Franchisees and suppliers. In order to inform our strategy, we conducted a water risk analysis in 2016 to better understand the exposure of restaurants and suppliers to water risk. McDonald's has also signaled the importance of water to our suppliers by including it in our Global Sustainable Sourcing Guide. We regularly update this guidance as we establish new targets and assess emerging risks across the supply chain.

Water is also inherently tied to McDonald's climate strategy. Through actions we take to meet our targets across our supply chain and in company and franchised restaurants, McDonald's seeks to reduce the water footprint of our supply chain, especially related to agriculture and row crops.

Our work on water supports the UN Sustainable Development Goals, a global agenda to end poverty, protect the planet and ensure prosperity for all, specifically:



- [Goal 6 – Clean water and sanitation](#) (specifically target 6.4).
- [Goal 14 – Life below water](#) (specifically targets 14.1 and 14.4).
- [Goal 17 – Partnerships for the goals](#) (specifically target 17.17).

As well as these, we've mapped our [Scale for Good initiatives](#) to all 17 goals.

## Our actions

### Tapping into water savings in the U.S.

To gather data around four key areas of water management – irrigation, public and staff amenities, cleaning and beverage services – we conducted water surveys in McDonald's restaurants in the U.S in 2018. The findings have helped us and our Franchisees to identify and prioritize water savings and improvement opportunities, and the results have been shared across other restaurants, especially in areas of water stress.

Our U.S. restaurant construction and remodel standards now include low-flow urinals and high-efficiency faucets that use less water. We also encourage the use of native and/or drought-tolerant landscaping, along with storm water management through the use of rain gardens, permeable pavement and rainwater collection and reuse.

### No more water down the drain in Switzerland

In Switzerland, we've installed Urimat dry urinals in all restaurants. With a special siphon and large-scale float, this system neutralizes odors and helps to save significant amounts of water. In fact, every year McDonald's saves around 45 million liters of water from this program – that's the same as 10% of our total freshwater requirement and means savings in water bills too.

### Taking the stress out of water stress in Australia

Water scarcity is a real concern in Australia. This means water conservation is an important issue for McDonald's Australia restaurants. We've taken a number of initiatives to reduce water use, such as using rainwater harvesting for irrigation and landscaping. Also, water-efficient fixtures – such as our spray rinse gun – have flows set at optimal levels and trigger mechanisms to reduce water use further. Education is also important. Restaurant managers and crew members all receive training on water use, detailed landscaping guidelines are provided, and external rainwater storage tanks now carry information to guide the public on the importance of water reuse and our commitment to protecting water.

### Bringing dead ocean zones to life

We've joined the [Midwest Row Crop Collaborative](#), a group of large companies and NGOs working together to tackle water challenges like the Gulf hypoxia dead zone, an area of low to no oxygen that can no longer support fish or other marine life. It's also looking at the factors contributing to climate change by working with growers. The targets for the group are aligned with the U.S. Environmental Protection Agency's Gulf Hypoxia Task Force.



# Transporting Our Food

With over 37,000 restaurants around the world, McDonald's logistics providers need to ensure that everything – from food and drink to packaging and toys – is delivered to the right place at the right time, with minimal environmental impact.

## Why it matters

McDonald's logistics network transports our food products more than 250 million miles every year. As well as ensuring thousands of products arrive at McDonald's restaurants each day safely and in the best condition, our logistics providers are working to minimize the environmental footprint of our distribution activities by reducing the distances our products travel, moving toward alternative fuels and making product journeys as efficient as possible.

## Our approach

Our vision is to work with our suppliers to achieve world-class logistics operations with the lowest-possible environmental footprint. We have a twofold approach to reducing greenhouse gas emissions:

1. Using fewer miles and less fuel through continuous routing improvements, innovations like engine-less cooling and air deflectors, and ongoing trucker training.
2. Increasing the use of alternative fuels with lower emissions.

In 2013, our logistics suppliers launched an efficient and sustainable logistics program covering 10 initiatives across distribution centers and fleets in Europe. These include:

- Monitoring electricity consumption in warehouses and fleet fuel usage.
- Optimizing network designs and routes.
- Modifying vehicle specifications to improve fuel efficiency.
- Expanding the use of alternative fuels.

Minimizing waste is another focus and our suppliers have a number of ongoing initiatives at distribution centers. Using available loading capacity, trucks in some countries “back-haul” waste from McDonald's restaurants when returning to the distribution centers. This helps to recycle waste streams like cardboard, used cooking oil and some plastics, and reduces mileage in the process. Innovating in transportation thus goes hand in hand with how we're [eliminating waste](#) from our kitchens and supply chains.

We encourage our logistics providers to set sustainability goals for their operations. They are responsible for tracking energy and fuel use, as well as the amount of materials recycled or sent to a landfill; they report this data to us on an annual basis. Our logistics operations



support the [UN Sustainable Development Goals](#), a global agenda to end poverty, protect the planet and ensure prosperity for all, specifically:

- [Goal 9 – Industry, innovation and infrastructure](#) (specifically target 9.4).
- [Goal 12 – Responsible production and consumption](#) (specifically targets 12.3 and 12.5).
- [Goal 13 – Climate action](#) (specifically target 13.2).
- [Goal 17 – Partnerships for the goals](#) (specifically target 17.16).

As well as these, we've mapped our [Scale for Good initiatives](#) to all 17 goals.

## Our actions

### Lower carbon deliveries

We encourage logistics providers to use the most carbon-efficient fuels for transport throughout our supply chain. This includes the use of alternative fuels, such as renewable natural gas created from biowaste, biofuels, hydrogen, natural gas, propane and electricity. Where possible, the biofuels McDonald's uses are generated from by-products rather than crops grown for food.

HAVI, one of McDonald's logistics suppliers, has announced a five-year joint plan with vehicle maker Scania in 2017 to improve its carbon footprint. It aims to significantly reduce the number of diesel-powered vehicles it uses, and convert around 70% of its fleet to alternative fuels in a number of European countries by 2021. The CO<sub>2</sub> emissions created by deliveries to McDonald's restaurants will be monitored in real time, and are expected to fall by 15 - 40%, depending on route, fuel used and traffic conditions.

In 2018 another logistics supplier, Martin Brower, has started using renewable natural gas in its delivery vehicles in the U.S. This fuel is up to 70% cleaner than diesel, and the world's first commercially available transportation fuel made entirely from organic waste.

In 2017, the Company and our logistics providers became signatories to BSR's [Sustainable Fuel Buyers' Principles](#), supporting growth in the market for low-carbon vehicles.

As part of their efforts to accelerate the decarbonization of the supply chain, our logistics providers also generate renewable electricity with solar panels in some of their distribution centers. In Belgium, a provider has installed a wind turbine.

### Fueled by fries

In many countries, including the U.K., Switzerland, Portugal and the United Arab Emirates (UAE), biodiesel which has been derived from used cooking oil of the McDonald's restaurants is used by our logistics suppliers to fuel their delivery trucks.

In the U.K., 97% of McDonald's restaurants recycle their cooking oil in this way (the remaining 1% recycle their oil for different uses), and around 50% of the U.K. fleet runs on biodiesel from our used cooking oil; the rest of the fleet uses biodiesel generated in other ways. Over 11,700 tonnes of Co2 emissions were saved from using biodiesel when compared to ultra-



low-sulphur diesel (ULSD). And that's not all – the plant that converts the waste to oil also runs on energy generated from kitchen food waste, such as coffee grounds and eggshells.

In the UAE, McDonald's passed a major milestone in 2015 when its suppliers' fleet of logistics trucks traveled 5 million kilometers running on 100% recycled vegetable oil from McDonald's UAE outlets.

### **Freight performance award**

In 2017, McDonald's U.S. received a 2017 [SmartWay Excellence Award](#) for outstanding environmental performance and leadership. The SmartWay Excellence Award, reserved for the top performing SmartWay partners, is the Environmental Protection Agency's highest recognition for demonstrating leadership in freight supply chain energy and environmental performance.

Our freight partners were recognized for achieving 98% of miles, or ton-miles, as SmartWay shipped, with strong performance in areas such as data reporting and validation, educational and collaborative work, and community links.



# Big presence, big opportunity. Working towards designing and constructing more Sustainable Restaurants

With the launch of our science-based target in 2018, we are collaborating with Franchisees to make restaurants more resource-efficient. This encompasses everything from equipment and building design innovation to energy monitoring and crew training programs.

Across the globe, countries are in various phases of strategy development, but whether advanced or just beginning, we are all working towards reaching our target.

## Why it matters

We recognize our responsibility for ensuring that McDonald's restaurants create positive impacts for communities, wider society and our planet. It's all a part of how we are using our [Scale for Good](#).

## Our approach

**In March 2018, we became the first restaurant company in the world to address global climate change by setting a science-based target to significantly reduce our greenhouse gas emissions.**

To reach this goal, the Company is collaborating with Franchisees to reduce greenhouse gas emissions related to McDonald's restaurants and offices by 36% by 2030 from a 2015 base year in a new strategy to address global climate change. Additionally, the Company is committed to a 31% reduction in emissions intensity (per metric ton of food and packaging) across its supply chain by 2030 from 2015 levels. This combined target was approved by the Science Based Target initiative (SBTi). Read more about McDonald's Climate Action [here](#).

The commitment includes working with Franchisees on being more innovative and efficient in restaurants through improvements such as LED lighting, energy efficient kitchen equipment, more [sustainable packaging, and recycling](#).

Our move toward sustainable restaurant design supports the [UN Sustainable Development Goals](#), a global agenda to end poverty, protect the planet and ensure prosperity for all, specifically:

- [Goal 9 – Industry, innovation and infrastructure](#) (specifically target 9.4)
- [Goal 12 – Responsible production and consumption](#) (specifically target 12.2)



- [Goal 13 – Climate action](#) (specifically target 13.2)

In addition, we've mapped our [Scale for Good initiatives](#) to all 17 [UN Sustainable Development Goals](#).

## Our actions

### Green Building Guidelines, Europe

We first issued Green Building Guidelines in 2009, focusing on McDonald's European restaurants. This was followed in 2015 with updated, comprehensive Green Buildings Guidelines for new European restaurants.

These latest guidelines reinforced continuous efforts to reduce energy consumption through best practice sharing and presenting latest technologies available, and also emphasized the following key areas:

- Location – developing brownfield sites, positioning the building to make maximum use of natural light and shading, and to be near other amenities (reducing traffic).
- Access – providing suitable access for pedestrians, cyclists and disabled customers.
- Land use and ecology – conserving the local habitat and wildlife.
- Pollution – minimizing the impact of noise, light, odors, litter and drainage.
- Construction design – making sure buildings are adaptable for the future.
- Energy and water efficiency – ensuring buildings use these resources as efficiently as possible and, where it makes sense, use the potential for renewable energy generation (e.g., solar energy in hotter countries).
- Environmental management practices – making sure we follow best practice to build in the most environmentally sensitive way.

Inspired by these European guidelines, in 2019 the development team of McDonald's Netherlands started a project to re-evaluate all building components and materials with a preference for ones that are circular (renewable, recyclable, recoverable) and energy-efficient, while keeping costs in mind. This work on green building specifications will lead to more sustainable new stores and remodels, with a visible green flagship store to be built in 2020.

### Renewable energy and reducing energy and water use

Energy efficiencies and renewable energy are already being utilized in a big way in McDonald's restaurants across the globe. In 2019, McDonald's committed to two renewable energy projects that will expand the amount of renewable energy available in the U.S. These projects will be in the form of virtual power purchase agreements (VPPAs) located in Texas - firsts for McDonald's in the U.S. - and help us join other leading corporate renewable energy buyers in adding large-scale new renewable energy to the grid. The energy generated by these U.S. projects will be equivalent to over 2,500 restaurants-worth of electricity. Once online, McDonald's portion of these two renewable energy projects will help to prevent approximately 700,000 metric tons of CO<sub>2</sub>e emissions each year<sup>1</sup>, which is equivalent to planting 11 million trees or taking over 140,000 cars off the road<sup>2</sup>.



Energy efficiency measures and renewable energy are already being utilized in a big way in McDonald's restaurants in other markets. European renewable energy purchases in 2018 covered over 6,000 McDonald's restaurants—worth of electricity across twelve markets. McDonald's restaurants in Austria, France, Germany, Portugal, Sweden, Switzerland, The Netherlands and UK/Ireland are already at or close to sourcing 100% of the energy needed to power their restaurants from renewable sources as of 2018.

Energy efficiency improvements have been a part of McDonald's restaurant sustainability journey for many years, such as through kitchen equipment, lighting, and building and site design.

In the U.K., new McDonald's restaurants have 100% LED lighting, which uses 50% less energy than fluorescent lighting. Over 120,000 LED lights have been installed across McDonald's UK restaurants, right down to the bulbs in our emergency lighting. In 2017, we allocated \$5 million to McDonald's restaurants around the globe for LED upgrades. This has achieved a net cost saving of \$14.3 million and a CO2 reduction of 100,587 metric tons – the equivalent to removing 21,539 cars from the road for a year.

McDonald's France is focused on energy efficiency and water reduction. As a result, a typical McDonald's restaurant in France utilizes LED lighting and consumes only 7 liters of water on average per meal, compared to 10 to 20 liters in traditional restaurant kitchens.

McDonald's Germany has also successfully reduced energy consumption through LED lighting in the interior and exterior of the restaurants as well as an overall reduction in energy consumption by 14% as measured in 2017 compared to 2011.

In the U.S., we operate an environmental sustainability program, US 20x2020 By Design. The program aims to reduce energy and water by 20% by 2020, using innovative strategies in the design of new restaurants. These include LED lighting, low oil-volume fryers, high-efficiency hand dryers, toilets and faucets, and low-spray valves. McDonald's prototype buildings in the U.S. are increasingly more efficient. Compared against our 2005 building design, we have achieved a 16.7% reduction in electricity consumption and a 19% reduction in water use. Our hot water remains hot but we've managed to reduce the energy needed to heat it by over 26%.

## **That's not all...**

See how we're designing, building and renovating smarter restaurants around the world.

### **Seeing the light in North Carolina**

In 2009, our Franchisee Ric Richards opened his first LEED® Gold restaurant in Cary, North Carolina. The restaurant featured an array of energy-efficient measures, including a hydronic boiler system, tubular skylights and a 100% LED lighting system. The use of LED lighting in particular has produced much lower energy use than conventional systems, saving as much as 253,063 kWh per year – that's the equivalent of 25 average households!

In 2013, Ric opened a second restaurant in Cary, again achieving LEED® Gold certification. With this restaurant, Ric went even further, installing a solar array to generate electricity, an



electric car charging station, 100% recycled brick and energy-efficient hand dryers. Ric estimates the solar array generates around 50,000 kWh per year, feeding directly into the restaurant.

### **Sustainable growth in China**

In 2018, McDonald's China announced its action plan to focus on green restaurants and green packaging. They expect to open more than 1,800 restaurants by 2022 and that these restaurants target LEED (Leadership in Energy and Environmental Design) certification standards in the "Interior Design & Construction" category, issued by the United States Green Building Council. Once the goal is met, over 95% of the new store portfolio is LEED certifiable.

For the existing restaurants, McDonald's China has been continuously updating and optimizing the energy management systems, including the use of LED energy-saving lamps, as well as more efficient air conditioning and kitchen equipment. Today, the average energy consumption in a McDonald's China restaurant is 30% less than in 2013, and the company aims to lower consumption by another 11% by 2022, compared to 2018 levels. Learn more [here](#).

### **State of the art sustainability design in Chicago**

The Chicago Flagship was recognized in 2018 as the Illinois Green Emerald Award 'Green Building Innovation' winner. The Flagship is 19,000-square-foot steel and wood timber constructed and has applied for LEED certification. Features include:

- Enhanced energy performance utilizing solar pergola, which captures the sun's energy, supplying approximately 60% of the building's electrical energy
- Reduced energy use through energy efficient kitchen and HVAC equipment
- Native and drought resilient plants and building features reduce water usage and provides cleaner water
- More than 70 trees at the ground level with a green roof that features floating glass garden of ferns and white birch trees

### **Setting standards for building efficiency**

McDonald's Netherlands saw an opportunity to reduce the environmental impact of its restaurants by increasing the efficiency of the buildings. In 2011, a new restaurant opened in Amsterdam equipped with an array of energy-efficient technology, including photovoltaic panels to generate electricity, solar-powered collectors for heating water, a wind turbine, a charging station for electric cars, LED lighting, heat pumps for heating and cooling the kitchen, a heat recovery system, waterless urinals and infrared faucet sensors.

The restaurant became the first in the Netherlands to meet the Platinum standard of McDonald's Green Building Guidelines, and also received GreenBuilding Partner status and the Green Building Award from the European Commission. It was the first non-residential building in the Netherlands, and McDonald's first European restaurant, to receive these accolades.



## **Championing the planet**

McDonald's UK has found a unique way to leverage the environmental enthusiasm of its staff members – by creating Planet Champions. Through the voluntary program, staff members can become the environmental voice of their restaurant, support business managers with existing environmental initiatives, encourage and inspire colleagues, and generate new ideas to promote sustainability.

Volunteers receive training on environmental issues, what the Company is doing to address them and how the volunteers can contribute. They get involved in – and help organize – a year-round calendar of events and activities around litter, recycling and energy, and a regular newsletter keeps them up to date and enables them to share ideas.

In 2016 over 2,800 of McDonald's employees completed the sustainability training to become or support Planet Champions. The program has helped achieve energy savings and an increase in recycling. It's also brought external recognition, winning the Green Apple award for employee engagement and being shortlisted for the PEER awards celebrating inspirational business initiatives.

As a result of this success, the Planet Champions program has been extended to Ireland, Norway and Sweden.

## **Germany - Leading through example**

To enhance environmental awareness the German market established the "Planet Award" in 2013, which annually recognizes a franchisee with exemplary environmental management practices in place.

Additionally, in 2015, McDonald's Germany was able to reduce CO2 emissions from electricity consumption in its restaurants by more than 80 percent compared to 2013. This was achieved with the switch to 100 percent renewable energy and the implementation of energy-saving measures in restaurants.

## **Australia – Energy innovation**

Australia's Forrestdale restaurant, which opened November 2018, earned the equivalent of a 4 star energy rating. The capacity of its rooftop solar photovoltaic array is equivalent to at least 10% of the restaurant's annual energy consumption.



# Our People and Communities

Whether in our restaurants, franchises or supply chain, an investment in those who work for us means a positive impact in local communities around the world. This means working environments that respect human rights and better opportunities for individuals, families and farmers.

## **Commitment to families**

In partnership with the Alliance for a Healthier Generation, we're raising the bar with more fruit, vegetables and dairy in our Happy Meals, as well as innovating in how we communicate more balanced choices.

## **Youth opportunity**

In 2018 we launched a new initiative called *Youth Opportunity*, with a global goal to reduce barriers to employment for two-million young people by 2025, through pre-employment job readiness training, employment opportunities and workplace development programs.

## **Our investment in people**

Every day, McDonald's and its Franchisees provide restaurant employees opportunities to learn, grow and succeed. As one of the world's largest employers, McDonald's is evolving how it supports the development of those joining – or rejoining – the workforce to reach their full potential.

## **Ronald McDonald House Charities® (RMHC®)**

We care about supporting the communities around our restaurants. As Founding Mission Partner, we help RMHC provide comfortable spaces for families with sick children that offer the support and resources they need to thrive.

## **Human rights**

Operating an ethical business that respects human rights is integral to our business, as Ray Kroc explained in 1958: "The basis for our entire business is that we are ethical, truthful and dependable."

## **Global Diversity, Inclusion & Community Engagement**

We welcome customers of every culture, age and background, and we proudly invest in all the people our success rests on – our crew, our suppliers and our community.

## **Gender balance and diversity**

We are committed to creating a workplace where everyone is equally supported and empowered to realize their full potential.

## **Farmer livelihoods**

Our success depends on the success of the farmers who grow, harvest and produce quality ingredients. It's why we invest in sharing, testing and scaling methods that increase yields and efficiency, while protecting land and livelihoods into the future.



# Our Investment in People

## Why it matters

At McDonald's, people are the face of our brand and critical to our success. Our ambition is to leverage our scale, training and education programs to build a path forward for people that supports their goals no matter where they are in their lives.

For those who choose to build a career with McDonald's, training, education and leadership development programs can take them to the highest levels in our organization or with our Franchisees. And for those who decide to move on, they will take with them valuable work-readiness skills like teamwork, interpersonal communication and a strong work ethic to help them succeed in their next role.

In 2018 we launched a new initiative called *Youth Opportunity*, with a global goal to reduce barriers to employment for two-million young people by 2025, through pre-employment job readiness training, employment opportunities and workplace development programs. [Read more here.](#)

## Our approach

Regardless of where someone starts at McDonald's, everyone has an opportunity to grow and progress through their career. On-the-job training focuses on building the functional skills needed every day in McDonald's restaurants. Working in a McDonald's restaurant also teaches individuals more transferable skills like teamwork, communication, hospitality and work ethic that will enable them to progress beyond their roles. We're proud that in the U.S., nearly 90% of all Company-owned restaurant positions above entry level were filled by promoting in 2016.

We also understand McDonald's employees are on their own journey and we can provide tools and opportunities to help them reach their potential. That's why we invest in education, apprenticeship and advancement opportunities to help employees continue advancing on their path forward.

### Hamburger University

McDonald's Hamburger University embodies our commitment to training and development. Since first opening in 1961, it has grown to seven campuses around the world and provides training for Company-owned restaurant employees, as well as Franchisees and eligible employees from their organizations. Contrary to its name, the university is about a whole lot more than cooking burgers. Over the past few years, thousands of people have learned management and leadership skills that enable them to become the best that they can be, for themselves, their restaurant, and the customers they serve across the globe. In some areas, students are even eligible to receive college credits for their courses.

### Archways to Opportunity education program



We believe opportunity starts with education. That's why we invest in Archways to Opportunity, a comprehensive global education program that offers eligible employees from Company-owned restaurants and participating Franchisee restaurants the opportunity to graduate from college, earn a high school diploma, learn English as a second language, complete an apprenticeship and gain access to advising services. Across the globe, the Company and its Franchisees offer education opportunities to restaurant employees in 25 countries and counting.

*“The progress McDonald’s has made with Archways to Opportunity will have a profound impact on the lives of so many of their employees. By providing free high school completion courses, assistance with college tuition, and academic advising, McDonald’s is ensuring its workers have the tools to succeed throughout their careers and that in turn makes our entire economy stronger.”*

**Warren E. Buffett, CEO, Berkshire Hathaway**

## **Our actions**

Below are examples of how the Archways to Opportunity program comes to life around the globe.

### **United States**

In the U.S., Archways to Opportunity is designed to help Company-owned and participating Franchisee restaurant employees at their point of need – whether that’s learning English-language skills, getting a high school diploma or moving on to an Associate’s or Bachelor’s degree. It also includes academic advising services to help answer the many questions involved in pursuing educational goals. As of March 2019, we have increased access to education for tens of thousands of Company-owned and participating Franchisee restaurant employees, including 6,700 graduates from our English under the Arches program and over 570 graduates from our high school completion program. In addition, we have provided more than \$58 million in tuition assistance in four years.

### **U.K.**

Since 2006, more than 80,000 qualifications have been gained by Company-owned restaurant and participating Franchisee restaurant employees across the U.K. business, and more than 18,500 qualified apprentices have come through the year-long training program. Programs like Skills for Life provide employees with free training to receive qualifications in math and English. So far, more than 22,000 employees have gained math and English qualifications, and 169 managers have gained a foundation degree. It’s because of these opportunities and the fun, sociable work environment that McDonald’s is regularly recognized as one of the best companies to work for in the U.K.

### **Australia**

McDonald’s Australia has been a registered training organization (RTO) since 1997, providing nationally recognized training to its employees in the areas of retail, business, barista skills and food safety. As of 2018, we have issued almost 41,000 qualifications. McDonald’s has



been recognized consistently both nationally and in each state in the National Training Awards.

### **Germany**

Working with people from all nationalities is a big part of McDonald's culture. In Germany, new employees have access to a tool called McDeutsch, an online language training tool (available by computer or cell phone) for all levels to help employees improve their German language skills. You can choose between different periods when purchasing a license. The tool can be used as an app at any time and from anywhere. This helps integrate new members into their teams and supports them to most effectively run the restaurant and communicate with guests. It also gives them language skills they can use to progress their careers within McDonald's or elsewhere.

### **Arcos Dorados**

Our presence in 20 countries across Latin America, positions Arcos Dorados as one of the largest employers of young people, aged 16 to 24 years old.

Youth unemployment is one of the most critical issues facing countries in Latin America. Through our Youth Employment initiative, we promote social mobility by providing employment opportunities to young people in Latin America that help them develop valuable customer service and leadership skills that can be applied to a wide range of career paths in the future. Arcos Dorados is implementing this initiative through strategic alliances and by leveraging our trajectory and experience in this field.

### **Brazil**

In December 2018, at the United Nations, Arcos Dorados was recognized for its practices in supporting employment for people with disabilities. This initiative was promoted in conjunction with the Sao Paulo State's Office for the rights of disabled persons.

Additionally, throughout various programs such as "Talentos del Futuro", Arcos Dorados impacted 119 persons who received technical certifications in several fields such as culinary studies and information technology.

More importantly, Arcos Dorados's partnership with Fundacion Ayrton Senna is expanding significantly and strategically our reach in the market, with thousands of young folks being influenced by the programs offered.

### **Mexico**

Arcos Dorados's presence in Mexico is the second largest across Latin America, where it impacted more than 6000 young people through employment training, as well as participating in the "Jovenes Construyendo el Futuro" program, where the company provides life skills such as financial acumen to help youth face their growing responsibilities as they become active citizens in the society.

### **Colombia**

Through its partnership with several institutions, Arcos Dorados participated in the "40.000 empleos" initiative, that seeks to create 40.000 new employment opportunities for young



Colombians who are facing poverty and vulnerability conditions, transforming and leading inclusion, improving employability, thus supporting social mobility.

### **Argentina**

Various projects running in the country have impacted more than 1200 young people in Argentina, allowing them to improve life skills, enable them to be better prepared for their first jobs, and even providing vocational orientation to help them decide on the continuation of their education.

Programs such as “Creando tu Futuro” in conjunction with Kuepa and the Citi Foundation, or “Tu Primer Laburo”, “ Empleo Joven” with Forge Foundation & Cimientos are clear examples of the work Arcos Dorados is doing in Latin America to empower the youth population to achieve more in the future, while learning the important soft skills required to enter the professional – work chapter of their lives.

### **Canada**

Together with our Franchisees, we are thrilled to partner with select colleges and universities in Canada to offer educational opportunities to employees of both Company-owned and participating Franchisee restaurants who are interested in pursuing post-secondary education in business programs. Each participating college or university offers course credit into business diploma or business degree programs for individuals who have completed the required McDonald’s management training courses, saving them valuable time and money. This program establishes a new path for restaurant management to earn academic credit through paid work experience and to broaden their career options.

Franchisees are the exclusive employer of their employees, and as such are solely responsible for all employment-related matters in their restaurants. The benefits referenced may not be available at all McDonald’s restaurants. The Company and its Franchisees are equal opportunity employers committed to a diverse and inclusive workforce.



# Ronald McDonald House Charities® (RMHC®)

We care about the people and communities near McDonald's restaurants. In 1974, we became the Founding Mission Partner for RMHC and continue to provide support to the Charity in many ways. Today, RMHC has chapters in 64 countries and regions around the world.

## Why it matters

Surrounding every McDonald's restaurant is a neighborhood with rich potential but also social challenges. We know that our business can only thrive if these communities thrive too.

That's why, as well as creating lasting social and economic value through our day-to-day business, we've been making a direct contribution to [Ronald McDonald House Charities](#) since 1974. This is not only the right thing to do; it helps us connect better with McDonald's employees, investors and wider society.

## Our approach

### Helping RMHC children and their families

McDonald's restaurant operators, suppliers, employees and customers have helped support the charity since it was founded over four decades ago. We are the Founding Mission Partner to Ronald McDonald House Charities and we use our size and scope to help RMHC serve families in 64 countries and regions around the world. Since 1974, RMHC has supported millions of children and their families.

By making and facilitating cash and in-kind contributions, McDonald's helps enable RMHC to keep families together when their sick children are treated far from home. RMHC focuses on three core programs to keep families near to the medical care and resources they need:

- **Ronald McDonald Houses** – more than just a place to sleep, each House is just steps from the hospital and provides meals, comfort and support to families with sick kids.
- **Ronald McDonald Family Rooms** – located within the hospital, this program allows families a place to recharge, rest and have a snack just steps from their hospitalized child's bedside.
- **Ronald McDonald Care Mobiles** bring medical, dental and health care resources to children and families in vulnerable communities.

RMHC provided **approximately 2.4 million** overnight stays to families at Ronald McDonald Houses and Family Rooms in 2017.



The Company's support of charitable work such as that provided by RMHC helps contribute to the [UN Sustainable Development Goals](#), a global agenda to end poverty, protect the planet and ensure prosperity for all, specifically:

- [Goal 3 – Good health and wellbeing](#) (specifically target 3.8).
- [Goal 17 – Partnerships for the goals](#) (specifically target 17.17).

As well as these, we've mapped our [Scale for Good initiatives](#) to all 17 goals.

## Our actions

### **Giving back**

McDonald's gives back to RMHC Chapters in a variety of ways around the world. Some countries or regions donate a percentage of the sale of specific products or run other special promotions in restaurants. For example, in the U.S. and Canada, a portion of the sale of every Happy Meal is donated to RMHC.

**Approximately \$43 million** was donated from the Penny-per-Happy-Meal fundraiser, 2010–2017, in the U.S.

### **Fundraising**

In-restaurant events are a great way to raise funds and engage customers. In many countries, special days are dedicated to raising funds for RMHC by inspiring customers to participate and give back too.

**Almost \$3.5 million** raised across Canada during McHappy Day, 2017

**Approximately \$4.01 million** raised across Australia during McHappy Day, 2017

### **RMHC Donation Boxes**

By incorporating RMHC Donation Boxes in McDonald's restaurants and drive-thrus around the world, we make it easy for customers to support RMHC with spare change. Since 2012, our global customers have generously donated over \$200 million to RMHC at McDonald's restaurants through these boxes.

**Approximately \$52 million** donated by McDonald's customers through RMHC Donation Boxes globally in 2017

**Approximately 650,000** overnight stays could have been funded for families at Ronald McDonald Houses or Family Rooms through RMHC Donation Box revenue in 2017

### **Giving time**

Many of McDonald's operators, employees and suppliers are actively involved in volunteering with RMHC Chapters. Some even volunteer as board members, helping to shape the direction and approach in line with the critical needs of children and their families.



# Human Rights

*“The basis of our entire business is that we are ethical, truthful and dependable.”* These words are as relevant today as they were when spoken by McDonald’s founder, **Ray Kroc, in 1958.**

## Why it matters

Human rights are universal rights that are intrinsic to every human being; they include the right to equality and freedom from discrimination. While individual states have a duty to protect human rights, it is widely acknowledged that businesses also have a responsibility to respect them within their sphere of influence.

With a complex supply chain and a global workforce, involving suppliers and Franchisees from diverse locations, cultures and socioeconomic circumstances, McDonald’s has a deep responsibility to respect the rights of people who work for the Company, and to do business with Franchisees, suppliers and business partners that respect human rights for their respective employees. Under the philosophy of “none of us is as good as all of us,” McDonald’s strives to be fair, and to conduct business in a manner that respects people on both sides of the counter around the world.

We recognize there is no single solution to human rights issues, which is why it’s critical that we engage all stakeholders within the McDonald’s System, including McDonald’s employees, suppliers, Franchisees and business partners, to respect the fundamental rights for all people. Aligned with the Company’s values, this approach protects the integrity of the McDonald’s brand and also helps suppliers, Franchisees and partners protect human rights around the world.

## Our approach

### Implementing human rights standards

Fostering safe, inclusive, and respectful workplaces, wherever we do business, has been integral to the Company for over 60 years and we will continue to hold ourselves to the highest standards. We take seriously our responsibility to act with due diligence to avoid infringing on the rights of others and to address any impact on human rights if they occur.

At McDonald’s, we conduct our activities in a manner that respects human rights as set out in the Universal Declaration of Human Rights. Our commitment to respect human rights is defined in our [Human Rights Policy](#), which applies to McDonald’s Corporation and our wholly-owned subsidiaries worldwide.

Our Policy is guided by internationally recognized standards, including the United Nations Guiding Principles on Business and Human Rights, the International Bill of Human Rights, and the principles set out in the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work. Where the Company may impact the human rights of diverse and particularly vulnerable groups, such as migrant laborers, indigenous



peoples, women, or children, we are also guided by other international standards that elaborate on their rights.

Our commitment to respect human rights is also set out in our [Standards of Business Conduct](#), which apply to all employees of the Company, and in our [Supplier Code of Conduct](#), which applies to McDonald's suppliers globally.

We recognize that respecting human rights is an ongoing process that requires continuous effort. We are committed to regularly assessing our practices and approach, and engaging with expert stakeholders to improve our monitoring, analysis, and remediation of human rights impacts.

Through our efforts to respect human rights we aim to support the [UN Sustainable Development Goals](#), a global agenda to end poverty, protect the planet and ensure prosperity for all, specifically:

- [Goal 5 – Gender equality and inclusive workplaces](#) (specifically target 5.1).
- [Goal 8 – Decent work and economic growth](#) (specifically targets 8.7 and 8.8).
- [Goal 16 – Peace, justice and strong institutions](#) (specifically targets 16.5 and 16.6).
- [Goal 17 – Partnerships for the goals](#) (specifically target 17.16).

Read more about [our work to support the global goals](#).

### **Respecting employee rights around the world**

We're committed to providing a safe work environment that fosters respect, fairness and dignity and is free of harassment, discrimination or fear of retaliation. We encourage open and honest communication among Company employees, and we provide many channels for Company employees to report ethics or human rights concerns. This includes an anonymous channel, the Business Integrity Line, staffed by a live operator from an independent company 24 hours a day, every day of the year.

We will not impede state-based grievance processes via our employee system. We do not require employees to waive their right to use such external mechanisms to participate in our hotline. We do not tolerate retaliation of any kind against anyone who reports an issue. We do not tolerate unlawful threats, intimidation, physical, or legal attacks against human rights defenders.

In 2018, we created a global cross-functional Human Rights Working Group to help oversee the implementation of the policy commitment and assess and evolve our procedures and practices, considering changing global circumstances and an evolving global policy environment. In order to help Company employees understand their rights, and their duty to respect the rights of others, all Company employees are required to complete training on the Human Rights Policy in 2019, and it will be incorporated into onboarding for new employees moving forward. In addition to the online training, senior leadership has received in-person training in partnership with an external human rights consultancy. Our policy and training are available in 15 languages. Company employees are also trained regularly on the Standards of Business Conduct and are required to annually certify their understanding of and commitment to upholding the Standards.



## **Preventing forced labor**

As a business, we also support the goals of the U.K. Modern Slavery Act, with McDonald's UK publishing its first U.K. Modern Slavery Act statement in 2017. The Company does not use any form of slave, forced, bonded, indentured or involuntary prison labor.

This also means the Company is committed to ethical recruitment in our employment practices. We prohibit direct or indirect fees or costs being charged to those seeking employment with or who are employed by the Company for the services directly related to recruitment for temporary or permanent job placement, unless legally permissible and within the legal limit. This includes where we may use private recruitment services, a labor broker or employment agent or where we perform recruitment activities directly. Even where such fees or costs are legally permissible and within the legal limit, our policies and practices are designed to ensure that no one is indebted to the Company or to a recruiter, labor broker or employment agent in a manner that prohibits the individual from freely leaving his or her employment. Likewise, we do not retain employees' original government-issued identification, passports, or work permits as a condition of employment (we may hold copies and/or temporarily hold onto such documents for no longer than 24 hours and to the extent reasonably necessary to complete legitimate administrative and immigration processing and/or comply with local law). Finally, the Company provides any agreements, whether oral or in writing, in a language understood by the person agreeing to be bound and expects that any recruiter, labor broker or employment agent will do the same and will be responsible for ensuring that the agreement is understood by the person agreeing to be bound.

We do not engage in human trafficking or exploitation, or import goods tainted by slavery or human trafficking. The Company is committed to the elimination of any forced labor in our business and our supply chain. McDonald's Supplier Code of Conduct applies to our suppliers and is aligned with these goals and standards.

## **Identifying, preventing and addressing discrimination, harassment and retaliation**

The McDonald's system has always had an unyielding commitment to providing a safe and respectful work environment for all. Both the company and our owner-operators understand that we must provide a positive experience in the restaurant and create an environment where everyone feels respected and valued.

In support of this commitment, in late 2018 we began implementing new, mandatory and interactive training for company-owned restaurant General Managers and staff employees on harassment and discrimination in the workplace, as well as sharing this training with our Owner-Operators and their restaurant managers. Over the course of 2019, we will also be rolling out additional training modules on harassment and discrimination, unconscious bias, and workplace safety for all company-owned restaurant employees. Together with the operator and General Manager training, these incremental modules seek to build a stronger knowledge and response foundation for those who come to work at McDonald's on what healthy relationships look like and how to manage difficult situations that may arise.

In January 2019, McDonald's enhanced our discrimination, sexual harassment and retaliation policy and training for U.S. staff and Company-owned restaurant employees to provide a



more employee-centered approach. Our new policy reflects feedback from stakeholders across the organization including, non-governmental organizations (NGOs) and other third-party experts. Those conversations helped us to make the language of our policy even clearer and more transparent. The policy, which you can read [here](#), has been shipped to all 14,000 restaurants in the McDonald's system. We have encouraged our Owner Operators to use this policy, along with other resources, to continue to foster a safe and respectful work environment for their employees.

Additionally, the company is offering operators a third-party managed hotline for reporting complaints of any kind. This hotline will supplement what operators already offer in their organizations and provide callers with an anonymous way to file a report and will be available the beginning of June 2019. At the same time we are also encouraging Owner Operators to implement a shared values commitment to workplace safety that includes a mutual understanding and acknowledgement of our collective responsibility in ensuring a safe, healthy and respectful environment.

By strengthening our overall policy, creating interactive training, a third-party managed anonymous hotline and importantly, listening to employees across the system, McDonald's is sending a clear message that we are committed to creating and sustaining a culture of trust where employees feel safe, valued and respected. Most importantly, it shows we're changing to meet the needs of our workforce and the communities where we live and operate.

### **Inclusive contractual practices**

McDonald's is committed to diversity, equal opportunity and an inclusive workplace culture. This commitment is fundamental to the way we do business and we embed it in our policies and practices. We further recognize that maintaining our commitment will require ongoing reflection on and evolution of these policies and practices. In this regard, we are providing greater transparency regarding our approach to certain contractual arrangements we may enter into with employees based in the United States. Specifically, arbitration, noncompetition, and nondisclosure covenants have come under public scrutiny where their overbroad application may result in inequities. With this in mind, we limit our use of such agreements as follows:

- We do not and will not, as a condition of employment, require mandatory arbitration of harassment and discrimination claims;
- While leadership within the officer level, representing less than 10% of the employee population in 2019, sign noncompetition covenants, we do not require as a condition of employment any employee below the officer level to sign post-termination, noncompetition covenants, except in very limited situations as authorized by the General Counsel for an employee who has unique skills, knowledge or access to intellectual property, trade secrets or highly confidential customer information that would provide a competitor with an advantage (e.g., complex knowledge regarding menu innovation or critical technology applications or systems); and
- In the event that McDonald's seeks a nondisclosure covenant in connection with the settlement of a harassment or discrimination claim brought by an employee or former employee against an officer of McDonald's Corporation, we will provide notice



of such arrangement to the Board of Directors to ensure the Board has appropriate oversight.

### **Promoting human rights in our supply chain**

The success of the McDonald's System lies in our trusted relationships with suppliers. We expect all suppliers, regardless of the cultural, social and economic context, to meet our expectations of fundamental rights for all people as established by the United Nations Declaration of Human Rights. This means treating their employees with fairness, respect and dignity, and following practices that protect health and safety for the people working in their facilities, all in compliance with national and local law. In order to provide goods and services to McDonald's, direct suppliers must meet McDonald's high standards. Direct suppliers are required to sign a contract committing them to upholding the standards contained in our [Supplier Code of Conduct \(pdf, 1.3MB\)](#). We expect our suppliers to hold their own suppliers to the same standards contained in our Supplier Code of Conduct.

The Supplier Code of Conduct is the cornerstone of our Supplier Workplace Accountability (SWA) program, which aims to help suppliers understand our expectations, verify compliance with our expectations and work toward continuous improvement. We launched our first Supplier Code of Conduct in 1993 and have continued to evolve and strengthen it, to reflect updated international human rights standards, consultation with external experts in supplier workplace accountability, a human rights gap analysis and dialogue with suppliers. We expect, and provide guidance to assist, our suppliers to meet the standards for human rights, workplace environment, business integrity and environmental management contained in the Supplier Code of Conduct. We also expect supplier self-excellence in these four areas through their implementation of their own management systems.

McDonald's Supplier Guidance Document is shared with all suppliers and provides detailed guidance on how a supplier can comply with each aspect of the Code of Conduct and how suppliers and their supply chains can meet our expectations. For example, the Supplier Guidance Document clearly explains our expectation of all suppliers: (1) that suppliers ensure that their hiring process and the hiring process of their recruitment agencies provide people employment under voluntary terms; (2) that suppliers should maintain legally accepted age verification records to demonstrate all workers are of legal working age when they commenced work; (3) that suppliers respect the right to associate or not associate with any group of their choice, as permitted by law, without fear of reprisal, intimidation, or harassment; and (4) that suppliers respect the rights of people to bargain collectively where such rights are established by law or contract.

Fundamental to our Supplier Code of Conduct is an expectation of ethical employment practices by our suppliers and their supply chain, including subcontractors and third-party labor agencies. Our Code clearly prohibits any form of slave, forced, bonded, indentured, or involuntary prison labor and prohibits suppliers and third-party labor agencies from retaining employees' government-issued identification, passports or work permits as a condition of employment. We also expect our suppliers to provide their own internal reporting mechanisms, to ensure their employees have a safe and timely way to report workplace concerns without the fear of retaliation.



## **Grievance mechanisms and due-diligence within the supply chain**

Our Code indicates that we expect suppliers to create internal grievance mechanisms and programs for handling reports of workplace grievances, including anonymous reports. Our Supplier Guidance Document provides a step by step best practice process to help suppliers establish an effective grievance mechanism, guided by the UN Guiding Principles on Business and Human Rights. While we require suppliers to provide their workers with their own robust internal procedures to raise issues, our Business Integrity Line and an email to reach the SWA global management team are open to third parties, including suppliers and their employees, if they are concerned with breaches to our Code. Our Code explicitly states that the suppliers' reporting programs must protect the worker's confidentiality and must prohibit retaliation in response to reporting issues.

Human rights due diligence is incorporated into the SWA program, which includes on-site audits conducted by third-party auditing firms to assess compliance with our Code. These on-site audits include a review of ethical recruitment practices to verify that workers are employed under voluntary conditions and have freedom of movement. This includes verification that workers are not charged illegal fees as a condition of employment, worker contracts are in local language and signed by the worker, and that suppliers do not retain workers' government-issued identification, passports or work permits.

Instances of non-compliance are shared with the supplier during an audit closing meeting and in an audit report. Suppliers are required to complete a corrective and preventative action plan to address non-compliance. The plan must provide specific time frames within which corrective action will be taken, root causes analyzed, and policies and procedures updated. In addition, the plan must be designed to avoid recurrence of the non-compliance and establish specific accountability. In instances of significant non-compliance, suppliers are subject to a follow-up audit, the timing of which is based on the audit findings.

McDonald's SWA program is designed to support suppliers in meeting our standards. However, there are circumstances under which McDonald's will remove a supplier from the supply chain to address instances of significant non-compliance with McDonald's Supplier Code of Conduct.

Our SWA program is built on the model of continuous improvement and we recognize our ongoing responsibility to regularly review and assess the human rights risks along our supply chain.

## **Our actions**

### **Celebrating and advancing women at McDonald's**

In 2019, we launched our BETTER TOGETHER: Gender Balance & Diversity Strategy, which aims to improve the representation of women at all levels of the Company, achieve gender equality in career advancement, and champion the impact of women on the business. In addition, McDonald's signed the UN Women's Empowerment Principles to underscore our commitment to progress.



## **Supporting continuous improvement of suppliers**

Our SWA program is built on a model of continuous improvement and education. We provide suppliers and McDonald's Global Supply Chain and Sustainability team with training to understand the SWA requirements and human rights issues. The SWA program includes an online training platform where suppliers can access optional tools and resources that provide guidance on human rights issues, such as preventing forced labor. Training modules include; Ensuring Eligibility to Work, Protecting the Rights of Migrant Labor, and Implementing Grievance Mechanisms. For example, the Migrant Labor training aims to educate suppliers on the risks related to forced labor when sourcing migrant labor and key actions they can take to ensure they are protecting the rights of migrant workers in their facilities. Live training sessions provided by a third party are also held with our suppliers on human rights issues and in 2017 training was offered to suppliers in Malaysia on forced labor, grievance mechanisms, and managing migrant labor through AIM-PROGRESS. In addition to providing optional training to suppliers through third party organizations, we also provide in-person and webinar trainings to McDonald's supply chain procurement employees on SWA and human rights issues through the year.

## **Verifying compliance against the Supplier Code of Conduct**

In 2017, we had a total of 3,733 facilities participating in the SWA program. As part of the onboarding process to become a McDonald's supplier, suppliers must complete the required steps of the SWA program (outlined below) to verify that our suppliers can meet our expectations before they begin supplying product to McDonald's. Our SWA program also includes on-site announced and unannounced audits conducted by third-party auditing firms to assess compliance with our Code. We work with a range of third party auditing firms around the world with expert knowledge and local insight including understanding local languages and cultures. On-site audits are physical inspections of the facility and will include visits to housing and cafeterias for workers. In addition, the monitoring firms also conduct private worker interviews and review facility records and business practices to assess compliance with the Code. During the on-site audit, auditors verify the supplier's compliance with each aspect of the Code, such as verifying that all workers are of legal age to work. In addition to maintaining legally accepted age verification records, suppliers are also expected to invest in remediation systems in the event an underage person is hired, to assist in their return to their school or any other solution that can cater to the child's best interest.

**Step 1:** Online training to help suppliers understand what is expected of them.

**Step 2:** Suppliers complete a rigorous annual self-assessment questionnaire to appraise their current systems and practices. This results in a report indicating areas for improvement.

**Step 3:** Third-party firms conduct announced and unannounced audits, which include inspections of facilities and workers' cafeterias and accommodation. Auditors also interview workers, and review records and business practices to assess compliance with our Supplier Code of Conduct.

**Step 4:** The auditing firm shares any noncompliances with the supplier, who is required to produce an action plan to address and remedy the issues, ensuring there is no recurrence. In



the case of serious noncompliances, a follow-up audit will be carried out to monitor progress. The SWA program is built on a model of continuous improvement; however, if there are instances of significant noncompliance with McDonald's Supplier Code of Conduct, the Company may remove the supplier from the supply chain. The frequency of subsequent audits is determined based on the results of these on-boarding activities.

### **Monitoring human rights risks within our supply chain and evolving the SWA program**

An important element of our human rights due diligence approach is understanding global and national human rights risks and using this information to evolve the SWA program. We assess the potential human rights risks of our supply chains through desk-based research, supply chain mapping and on-site audits, and stakeholder engagement.

To better inform our understanding of human rights risk within our supply chain, we also work with Verisk Maplecroft to use their expertise in risk analytics to identify countries with particular human rights challenges. A key indicator of risk we use is the country of origin where we are sourcing products or raw materials from. For example, we use analysis of country level human rights risks to help inform the audit cycles for our suppliers. Facilities situated in countries that are considered to be at high risk of such practices require more regular on-site audits regardless of the outcome of previous audits.

In 2018, we also began working with Verisk Maplecroft to conduct a human rights impact assessment of key commodities in our supply chains. By identifying the most salient human rights issues within these supply chains, we aim to strengthen our risk management procedures, develop appropriate improvement plans, and increase awareness of these issues within our business.

### **Partnering for progress**

To continue to ensure our supplier program addresses emerging human rights issues and risks, we participate in initiatives such as [AIM-PROGRESS](#), which supports responsible sourcing, and Business for Social Responsibility's Human Rights Working Group (HRWG), which supports implementation of the UN Guiding Principles on Business and Human Rights in a shared-learning forum of more than 40 companies.

We also believe that real, systemic change throughout the supply chain requires partnership with industry. That's why we joined the [ICTI Care](#) Program for our Happy Meals toys scheme in 2016, bringing together industry partners to support a sustainable supply chain for the toy and entertainment industry.



# Farmer Livelihoods

Our success depends on the success of the farmers who raise, grow and produce our quality ingredients. It's why we work with industry partners to research, share and scale best practices that increase productivity and efficiency while protecting land, livestock and livelihoods into the future.

## Why it matters

To bring you delicious meals every time you visit a McDonald's restaurant, we count on thousands of businesses that supply our ingredients – at the heart of which are farmers. To keep standards high, we want all of the farmers, ranchers, growers and producers who provide our delicious ingredients to us to thrive – from large agricultural businesses to smallholders and family farms. That's why it's important that we work with our suppliers to engage with farmers, support economically viable farming and develop long-term relationships that benefit us all.

## Our approach

We believe in the power of partnerships with farmers and agricultural organizations to share knowledge, tools and best practice farming methods. By helping to enable peer-to-peer sharing, we want to positively impact farmers' ability to increase their efficiency, productivity and profitability, while preserving the planet over the long term over the long term. All of this helps ensure a sustainable supply of ingredients for McDonald's restaurants.

Our work on farmer livelihoods supports the [UN Sustainable Development Goals](#) – a global agenda to end poverty – protect the planet and ensure prosperity for all, specifically:

- [Goal 2 – Zero hunger](#) (specifically targets 2.3 and 2.4).
- [Goal 8 – Decent work and economic growth](#) (specifically target 8.5).
- [Goal 12 – Responsible consumption and production](#) (specifically target 12.2).
- [Goal 15 – Life on land](#) (specifically targets 15.1, 15.2 and 15.5).
- [Goal 17 – Partnerships for the goals](#) (specifically targets 17.16 and 17.17).

As well as these, we've mapped our [Scale for Good initiatives](#) to all 17 goals.

## Our actions

### Celebrating Flagship Farmers

Our Flagship Farmers Program, developed in collaboration with the [FAI Farms](#), aims to highlight best practices across farms that supply the McDonald's System, including wheat, potatoes, lettuce, carrots, cheese, milk, eggs, beef, and chicken.



Of those farms, approximately 30 have been designated as “Flagship Farmers”, highlighted on the program’s [web platform](#), a vehicle to share Flagship Farmer experiences and best practices with peers in the agriculture industry. Applying field-proven best practices is one way in which we believe farms can increase their efficiency, address challenges and ensure long-term viability. We will continue to identify and elevate best practices relating to our impact areas, including:

**Ethical:** respect human rights, advance animal health and welfare, collaborate and foster business relationships, build community relations.

**Economic:** advance economically viable farming, encourage high-quality production.

**Environmental:** address climate change and reduce GHG emissions, conserve forests, encourage water protection, soil health, biodiversity and healthy ecosystems.

The Flagship Farmers Program is expanding globally as we aim to further encourage farmer-to-farmer influence, inspiration and knowledge sharing. We have Flagship Farmers in 15 countries across nine different product groups. The program’s current area of focus is identifying beef farmers and producers from our top 10 beef sourcing countries (U.S., Australia, Germany, Brazil, Ireland, Canada, France, New Zealand, U.K. and Poland).

*“Being a Flagship Farmer makes us aware of the importance of establishing good agriculture practices and growing quality products in a sustainable and safe way to ensure the future of agriculture. Only in this way we can gain the trust and confidence of our customers.”*

#### **Lettuce Grower, Fatima Farm, Primaflor, Spain**

#### **Smell the coffee**

The McCafé Sustainability Improvement Platform – McCafé SIP – is an investment in farmers that positively impacts the livelihoods and builds the capabilities of coffee farming communities. McDonald’s roasters are using their expertise and relationships with farmers to advance [sustainable coffee growing](#). Engagement includes access to training and agronomists, land stewardship advice, and agronomist input to increase productivity and quality of coffee beans.

Over the past two years, our roasters have already supported over 5,000 coffee farmers through this program. McDonald’s U.S., McDonald’s Canada and their Franchisees also invested more than \$6 million in training Guatemalan coffee farmers between 2012 and 2016.

*“In the past, we saw this property simply as a farm; we weren’t even sure if we were making money. Today, we see it as our own family business, with profits we are investing in our home.”*

#### **Arley de Jesus Montoya Solis and Zeneyda Marulanda, Colombian Coffee Growers**



# ESG Reporting

We're committed to providing accurate and relevant updates on progress toward our Scale for Good goals, as well as other environmental, social and governance (ESG) data, ensuring accountable structures of governance and focusing on the issues that matter most to our stakeholders.

## Our ESG reporting

The Scale for Good section of our website is designed to be a living reporting platform where readers can see how we're doing year on year, and find the latest updates on our [strategy](#), global priorities, policies and performance. We also share issue-specific reports on topics of importance to our business and society. In addition, some of our markets around the world publish local reports and updates on what they're doing in sustainability.

### ESG performance data

We have a number of goals and environmental and social performance indicators that we use to measure progress and hold ourselves accountable. We report annually on our climate change, energy and greenhouse gas emissions, water management and forests strategies through [CDP](#).

### Scale for Good governance and materiality

In support of our vision to use our Scale for Good and ensure responsible leadership across our business, we take steps to ensure strong governance, clear accountability, stakeholder engagement to drive prioritization, and a commitment to transparency and accurate reporting.

### Scale for Good reporting scope

Unless otherwise stated, information and data across the Scale for Good section covers McDonald's Corporation and its majority-owned subsidiaries worldwide operations during fiscal year 2018 (January to December).

For our developmental licensee and affiliate markets (those not operated by the Company), we rely entirely on the accuracy of the performance data provided by their management. For more information on the Company's structure and scope, please see the [Company's Annual Report](#). In addition, certain information in this report has been provided by third parties, including our suppliers. In these cases, we have relied on these third parties for accuracy and completeness.

Statements contained in these web pages about future developments and past occurrences are based on information and assumptions available as of the date of publication. While we are committed to providing timely updates on our website, the Company holds no obligation to update information or statements.



## Setting goals to drive success

As the world's largest restaurant company, we have the potential to help lead sustainable innovation in the key areas of the world's food system. It's something we've been working on for a long time, using our influence, size and reach, and by working side by side with McDonald's customers, employees, Franchisees, suppliers and partners, to be a responsible leader.

In 2014, we launched McDonald's Global Sustainability Framework, which established our 2020 aspirational goals across a series of social and environmental topics in pillars we called Food, Planet and Sourcing. We've made progress on a number of the goals.

In the years since we released the 2014 Framework, we have continued to look for ways to further embed social and environmental issues into the core of our business and engage both our internal and external stakeholders in meaningful dialogue on our priorities and performance. This resulted in us taking a fresh look at our 2014 Framework to ensure both our focus areas and goals represent optimal opportunities for growing our business while making a positive difference in society.

Our Scale for Good strategy, launched in 2018, is a culmination of our work with stakeholders, a focus on our Velocity Growth Plan and an overall evolution of our prior 2014 Framework to further embed social and environmental issues into the core of our business. The Scale for Good strategy outlines a series of goals for 2022–2030, in line with our major business priorities and areas of greatest opportunity to drive transformational change across the industry.

These goals guide our work across a range of social and environmental impact areas, as we transitioned from our 2014 Framework to our Scale for Good strategy. Working with our suppliers and Franchisees, we are monitoring our activities and report progress on our journey.

## ESG Reporting Website Archives

[ESG Reporting Website Archive 2017](#) (pdf, 2.2MB)

[ESG Reporting Website Archive 2016](#) (pdf, 2.4MB)

## Report archive

[2017 Beef Sustainability Report](#) (pdf, 19.8MB)

[2016 Coffee Sustainability Report](#) (pdf, 3.1MB)

[2016 Fiber-Based Packaging Report](#) (pdf, 1MB)

[2014 Good Business Report](#) (pdf, 4MB)

[2012/2013 CSR Report](#) (pdf, 22MB)

[2012/2013 Executive Summary](#) (pdf, 6MB)

[2013 Global Reporting Initiative Index](#) (pdf, 6.1MB)

[2011 Sustainability Scorecard](#) (pdf, 6.1MB)



[2010 Report](#) (pdf, 1.5MB)

[2009 Report](#) (pdf, 1MB)

[2008 Report](#) (pdf, 2.2MB)

### **Market reports**

[Arcos Dorados 2018 Social Impact Report \(in Spanish\)](#) (pdf, 4MB)

[Australia 2019 Scale for Good Report](#) (pdf, 1.4MB)

[Austria 2018/2019 Sustainability Report](#) (pdf, 4.9MB)

[Germany 2018 Sustainability Report](#) (pdf, 4.9MB)

[Sweden 2018 Sustainability Report \(short version\) \(in English\)](#) (pdf, 412KB)

[Sweden 2018 Sustainability Report \(in Swedish\)](#) (pdf, 4.1MB)

[Switzerland 2017 CSR Report \(in French\)](#) (pdf, 1.7MB)

[Switzerland 2017 CSR Report \(in German\)](#) (pdf, 1.7MB)

[France 2017 CSR Report \(in French\)](#) (pdf, 26MB)

[Germany 2017 CSR Report \(in German\)](#) (pdf, 6.2MB)

[Arcos Dorados – Mexico 2016 CSR Report \(in Spanish\)](#) (pdf, 5.5MB)

[2016 McDonald's Germany Corporate Responsibility Report – At a Glance](#) (pdf, 2.2MB)

[2016 Le Journal du Développement Durable de McDonald's France](#) (pdf, 16MB)

[Germany 2015 CSR Report \(in English\)](#) (pdf, 6MB)

### **CDP reporting**

[CDP Climate Change \(2018\)](#) (pdf, 1.2MB)

[CDP Forests \(2018\)](#) (pdf, 1MB)

[CDP Climate Change \(2017\)](#) (pdf, 537KB)

[CDP Forests \(2017\)](#) (pdf, 441KB)



# Progress and Performance

The progress data below reflects the latest information as of December 2018, unless stated otherwise.

## Global Scale for Good Priorities

### Beef Sustainability

As a part of our broader strategy, in 2017 we launched a set of ambitious beef sustainability goals for 2020. These goals apply in each of our top 10 beef sourcing countries (U.S., Australia, Germany, Brazil, Ireland, Canada, France, New Zealand, U.K. and Poland), which collectively represent more than 85% of our global beef volumes.

#### **Goal**

**Accelerate industry progress:** By 2020, source a portion of our beef from suppliers participating in sustainability programs aligned with Global Roundtable for Sustainable Beef (GRSB) principles and criteria, and that meet McDonald's requirements for each applicable market.

#### **Progress**

We continue to source a portion of our beef from recognized sustainability programs in two of our top 10 beef sourcing countries.

In 2016, we began purchasing a portion of our beef from a fully verified supply chain sustainability pilot program in Canada. This initiative is now being led by the [Canadian Roundtable for Sustainable Beef](#). Arcos Dorados – Latin America's largest restaurant chain and one of the Company's largest Franchisees – sourced beef through the [Novo Campo](#) program during the Rio Olympics. We are actively collaborating with key national stakeholders to develop beef sustainability programs in our remaining eight markets.

#### **Goal**

**Share knowledge and tools:** By 2020, engage with beef producers through outreach projects to help develop and share best practices related to our Priority Impact Areas.

#### **Progress**

As of June 2018, five of our top 10 beef sourcing countries are supporting or sponsoring beef producer sustainability groups, tools or programs.



## **Goal**

**Promote Flagship Farmers:** By 2020, select and showcase McDonald's Flagship Farmers to demonstrate leading best practices related to our Priority Impact Areas.

## **Progress**

As of June 2018, four of our top 10 beef sourcing countries have recognized one or more beef producers as Flagship Farmers to work with peers and share their industry-leading processes and practices. The remaining countries will be recognizing beef Flagship Farmers throughout 2018 and 2019. In addition to adding these sustainability champions to the Flagship Farmer Program, we're also focused on providing them with resources and tools that better enable and equip them to engage with other farmers and industry influencers.

## **Goal**

**Pioneer new practices:** By 2020, set up McDonald's progressive farm partnerships to trial and discover new practices related to our Priority Impact Areas.

## **Progress**

As of June 2018, four of our top 10 beef sourcing countries have one or more pioneering projects underway or have a Progressive Farm Partnership in progress to test the scalability of key research.

## **Goal**

**Conserve forests:** By 2020, in regions with identified risks relating to the conservation of forests, verify that the beef sourced from those regions comes from farms where primary forests and high conservation value lands are preserved. This is part of our Global Commitment on Forests and includes regions outside of our top 10 beef sourcing countries.

## **Progress**

As of the end of 2018, 84% of McDonald's global beef supply is verified as compliant with our Commitment on Forests. This is a combination of beef coming from high-risk locations which has been verified through farm assessments, as well as beef traced back to locations with a low risk of deforestation.

Through our risk assessment, we determined that 18% of our beef supply was from high-risk locations (as of 2018). We identified the Chaco in Argentina and Paraguay, the Amazon and Cerrado in Brazil and Queensland in Australia as high-risk regions for deforestation associated with beef production. Recognizing that not all areas within these regions are high-risk, McDonald's completed a risk analysis for each area in order to determine where to prioritize efforts. This analysis was completed using the WWF Living Forests report and will be reviewed on an annual basis.



## **Goal**

**Responsible Antibiotics Use:** In collaboration with our suppliers, producers and farmer partners, we will reduce the overall use of medically important antibiotics - as defined by the World Health Organization (WHO) - in our beef supply chain, focusing on our top 10 beef sourcing markets: Australia, Brazil, Canada, France, Germany, Ireland, New Zealand, Poland, the U.K. and the U.S. [Full policy specifics here.](#)

## **Progress**

McDonald's has established pilots in each of our top 10 beef sourcing markets. Within each of these 10 markets, there are pilot farms selected that represent differing geographies and rearing practices covering beef and dairy beef.

## **Packaging and Recycling**

As one of the world's largest restaurant companies, our goal is to reduce overall use of packaging, drive innovation in sustainable packaging and in the recycling sector, and engage millions of customers in the thousands of communities we call home to adopt recycling behaviors as the norm.

## **Goal**

By 2025, 100% of McDonald's guest packaging will come from renewable,<sup>1</sup> recycled<sup>1</sup> or certified<sup>2</sup> sources.

*Interim target:* 100% of fiber-based guest packaging will come from recycled or certified sources where no deforestation occurs by 2020.

## **Progress**

50% achieved, including the U.S., U.K., Canada, France, Germany, Russia, Japan and China.

70% of our fiber-based guest packaging comes from recycled or certified fiber sources.

As of 2018, all centrally managed guest packaging is fully out of foam. It is a requirement that markets do not use foam for any local guest packaging items. While the majority of our foam was removed years ago, we are proud of this important step that we've taken as we raise the bar for our system and our industry.

## **Goal**

By 2025, our goal is to recycle<sup>3</sup> guest packaging in 100% of McDonald's restaurants. We understand that recycling infrastructure, regulations and consumer behaviors vary from city to city and country to country, but we plan to be part of the solution and help influence powerful change.

## **Progress**



Currently, we recycle guest packaging in an estimated 10% of McDonald's restaurants around the world. In some markets, we're recycling at nearly 100% of our locations, and in others we're just getting started.

12 of our top 16 markets now have recycling and litter programs and partnerships in place.

1. Recycled: Material that has been reprocessed from recovered [reclaimed] material by means of a manufacturing process and made into a final product or into a component for incorporation into a product. [ISO 14021:2016 "renewable" and "recycled" material.] Recycled material applies to plastics and fiber. Fiber-based packaging made from 100% recycled content must be third-party verified, unless certified under a chain of custody forest management standard.

2. Certified: Specifically, all guest packaging items (including hot cups, cold cups, carryout bags, folding cartons, clamshells, wraps, food service bags, napkins, salad bowls, Happy Meal cartons, drink carriers) made from paper/board sold to McDonald's globally must be certified by FSC or Programme for the Endorsement of Forest Certification (PEFC). FSC is required when fiber is sourced from the following high-deforestation risk countries: Russia, China, Malaysia, Indonesia, Laos, Vietnam, Cambodia and Argentina by 2020.

3. Collection methods for recyclable materials will vary by market. Examples include, but are not limited to, tray collection of waste for back of counter separation, installed bins that allow guests to separate recycling from trash, collecting all waste in one bin and sending to a facility for separation and recycling.

## Climate Action

For our latest comprehensive disclosure on climate action, see [McDonald's CDP Climate Change \(2018\) Report](#).

### **Goal**

#### **Restaurants and Offices:**

The Company will partner with Franchisees to reduce greenhouse gas emissions related to McDonald's restaurants and offices by 36% by 2030 from a 2015 base year.

### **Progress**

5% of our target has been achieved, which represents a 2% reduction from the 2015 baseline. The US VPPA deals referenced above are expected to contribute an additional 16% of the progress towards our total target.

### **Goal**

#### **Supply Chain:**

Through collaboration and partnership with our suppliers and producers, the Company also commits to a 31% reduction in emissions intensity (per metric ton of food and packaging) across our supply chain by 2030 from 2015 levels.

### **Progress**



We are in the process of establishing a new data system to comprehensively track progress towards this goal and will report at a later time. We have issued clear expectations to all suppliers in 2019, and are developing more detailed expectations for key commodity category strategies.

## Energy consumption <sup>1</sup>

<b>McDonald's Company-Owned Restaurants (Top 9 Markets)</b>	<b>2014<sup>3</sup></b>	<b>2015<sup>4</sup></b>	<b>2016<sup>5</sup></b>	<b>2017<sup>6</sup></b>
Direct energy consumption: kWh/GC2	0.268	0.233	0.210	0.298
Indirect energy consumption: kWh/GC	1.197	1.121	1.120	1.053
Overall energy consumption: kWh/GC	1.465	1.353	1.330	1.351
Overall energy consumption: GWh	2,983	2,829	2,295	1,420

<b>Franchise Restaurants (Top 9 Markets)</b>	<b>2014</b>	<b>2015</b>	<b>2016<sup>5</sup></b>	<b>2017<sup>6</sup></b>
Direct energy consumption: kWh/GC	0.476	0.128	0.372	0.169
Indirect energy consumption: kWh/GC	1.382	1.218	1.120	1.009
Overall energy consumption: kWh/GC	1.858	1.346	1.492	1.177
Overall energy consumption: GWh	16,472	16,646	12,315	13,025

1. These figures represent estimates based on the best available energy data in our top nine markets. Currently we do not have Company-owned restaurants in Brazil or Japan. We worked with Aligned Incentives for the data analysis of our energy consumption data.

2. GC represents total transactions for the calendar year. "Direct" energy data reflects the use of natural gas, propane, fuel oil and liquefied petroleum gas. "Indirect" energy data reflects electricity usage. We categorized it in this fashion to show their relationship to Scope 1 and Scope 2 of our estimated System-wide GHG emissions.

3. 2014 figures reflect primary data from 4,066 out of 4,229 Company-owned restaurants and 5,983 out of 22,234 Franchisee restaurants in our top nine markets, totaling 10,049 out of 26,893 restaurants overall. Primary energy data was extrapolated to estimate energy consumption for all restaurants in the markets and ownership types reported. The top nine markets included approximately 74% of the restaurants worldwide (26,893 out of 36,258 as of December 31, 2014).

4. 2015 figures reflect analysis of primary energy data from at least 4,127 Company-owned restaurants and 5,778 Franchisee restaurants in our top nine markets, totaling 9,905 out of 26,842 restaurants in those markets overall. Primary energy data was extrapolated to estimate energy consumption for all restaurants in the markets and ownership types reported. The top nine markets included approximately 73% of the restaurants worldwide (26,842 out of 36,525 as of December 31, 2015). We have continued to enhance our extrapolation methods over time as additional data has become available.



5. 2016 figures reflect analysis of primary energy data from 3,645 Company-owned restaurants and 7,032 Franchise restaurants in our top nine markets, totaling 10,677 out of 27,453 restaurants in those markets overall. Primary energy data was extrapolated to estimate energy consumption for all restaurants in the markets and ownership types reported. The top nine markets included approximately 73% of the restaurants worldwide (27,453 out of 37,590 as of December 31, 2016). We have continued to enhance our extrapolation methods over time as additional data has become available, leading to more statistically significant results with reduced uncertainty.

6. 2017 figures reflect analysis of primary energy data from 1,544 Company-owned restaurants and 7,379 Franchise restaurants in our top nine markets, totaling 8,923 out of 27,467 restaurants in those markets overall. Primary energy data was extrapolated to estimate energy consumption for all restaurants in the markets and ownership types reported. The top nine markets included approximately 73% of the restaurants worldwide (27,467 out of 37,858 as of December 31, 2017).

## Greenhouse gas (GHG) emissions

GHG Protocol Categories <sup>2</sup>	2014 <sup>1,2</sup>	2015 <sup>2</sup>	2016 <sup>2</sup>	2017 <sup>2</sup>
<b>Company-Owned Restaurants, Worldwide</b>	<b>Total Estimated GHGs (Megatons of CO2 Equivalents) <sup>3</sup></b>			
Direct (Scope 1)	0.178	0.193	0.182	0.151
Indirect (Scope 2)	1.775	2.030	1.780	0.764
<b>Franchise Restaurants, Worldwide (Part of McDonald's Scope 3)</b>	<b>Total Estimated GHGs (Megatons of CO2 Equivalents) <sup>3</sup></b>			
Franchise: Direct	1.114	1.142	1.043	0.859
Franchise: Indirect	7.261	7.402	5.800	6.231

1. For our 2014 analysis, we worked with Enviance to launch an updated methodology to estimate GHG emissions from McDonald's restaurant energy use and refrigerant emissions worldwide. This team, now at Aligned Incentives, continued our methodology improvements and analysis for 2015 and 2016.

2. Best available primary energy data from our top nine markets (see table above) was extrapolated to estimate energy consumption and GHG emissions for all restaurants worldwide as December 31, 2014 (36,258 restaurants), December 31, 2015 (36,525 restaurants) and December 31, 2016 (27,453 out of 37,590), December 31, 2017 (27,467 out of 37,858). Refrigerant emissions were estimates using input/output analysis of McDonald's data and U.S. industry average emissions information.

3. Enviance addressed uncertainty in GHG emissions estimates by conducting 1 million Monte Carlo simulations to establish 95% confidence intervals around each data point for 2013–2015. Aligned Incentives addressed uncertainty in GHG emissions estimates by conducting 100,000 Monte Carlo simulations to establish 95% confidence intervals for each data point for 2015–2016.

## Youth Opportunity

In 2018 we launched a new initiative called *Youth Opportunity*, with a global goal to reduce barriers to employment for two-million young people by 2025, through pre-employment job



readiness training, employment opportunities and workplace development programs. As part of this goal, McDonald's also joined the [Global Initiative on Decent Jobs for Youth](#), a United Nations led multi-stakeholder initiative, to help accelerate efforts to tackle the youth employment challenge.

Specific and measurable outcomes for the partnership's goals will be agreed by ourselves and our partner non-governmental organization (NGO).

## **Commitment to Families**

In 2018, we announced new, global goals through 2022 together with the Alliance for a Healthier Generation. These Global Happy Meal goals continue our collaboration to focus on Happy Meals, offering more balanced choices that kids and parents love.

By the end of 2022, we aim to achieve these goals in all markets globally in addition to the 20 major markets,<sup>1</sup> with measurement and reporting of progress among 20 major markets representing nearly 85% of our global Happy Meal sales.



# Our Food – Sourcing Sustainability

## Commitments

### Chicken Sustainability

#### **Goal**

Eliminate the use of antibiotics defined by the World Health Organization as Highest Priority Critically Important (HPCIA) to human medicine as defined by the WHO from all chicken served by 2027. <sup>2</sup>

#### **Progress**

In 2017, we released our new Chicken Antibiotics Policy for markets around the world. The information below outlines progress as part of our phased process:

**Objective:** By 2017, 100% of chicken served in the U.S. is free of antibiotics important to human medicine.

**Update:** We have achieved this goal. Since 2016, no chicken served in McDonald's restaurants in the U.S. is treated with antibiotics important to human medicine.

**Objective:** By January 2018, HPCIA's will be eliminated in broiler chicken for Brazil, Canada, Japan, South Korea, the U.S., and Europe,<sup>1</sup> with an exception for colistin for Europe only; Implementation of all other elements of the Global Chicken Antibiotics policy across all markets, including a prohibition on routine preventive use.

**Update:** This objective has been achieved.

**Objective:** By January 2019, the usage of HPCIA's will be eliminated in broiler chickens for Australia and Russia, and Europe plans to have removed colistin.

**Update:** As of July 2019, all chicken suppliers to Australia and European markets have eliminated the usage of HPCIA's in our chicken supply chain. For new suppliers in Russia (added after July 2018), an extension has been granted until the end of 2021, to enable them to responsibly convert their supply chain to colistin-free.

January 2027: HPCIA's will be eliminated in all other designated markets<sup>2</sup> around the world.

#### **Goal**

By 2020, source soy for chicken feed that does not contribute to deforestation.

#### **Progress**

McDonald's completed a forest risk assessment of the facilities and farms that produce chicken in our supply chain. The results indicated that the footprint and impact on forests of



these facilities was immaterial compared to soy production. As a result, soy was prioritized for action. Facilities and farms will be revisited in our annual supply chain assessment.

As of the end of 2018, 72% of McDonald's global soy supply is verified as compliant with our Commitment on Forests. This is a combination of soy coming from high-risk locations which has been certified, through [ProTerra](#) or RTRS certification, as well as soy traced back to locations with a low risk of deforestation.

We have identified the regions where our suppliers source soy that have high deforestation risks. We have also taken a conservative approach and assumed that all soy used in the feed of chickens supplied to our restaurants in Europe, APMEA and Latin America is high risk, until further traceability is established as to their origin. This approach was informed by a traceability analysis we completed which demonstrated that the soy produced in Latin America is flowing into the chicken supply chain of Europe, APMEA and Latin America. We determined that 47% of our system's global soy supply, used in the feed of chickens, is from high-risk locations (as of 2018).

Our goal states that, at a minimum, [Roundtable on Responsible Soy](#) Book & Claim certificates will cover all soy volumes used in poultry feed where the soy is produced in Argentina, Brazil or Paraguay. We are also reviewing alternative programs to determine if they can verify that soy being produced under the Soy Moratorium in the Amazon is not being produced in the Cerrado or Chaco, or is produced under conditions that meet all of our Commitment on Forests criteria.

### **Goal**

Purchase 100% sustainable certified soy by 2020 in Europe.

### **Progress**

In 2018, approximately 74% of the soy volumes used in the feed of chickens supplied to McDonald's restaurants in Europe was covered by a combination of [ProTerra](#) or [Roundtable on Responsible Soy](#) certification.

### **Goal**

Source chicken with improved welfare outcomes.

### **Progress**

- In 2018, we launched an independent Global Chicken Sustainability Advisory Council of diverse experts including genetics experts, FAI Farms, leading academics and researchers like Dr. Temple Grandin and Dr. Harry Blokhuis, and NGOs including conservation organization World Wildlife Fund.
- In 2019, we defined farm-level and processing-level key welfare indicators (KWIs) and the methodology for measuring them. In 2020, we'll begin gathering data on all these indicators as we work toward setting progressive targets with the support of our multi-stakeholder Chicken Sustainability Advisory Council.



- In partnership with Foundation for Food and Agricultural Research (FFAR), we launched the SMART (Sensing, Monitoring, Analysis, Reporting, Technologies) broiler initiative to identify and fund emerging technology solutions to enable global, commercial-scale, on-farm measurement of key welfare indicators. Through this initiative, McDonald's has invested US\$2 million, while enabling another \$2 million in matching grants. The SMART Broiler Program represents one of the largest investments in animal agriculture technologies focused on health and welfare.
- McDonald's was one of the first retailers to implement a Controlled Atmospheric Stunning (CAS) system into a broiler supply chain in the U.S. Currently, 100% of our Canadian supply chain and 20% of our U.S. supply chain utilizes CAS. We are on track to meet our commitment of implementing CAS throughout U.S. and Canadian facilities by 2024. CAS is currently widely practiced by McDonald's suppliers in Europe and Australia.

1. Markets covered by the policy include: Brazil, Canada, Japan, South Korea, the U.S., Australia, Russia, China and Europe. For the sake of this policy, Europe includes the following countries: Austria, Azerbaijan, Belarus, Belgium, Bosnia & Herzegovina, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Ireland, Italy, Kazakhstan, Latvia, Lithuania, Luxembourg, Malta, Moldova, Netherlands, Norway, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Switzerland, Sweden, United Kingdom, Ukraine.

2. These commitments apply to chicken raised for sale at McDonald's restaurants in Australia, Canada, France, Germany, Italy, Ireland, the Netherlands, Poland, Russia, South Korea, Spain, Switzerland, U.K., and U.S.

3. Greenpeace (2016) reports that "a study published in 2015 in the journal Science by Dr. Holly Gibbs, from the Department of Environmental Studies at the University of Wisconsin shows that the Soy Moratorium was five times more effective in reducing deforestation than the Brazilian Forest Code. The success of the Moratorium is a business case that captured the attention of the world."

## **Fish Sustainability**

### **Goal**

By 2020, all the wild-caught fish purchased for use in McDonald's restaurants will be from verified sustainable sources.

### **Progress**

Our focus is on assuring the sustainability of the fish used in our famous McDonald's Filet-O-Fish sandwich. This represents over 97% of all wild-caught fish used globally by the Company.

In 2018, 98% of the fish for the Filet-O-Fish was sourced from sustainably managed wild-caught fisheries, assessed and verified annually against the McDonald's Sustainable Fisheries Standard by the Sustainable Fisheries Partnership.

## **Coffee Sustainability**

### **Goal**



100% of coffee to be sustainably sourced by 2020.

### **Progress**

In 2018, 57% of our ground and whole bean coffee (64% of restaurant coffee globally and 3% of U.S. and Canada retail coffee) was sourced sustainably through Rainforest Alliance, UTZ, Fairtrade International and Fair Trade USA certification schemes, as well as McCafé SIP-approved programs. This includes espresso based drinks and coffee brewed at restaurants, and all coffee retail products.

Our volume of sustainably sourced coffee increased by 5.6% from 2017 to 2018 and we are on track to achieve our global 2020 target for 100% sustainably sourced coffee. In November 2019, McDonald's USA announced that 100% of ground and whole bean coffee for their restaurants is sustainably sourced<sup>1</sup>, representing the largest market portion of our global coffee volumes. The European market has also met our commitment to sustainably source 100% of their coffee.

### **Goal**

By 2018, all coffee from high-deforestation risk regions<sup>2</sup> will be sourced from Rainforest Alliance Certified farms.

### **Progress**

As of the end of 2018, 97% of McDonald's global coffee supply is verified as compliant with our Commitment on Forests. This is a combination of; coffee coming from high-risk locations which is Rainforest Alliance certified, as well as coffee traced back to locations with a low risk of deforestation.

Through our risk assessment, we determined that 7% of our global coffee supply, is from high-risk locations (as of 2018). Of the coffee grown in high-deforestation risk countries, 60% was Rainforest Alliance certified in 2018.

While we have not met the timeline for this goal, we are working diligently with our supply chain to source the remaining 3% of our high-risk supply from Rainforest Alliance Certified farms.

<sup>1</sup>Except Hawaii which sources locally and will be meeting the goal in 2020.

<sup>2</sup> High deforestation risk regions for coffee include Honduras, Indonesia, and Vietnam.

## **Palm Oil Sustainability**

### **Goal**

By 2020, 100% of the palm oil used in McDonald's restaurants and as ingredients<sup>1</sup> in McDonald's products will support sustainable production.

### **Progress**



100% of our palm oil supply has been Roundtable for Sustainable Palm Oil (RSPO) certified since 2017, in compliance with our Commitment on Forests.

We are committed to increasing traceability for the palm oil used in the McDonald's system in the greatest volumes, which means we are increasing our physical RSPO volumes (Segregated and Mass Balance). Our volumes of physical certified oils have increased from 11% in 2017 to 58% in 2018.

Our suppliers are also expected to be active members of the RSPO and report through the RSPO Annual Communications of Progress.

[2018 RSPO chain of custody system](#) (covering 100% of global supply):

- 58% Mass Balance
- 9% Segregated
- 33% verified using book and claim certificates (the minimum level of verification currently required according to our palm oil policy)

### **Goal**

All centrally managed suppliers of restaurant and par-fry oil must:

- Be active members of the RSPO and report through the RSPO Annual Communications of Progress
- Have a public commitment to eliminate deforestation and supporting strategy
- Have a strategy for traceability to the mill and plantation level
- Be committed not to source from peatlands, high conservation value land and high carbon stock forests
- Be committed to uphold human rights at the plantation level and Free and Prior Informed Consent
- Have a third-party verification process
- Have a strategy to address any open grievances

### **Progress**

Since 2016, all direct suppliers of restaurant and par-fry oils submitted documentation outlining that they have policies and programs in place to fulfil the requirements outlined in our Sustainable Palm policy.

<sup>1</sup> Ingredients includes any type of palm oil used directly as an ingredient in a McDonald's product and listed on the product's ingredient statement.

## **Our Planet**



## Conserving Forests

### **Goals**

2020: Eliminate deforestation in supply chains for our beef, chicken (including soy in feed), palm oil, coffee and the fiber used in guest packaging by 2020<sup>1</sup>. Below, you can find more information on our progress in these primary commodities against our 2020 goal.

2030: Eliminate deforestation from our global supply chain by 2030.

### **Progress in Beef Sourcing**

As of the end of 2018, 84% of McDonald's global beef supply is verified as compliant with our Commitment on Forests. This is a combination of beef coming from high-risk locations which has been verified through farm assessments, as well as beef traced back to locations with a low risk of deforestation<sup>2</sup>.

Through our risk assessment, we determined that 18% of our beef supply was from high-risk locations (as of 2018). We identified the Chaco in Argentina and Paraguay, the Amazon and Cerrado in Brazil and Queensland in Australia as high-risk regions for deforestation associated with beef production. Recognizing that not all areas within these regions are high-risk, McDonald's completed a risk analysis for each area in order to determine where to prioritize efforts. This analysis was completed using the WWF Living Forests report and will be reviewed on an annual basis.

### **Progress in Chicken Sourcing**

McDonald's completed a forest risk assessment of the facilities and farms that produce chicken in our supply chain. The results indicated that the footprint and impact on forests of these facilities was immaterial compared to soy production. As a result, soy was prioritized for action. Facilities and farms will be revisited in our annual supply chain assessment.

As of the end of 2018, 72% of McDonald's global soy supply is verified as compliant with our Commitment on Forests. This is a combination of soy coming from high-risk locations which has been certified, through [ProTerra](#) or RTRS certification, as well as soy traced back to locations with a low risk of deforestation.

We have identified the regions where our suppliers source soy that have high deforestation risks. We have also taken a conservative approach and assumed that all soy used in the feed of chickens supplied to our restaurants in Europe, APMEA and Latin America is high risk, until further traceability is established as to their origin. This approach was informed by a traceability analysis we completed which demonstrated that the soy produced in Latin America is flowing into the chicken supply chain of Europe, APMEA and Latin America. We determined that 47% of our system's global soy supply, used in the feed of chickens, is from high-risk locations (as of 2018).

Our goal states that, at a minimum, [Roundtable on Responsible Soy](#) Book & Claim certificates will cover all soy volumes used in poultry feed where the soy is produced in



Argentina, Brazil or Paraguay. We are also reviewing alternative programs to determine if they can verify that soy being produced under the Soy Moratorium in the Amazon is not being produced in the Cerrado or Chaco, or is produced under conditions that meet all of our Commitment on Forests criteria.

### **Progress in Palm Oil Sourcing**

100% of our palm oil supply<sup>3</sup> has been Roundtable for Sustainable Palm Oil (RSPO) certified since 2017, in compliance with our Commitment on Forests.

We are committed to increasing traceability for the palm oil used in the McDonald's system in the greatest volumes, which means we are increasing our physical RSPO volumes (Segregated and Mass Balance). Our volumes of physical certified oils have increased from 11% in 2017 to 58% in 2018.

Our suppliers are also expected to be active members of the RSPO and report through the RSPO Annual Communications of Progress.

- [2018 RSPO chain of custody system](#) (covering 100% of global supply):
- 58% Mass Balance
- 9% Segregated
- 33% verified using book and claim certificates (the minimum level of verification currently required according to our palm oil policy)

### **Progress in Coffee Sourcing**

As of the end of 2018, 97% of McDonald's global coffee supply is verified as compliant with our Commitment on Forests. This is a combination of; coffee coming from high-risk locations<sup>4</sup> which is Rainforest Alliance certified, as well as coffee traced back to locations with a low risk of deforestation.

Through our risk assessment, we determined that 7% of our global coffee supply, is from high-risk locations (as of 2018). Of the coffee grown in high-deforestation risk countries, 60% was Rainforest Alliance certified in 2018.

While we have not met the timeline for this goal, we are working diligently with our supply chain to source the remaining 3% of our high-risk supply from Rainforest Alliance Certified farms.

### **Progress in Fiber Sourcing**

As of the end of 2018, 94% of McDonald's global fiber supply, used for primary fiber-based guest packaging<sup>5</sup>, is verified as compliant with our Commitment on Forests. This is a combination of; fiber coming from high-risk locations that has been FSC certified, as well as fiber traced back to locations with a low risk of deforestation<sup>5</sup>.



Through our risk assessment, we determined that 9% of our fiber supply, used for primary fiber-based guest packaging is from high-risk locations (as of 2018).

As of the end of 2018, 81% of our primary fiber-based guest packaging came from third-party verified recycled or certified fiber (FSC, Programme for the Endorsement of Forest Certification™ or PEFC-endorsed) sources.

<sup>1</sup> 2020 goals conclude December 2020, unless otherwise stated.

<sup>2</sup> High risk regions for beef include Argentina, Australia, Brazil and Paraguay and top 10 beef sourcing countries include the U.S., Australia, Germany, Brazil, Ireland, Canada, France, New Zealand, the U.K. and Poland.

<sup>3</sup> Ingredients includes any type of palm oil used directly as an ingredient in a McDonald's product and listed on the product's ingredient statement.

<sup>4</sup> High deforestation risk regions for coffee include Honduras, Indonesia, and Vietnam.

<sup>5</sup> Primary guest packaging refers to products that are used to package guest food on premises at McDonald's restaurants. This type of packaging includes containers, cups, wraps, bags for food, beverages, napkins, and cup carriers. The goal excludes food packaged off-site, wood, and limited locally sourced items. High deforestation risk countries include Argentina, Cambodia, China, Indonesia, Laos, Malaysia, Russia, and Vietnam.

## Our People and Communities

### Community investment

Along with Franchisees and suppliers, McDonald's generates jobs and makes capital investments that help build stronger communities around the world. In 2017, these amounted to \$4.7 billion.

Year	Capital Expenditure	Income Taxes Paid
2014	\$2.6B	\$2.4B
2015	\$1.8B	\$2.0B
2016	\$1.8B	\$2.4B
2017	\$1.9B	\$2.8B

The Company also matches funds raised by Company employees up to \$5,000 (\$10,000 for a Vice President or Board member). Each year, this equates to more than \$1 million, doubling the efforts of our people. We also run a payroll giving scheme so that Company employees can donate to charities of their choice in a tax-efficient way.



# Governance

To ensure responsible leadership of our Scale for Good platform across our business, we are committed to strong governance, clear accountability, stakeholder engagement, transparency and accurate reporting.

*“We’re aware that we live in a world of rapid change, with continued opportunities to embed sustainability across our business. Our values of responsible leadership are even more relevant to our customers and stakeholders today, influencing our business plans more directly than ever before.”*

**Francesca DeBiase, Chief Supply Chain and Sustainability Officer, McDonald’s Corporation**

## Governance structures

Good governance is essential to manage sustainability integration and to drive our Scale for Good platform throughout the Company.

### Our Board of Directors

As part of the Company’s [corporate governance](#), the Board of Directors of McDonald’s Corporation is responsible for the oversight of the Company’s business in an honest, fair, diligent and ethical manner. Among other responsibilities, the Board is actively engaged in overseeing and reviewing the Company’s strategic direction, objectives and enterprise risk management.

Six standing Board [committees](#) – Audit & Finance, Compensation, Governance, Executive, Public Policy & Strategy, and Sustainability & Corporate Responsibility – support the Board’s oversight.

In particular, the Sustainability & Corporate Responsibility Committee monitors and provides input on our Scale for Good platform and priorities. The Committee also monitors the Company’s strategies and efforts to address McDonald’s brand trust through its performance as a sustainable organization. The Committee regularly reports to the full Board regarding its activities, and from time to time, other Board committees and the full Board receive reports on the Company’s sustainability efforts as circumstances warrant.

### Scale for Good leadership team

The Scale for Good leadership team was formed in 2016, bringing together cross-functional senior executives from across the Company who are accountable for leading McDonald’s strategy for responsible leadership. These leaders and their teams worked together to develop and guide our new Scale for Good platform and goals.

The team is chaired by Francesca DeBiase, Chief Supply Chain and Sustainability Officer.

Each member of the team looks after a specific area of our Scale for Good work. Together, they ensure that we establish plans and monitor progress to achieve our goals and



commitments, and that we share the progress we're making through our brand communications globally and across the local markets. They meet multiple times a year to discuss strategy and progress.

The leadership team is supported by a strong CEO voice, placing accountability at the very top of our organization.

### **Cross-functional working groups**

The Scale for Good leadership team is supported by cross-functional working groups for each priority area, with representatives from departments across our global business. These cross-functional teams work with third-party organizations to monitor issues and trends, and oversee and develop the strategy for each area, which then gets rolled out at a local level through our market teams, Franchisees and suppliers.

### **Engaging Franchisees and suppliers**

The leaders of each McDonald's market have responsibility for working with their teams to engage local Franchisees in our initiatives and programs. Our local community presence is foundational to our global brand.

Beyond commercial, food and product safety, and food quality responsibilities, the Global Supply Chain and Sustainability group has responsibility for managing our global supply chain policies, goals and commitments, setting responsible sourcing expectations for suppliers, and coordinating with market supply chain teams to engage suppliers at the local level.

Each of our Scale for Good priorities will come to life through leadership from local Franchisees and crew, investments in local community partnerships, engagement in the communities of farmers and suppliers, and through the experiences of millions of customers in their local McDonald's restaurants.

Together, our actions add up to a significant collective impact as part of our [business model](#).

### **Prioritizing key issues**

To identify and prioritize the issues that are of most importance to our stakeholders, and where our business can have the greatest impact, we carried out a comprehensive materiality assessment in 2014. The key areas of focus we identified were related to nutritious food choices, sustainable sourcing, environmental efficiency at McDonald's restaurants, and opportunities for our people and communities.

In the following years, since 2014, we have continued to gather insights to help us evolve our strategy and tailor our reporting. We have conducted qualitative stakeholder interviews about our approach and the evolution of key issues, quantitative and external data gathering, and internal reviews. These inputs and perspectives from key stakeholders have played an important role in the development of our new strategy; the Scale for Good platform, launched in 2018.

### **Through this process, we have elevated global priorities in the Scale for Good platform:**

- Commitment to Families



- Beef Sustainability
- Climate Action
- Packaging and Recycling
- Youth Opportunity

**We also continue with our foundational work in core impactful areas where we will continue to drive progress:**

#### **Producing our food**

- [Responsible sourcing](#)
- [Food safety, quality and choice](#)
- [Animal health and welfare](#)

#### **Protecting our planet**

- [Conserving forests](#)
- [Minimizing waste](#)
- [Protecting water resources](#)
- [Transporting our food](#)
- [Smart restaurant design](#)

#### **Supporting our people & communities**

- [Our investment in people](#)
- [Ronald McDonald House Charities \(RMHC\)](#)
- [Protecting and respecting human rights](#)
- [Farmer livelihoods](#)
- [Diversity and inclusion](#)

Our materiality approach will continue to evolve, making sure it reflects changes in our business as well as societal and environmental needs. Find out more about our [engagement with stakeholders](#).

#### **Engaging our people**

Our commitment to using our Scale for Good is embedded across our business through our [values](#), [business model](#) and [Scale for Good strategy](#). Underpinning these efforts are the Company's [Codes of Conduct](#) and other policies that form our corporate governance.

For the Company's employees worldwide, our framework for ethical business practices is our [Standards of Business Conduct](#). First developed many years ago, the Standards have been continually revised to reflect the changing business environment. Central to the Standards are three principles: personal accountability, open communication and responsible action. The Company's employees are asked to recognize that they can "keep the shine on our Arches by doing the right things in the right way," by acting in accordance with our Standards and exercising good judgment.