



MCDONALD'S JOURNEY TOWARDS SOURCING SUSTAINABLE COFFEE

OCTOBER 2016



A SUSTAINABLE FUTURE IS BREWING AT MCDONALD'S



We believe all our customers should be able to enjoy a delicious cup of McCafé® today and long into the future. By sourcing sustainable coffee, we can ensure a continued supply of quality coffee beans, while supporting farmer livelihoods and the future health of our planet.

At McDonald's, we're creating a sustainable future that will benefit our company, our customers, and the people who grow and produce our food and drinks. We've been on our coffee sustainability journey for nearly a decade; our European restaurants have been serving coffee that is Rainforest Alliance, UTZ or Fairtrade Certified since 2008. In 2015, 37% of our global coffee supply came from certified sustainable sources. That's a 63% increase in certified coffee by volume in just four years and represents steady progress toward our commitment to source 100% sustainable coffee by 2020.

In addition to current sustainable coffee certifications, we are also focused on helping more farmers implement sustainable coffee practices and providing them a pathway toward continuous improvement. McCafé Sustainability Improvement Platform (SIP), our new sustainable coffee framework, is an investment in farmers that not only strengthens coffee farming communities but will help build greater capacity for sustainably sourced coffee. Also, by supporting Conservation International's Sustainable Coffee Challenge, we're excited to join forces with other industry leaders in a shared effort to make coffee the world's first sustainable agricultural product.

As one of the largest coffee retailers in the world, every step we take toward sustainability has the potential for tremendous positive impact. Our size and global reach give us the responsibility to lead meaningful change in the world. However, there is only one way to achieve global coffee sustainability, and that's by working closely with our partners and our suppliers. Working together, we can expand sustainable practices worldwide for our business, build capacity for our coffee producers, and secure the future health of our planet. We're proud to share our progress with you.

To a more sustainable future,

A handwritten signature in black ink that reads "Francesca DeBiase".

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

**We've increased
our volume of
sustainably sourced
coffee by about**

63%
SINCE
2012



THIS 2016 COFFEE SUSTAINABILITY REPORT OUTLINES KEY ELEMENTS OF OUR SUSTAINABLE COFFEE SOURCING EFFORTS. HERE'S WHAT WE'LL COVER:

MCCAFÉ SIP: A LONG-TERM INVESTMENT FOR A MORE SUSTAINABLE FUTURE

HOW MCDONALD'S IS ADVANCING GLOBAL COFFEE SUSTAINABILITY

- Bringing Sustainable McCafé Home
- Our Coffee Sustainability Journey
- The Sustainable Coffee Challenge
- Transforming Lives for the Better
- Farmer Stories: McCafé SIP in Action





A LONG-TERM INVESTMENT FOR A MORE SUSTAINABLE FUTURE

Alongside Conservation International, McDonald's is launching the McCafé Sustainability Improvement Platform, or McCafé SIP, a framework that will help us engage our entire coffee value chain in sustainable sourcing, while also providing long-term investments to strengthen the coffee growing communities in our supply chain. Going forward, this means we will have better information about the specific farmers growing our coffee and training for farmers with progress measured by third-party verifiers.

This framework will enable McDonald's roasters to leverage their expertise and relationships at origin to innovate and advance sustainable farming practices. Roaster-led programs are already providing farmers with access to training and agronomists, which will help them take better care of their land and increase their overall productivity and quality of their coffee. Over the past 2 years, our roasters have already engaged over 5,000 farmers with the resources and support these programs offer. See page 10 for testimonials from farmers who have participated in the McCafé SIP roaster-led programs.

WHAT IS McCAFÉ SIP?

The McCafé Sustainability Improvement Platform provides guidance around the following four key elements for roaster-led programs:



TRANSPARENCY

Choose regional clusters of farms and gather basic information about the farmers. The roaster must be able to trace all coffee to the co-op or trader that supplied it and identify all farms participating in the program.



PRODUCER COLLABORATION

Provide farmers and roasters with the skills and tools necessary to meet quality and sustainability goals. Work with farmers to identify needs and develop producer support programs to address needs and performance gaps.



MEASURED PERFORMANCE

Establish regular check-ins with participating farmers, and use credible scorecards to track their progress. Scorecards should focus on McDonald's priority areas and be benchmarked against a reputable, globally recognized set of principles for sustainable coffee production.



ASSURANCE

Carry out independent third party audits to assess the program and ensure accurate farmer lists, scorecards and reporting.

"Beginning 25 years ago, Conservation International has worked with McDonald's to develop innovative solutions in support of McDonald's commitment to the environment and to communities. Now 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, Chairman and CEO
of Conservation International

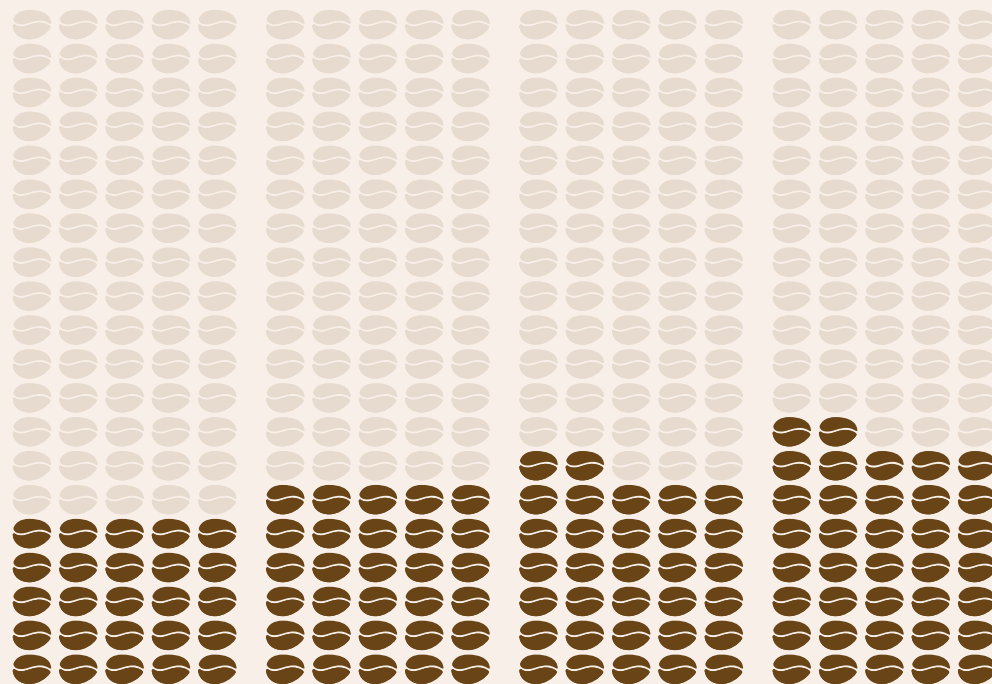
**CONSERVATION
INTERNATIONAL**



HOW MCDONALD'S IS ADVANCING GLOBAL COFFEE SUSTAINABILITY

We believe coffee should not only taste great, but be sustainably sourced. Which is why in 2014 we committed to make the coffee in every cup of McCafé sustainable by 2020, specifically, to ensure that 100% of the coffee we serve comes from sources supporting sustainable production.

ESTIMATED PERCENTAGE OF GLOBAL VERIFIED SUSTAINABLE COFFEE



25%
IN 2012

30%
IN 2013

32%
IN 2014

37%
IN 2015

BRINGING SUSTAINABLE MCCAFFÉ HOME

Our commitment to sustainability is core to who we are as a brand. In 2015, we expanded our great-tasting, 100% Arabica McCafé blends into retail locations throughout the U.S. and Canada with the same commitment to ensure it is 100% sustainably sourced by 2020. In the U.S., our retail McCafé Espresso Roast coffee (including bags and k-cup® pods) and our Colombian k-cup® pods are from Rainforest Alliance Certified™ farms—helping to expand the accessibility of sustainably sourced coffee for consumers.



OUR COFFEE SUSTAINABILITY JOURNEY

In 2015, 37% of our coffee globally was from certified sustainable sources—increasing our total volume of certified coffee purchased by 63% in 4 years. Of this coffee, 80% is Rainforest Alliance Certified.™



100% of beans used for our espresso in Canada is sustainably grown on Rainforest Alliance Certified™ farms.



100% of beans used for our U.S. espresso is sustainably grown on Rainforest Alliance Certified™ farms.



All of our coffee drinks in Brazil are Rainforest Alliance Certified.™



With the exception of decaffeinated coffee, our European restaurants all serve coffee from farms that are Rainforest Alliance, UTZ or Fairtrade Certified.



All of our restaurants in Australia and New Zealand serve coffee from farms that are Rainforest Alliance Certified.™

THE SUSTAINABLE COFFEE CHALLENGE

As one of the world's largest food service companies, we have a responsibility to advance global agricultural sustainability for our customers and for the future of our planet. That's why we've worked with Conservation International (CI) for 25 years. As one of their first partners, McDonald's supports CI in protecting the natural world on which we depend.



The latest on our long list of collaborations is Conservation International's Sustainable Coffee Challenge. This effort will provide a catalyst for industry change to make coffee the first sustainable agricultural product in

the world. We believe that any organization involved in the production of coffee has an important role to play. Through the Sustainable Coffee Challenge, we'll be able to unite with other key players in the coffee industry—including other coffee retailers, roasters, industry associations and non-governmental organizations—to help challenge and unify the industry around the actions and investments that will help make global coffee sustainability a reality.

MAKING COFFEE THE WORLD'S FIRST SUSTAINABLE AGRICULTURAL PRODUCT 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

ADVANCING SUSTAINABILITY FROM THE FARM TO YOUR CUP

Our sustainable sourcing priorities don't stop at the farm. In April 2014, we announced our goal to source 100% of our fiber-based packaging from certified or recycled sources by 2020. This includes hot coffee cups — which, in the U.S., are Forest Stewardship Council (FSC) certified. Learn more about our sustainable packaging strategy [here](#).



TRANSFORMING LIVES FOR THE BETTER

We're not only buying sustainable coffee, we're investing in sustainable farms. In fact, McDonald's USA, McDonald's Canada and their Franchisees invested more than \$6 million over 4.5 years in farmer technical assistance in Guatemala.

While our goal to advance coffee sustainability is global, our efforts begin locally. Since 2012, McDonald's has partnered with TechnoServe, an international non-profit and agricultural technical assistance provider, to **train nearly 15,000 Guatemalan farmers in sustainable coffee-growing practices**. The initial results speak for themselves: participating **farmers reported harvesting 48% bigger yields*** in production of green coffee than their neighbors despite difficult weather conditions and widespread Coffee Rust disease. Recognizing the long-term impact of these programs, we will continue monitoring the impact of these trainings through the spring of 2017 and will update our reports accordingly.

We are also building industry-wide capacity by offering the [the farmer training curriculum developed in Guatemala by SCAN](#) (Sustainable Commodities Assistance Network) a global network of 17 leading organizations promoting sustainable agriculture including the UN's International Trade Centre's agencies, certification programs and research institutions, for free on International Trade Centre's [SustainabilityXchange website](#).

"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 in the lives of thousands of farmers."

WILLIAM WARSHAUER
President and CEO of TechnoServe

"This is a critical and groundbreaking step from a major international company and we are pleased to support the implementation of this innovative program and its continual improvement to fully address the challenges of sustainability."

CHRISTOPHER WUNDERLICH
International Coordinator of Sustainable Commodity Assistance Network (SCAN)



**Trained farmers harvest
48% MORE COFFEE
on average.***



*Initial results for participating farmers at date of publication. We will continue to track performance over time and as we do this figure will vary.

FARMER STORIES

MCCAFÉ SIP IN ACTION

Participant testimonials from the sustainable sourcing programs of our roaster's, Farmer Brothers and S&D Coffee and Tea. Both programs are part of McCafé SIP.



“In the past I saw this property as a simple coffee farm, and I even “maybe” lost money, but today we see it as a family business...”

DON ARLEY

Colombian Coffee Grower

By participating in our roaster's sustainable sourcing program, Doña Zenaida and Don Arley acquired the skills needed to make their coffee farm in the Antioquia region of Colombia more productive and profitable.

“We are now saving money because the program is promoting to grow food for self-consumption on the farm to avoid having to buy it in town. This is important because [by] having quality of life we can deliver quality coffee.”

CARLOS GONZALEZ AND FANEIRA TORO

Colombian Coffee Growers

Carlos and Faneira own a coffee farm that's been in their family for generations. As a lead promoter of the sustainability program, Carlos provides advice about productivity and crop practices to his surrounding neighbors. He also helps the technicians in delivering messages to other coffee growers, or to remind them when it is time to attend a training session. Carlos and Faneira are pleased with their progress, thanks to the program. They can even invest their cash premium in improvements on the farm to help meet the needs of each family member.

Coffee farmers in the Cerrado area of Minas Gerais, Brazil participated in our roaster's training program to improve productivity while reducing the environmental footprint of coffee farming. They implemented best agricultural practices like using less fertilizer, reducing water consumption and optimizing drying patios. **These changes resulted in an 80% decrease in the use of agrochemicals, a reduction in their Greenhouse Gas (GHG) emissions and a 10% increase in productivity.**

**McDonald's is making
meaningful changes to
our supply chain because
good days start with coffee,
and great tomorrows
start with sustainability.**

