



ESG Reporting Website Archive 2016

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 2016 (January to December) unless otherwise stated.

Contents

Using our Scale for Good.....	4
Contributing to the UN Sustainable Development Goals.....	8
Gaining a fresh perspective by Engaging Stakeholders	13
McDonald’s Scale for Good Terms and Definitions.....	21
Helping lead a global movement for Beef Sustainability	23
Beef Sustainability Stories.....	31
Thinking circular with more sustainable Packaging and Recycling.....	35
Packaging and Recycling Stories	42
Commitment to Families	46
Our Work with the Alliance for a Healthier Generation	50
Ambition meets opportunity: Our Investment in People	52
Our Food	56
Responsibly sourced Chicken.....	59
All about responsibly sourcing Fish	65
Helping you wake up to more sustainably sourced Coffee	68
Serious about Palm Oil.....	72
Working with suppliers to protect Animal Health and Welfare.....	75
Our Planet	81
What we’re doing to address Climate Change.....	83
We care about Conserving Forests	85
Eliminating Waste	91
How we’re Protecting Water Resources	94
On the road to innovation in Transporting Our Food.....	97
Big presence, small footprint. That’s Smart Restaurant Design	100
Smart Restaurant Design Stories.....	104
Our People and Communities	106
Our charity of choice: Ronald McDonald House Charities® (RMHC®)	107
We’re committed to respecting Human Rights.....	110

Partnerships and platforms to support Farmer Livelihoods114

Managing our ESG Reporting..... 117

Progress and Performance 120

Our Scale for Good Governance 134

Using our 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 are proud to build on our strong commitment to the communities where we operate. With these bold actions, McDonald's is embracing our leadership responsibility and demonstrating the incredible opportunities we can create for our customers, our people and our stakeholders when we harness our Scale for Good around the world."

Steve Easterbrook, President and CEO, McDonald's

"We recognize that the size and reach of our business puts us in a unique position to improve people's lives and the environment all around the world. We want to use our Scale for Good and always keep raising the bar on what it means to be a responsible company committed to people and the planet."

Francesca DeBiase, Chief Supply Chain and Sustainability Officer, McDonald's

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 four 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.

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.

Our Investment in People

Every year, millions of people come to work at a McDonald's restaurant to learn valuable work skills for life and continue their education.

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 climate change, 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.

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 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 new goals for 2022–2030, in line with our major business priorities and areas of greatest responsibility to drive transformational change.

These goals will guide our work across a range of social and environmental impact areas, as we transition from our 2014 Framework to our Scale for Good strategy. Working with our suppliers and Franchisees, we'll monitor our activities and report progress on our journey.

Contributing to the 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 and the SDGs

We've mapped our initiatives against all 17 goals and have identified those where we believe we can focus our resources to help drive the greatest impact:

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.

Related Scale for Good work streams: [Commitment to Families](#), [Farmer Livelihoods](#), [Beef Sustainability](#), [Responsibly Sourced Chicken](#), [Fish](#), [Responsibly Sourced Coffee](#), [Palm Oil](#), [Packaging and Recycling](#), [Climate Change](#), and [Conserving Forests](#).

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.

Related Scale for Good work streams: [Our Investment in People](#), [Farmer Livelihoods](#), and [Diversity and Inclusion](#)

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.

Related Scale for Good work streams: [Conserving Forests](#), [Responsible Sourcing](#), [Packaging and Recycling](#) and [Eliminating Waste](#), as well as our [Reporting and Governance](#).

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.

Related Scale for Good work streams: [Beef Sustainability](#), [Responsibly Sourced Chicken](#), [Palm Oil](#) and [Conserving Forests](#).

SDG 17 – Partnerships for the Goals

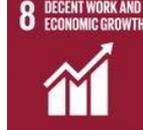
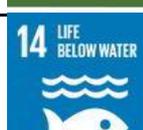
We believe that we can only drive meaningful change across all of our Scale for Good initiatives by partnering within the McDonald’s system as well as externally with other stakeholders and organizations to tackle global issues collaboratively. We are all in this together – from McDonald’s employees, 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.

SDG 17 maps across all our [Scale for Good](#) work.

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.

	Farmer Livelihoods
	Animal Health and Welfare , Beef Sustainability , Chicken , Climate Change , Coffee , Commitment to Families , Eliminating Waste , Farmer Livelihoods , Fish , Palm Oil , Our Food
	Ronald McDonald House Charities
	Global Diversity, Inclusion & Community Engagement , Our Investment in People
	Global Diversity, Inclusion & Community Engagement , Our Investment in People

	Beef Sustainability , Our Food , Protecting Water Resources
	Climate Change , Smart Restaurant Design , Transporting Our Food
	Our Investment in People , Human Rights
	Eliminating Waste , Packaging and Recycling , Our Food
	Global Diversity , Inclusion & Community Engagement , Our Investment in People
	Packaging and Recycling , Ronald McDonald House Charities
	Beef Sustainability , Climate Change , Eliminating Waste , Packaging and Recycling , Our Food , Ronald McDonald House Charities
	Beef Sustainability , Climate Change , Packaging and Recycling , Our Food
	Fish , Packaging and Recycling , Protecting Water Resources
	Beef Sustainability , Conserving Forests , Packaging and Recycling , Our Food
	Human Rights

<p>17 PARTNERSHIPS FOR THE GOALS</p> 	<p>All Scale for Good initiatives</p>
--	---------------------------------------

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.

Gaining a fresh perspective by 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, 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 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.

1974

First Ronald McDonald House

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

1984

McDonald's helped found Ronald McDonald House Charities

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

1990

Environmental Defense Fund

Participated in a task force to reduce, reuse and recycle materials at McDonald's restaurants

1992

National Recycling Coalition

Founding member of Buy Recycled Business Alliance

1993

U.S. Environmental Protection Agency

Participated in Green Lights for energy-saving lighting

1996

Dr. Temple Grandin

Collaboration to develop McDonald's animal welfare auditing program

1997

Environmental Defense Fund

Member of the Paper Task Force, developing recommendations for purchasing environmentally preferable paper

2000

Animal Welfare Council

Establishment of McDonald's Animal Welfare Council and guiding principles

2001

Food Animal Initiative

We work/partner with the FAI on our agriculture programs, including the Agricultural Assurance Program in Europe

2001

Conservation International

Partnership to develop our Sustainable Fisheries Program

2002–03

Environmental Defense Fund

Collaboration to create our Global Antibiotics Policy

2002–06

Project Kaleidoscope

Collaboration to promote sustained compliance with labor standards

2003

McDonald's Global Advisory Council

Formation of global expert panel on nutrition and children's well-being

2004

Refrigerants, Naturally!

Member of global initiative to combat climate change and ozone layer depletion

2005–12

Ceres

Member of Ceres, supporting our stakeholder engagement efforts

2005

Conservation International

Partnership to develop McDonald's Supplier Environmental Scorecard

2005

Sustainable Agriculture Initiative Platform

Member of global food value chain initiative for sustainable agriculture

2006

Amazon Soy Moratorium

Supporter of moratorium to stop illegal deforestation

2008

Global Food Safety Initiative

Member of the GFSI Board

2009

Coalition for Sustainable Egg Supply

Partnership to study humane and sustainable laying hen options in the U.S.

2010

World Wildlife Fund (WWF)

Supply Risk Analysis to inform the Company's Sustainable Land Management Commitment; conveners of Global Conference on Sustainable Beef

2011

Global Sustainability Framework Stakeholder Team

Establishment to inform McDonald's global aspirational goals

2011

Roundtable on Sustainable Palm Oil

Became member

2011

Global Roundtable for Sustainable Beef

Founding member

2011

Catalyst award

For our Freedom Within a Framework: Global Women's Initiative

2012

KaBOOM!

Partnership to build 12 playgrounds (McDonald's Foundation)

2012

Brazilian Roundtable on Sustainable Livestock

Became member

2013

Alliance for a Healthier Generation

Partnership with Alliance for a Healthier Generation to promote balanced food and beverage choices

2014

WWF's Global Forest & Trade Network

Signed GFTN agreement in support of responsible forest management

2014

NY Declaration on Forests

Endorsed New York Declaration on Forests, a call for companies, governments and organizations to "do their part" to halve the loss of natural forests globally by 2020 and end it by 2030

2014

Joining Forces Coalition

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

2015

U.S. Roundtable for Sustainable Beef

Founding member

2017

Bioplastic Feedstock Alliance

McDonald's becomes member of WWF's Bioplastic Feedstock Alliance

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.

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.

Helping lead a global movement for 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.

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 for over a decade. This global movement is gaining extensive momentum through conversations, collaborations, pilot programs, and global and local roundtables, and is helping influence not just beef served at McDonald's restaurants, but beef production around the world.

We will continue to collaborate within the industry to help find solutions to produce beef with less impact. Demand for meat is expected to grow substantially in the coming decades, meaning we need 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 cannot drive beef sustainability alone. 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 platforms like the GRSB to drive wider collaboration and action. We've helped set up similar multi-stakeholder platforms in Canada, the U.S., Europe and Australia, and participate in several others around the world.

"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 strengthening beef farming communities. At the same time, we're partnering with our suppliers, the GRSB and other roundtables to help [conserve forests](#) and other habitats, preserve the quantity and quality of water, and reduce greenhouse gas (GHG) emissions of beef production.

Across McDonald's biggest beef sourcing regions, 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 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 are committed to working with partners around the world to innovate and discover new practices. 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 requirements¹ 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 forests², 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](#).

Our actions

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

¹ McDonald's program requirements include transparency, credible verification and measured performance against clearly identified impact areas.

² These regions may differ from our top 10 beef sourcing countries. We aim to set specific country-based ambitious beef sustainability targets in these 10 countries.

(in several countries), and actively participate in other programs including the Novo Campo project (Brazil).

Our [Flagship Farmers Program](#) showcases progressive farmers and producers, and offers an online resource for producers worldwide, so they can learn from those farming sustainably and share best practices. It also celebrates innovative solutions around issues such as soil health, animal welfare, ecosystem protection and GHG emissions. Established in Europe, Flagship Farmers is now being extended to our top 10 beef sourcing countries.

“Participation in a McDonald’s Sustainable Beef Club and the realization that steps to minimize our impact on the environment would actually put more money in our pockets really made us sit up and take notice.”

Larry Nugent, Dundrum Farm, County Armagh, U.K.

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. In the countries where the infrastructure is not yet in place to do this, we will support the development of suitable traceability systems wherever possible.

That’s not all...

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

An industry first for Canada

In 2016, we completed our first beef sustainability pilot program in Canada, the industry's first initiative to bring the GRSB principles and criteria to life.

Beef sustainability in Brazil

Arcos Dorados, Latin America's largest restaurant chain and one of the Company's largest Franchisees, is working with the Brazilian Roundtable on Sustainable Livestock.

Beef sustainability in Europe

We buy around 2.5% of all beef produced in the European Union, sourced from approximately 470,000 farms, and are benchmarking the SAI Platform's Beef Farm Sustainability Assessment tool against quality assurance programs throughout Europe.

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.

Advancing beef sustainability in the U.S.

As a founding member of the U.S. Roundtable for Sustainable Beef, we are 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.

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 purchased 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 are currently sourcing beef in two out of our 10 top beef sourcing countries from sustainability programs. 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 December 2017, more than half of our top ten beef sourcing countries are supporting or sponsoring beef producer sustainability groups or programs.

Goal

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

Progress

As of December 2017, three of our top ten 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 seven countries will begin recognizing beef Flagship Farmers throughout 2018. 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. Broadening those opportunities will be a top focus in the years ahead.

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

Six 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.

Beef Sustainability Stories

We are trying, testing and scaling what works across our global markets. Below are just some of the stories where we're continually improving our approach – all part of the Scale for Good journey.

An industry first for Canada

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 GRSB principles, with guidance from the Canadian counterpart of the GRSB, 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

Beef sustainability 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.

Arcos Dorados, McDonald’s Franchisee in Latin America, has 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.

Farms under this project are currently being verified, and we met our goal of starting to source beef raw material from this program during the Rio Olympics in 2016. As part of our broader beef sustainability journey, the Company and Arcos Dorados will continue to scale sustainable beef production throughout the country, not just in the Amazon, focusing on continuous improvement.

“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

Beef sustainability in Europe

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

One of the countries involved in the SAI Platform beef sustainability pilots is Ireland – a major beef-producing nation with 80% of its agricultural land devoted to grasslands. 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

Beef sustainability in the U.S.

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. A summary of [the first draft of the USRSB metrics](#) was published in November 2017, and an official public comment period to collect feedback on the metrics will launch in the spring of 2018 with the publication of Sustainability Assessment Guides supporting each metric.

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 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 2018, we will begin 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.

Thinking circular with more sustainable Packaging and Recycling

Manufacturing and transporting packaging for over 37,000 restaurants in more than 100 countries requires significant natural resources, including water, trees and fossil fuels. How can we work to ensure the impact on the planet is as small as possible?

Why it matters

By 2025, the World Bank estimates a staggering 6 million tons of waste will be produced each day. What's more, the Ellen MacArthur Foundation and World Economic Forum predicts that by 2050, oceans will contain more plastics than fish. Added to this, the world's landfill waste continues to emit methane, a greenhouse gas far more potent than carbon dioxide.

As the world's largest restaurant company, we have the responsibility and opportunity to take action on some of the most pressing social and environmental challenges in the world today. We know that our vast, global supply chain can have a significant impact on the planet. And we're constantly improving our sourcing, packaging and transportation processes to lessen that footprint. When you operate over 37,000 restaurants in more than 100 countries serving 69 million people each day, even small changes can make a big difference.

Our customers tell us that their number one environmental concern is the environmental impact of McDonald's restaurant packaging and waste. We're listening.

Our approach

We recently announced the latest step in this ongoing journey – our 2025 goals to improve our packaging and reduce waste:

- By 2025, 100% of McDonald's guest packaging will come from renewable,³ recycled⁴ or certified⁵ sources.
- By 2025, our goal is to recycle⁶ 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.

Together with employees, Franchisees and suppliers, the Company is committing to use our Scale for Good to make changes our customers want and that will have a meaningful impact in the communities we serve. Our vision is nothing less than transformative.

³ 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

⁴ 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.

⁵ 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 and drink carriers) made from paper/board sold to the System globally must be certified by the FSC or Programme for the Endorsement of Forest Certification (PEFC). FSC certification is required when fiber is sourced from the following high-deforestation risk countries: Russia, China, Malaysia, Indonesia, Laos, Vietnam, Cambodia and Argentina by 2020.

⁶ Recycling includes all manners in which recycling can be collected. Options 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.

Special venue McDonald's restaurants that are located within multi-businesses spaces (shopping malls, in-store, train stations, airports, etc.) where they do not have ownership of waste hauling for their restaurant will be a challenge. We don't have control of building policies or waste contracts, but we are excited about the opportunity to collaborate with venues over the next seven years to create more opportunities for recycling.

The aspiration is to provide options for recycling paper, cans and plastic fractions by 2025. Recycling refers to the act of collecting and separating guest packaging items that can be recycled and ensuring they are sent to a facility for recycling. The focus of this goal is guest packaging. Kitchen recycling, including oil, corrugate, PE foils/film, coffee grounds, etc., is strongly encouraged and can be a good starting point.

We are transitioning from our previous waste goals in favor of more progressive packaging, recycling and sustainability goals to amplify our positive impact on the planet. We are revamping our previous aspirational goal of recycling 50% of in-restaurant waste by 2020 to a broader goal to recycle guest packaging in 100% of McDonald's restaurants. In addition, we will source our guest packaging from 100% renewable, recycled or certified sources. Our new goals reflect insights from the last several years of our recycling journey and our commitment to using our Scale for Good.

Our sustainable packaging and customer recycling work supports 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).

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

Our packaging and recycling journey

Our sustainable packaging journey dates back to 25 years ago when we established a partnership with Environmental Defense Fund (EDF). We not only phased out polystyrene sandwich boxes, but also significantly reduced our environmental impact by cutting solid waste and streamlining material choices. The initiative eliminated more than 300 million pounds of packaging, recycled 1 million tons of corrugated boxes and reduced waste by 30% in the decade following the partnership.

“Nearly three decades ago, McDonald's and EDF teamed up to tackle solid waste and accelerate innovation in packaging. Along the way, we pioneered a new partnership model for companies and nonprofit organizations. Today, McDonald's continues to raise the sustainability bar by setting ambitious goals and collaborating with partners across the value chain for maximum impact.”

Tom Murray, Vice President of EDF+Business at Environmental Defense Fund

In 2014, the Company set its first global goal to reduce waste and recycle more. The Company joined WWF's Global Forest & Trade Network program and set its fiber sourcing targets, including a preference for Forest Stewardship Council (FSC) packaging made from wood fiber.

McDonald's restaurants across 12 of our top 16 markets have introduced programs and partnerships to reduce litter and increase recycling in their communities. In

some communities with recycling infrastructure and local regulations, McDonald's restaurants offer customer-facing recycling, such as sorting bins, or collect guest waste and sort it for recycling behind the counter. Many of these McDonald's restaurants offer environmental messages in their lobbies.

As of 2017, 50% of McDonald's guest packaging comes from renewable, recycled or certified sources. We've also made significant progress on fiber-based packaging, which comprises the vast majority of what we use. As of 2016, 64% of McDonald's fiber-based packaging comes from certified or recycled sources.

Now, we're rethinking our packaging – working with packaging specialists to reduce material volume where possible and design packaging to recapture the value of materials through recycling, eliminating the costs and environmental impacts associated with its disposal.

Our actions

These new initiatives will be implemented around the world to help us achieve our 2025 goals.

We aim to source 100% of fiber-based packaging from certified or recycled sources by 2020, and as of 2016 we are 64% of the way toward our goal.

We also plan to eliminate foam packaging from our global system by the end of 2018. While about 2% of our packaging, by weight, is currently foam, we believe this small step is an important one on our journey. These actions represent successes that will continue to raise the bar for our system and our industry.

While we've made a lot of progress, there are more recycling challenges to overcome. Behind the counter, in our kitchens and serving points, crews are recycling used cooking oil and cardboard in up 85–90% of McDonald's restaurants. On the customer side, promoting recycling is not always as straight forward as you may think. Recycling infrastructure, regulations and consumer behaviors vary from city to city and country to country. There is tremendous variability in how the waste and recycling industry tracks and measures waste volume, making it difficult to capture important data. It's going to take a lot of work and we are resolved to be part of the solution and influence powerful change.

At McDonald's, we're always looking to improve. 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. We can't wait to show you what's next.

Our goals and progress

As one of the world's largest restaurant companies, we pledge to use less 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 renewable⁷, recycled⁸ or certified⁹ sources.

Interim target: 100% of fiber-based 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.

64% of our fiber-based guest packaging comes from recycled or certified fiber sources.

We will eliminate foam from our global system by the end of 2018.

Goal

By 2025, our goal is to recycle¹⁰ guest packaging in 100% of McDonald's restaurants.

⁷ 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

⁸ 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.

⁹ 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 and drink carriers) made from paper/board sold to the System globally must be certified by the FSC or Programme for the Endorsement of Forest Certification (PEFC). FSC certification is required when fiber is sourced from the following high-deforestation risk countries: Russia, China, Malaysia, Indonesia, Laos, Vietnam, Cambodia and Argentina by 2020.

¹⁰ Recycling includes all manners in which recycling can be collected. Options will vary by market. Examples include, but are not limited to, tray collection of waste for back of counter separation,

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.

That's not all...

See how we're addressing sustainable packaging and customer recycling around the world.

Scaling up with the Sustainable Packaging Coalition

We are proud to be the first restaurant company to join How2Recycle, a program within the Sustainable Packaging Coalition.

Unlocking the value in waste paper and plastic

We're tackling the challenge of unlocking the value in discarded paper and plastic by partnering with the Foodservice Packaging Institute.

Cutting paper, not trees

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.

Special venue McDonald's restaurants that are located within multi-businesses spaces (shopping malls, in-store, train stations, airports, etc.) where they do not have ownership of waste hauling for their restaurant will be a challenge. We don't have control of building policies or waste contracts, but we are excited about the opportunity to collaborate with venues over the next seven years to create more opportunities for recycling.

The aspiration is to provide options for recycling paper, cans and plastic fractions by 2025. Recycling refers to the act of collecting and separating guest packaging items that can be recycled and ensuring they are sent to a facility for recycling. The focus of this goal is guest packaging. Kitchen recycling, including oil, corrugate, PE foils/film, coffee grounds, etc., is strongly encouraged and can be a good starting point.

We have a global commitment to eliminate deforestation from our global supply chains. This means conserving forests and high conservation value areas.

The Planet Champions among us, U.K.

Planet Champions at McDonald's UK are our very own environmental super heroes, employees who champion the cause of sustainability.

Rethinking packaging, U.K.

Each day our teams are finding better ways to reduce the amount of material we use in our packaging and to increase its recycled content.

Keeping Britain Tidy

McDonald's UK is an active supporter of the U.K.'s anti-litter campaigns like Keep Britain Tidy, Keep Scotland Beautiful, Keep Wales Tidy and Keep Northern Ireland Beautiful.

Reducing food waste in the Netherlands

As a member of the Dutch Taskforce on Circular Economy in Food, McDonald's Netherlands works with industry partners to exchange best practices on reducing food waste.

Eating out in Taiwan just became more sustainable

With around 8,500 tons of paper used in our packaging across Taiwan every year, achieving the FSC stamp of approval on packaging in nearly 400 restaurants was a big milestone.

Packaging and Recycling Stories

Around the world, we're working hard to reduce packaging, innovate in sustainable materials, and enable and promote recycling in restaurants and communities. It's a big challenge and we rely on trusted partnerships to achieve success.

Scaling up with the Sustainable Packaging Coalition

We are proud to be the first restaurant company to join [How2Recycle](#), a program within the Sustainable Packaging Coalition (SPC). Working with other businesses and organizations, we're looking at on-pack messaging, proven to be the most effective way of informing customers about recycling.

In 2014, we printed the SPC logo, approved by the U.S. Federal Trade Commission, on our paper carryout bag, and have since printed it on other items, such as Happy Meal cartons, plastic McCafé cups and plastic carryout bags. Recognizing the power of on-packaging logos, our supplier HAVI worked with the SPC and the Biodegradable Products Institute to come up with a How2Compost logo, which we now show on our compostable packaging.

Unlocking the value in waste paper and plastic

There is significant value hidden in discarded paper and plastic food packaging like cups, takeout containers and paper carryout bags. We've set ourselves the challenge of unlocking this value by partnering with the [Foodservice Packaging Institute](#) in North America.

After several years of thorough research and work with communities, material recovery facilities and end markets, the Institute's dedicated plastics and paper working groups have launched community partnerships in Washington, D.C., Chattanooga and Louisville. With financial and technical support from the Institute, residents are now able to recycle paper and plastic foodservice packaging along with other recyclables in their curbside collections.

Cutting paper, not trees

We have a global commitment to eliminate deforestation from our global supply chains. Our Commitment includes [conserving forests](#) and high conservation value areas, avoiding the most negative impacts of deforestation, and promoting responsible production through our fiber sourcing policy that benefits people, communities and the planet. By 2020 we will have Forest Stewardship Council (FSC) certification in all high-risk countries to protect our fiber-based consumer packaging supply chain from deforestation.

In 2015, our Brazilian operations achieved full certification under FSC, with the exception of coffee cups, and McDonald's Canada moved to 100% Programme for Endorsement of Forest Certification (PEFC)-certified hot cups. Our restaurants in the U.S. completed a transition to FSC-certified fiber for all hot cups in 2016, which now proudly show off the FSC logo.

The Planet Champions among us, U.K.

Planet Champions at McDonald's UK are our very own environmental superheroes, employees who champion the cause of sustainability, encouraging and motivating colleagues across our restaurants every day to be more sustainable. They bring real value to the business by driving reductions in energy use, increasing recycling, controlling litter around the restaurants and helping to organize local community cleanups. In 2016, over 2,800 McDonald's UK employees completed the sustainability training to become or support Planet Champions.

Rethinking packaging, U.K.

Redesigning our packaging can make a big impact. Each day our teams are finding better ways to reduce the amount of material we use in our packaging and to increase its recycled content. Our napkins and cup carriers are now made from 100% recycled materials, while our McFlurry lids will soon be moving away from polystyrene to recycled polyethylene terephthalate, incorporating a minimum of 40% recycled plastic. All paper or card packaging is verified by the FSC or PEFC.

Keeping Britain tidy

McDonald's UK is an active supporter of the UK's anti-litter campaigns like Keep Britain Tidy, Keep Scotland Beautiful, Keep Wales Tidy and Keep Northern Ireland Beautiful. Since 2011, we've organized over 2,600 litter events, engaging 78,000 colleagues and community members in litter prevention.

We're committed to tackling litter in every community that we serve. Restaurant employees and Franchisees take pride in the appearance of their local communities and as a responsible business, it's important we do our part. We do this in as many different ways as we can, from daily litter patrols to regular local clean-up events. Since 1982, our U.K. restaurant teams have been going out every day to collect litter that's been dropped in the local areas around McDonald's restaurants. They pick up every piece of litter that they see, not just McDonald's packaging. It's estimated that employees walk over 150,000 miles a year ensuring communities are litter free.

Reducing food waste in the Netherlands

For 25 years, we've been separating and recycling kitchen waste in the Netherlands. Today, we collect cardboard, plastic, plastic PET bottles, used cooking oil, food waste, coffee grounds and certain chemical wastes. Moreover, around half of this recycling brings in additional revenue to the business.

As a member of the Dutch Taskforce on Circular Economy in Food, McDonald's Netherlands works with industry partners to exchange best practices on reducing food waste, both in our supply chain and in our restaurants. We've now reduced kitchen food waste by 50%!

At the same time, McDonald's Netherlands is working with Stichting NederlandSchoon, an organization that works with public and private partners to prevent and reduce litter. Together, we've optimized the design of our parking lots to make sure the right bins are available for our guests whenever they might want to use them. Our crew empties and cleans the bins regularly, and picks up litter more than 25 meters around our restaurants. Yearly, many restaurants participate in National Cleanup Day to raise awareness on litter within their communities.

Eating out in Taiwan just became more sustainable

With around 8,500 tons of paper used in our packaging across Taiwan every year, achieving the FSC stamp of approval on packaging in nearly 400 restaurants is a big milestone. First applied to napkins in 2015, we engaged around 20 suppliers to expand FSC Chain of Custody certification to paper bags and cups in 2017. We estimate that by the end of this year, more than 50 packaging items will be FSC accredited. In a country where eating out is the norm, this is big news.

While tackling paper sustainability, we're also finding ways to reduce packaging altogether. We've been trialing ways to optimize packaging, such as "clamshell" boxes (saving 42 tons of paper a year) and using bags over boxes for nuggets. By using lighter bags, we've saved 120 tons of fiber each year, while lightweight cutlery is saving 4 tons of resin. And plastic cups and bowls for sundaes, drinks and salads are now made of biodegradable materials.

Commitment to Families

Every day, families visit McDonald's restaurants to share moments and create lasting memories around meals that appeal to both kids and parents. We believe we can make a difference for families by focusing on Happy Meals and are committed to leveraging our scale and global reach across our System to make a lasting impact.

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. Through the Happy Meal Readers Book Program, the Company and its Franchisees have collectively distributed more than 370 million books since 2001. Since 2013, more than 100 markets have offered books in Happy Meals, including the U.S., Canada, Europe, Australia, New Zealand, Latin America and parts of Asia. Several countries also provide customers with the regular option to choose a book or toy with a Happy Meal. By making it fun, we can help inspire a lifelong love of reading for kids.

Ronald McDonald House Charities (RMHC)

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 364 Ronald McDonald Houses, 227 Ronald McDonald Family Rooms, and 49 Ronald McDonald Care Mobiles in more than 64 countries and regions around the world. In 2016 alone, RMHC provided care and resources to more than 5.5 million children and families.

To read more, [click here](#).

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 globally¹¹ with measurement and reporting of progress among 20 major markets representing

¹¹ 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

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, Russian, 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.

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

An initial report sharing learnings and progress in two markets during 2014 was released in June 2015. A second progress report, released in September 2017, summarizes progress on these commitments for 13 markets during 2016: Argentina,

Austria, Brazil, Switzerland, Germany, Italy, the Netherlands, Poland, Spain, Sweden, Taiwan, the United Kingdom and the United States. As shown below and in the 2016 progress report, we have met or exceeded the interim 2016 goals set for each of the five commitments.

Highlights from the 2016 Progress Report include:

- The 13 markets that fulfilled Commitment 1 featured 37 milk, water and juice options and zero soda options in the Happy Meal section of menu boards.
- 99% of value meal menu boards used in the nine markets listed or pictured a fruit, vegetable or side salad option, fulfilling Commitment 2.
- The 12 markets that fulfilled Commitment 3 offered a total of 26 new sides and beverages in Happy Meals in 2016.
- On average, the 13 markets that fulfilled Commitment 4 dedicated at least one panel of seven Happy Meal boxes or bags to a fun nutrition or children's well-being message in 2016.
- 97% of external ads directed to children across eight markets featured a fun nutrition or children's well-being message in 2016, as relates to Commitment 5.

2016 Progress Report Links:

[Download the Progress Report \(pdf, 0.5MB\)](#)

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

2014 Progress Report Links:

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

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

For Commitments 1–3, this assessment reflects an independent review of Happy Meal menu boards, in-store and external ads directed to children, and the availability of new Happy Meal menu options. It did not consider the presentation of options on self-ordering kiosks or mobile apps, relatively new technologies available in a growing number of restaurants.

For Commitment 5, the assessment found that four markets included qualifying messages in 100% of external ads directed to children, while four more included qualifying messages in all but one or two ads. Keybridge presented these findings to Healthier Generation, and a determination was made that the level of implementation achieved in these eight markets was sufficient to fulfill the 2106 interim goal.

Ambition meets opportunity: Our Investment in People

Every year, millions of people come to work at a McDonald's restaurant to learn valuable work skills for life, continue their education and take steps on a path to their promising future. McDonald's is committed to helping people reach their potential.

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.

McDonald's is evolving how it supports the development of those joining – or rejoining – the workforce to reach their full potential. We're on a journey, along with our Franchisees, to prepare people for the workplace and develop skills for life, and we can't wait to show you what's next.

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.

Argentina

"Creating Your Future" is an Archways to Opportunity program supported by the Ministry of Education in Argentina that provides opportunities for skills development for employees of Arcos Dorados, McDonald's Franchisee in Latin America. This initiative was implemented with Kuepa – an organization dedicated to providing professional and soft skills training in Latin America – and the Global Fairness

Initiative – an international nonprofit organization focused on economic development. Since its launch in September 2016, more than 110 employees have participated in the program, and of those, more than 60 have already graduated. This is a two to three-month program that combines online and classroom education in four main areas: guidance for work; technical skills in either hospitality, customer service or computers; personal finances; and math and Spanish.

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 December 2017, we have increased access to education for more than 20,400 Company-owned and participating Franchisee restaurant employees, including 6,100 graduates from our English under the Arches program and over 260 graduates from our high school completion program. In addition, we have provided more than \$19 million in tuition assistance in less than three 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.

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.

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.

Australia

McDonald's Australia is a registered training organization (RTO) providing nationally accredited training to its employees in the areas of retail, business, barista skills and food safety. As of 2017, we have had over 10,000 employees participate in accredited training and more than 4,300 qualifications issued. McDonald's has been recognized in several states as finalists in the Australian Training Awards, including the title of Large Employer of the Year 2017 in Western Australia. This recognizes us as one of the top three employers nationally.

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.

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 quality and choice

We care that the food 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. Globally, 100% of the whitefish for our Filet-O-Fish is sourced from sustainably managed fisheries and we have achieved MSC certification in North America, Europe and Brazil.

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 all of 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 chickens raised with improved welfare outcomes. In light of the possible impact on antibiotic resistance in humans, which is increasingly recognized as an important societal 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 need to [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 antibiotics 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:

- Animal health and welfare.
- Antibiotic stewardship.
- 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 goals.

Our actions

Responsible use of antibiotics

Building on our 2003 Global Vision for Antibiotic Stewardship in Food Animals, starting in 2018 we are beginning to implement a new broiler chicken antibiotics policy in markets around the world¹², which will require the elimination of antibiotics defined by the World Health Organization (WHO) as Highest Priority Critically

¹² 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.

Important Antimicrobials (HPCIA) to human medicine. Additionally, the routine preventative use of antibiotics will be prohibited. To make sure this policy can be effectively implemented, we are taking a [tiered approach](#).

This builds on the progress we have already 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 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 chickens raised with improved welfare outcomes. This means:

1. Measuring key farm-level welfare outcomes on an ongoing basis, setting targets and reporting on progress.
2. Developing state-of-the-art welfare measurement technology.
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. Complete an assessment by the end of 2018 to measure the feasibility of extending these commitments to the remaining global markets where McDonald's operates.

These commitments apply to markets across the globe¹³, 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 drive and measure continuous improvement for the health and welfare of chickens.

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

¹³ 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.

To meet our overarching vision of making meaningful and enduring improvement to the health and welfare of animals in our supply chain throughout their lives, the Company requires that abattoirs must pass a rigorous animal welfare audit, including applying the U.S. National Chicken Council tool. 100% of our approved facilities providing chicken raw material are compliant with the Company's requirements.

If suppliers don't meet these standards, we don't accept them as McDonald's Approved Suppliers. 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've been working 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)¹⁴

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 suppliers to purchase only certified sustainable soy. In 2016, approximately 50% of the soy used in chicken feed for McDonald's restaurants in Europe was covered by a combination of ProTerra and Roundtable on Responsible Soy certification.

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

¹⁴ 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."

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

Goals

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 2027¹⁵. Intermediary phases are planned¹⁵.

Progress

Since 2016, no chicken served in the U.S. is treated with antibiotics important to human medicine. In 2017, we released our new Global Chicken Antibiotics Policy.

Goals

Purchase 100% sustainable certified soy by 2020 in Europe.

Progress

In 2016, 50% of soy used for chicken feed in our European markets was covered by [ProTerra](#) or [Roundtable on Responsible Soy](#) certification.

Goals

Animal health and welfare commitments on or before 2024:

- Source broiler chickens raised with improved welfare outcomes. We plan to set targets, measure performance and report on key farm-level welfare outcomes across our largest markets.
- Partner with technology companies, producers and suppliers to invest in the development of state-of-the-art digital monitoring systems to automate the gathering of key animal health and welfare indicators, including behavioral measures. Once established, these technologies will highlight potential areas

¹⁵ 2017: 100% of chicken served in the U.S. is free of antibiotics important to human medicine.
January 2018: [HPCIA's will be eliminated in broiler chicken for Brazil, Canada, Japan, South Korea, the U.S., and Europe](#), with an exception for Colistin for Europe only; implement all other elements of the Global Chicken Antibiotics policy across all markets, including a prohibition on routine preventative use.
End of 2019: HPCIA's will be eliminated in broiler chicken for Australia and Russia, and Europe plans to have removed Colistin.
January 2027: HPCIA's will be eliminated in all other designated markets around the world. Our goal is to have this policy implemented before this date.

for improvement in real time and will be among the first of their kind available at a commercial scale.

- Conduct commercial trials in partnership with our largest global chicken suppliers to study the effect that certain production parameters have on key welfare indicators, as well as other sustainability outcomes, under large-scale, commercial conditions.
- Establish a multi-stakeholder Advisory Council focused on chicken sustainability, which consists of academics, suppliers, animal welfare and environmental advocates, scientists and industry experts.
- Require chickens to be raised in housing environments that promote natural behaviors such as pecking, perching and dust-bathing. These are encouraged through provision of perches, bales and access to floor litter 100% of the time and a minimum of 20 lux light intensity during daylight. These standards reflect recommendations from scientists in the U.S. and Europe.
- Have all increased broiler welfare standards on farms audited by a third party.
- In the U.S. and Canada, transition to sourcing chickens slaughtered by the use of Controlled Atmospheric Stunning, a Department of Agriculture-approved method that is recognized to be more humane for the animal, while also ensuring better conditions for workers. CAS is currently practiced by many approved suppliers for McDonald's restaurants in Europe and Australia.

Progress

These commitments were announced at the end of 2017.

All about responsibly sourcing Fish

Filet-O-Fish is one of our best-loved menu items, and our Sustainable Fisheries Program guides all our global purchases of wild-caught fish to ensure that McDonald's only uses sustainable sources.

Why it matters

We agree with the Marine Stewardship Council (MSC) that healthy oceans are essential for thriving marine ecosystems, livelihoods and economies. It's why every Filet-O-Fish comes from sustainably managed fisheries, and why we've made a commitment to source 100% of 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

Our Sustainable Fisheries Program defines the standards that guide all our global purchases of wild-caught fish. We began this journey back in 2001, working with Conservation International, the Sustainable Fisheries Partnership and our suppliers to set up a rating program for fisheries, based on management quality, fish stock and marine environment efforts. Improvement plans were set for fisheries that scored poorly and, if no progress was made we moved away from that source but continued working with the different stakeholders to improve the fishery.

Since then, our approach has expanded to include purchasing standards, annual third-party assessments of all our fish suppliers and the purchase of whitefish from sustainable fisheries.

Our long-term goal is to gradually turn the tide on sustainable performance in fisheries, including working with those that don't meet MSC standards to change their practices, as opposed to simply discontinuing sourcing from them. We're also working on a strategy to support sustainability standards for aquaculture for the farmed fish and seafood we source.

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.

“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

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!

[Play video on YouTube.com.](#)

Certifying our restaurants

All McDonald’s restaurants in Europe, Brazil, Canada and the United States are certified against the MSC Chain of Custody traceability standard. This means that every fishery supplying our distribution centers and restaurants must have a valid certificate confirming that fish comes from MSC-certified sustainable fisheries.

“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

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.

[Play video on YouTube.com.](#)

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

Globally, all of the whitefish for McDonald's Filet-O-Fish is sourced from sustainably managed fisheries, and McDonald's has achieved MSC certification in North America, Europe and Brazil.

We're working on a strategy to support the development of sustainability standards for aquaculture to guide our future purchases.

Helping you wake up to more sustainably sourced 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

More and more of us are getting a taste for good coffee. But this rising global demand, combined with more erratic weather patterns relating to a changing climate, labor shortages and the remote nature of coffee growing, is adding to the pressure on the world's coffee-growing communities.

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 communities and their land. To this end, we made a commitment that by 2020, 100% of the coffee we serve will come from sources supporting sustainable production.

Our first [Coffee Sustainability Report](#) (pdf, 3.1MB), released in 2016, shows our journey so far.

Our approach

Sourcing coffee certified to international sustainability standards such as UTZ, Fair Trade and Rainforest Alliance 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 certification as a method to achieve positive impacts.

In 2016, 56%¹⁶ of our coffee was sustainably sourced (up from 37% the previous year). Over half of this was Rainforest Alliance Certified.

¹⁶ This figure includes coffee sourced sustainably through Rainforest Alliance, UTZ, Fair Trade International and Fair Trade USA certification, 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).

As well as these, we've mapped our [Scale for Good initiatives](#) to all 17 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 investing in coffee growers and their communities over the long term. McCafé SIP is not intended to replace certification systems and is not itself a certification system, but a means to verify positive impact at the farm level by leveraging existing scorecards and verification systems. It also provides roasters, who supply our coffee, with guidance across four key elements they must achieve in order to become a SIP-approved program.

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

Producer collaboration – identifying farmers' needs and collaborating with local partners to provide relevant training and tools.

Measured performance – tracking progress against globally recognized indicators for sustainable coffee production.

Assurance – verifying data through third-party audits.

Through McCafé SIP, we have better information about the farmers growing our coffee, and progress is measured by third-party verifiers. We're also enabling roasters to leverage their expertise and relationships at origin to innovate and advance sustainable farming practices. We're already seeing great results. Roaster-led programs are providing farmers with access to training and agronomists, helping them take better care of their land and increase their overall productivity and the quality of their coffee. For example, in the Cerrado biome of Minas Gerais in Brazil, coffee farmers participating in a 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

A better deal for Guatemala's growers

Together with our Franchisees, McDonald's U.S. and 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 in the [Sustainable Coffee Challenge](#), which aims to make coffee the world's first sustainable agricultural product. Through the scheme, we'll be 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

Goals

100% of coffee verified as supporting sustainable production by 2020.

Progress

In 2016, 56% of our coffee was sourced sustainably through Rainforest Alliance, UTZ, Fair Trade International and Fair Trade USA certification, as well as McCafé SIP-approved programs.

Goals

By 2018, all coffee from high-deforestation risk regions will be sourced from Rainforest Alliance-Certified farms.

Progress in certification

In 2016, 44% of coffee grown in high-deforestation risk countries was Rainforest Alliance Certified, and we are on target to achieve this goal by 2018. Coffee from high-deforestation risk countries constitutes 6% of our global supply in 2016.

Serious about 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 many of our Asian restaurants, while direct suppliers use it to par-fry chicken and potato products. It can also be found in some 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 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

In 2016, 99.8% of palm oil used globally for restaurant cooking or by our suppliers to par-fry chicken and potato products was RSPO-certified sustainable or covered by RSPO credits, the minimum level of verification currently required according to our Global Sustainable Palm Oil Policy¹⁷ In 2017, we reached an important milestone when the U.S. – our second-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 palmoil 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.

¹⁷ This figure is different from the number that we disclosed through our RSPO annual communication of progress for Palm Oil. This is due to follow-up that occurred with suppliers after the ACOP was submitted.

Our goals and progress

Goals

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

Progress

In 2016, 99.82% of the total volume was certified as supporting sustainable production. By chain of custody system:

- 87.3% verified using book and claim certificates (the minimum level of verification currently required according to our Global Sustainable Palm Oil Policy).
- 11.7% was verified using Mass Balance.
- less than 1% was verified using an RSPO segregated method.

We are looking to increase our physical supply of RSPO-certified palm oil.

Goals

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

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

Working with suppliers to protect 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

Although we don't raise animals ourselves, our supply chain includes beef and dairy cattle, pigs and chickens. We understand and acknowledge the significant responsibility we have to help ensure these animals experience good welfare throughout their lives. Good welfare is also necessary to guarantee high-quality products.

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 and the provision of positive welfare for those animals in our supply chain are the fundamental responsibilities of those that provide raw materials 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, as well as promoting the notion of continuous improvement as the science of animal health and welfare continues to evolve.

Leadership: To be the 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 communicate our plans, programs, processes and progress surrounding animal health and welfare.

Some of our awards

- Compassion in World Farming 2017 commendation for welfare standards in organic milk supply (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.
- 2015 Business Benchmark on Farm Animal Welfare – Tier 2 recognition, Top 11 company managing and reporting on animal welfare.

Ethical practices for antibiotic use in food animals

Antibiotic resistance is an important issue for people and animals. 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 in 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, dairy cows, pork and laying hens for use in McDonald's restaurants.

As part of our commitment to [responsibly sourced chicken](#), in 2017 we released our new Global Chicken Antibiotics Policy. 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: We will have implemented all other elements of the Global Chicken Antibiotics Policy across all markets, including a prohibition on routine preventative use. HPCIA's will be eliminated in broiler chicken for Brazil, Canada, Japan, South Korea, the U.S. and Europe¹⁸, with an exception for Colistin for Europe only.
- End of 2019: HPCIA's will be eliminated in broiler chicken for Australia and Russia, and Europe plans to have removed Colistin.
- January 2027: HPCIA's will be eliminated in all other designated markets¹⁹ around the world. Our goal is to have this policy implemented before this date.

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 to come from cows that are not treated with rbST, an artificial growth hormone.

Our actions

Welfare at slaughter

The Company has specific expectations to ensure that animals are humanely slaughtered in our global network of approved abattoirs. These expectations are based on objective measurement systems that are aligned with recognized national and international standards such as the North American Meat Institute and the World Organization for Animal Health. The abattoirs on our approved supplier list are

¹⁸ 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.

¹⁹ Markets covered by the policy include; Brazil, Canada, Japan, South Korea, the U.S., Australia, Russia, China and Europe.

required to meet these welfare standards, which are independently audited annually to ensure compliance.

For more than two decades, we have worked with others in 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 continue to monitor progress and identify opportunities for improvement.

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).

Housing promoting animal health and welfare

Housing is critical to ensuring farm animal well-being and providing environments that are beneficial for overall health. 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.

Across our Europe region²⁰, 100% of our pork is already 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.

Similarly, 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.

Live transport

We expect all our raw material suppliers to minimize animal transport times to reduce the animals' stress. We stipulate that the meat in our global supply chain must be from livestock that was not shipped for more than 24 hours by sea, and sent directly to slaughter, without prior exception having been made to this policy by the Company's Quality Systems team.

²⁰ Our Europe region is defined as countries within the EU, plus Norway and Switzerland.

We also aim to monitor and minimize pre-slaughter transport times in our supply chain, in line with expert animal welfare guidance. In Europe, a third-party audit system ensures transport times are no more than eight hours. In 2016, audits covered approximately 26% of global chicken volumes, 31% of global beef volumes and 16% of global pork volumes.

Raising the bar on chicken welfare

In October 2017, the Company announced a [global commitment](#) to source chickens raised with improved welfare outcomes. We're committing 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 by the end of 2018 to measure the feasibility of extending these commitments to the remaining global markets where McDonald's operates.

These commitments will 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 programs that I've seen for chickens."

Temple Grandin, livestock researcher who pioneered humane slaughterhouse practices

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 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. By 2017, all U.S. dairy product suppliers were expected to track the percentage of the farms in their dairy supply that had completed the FARM second-party assessment; by 2020, 100% of all supplying farms will participate in FARM and have completed the second-party assessment.

Cage-free and free-range eggs

In the U.S. and our international lead markets, 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. and Canada: 2015 commitment to source 100% cage-free eggs within 10 years.

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 2016, McDonald's France used over 5.3 million eggs for Egg McMuffins.

Australia: Committed to use only 100% cage-free eggs for whole eggs and precooked egg products by the end of 2017.

New Zealand: 100% free-range whole eggs.

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.

Addressing climate change

A warming climate will affect our customers, McDonald's employees, the thousands of communities in which we operate and our supply chain, which we rely on for safe, quality ingredients and materials.

That's why we're committed to reducing emissions right along our value chain.

Sustainable packaging and recycling

We're reducing the amount of 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.

Eliminating 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 the world's water usage, we have a responsibility to conserve and protect the water resources in our supply chain and restaurant communities. We're developing a holistic strategy spanning water conservation, 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.

Smart 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.

What we're doing to address Climate Change

We are committed to taking responsibility for our System's contribution to climate change, through running more environmentally efficient restaurants and developing solutions that reduce the carbon footprint of our entire value chain – from farm to restaurant.

Why climate change matters

If society and industry continue business as usual, climate change will have serious consequences for our planet and its people today, and for generations to come – from melting ice caps and forest fires to shifting weather patterns that impact the way ingredients are produced. These events will affect our customers, employees, the thousands of communities where we operate and our supply chain, which we rely on for safe, quality ingredients and materials.

Our carbon reduction strategy

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 restaurants. As the world's largest restaurant company, we want to use our scale to help address this defining issue for current and future generations.

We acknowledge that climate change globally impacts air, energy, water, forests, agriculture and public health, and halting climate change requires substantial and sustained reductions of greenhouse gas emissions. We are committed to making greenhouse gas emissions reductions a business priority and making environmental stewardship synonymous with our company's identity.

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.

In 2015, we launched our [White House American Business Act on Climate Change Pledge](#) (pdf, 80.6KB), which outlines our commitment to combating 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](#) (pdf, 57.6KB), which sets out our view on taking effective, collaborative action to tackle climate change.

Some of the biggest drivers of McDonald's global carbon footprint are beef production, packaging and waste, and energy usage. While we have made great strides on these issues to date, we are taking even bigger and bolder actions moving forward.

We are transitioning from our previous energy efficiency goals and working toward a more holistic carbon emission reduction strategy for the Company. The Company is about to take our commitment to address climate change to the next level. Keep your eyes peeled – we look forward to sharing an update soon.

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](#).

We care about 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 bring our suppliers on board with clear principles and programs.

Why it matters

People, plants and animals rely on forests for food, fresh water, resources and shelter. They also 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.

In fact, 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 is estimated to account for 15% of global GHGs, and is a real risk to our business, our supply chain and our customers.

Our approach

Our aim is to eliminate deforestation from our global supply chains. The Company's 2015 [Commitment on Forests](#) (pdf, 346KB) and its [supporting addendum](#) (pdf, 44KB) 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.

Working with our suppliers

We expect our suppliers to operate their businesses ethically and abide by all applicable laws and regulations. Additionally, we work throughout our supply chains to ensure the following principles:

- No deforestation of primary forests or areas of high conservation value.
- No development of high-carbon stock forest areas.

- No development on peatlands, regardless of depth, and the use of best management practices for existing commodity production on peatlands.
- Respect human rights.
- Respect the rights of all affected communities to give or withhold their free, prior and informed consent for plantation developments on land they own legally, communally or by custom.
- Resolve land rights disputes through a balanced and transparent dispute resolution process.
- Verify origin of raw material production.
- Support smallholders, farmers, plantation owners and suppliers to comply with this commitment.

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.

Our actions

Partnering to end deforestation

To achieve our goals, we must work in partnership with others – suppliers, governments, non-governmental organizations (NGOs) and other key stakeholders. We are 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 by 2020.

We also engage with a range of industry organizations and forums to identify solutions. These include:

- [Accountability Framework](#) – We support this group of NGOs working to create common definitions on deforestation, and we contributed to the first round of stakeholder feedback.
- [AgroTools](#) – We're mapping the farms we purchase beef from in Brazil through advance monitoring technology, which tells us the location of every beef farm in Brazil that we purchase from. We're also developing systems and criteria to monitor our progress.

- [CDP Forests](#) – In addition to our annual CDP Forests report, the Company joined [CDP Supply Chain Forests group](#) as founding members in 2017, alongside one of our largest Franchisees Arcos Dorados.
- [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 feedback to its framework and actively working to support solutions that help protect forests and native vegetation in the Amazon, Cerrado and Chaco.
- [Good Growth Partnership](#) – We’re actively engaged in this collaboration between the UN Development Program, the Global Environment Facility, the International Finance Cooperation, WWF and Conservation International.
- [Proforest](#) – We’re partnering with these responsible sourcing specialists 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.
- [Tropical Forests Alliance 2020 \(TFA 2020\)](#) 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.
- [World Wildlife Fund \(WWF\)](#) – We’re prioritizing our actions based on the 11 deforestation fronts, as defined by the [WWF Living Forests Report](#), and as participants of their Global Forest & Trade Network.

“McDonald’s is taking significant steps to avoid deforestation and forest degradation in sourcing key commodities. While this is a journey that requires a long-term vision, these goals and progress are important steps forward in addressing issues that are key to McDonald’s business and value chain.”

Linda Walker, WWF-US Director of Responsible Forestry and Trade

Protecting biodiversity in the Amazon

The Amazon basin contains the world’s largest rainforest, a highly sensitive biome that is rapidly becoming a global success story in the fight against deforestation and forest degradation. In 2016, as part of our commitment to [sustainable sourcing of soy for chicken feed](#), we actively supported the indefinite extension of the Brazilian Soy Moratorium, a landmark agreement between industry, government and people to prevent major traders selling soy linked to deforestation in the Brazilian Amazon.

In line with our journey toward [beef sustainability](#), McDonald's and Arcos Dorados, our Franchisee in Latin America, are also working with the Brazilian Roundtable on Sustainable Livestock, local NGOs and industry partners 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 [Novo Campo Program](#) focuses on the recovery of degraded pastures and improvements in animal management, protecting the area's biodiverse ecosystems.

Through Arcos Dorados, we've now begun purchasing a portion of our beef verified as sustainable, helping conserve vital areas of forest. The project has also achieved a 25% reduction in on-farm GHG emissions in under two years.

“McDonald's continues to engage suppliers and align the entire supply chain to ensure that beef is responsibly sourced while conserving the precious Amazon ecosystem. McDonald's has taken the lead in becoming the first to monitor where beef is sourced, using the best-known deforestation monitoring method currently implemented by AgroTools TerraSafe.”

Fernando Martins, CEO AgroTools

Our goals and progress

Goals

Eliminate deforestation in our beef, chicken (including soy in feed), palm oil, coffee and the fiber used in customer packaging by 2020.

Eliminate deforestation from our global supply chain by 2030.

Progress in Beef Sourcing

The first step for the Company was to identify the list of countries that the Company currently sources beef from that have a high deforestation risk, as defined based on [WWF Living Forests report](#).²¹ We are working with these countries and our suppliers,

²¹ In order to better focus our efforts, we have mapped out and identified a list of countries that have a high deforestation risk, as defined in the WWF Living Forests report, and that we currently are sourcing from: Fiber – Argentina, Cambodia, China, Indonesia, Laos, Malaysia, Russia and Vietnam. Coffee – Honduras, Indonesia and Vietnam. Palm oil – Indonesia and Malaysia. Soy – Argentina, Bolivia, Brazil and Paraguay. Beef – Argentina, Australia, Bolivia, Brazil, Colombia and Paraguay

alongside expert consultants including Proforest and Agrottools 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](#).
- Global Roundtable for Sustainable Beef and other local beef sustainability roundtables.
- Joint Working Group on Forests Leadership Committee, part of the Global Roundtable.

Progress in Chicken Sourcing

We are committed to sourcing soy for chicken feed in a sustainable way that does not contribute to deforestation, and have identified the regions that we are sourcing soy from with high deforestation risks. In 2016, 50% of soy used for chicken feed in our European markets was covered by Roundtable on Responsible Soy (RTRS) or Proterra certification. We are developing a strategy for the other identified regions.

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.

Progress in Palm Oil Sourcing

Our aim is to have all palm oil used in our restaurants and as ingredients in McDonald's products be verified to support sustainable production, through a combination of certification, traceability and risk mapping. In 2016, 99.82% of the total volume was certified as supporting sustainable production.

By chain of custody system:

- 87.3% verified using book and claim certificates (the minimum level of verification currently required according to our palm oil policy).
- 11.7% was verified using Roundtable on Sustainable Palm Oil (RSPO) Mass Balance.
- Less than 1% was verified using an RSPO segregated method.

We are committed to further shift our palm oil toward RSPO Mass Balance certified and RSPO segregated. Our suppliers are expected to be active members of the RSPO

and report through the RSPO Annual Communications of Progress, as well as have a policy in place to conserve forests.

Progress in Fiber Sourcing

By 2020, all virgin fiber for our customer packaging sourced from high-deforestation risk regions will be Forest Stewardship Council (FSC) certified, and the Company will also maintain its preference for FSC-certified virgin fiber from other regions. The FSC standard prohibits deforestation, including conversion of natural forests to plantations. As of 2016, 64% of McDonald's fiber-based packaging comes from third-party verified recycled or certified fiber (FSC, PEFC™ or PEFC-endorsed) sources.

Progress in Coffee Sourcing

In 2016, 44% of coffee grown in high-deforestation risk countries was Rainforest Alliance certified, and we are on target to achieve this goal by 2018. Coffee from high-deforestation risk countries made up 6% of our global supply in 2016.

Eliminating 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. 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.

Our approach

Our work shows that 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 eliminate 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

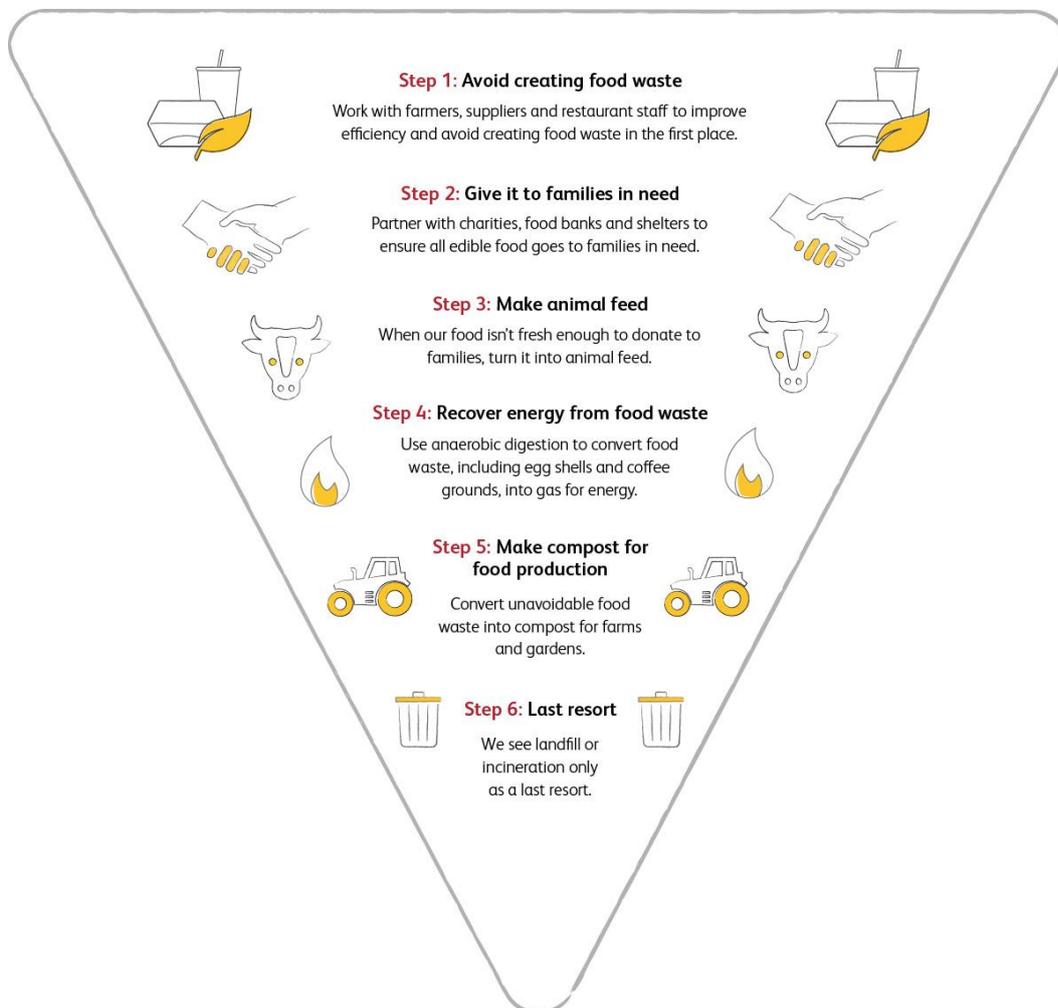
We want to ensure that our food serves its purpose of feeding people. In several countries, we've started working with our suppliers to reduce food loss and waste in our supply chains and with our Franchisees to reduce food going to waste in restaurants, but recognize that there is a lot more to be done.

In the U.S., the McDonald's Food Donation Program in partnership with Food Donation Connection has 785 registered restaurants and has donated over 370,000 pounds of food to charities in need, as of January 2018.

To begin scaling some of these initiatives, we are working on 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. At the end of 2016, an average of 29% of total waste by weight from restaurants in 12 countries was being recycled.

Our actions

Fired up with cooking oil

Our long-term objective is to eliminate 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 40% of which is from our used cooking oil. That's a **saving of over 6,500 metric tons of GHG emissions**.

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.

How we're Protecting Water Resources

With agriculture accounting for 70% of global freshwater usage, and a reliance on fisheries for our menu items, conserving the planet's fresh water and oceans – and the quality of that water – is vital to our business model. As a company, we're developing a holistic strategy in partnership with experts, spanning water conservation, 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. What's more, our seafood comes from the oceans, and 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. 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 are partnering with experts like 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. We are also members of the [Alliance for Water Stewardship](#), which promotes the responsible use of water.

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

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. 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 – 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 Collaborative is working initially in three pilot states – Illinois, Iowa and Nebraska – where environmental outcomes will be measured through cross-sector collaboration and continuous improvement. The targets for the group are aligned with the U.S. Environmental Protection Agency’s Gulf Hypoxia Task Force.

On the road to innovation in 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.

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 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

Improving transport efficiency

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.

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 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 CO₂ emissions created by deliveries to McDonald's restaurants will be monitored in real time, and are expected to fall by 15 to 40%, depending on route, fuel used and traffic conditions.

Another logistics supplier, Martin Brower, has started using renewable natural gas in its delivery vehicles in the U.S. This is the cleanest fuel available (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 the [Sustainable Fuel Buyers' Principles](#), supporting growth in the market for low-carbon vehicles. Also in 2017, our logistics suppliers became members of [BSR's Future of Fuels](#) group, a multi-stakeholder group with the mission of driving “a sustainable transition to low-carbon commercial road freight.”

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., 99% of McDonald's restaurants recycle their cooking oil in this way (the remaining 1% recycle their oil for different uses), meaning around 40% of the U.K. fleet runs on biodiesel from used cooking oil; the rest of the fleet uses biodiesel generated in other ways. 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.

[Play video on YouTube.com.](#)

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, small footprint. That's Smart Restaurant Design

We're looking closely at McDonald's restaurant design, equipment and crew operations to ensure our environmental footprint is low and our community legacy is positive.

Why it matters

We recognize our responsibility for ensuring that McDonald's restaurants create positive impacts for communities, wider society and our planet. To this end, we take great care to locate, build and refurbish 37,000 McDonald's restaurants around the world.

Our approach

Our ambition is to have the most resource-efficient restaurants possible, using the minimum amounts of energy and water, and maximizing the use of renewable energy. We first issued Green Building Guidelines in 2009, focusing on McDonald's European restaurants. Since then, we've launched several localized building standards for other regions, as well as energy targets. We've also issued updated, comprehensive Green Buildings Guidelines for new European restaurants in 2015.

We know there is a lot more to do. We're currently developing comprehensive global restaurant sustainability standards, including a strategy on restaurant refrigeration management and water use.

Our smart restaurant design strategy 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).

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

Reducing energy use and emissions

We champion energy efficiency throughout McDonald's restaurants and all new restaurants are built with energy efficiency in mind. This includes energy management systems to control lighting, heating and air conditioning, energy-efficient kitchen equipment and motion-sensitive lighting. In the U.K., all new McDonald's restaurants have 100% LED lighting, which uses 50% less energy than fluorescent lighting. Over 120,000 LED lights have now 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.

We are transitioning from our previous energy efficiency goals and working toward a more holistic carbon emission reduction strategy for the Company. The Company is about to take our commitment to address climate change to the next level. Keep your eyes peeled – we look forward to sharing an update soon.

See further detail on our [Progress and Performance page](#).

Green Building Guidelines, Europe

Our Green Building Guidelines set out the many ways in which we aim to minimize McDonald's restaurants' footprint. We specifically focus on these 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.

Our actions

Reducing energy and water by 20% in the U.S.

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.

Setting the goal has enabled us to measure the increasingly more efficient design of McDonald's new prototype buildings in the U.S. Against our 2015 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%.

Cooking up efficiency improvements

Kitchen equipment accounts for a significant proportion of a McDonald's restaurant's energy use. That means suppliers of our kitchen equipment are critical to helping us achieve our energy-reduction goals. Each year, we challenge them to identify further improvements in energy efficiency. We also upgrade our equipment as more efficient replacements become available and reward suppliers who make the best efficiency improvements.

That's not all...

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

Seeing the light in North Carolina

Restaurants switching to LED lighting and even generating their own energy are starting to make a real impact in driving down our footprint, as two restaurants in the U.S. are demonstrating.

Setting standards for building efficiency

An award-winning McDonald's Netherlands restaurant has set new standards for building efficiency, thanks to a range of exciting design innovations, including its own wind turbine for renewable energy.

Championing the planet

Planet Champions is a voluntary program in McDonald's UK that enables staff members to be the environmental voice in each restaurant, generating new ideas to increase recycling and save energy.

Smart Restaurant Design Stories

We are trying, testing and scaling what works across our global markets. Below are just some of the stories that show how we're continually improving our approach as part of our Scale for Good journey.

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.

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 Green Building 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.

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.

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."

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 charity of choice: 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 2016

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 \$37.2 million was donated from the Penny-per-Happy-Meal fundraiser, 2010–2016, 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.

Over \$5 million raised across Canada during McHappy Day, 2016

Approximately \$3.95 million raised across Australia during McHappy Day, 2016

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 \$49.8 million donated by McDonald's customers through RMHC Donation Boxes globally in 2016

Approximately 600,000 overnight stays could have been funded for families at Ronald McDonald Houses or Family Rooms through RMHC Donation Box revenue in 2016

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.

We're committed to respecting 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

At the Company, we conduct our activities in a manner that respects human rights as set out in the United Nations Declaration of Human Rights.

We take seriously our responsibility to act with due diligence to avoid infringing on the human rights of others and addressing any impact on human rights if they occur.

Our commitment to respect human rights is defined in our [Standards of Business Conduct](#) (pdf, 3.35MB), which apply to all employees of the Company, and in our [Supplier Code of Conduct](#) (pdf, 1.3MB), which applies to McDonald's suppliers globally.

We're in the process of reviewing our approach and policies related to protecting human rights, with the aim of launching a human rights policy statement that gives greater transparency and clarity on our commitments. We're using internationally recognized standards, including the UN Guiding Principles on Business and Human Rights, and the views of external stakeholders to guide this process.

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 unethical recruitment, slave, forced, bonded, indentured or involuntary prison labor. 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. Furthermore, as discussed, McDonald's Supplier Code of Conduct applies to our suppliers and is aligned with these goals and standards.

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. Company employees are trained annually on the Standards of Business Conduct and are required to certify their understanding of and commitment to upholding the Standards.

We provide many channels for communication for our 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. To read more about how the Company is committed to our people, see our [Standards of Business Conduct](#) (pdf, 3.3MB).

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. 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. We expect our suppliers to hold their own suppliers to the same standards contained in our [Supplier Code of Conduct](#) (pdf, 1.3MB).

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 our suppliers to meet the standards for human rights, workplace environment, business integrity and environmental management contained in the Supplier Code of Conduct.

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 these standards. 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.

We recognize our responsibility to continually review and assess the human rights risks along our supply chain.

Our actions

Suppliers and continuous improvement

Our SWA program is built on a model of continuous improvement and education. We provide suppliers with training to understand the SWA requirements and how to comply with our standards. In 2017, we had a total of 3,733 facilities participating in the SWA program.

We continuously monitor human rights risks within our supply chain and evolve the SWA program.

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.

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.

Partnerships and platforms to support Farmer Livelihoods

Our success depends on the success of the farmers who raise, grow and produce our quality ingredients. It's why we invest in testing, scaling and sharing 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 the farmers, ranchers, growers and producers who provide 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 truly 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 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 [Food Animal Initiative](#), aims to highlight best practices across farms that supply the System. In Europe, where the project began, around 470,000 farms supply raw materials to 7,000 McDonald's restaurants, including wheat, potatoes, tomatoes, lettuce, carrots, fruit, milk, eggs, beef, chicken and pork.

Of those farms, approximately 26 have been designated as "Flagship Farmers" and their experiences are shared with peers via the program's [web platform](#). 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're currently exploring what good practice looks like as part of our ongoing Scale for Good strategy. We will continue to define the specific practices over the coming months but currently they include:

Ethical: human rights, animal health and welfare, collaboration and business relationships, community relations.

Economic: advance economically viable farming, high-quality production.

Environmental: climate change and GHG emissions, conserving forests, water protection, soil health, biodiversity and ecosystems.

Farms that demonstrate excellent practice in at least one of these areas, while also operating to high standards in all other areas, can gain Flagship Farm status.

The Flagship Farmers Program is expanding globally as we aim to further encourage farmer-to-farmer knowledge sharing. As the first step, we're expanding the program to 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 builds the livelihoods and 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.

"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

Managing our 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.

Refreshing our 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.

For example, in early 2017 we published our [Global Beef Sustainability Report](#) (pdf, 19.8MB), which introduces our new 2020 beef sustainability vision and goals. In addition, our regional 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 2016 (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.

Report downloads

[2017 Beef Sustainability Report](#) (pdf, 19.8MB)

[2016 Coffee Sustainability Report](#) (pdf, 3.1MB)

[2016 Fiber-Based Packaging Report](#) (pdf, 1MB)

Report archive

[2014 Good Business Report](#) (pdf, 4MB)

[2012/2013 CSR Report](#) (pdf, 22MB)

[2012/2013 Executive Summary](#) (pdf, 6MB)

[2013 Global Reporting Initiative Index](#) (pdf, 2MB)

[2011 Sustainability Scorecard](#) (pdf, 6.1MB)

[2010 Report](#) (pdf, 1.5MB)

[2009 Report](#) (pdf, 1MB)

[2008 Report](#) (pdf, 2.2MB)

Country reports

[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)

CDP reporting

[CDP Climate Change \(2017\)](#) (pdf, 1.2MB)

[CDP Forests \(2017\)](#) (pdf, 1MB)

Progress and Performance

We've transitioned away from the former CSR and Sustainability Framework and its associated annual progress reports to the more dynamic environmental, social and governance (ESG) performance reporting website platform that we will use going forward. We will continue to add and streamline metrics on this site over time as our measurement capabilities grow, but we anticipate that it will take a reporting cycle or two to have a more consistent, comprehensive snapshot of our impact.

Global Priorities – Beef Sustainability

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 (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

In 2016, we purchased 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](#) (CRSB). 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 are currently sourcing beef in two out of our 10 top beef sourcing countries from sustainability programs. 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 end of 2017, more than half of our top 10 beef sourcing countries are supporting or sponsoring beef producer sustainability groups or programs.

Goal

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

Progress

As of end of 2017, three of our top 10 beef sourcing countries had recognized one or more beef producers as Flagship Farmers to work with peers and share their industry-leading processes and practices. The remaining seven countries will begin recognizing beef Flagship Farmers throughout 2018. 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. Broadening those opportunities will be a top focus in the years ahead.

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

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

Read more about [beef sustainability](#)

Global Priorities – Packaging and Recycling

As one of the world's largest restaurant companies, we pledge 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 renewable²², recycled²³, or certified²⁴ sources.

²² 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

²³ 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.

²⁴ 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

Interim target: 100% of fiber-based 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.

64% of our fiber-based guest packaging comes from recycled or certified fiber sources.

We will eliminate foam from our global System by the end of 2018.

Goal

By 2025, our goal is to recycle ²⁵ guest packaging in 100% of McDonald's restaurants.

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.

Read more about [packaging and customer recycling](#).

Global Priorities – Our Investment in People

Specific and measurable outcomes for the partnership's goals will be agreed by ourselves and our partner non-governmental organization (NGO). The global partnership will be a success when the needs of both partners have been met.

For us, this means increased access to high-quality talent and improved employer reputation and trust in our brand. For the partner NGO, success will be measured by

following high-deforestation risk countries: Russia, China, Malaysia, Indonesia, Laos, Vietnam, Cambodia and Argentina by 2020.

²⁵ 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.

an increase in NEET (not in employment, education or training) youth who are placed and supported in employment and have a clear path for ongoing success.

Further success will be achieved as we and our partner come to be seen as global champions for education and skills, attracting other partners and stakeholders to address the issue more holistically across the globe.

Further success will be achieved as we and our partner come to be seen as global champions for youth employability, attracting other partners and stakeholders to address the issue more holistically across the globe.

Read more about [Our Investment in People](#)

Our Food – Chicken

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 2027.¹ Intermediary phases are planned.²

Progress

Since 2016, no chicken served in the U.S. is treated with antibiotics important to human medicine. In 2017, we released our new Global Chicken Antibiotics Policy.

Goal

Purchase 100% sustainable certified soy by 2020 in Europe.

Progress

In 2016, 50% of soy used for chicken feed in our European markets was covered by [ProTerra](#) or [Roundtable on Responsible Soy](#) certification.

Goal

Animal health and welfare commitments on or before 2024:

- Source broiler chickens raised with improved welfare outcomes. We plan to set targets, measure performance and report on key farm-level welfare outcomes across our largest markets.
- Partner with technology companies, producers and suppliers to invest in the development of state-of-the-art digital monitoring systems to automate the

gathering of key animal health and welfare indicators, including behavioral measures. Once established, these technologies will highlight potential areas for improvement in real time and will be among the first of their kind available at a commercial scale.

- Conduct commercial trials in partnership with our largest global chicken suppliers to study the effect that certain production parameters have on key welfare indicators, as well as other sustainability outcomes, under large-scale, commercial conditions.
- Establish a multi-stakeholder Advisory Council focused on chicken sustainability, which consists of academics, suppliers, animal welfare and environmental advocates, scientists and industry experts.
- Require chickens to be raised in housing environments that promote natural behaviors such as pecking, perching and dust-bathing. These are encouraged through provision of perches, bales and access to floor litter 100% of the time and a minimum of 20 lux light intensity during daylight. These standards reflect recommendations from scientists in the U.S. and Europe.
- Have all increased broiler welfare standards on farms audited by a third party.
- In the U.S. and Canada, transition to sourcing chickens slaughtered by the use of Controlled Atmospheric Stunning (CAS), a Department of Agriculture-approved method that is recognized to be more humane for the animal, while also ensuring better conditions for workers. CAS is currently practiced by many approved suppliers for McDonald's restaurants in Europe and Australia.

Progress

These commitments were announced at the end of 2017.

1. 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.

1. 2017: 100% of chicken served in the U.S. is free of antibiotics important to human medicine.

January 2018: [HPClAs will be eliminated in broiler chicken for Brazil, Canada, Japan, South Korea, the U.S. and Europe](#), with an exception for Colistin for Europe only; implement all other elements of the Global Chicken Antibiotics Policy across all markets, including a prohibition on routine preventative use.

End of 2019: HPClAs will be eliminated in broiler chicken for Australia and Russia, and Europe plans to have removed Colistin.

January 2027: HPClAs will be eliminated in all other designated markets around the world. Our goal is to have this policy implemented before this date.

Read more about responsibly sourced [chicken](#).

Our Food – Fish

Goal

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

Progress

Globally, all of the whitefish for McDonald's Filet-O-Fish is sourced from sustainably managed fisheries, and McDonald's has achieved MSC certification in North America, Europe and Brazil.

We're working on a strategy to support the development of sustainability standards for aquaculture to guide our future purchases.

Read more about our approach to sustainable [fish](#).

Our Food – Coffee

Our first [Coffee Sustainability Report](#) (pdf, 3.13MB) shows our journey so far and aligns closely with our [Commitment on Forests](#).

Goal

100% of coffee verified as supporting sustainable production by 2020.

Progress

In 2016, 56% of our coffee was sourced sustainably through Rainforest Alliance, UTZ, Fair Trade International and Fair Trade USA certification, as well as McCafé SIP-approved programs.

Goal

By 2018, all coffee from high-deforestation risk regions will be sourced from Rainforest Alliance Certified farms.

Progress

In 2016, 44% of coffee grown in high-deforestation risk countries was Rainforest Alliance Certified, and we are on target to achieve this goal by 2018. Coffee from high-deforestation risk countries constitutes 6% of our global supply in 2016.

Read about our approach towards sustainably sourced [coffee](#).

Our Food – Palm Oil

Goal

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

Progress

In 2016, 99.82% of the total volume was certified as supporting sustainable production. By chain of custody system:

- 87.3% verified using book and claim certificates (the minimum level of verification currently required according to our palm oil policy).
- 11.7% was verified using Mass Balance.
- less than 1% was verified using an RSPO segregated method.

We are looking to increase our physical supply of RSPO certified palm oil.

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

In 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.

See also [progress toward our goals for eliminating deforestation](#).

Read more about our approach toward sustainably sourced [palm oil](#) and how we're committed to [conserving forests](#).

Our Planet – Energy Performance

Energy consumption ²⁶

McDonald's Company-Owned Restaurants (Top 9 Markets)	2014²⁷	2015²⁸	2016²⁹
Direct energy consumption: kWh/GC ³⁰	0.268	0.233	0.210
Indirect energy consumption: kWh/GC	1.197	1.121	1.120
Overall energy consumption: kWh/GC	1.465	1.353	1.330
Overall energy consumption: GWh	2,983	2,829	2,295

Franchise Restaurants (Top 9 Markets)	2014	2015	2016⁵
Direct energy consumption: kWh/GC	0.476	0.128	0.372
Indirect energy consumption: kWh/GC	1.382	1.218	1.120
Overall energy consumption: kWh/GC	1.858	1.346	1.492
Overall energy consumption: GWh	16,472	16,646	12,315

²⁶ 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.

²⁷ 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).

²⁸ 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.

²⁹ 2016 figures reflect analysis of primary energy data from 3,645 Company-owned restaurants and 7,032 Franchisee 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.

³⁰ 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.

Greenhouse gas (GHG) emissions

GHG Protocol Categories ³¹	2014 ^{31, 32}	2015 ³¹	2016 ³¹
Company-Owned Restaurants, Worldwide	Total Estimated GHGs (Megatons of CO₂ Equivalents)³³		
Direct (Scope 1)	0.178	0.193	0.182
Indirect (Scope 2)	1.775	2.030	1.780
Franchise Restaurants, Worldwide (Part of McDonald's Scope 3)	Total Estimated GHGs (Megatons of CO₂ Equivalents)³		
Franchise: Direct	1.114	1.142	1.043
Franchise: Indirect	7.261	7.402	5.800

Read about how we're [addressing climate change](#) and looking at every aspect of our [restaurant design](#).

³¹ 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). Refrigerant emissions were estimates using input/output analysis of McDonald's data and U.S. industry average emissions information.

³² 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.

³³ 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.

Our Planet – Conserving Forests

Goals

Eliminate deforestation in our beef, chicken (including soy in feed), palm oil, coffee and the fiber used in consumer packaging by 2020.

Eliminate deforestation from our global supply chain by 2030.

Progress in Beef Sourcing

The first step for the company was to identify the list of countries that the Company currently sources beef from that have a high deforestation risk, as defined based on [WWF Living Forests report³⁴](#). 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 on Forests and Agriculture](#).
- Global Roundtable for Sustainable Beef and other local beef sustainability roundtables.
- Joint Working Group on Forests Leadership Committee, part of the Global Roundtable.

Progress in Chicken Sourcing

We are committed to sourcing soy for chicken feed in a sustainable way that does not contribute to deforestation, and have identified the regions that we are sourcing soy from with high deforestation risks. In 2016, 50% of soy used for chicken feed in our European markets was covered by Roundtable on Responsible Soy (RTRS) or Proterra certification. We are developing a strategy for the other identified regions.

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.

³⁴ In order to better focus our efforts, we have mapped out and identified a list of countries that have a high deforestation risk, as defined in the WWF Living Forests report, and that we currently are sourcing from: Fiber – Argentina, Cambodia, China, Indonesia, Laos, Malaysia, Russia and Vietnam. Coffee – Honduras, Indonesia and Vietnam. Palm oil – Indonesia and Malaysia. Soy – Argentina, Bolivia, Brazil and Paraguay. Beef – Argentina, Australia, Bolivia, Brazil, Colombia and Paraguay.

Progress in Palm Oil Sourcing

Our aim is to have all palm oil used in our restaurants and as ingredients in McDonald's products be verified to support sustainable production through a combination of certification, traceability and risk mapping. In 2016, 99.82% of the total volume was certified as supporting sustainable production.

By chain of custody system:

- 87.3% verified using book and claim certificates (the minimum level of verification currently required according to our palm oil policy).
- 11.7% was verified using Roundtable on Sustainable Palm Oil (RSPO) Mass Balance.
- Less than 1% was verified using an RSPO segregated method.

We are committed to further shift our palm oil toward RSPO Mass Balance certified and RSPO segregated. Our suppliers are expected to be active members of the RSPO and report through the RSPO Annual Communications of Progress, as well as having a policy in place to conserve forests.

Progress in Fiber Sourcing

By 2020, all virgin fiber for our customer packaging sourced from high-deforestation risk regions will be Forest Stewardship Council (FSC) certified, and the Company will also maintain its preference for FSC-certified virgin fiber from other regions. The FSC standard prohibits deforestation, including conversion of natural forests to plantations. As of 2016, 64% of McDonald's fiber-based packaging comes from third-party verified recycled or certified fiber (FSC, PEFC™ or PEFC-endorsed) sources.

Progress in Coffee Sourcing

In 2016, 44% of coffee grown in high-deforestation risk countries was Rainforest Alliance certified, and we are on target to achieve this goal by 2018. Coffee from high-deforestation risk countries made up 6% of our global supply in 2016.

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 2016, these amounted to \$4.2 billion.

Year	Capital Expenditure	Income Taxes Paid
2013	\$2.8B	\$2.5B
2014	\$2.6B	\$2.4B
2015	\$1.8B	\$2.0B
2016	\$1.8B	\$2.4B

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.

Our Scale for Good 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 are proud to build on our strong commitment to the communities where we operate. With these bold actions, McDonald’s is embracing our leadership responsibility and demonstrating the incredible opportunities we can create for our customers, our people and our stakeholders when we harness our scale to drive good change around the world.”

Steve Easterbrook, President and CEO, McDonald’s

“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

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. She leads the team along with Robert Gibbs, Chief Communications Officer; Silvia Lagnado, Global Chief Marketing Officer; David Fairhurst, Chief People Officer; and Jerry Krulewitch, General Counsel.

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 at the beginning of 2018.

Through this process, we have elevated global priorities in the Scale for Good platform:

We also continue with our foundational work in core impactful areas where we will continue to drive progress:

Producing our food

- [Food quality and choice](#)
- [Responsible sourcing](#)
- [Animal health and welfare](#)

Protecting our planet

- [Addressing climate change](#)
- [Eliminating waste](#)
- [Protecting water resources](#)
- [Conserving forests](#)
- [Transporting our food](#)
- [Smart restaurant design](#)

Supporting our people & communities

- [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.