

**Module: Introduction****Page: F0. Introduction****F0.1****Please give a general description and introduction to your organization**

McDonald's Corporation, together with its majority-owned subsidiaries worldwide (the "Company") operates and franchises McDonald's restaurants in the global restaurant industry. These restaurants serve a broad menu at various price points in more than 100 countries around the world, with more than 36,000 locations worldwide.

McDonald's global system is comprised of both Company-owned and franchised restaurants. McDonald's franchised restaurants are owned and operated under one of the following structures - conventional franchise, developmental license or affiliate. Conventional franchisees are independent business owners responsible for the day-to-day operations of their restaurant. Developmental licensees typically receive a license to operate restaurants within a specified territory and may have the right to sub-franchise McDonald's restaurants within their territory to individual franchisees. The Company also may make an equity investment in other companies that operate McDonald's restaurants, referred to as "affiliates." (Conventional franchisees, developmental licensees and affiliates are collectively defined herein as, "Franchisees").

The business relationship between the Company and its independent Franchisees is of fundamental importance to the Company's overall performance and to the McDonald's brand. This business relationship is supported by an agreement that requires adherence to standards and policies essential to protecting the McDonald's brand. We cannot prescribe social responsibility and environmental solutions for our independent Franchisees. Rather, we work to raise awareness and provide tools and opportunities to help them on their sustainability journeys.

The Company is primarily a franchisor and believes franchising is paramount to delivering great-tasting food, locally-relevant customer experiences and driving profitability. Franchising enables an individual to own a restaurant business and maintain control over staffing, purchasing, marketing and pricing decisions, while also benefiting from the financial strength and global experience of the Company. However, directly operating restaurants is important to being a credible franchisor and provides Company personnel with restaurant operations experience. In Company-operated restaurants, and with input from Franchisees where appropriate, the Company further develops and refines operating standards, marketing concepts and product and pricing strategies, so that only those that the Company believes are most beneficial are introduced in the restaurants. The Company continually reviews its mix of Company-operated and franchised restaurants to help optimize overall performance, with a goal to be 95% franchised over the long term.

The Company and its Franchisees purchase food, packaging, equipment and other goods from numerous independent suppliers. The Company has established and enforces high quality standards and product specifications and expects our suppliers to share our values and commitments. The Company has implemented numerous programs to encourage these practices. The Company also works with its suppliers to mutually set objectives and goals on sustainability and monitor their progress.

McDonald's global brand is well-known. The Company continuously endeavors to improve its social responsibility and environmental practices to achieve long-term sustainability, which benefits McDonald's and the communities that the Company and its Franchisees serve.

The data required for the raw material metrics outlined in this Information Request is collected primarily through the McDonald's Global Supply Chain and Sustainability annual raw material survey of suppliers (IMPACT). Results of the raw material survey are reviewed by sourcing or category leads and compared against transactional or similar data sets. Where large differences exist, the data is reviewed to better understand the inconsistencies. Where comparable data sets do not exist, sourcing or category leads work with suppliers to understand information reported and ensure plausibility.

Additional detail about the Company structure and definitions used herein but not defined can be found on pgs. 1-3 of McDonald's Corporation's 2016 Annual Report, pg. 9 of McDonald's Corporation's Form 10-Q for the quarter ending March 31, 2017 and 2014 Good Business Report.

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**F0.2**

**Please select the stages of the value chain which best represent your organization's area of operation pertaining to forest risk commodities. If your organization is diversified or vertically integrated, please select all that apply**

Retailing

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**F0.3**

**Are there any parts of your direct operations that are excluded from this disclosure?**

No

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**F0.3a**

Please identify the parts of your direct operations that are excluded from your disclosure

Exclusion	Description of exclusion	Potential for deforestation risk	Please explain
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**F0.4**

**Are there any parts of your supply chain that are excluded from this disclosure?**

No

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**F0.4a**

Please identify the parts of your supply chain that are excluded from your disclosure

Exclusion	Description of exclusion	Potential for deforestation risk	Please explain
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**F0.5**

**Do you produce or use materials that contain any of the forest risk commodities? Please complete the table**

Forest risk commodity	Produce/use forest risk commodity	Explanation if not disclosing but produce/use the commodity
Timber	Yes	Disclosure in this response is specific to fiber-based consumer packaging supply chain managed by the Company and its primary packaging supplier, HAVI, representing 90% of McDonald's global fiber-based consumer packaging. McDonald's scope focuses on packaging with the greatest volume, including without limitation the following: hot cups, cold cups, carryout bags, folding cartons, clamshells, wraps, food service bags, napkins, salad bowls, Happy Meal cartons and drink carriers. Excluded at this time for purposes of this response are all fiber-based consumer packaging for McDonald's restaurants that is not managed by HAVI (e.g. tray mats), and/or contribute a very low volume such as straw wrappers, wood stir sticks, test items, etc. Timber materials in secondary or transport packaging, construction and/or decor of restaurants, and office paper products are also not included in this disclosure.
Palm Oil	Yes	
Cattle Products	Yes	Disclosure in this response reflect our beef product work; though this work does impact our dairy/cheese supply, volumes for the dairy/cheese supply are not included.
Soy	Yes	Our work in soy is focused primarily on livestock feed and doesn't necessarily reflect other instances where soy might appear in food ingredients from our suppliers. The majority of soy in our supply chain is used for animal feed.
Other		

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**F0.6**

**Please confirm which commodities you will be disclosing on**

Timber  
Palm Oil  
Cattle Products  
Soy

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**F0.7**

**Please state the start and end date of the year for which you are reporting data**

Reporting year
Fri 01 Jan 2016 - Sat 31 Dec 2016

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**Further Information**

NOTE: McDonald's Supply Chain business model is unique both in terms of what we do and how we do it. The McDonald's System is built on the concept of the three-legged stool comprised of the Company, Franchisees, and our suppliers. For the system to grow and delight our customers, all three legs of the stool must be successful and balanced. Unlike most supply chains which are designed to work with suppliers at a transactional level, McDonald's Supply Chain looks across multiple points of integration and cultivates strategic, long-term relationships. Our strategic suppliers (16 suppliers who account for nearly 2/3 of our annual spend) have a heightened sense of belonging and commitment to the McDonald's System. They share our values and are engaged to ensure QSC&V (Quality, Service, Cleanliness, & Value) in McDonald's restaurants, and this is a direct result of McDonald's unique culture. As a franchising company, it is important to understand that the Company only purchases food and packaging for our Company-owned restaurants, which account for less than 20% of the McDonald's restaurants around the world. Each Franchisee is responsible for purchasing products that meet our specifications. Furthermore, we are not an integrated supply chain. Our suppliers are independent businesses, many of which are privately held. This allows us to focus on supporting McDonald's restaurants without the conflict of interest that afflicts franchising companies that also have a financial stake in their supply chains. Because of our unique approach to supply chain management, the Company's supply chain network brings significant value to the McDonald's System, including: Predictable and competitive pricing; Quality food and packaging; Safe sustainable and assured supply; Innovative products and processes. We continue to seek ways to improve our environmental performance – not just because it is the right thing to do, but because it is smart business and we can create shared value through efficiencies and innovation. In 2014, the Company launched a Global CSR & Sustainability Framework with measurable, aspirational goals for sustainable sourcing (See attached 2014 Good Business Report and our sustainability

website - <http://corporate.mcdonalds.com/mcd/sustainability.html>). Since then, we have been continuing to advance sustainable sourcing across our priority products. In 2016 and 2017, we published sustainable sourcing progress updates for beef, fiber-based packaging and coffee (see attached reports). Given our decentralized structure and the variability of environmental issues across regions, there is no “one size fits all” approach. We see this as a benefit because we have a virtual laboratory of environmental initiatives across our marketplaces that we can learn from, share and scale to other operations internationally when doing so makes sense. Examples of the variety of sustainable sourcing initiatives throughout the McDonald’s System can be found on the aforementioned website and attached reports. Given the breadth and scope of our business operations, we also need to understand the most significant global sustainability considerations. We work closely with our suppliers and supply chain service providers to help ensure they meet Company established environmental and social performance criteria and to provide a platform to share best practices on these and other sustainability topics.

## Attachments

[https://www.cdp.net/sites/2017/81/11581/Forests 2017/Shared Documents/Attachments/Forests2017/F0.Introduction/McDonald's-Beef-Sustainability-Report 2017.pdf](https://www.cdp.net/sites/2017/81/11581/Forests%202017/Shared%20Documents/Attachments/Forests2017/F0.Introduction/McDonald's-Beef-Sustainability-Report%202017.pdf)  
[https://www.cdp.net/sites/2017/81/11581/Forests 2017/Shared Documents/Attachments/Forests2017/F0.Introduction/McDonalds\\_2016\\_Coffee\\_Sustainability\\_Report.pdf](https://www.cdp.net/sites/2017/81/11581/Forests%202017/Shared%20Documents/Attachments/Forests2017/F0.Introduction/McDonalds_2016_Coffee_Sustainability_Report.pdf)  
[https://www.cdp.net/sites/2017/81/11581/Forests 2017/Shared Documents/Attachments/Forests2017/F0.Introduction/McDonald\\_s\\_2016\\_Sustainable\\_Fiber\\_Update.pdf](https://www.cdp.net/sites/2017/81/11581/Forests%202017/Shared%20Documents/Attachments/Forests2017/F0.Introduction/McDonald_s_2016_Sustainable_Fiber_Update.pdf)  
[https://www.cdp.net/sites/2017/81/11581/Forests 2017/Shared Documents/Attachments/Forests2017/F0.Introduction/McDonald's Form 10Q - March312017.pdf](https://www.cdp.net/sites/2017/81/11581/Forests%202017/Shared%20Documents/Attachments/Forests2017/F0.Introduction/McDonald's%20Form%2010Q%20-%20March312017.pdf)  
[https://www.cdp.net/sites/2017/81/11581/Forests 2017/Shared Documents/Attachments/Forests2017/F0.Introduction/2014\\_sustainability\\_report.pdf](https://www.cdp.net/sites/2017/81/11581/Forests%202017/Shared%20Documents/Attachments/Forests2017/F0.Introduction/2014_sustainability_report.pdf)  
[https://www.cdp.net/sites/2017/81/11581/Forests 2017/Shared Documents/Attachments/Forests2017/F0.Introduction/2016 Annual Report.pdf](https://www.cdp.net/sites/2017/81/11581/Forests%202017/Shared%20Documents/Attachments/Forests2017/F0.Introduction/2016%20Annual%20Report.pdf)

## Module: Current State

### Page: F1. Context

#### F1.1

How does your organization use your selected commodities? Please provide details on the form and source of the commodities you use or produce

Forest risk commodity	Activity	Form of commodity	Source	Country of origin	% of procurement spend	Comment
Timber	Retail/ onward sale of commodity or product containing commodity	Primary packaging	Contracted suppliers (processors) Contracted suppliers (manufacturers)	Argentina Australia Austria Brazil Canada Chile	6-10%	This applies to all consumer facing packaging items (managed by HAVI) made with virgin and/or recycled paper/board. Note scope for timber disclosure outlined in F0.5. Procurement spend percentages are derived from

Forest risk commodity	Activity	Form of commodity	Source	Country of origin	% of procurement spend	Comment
				China Czech Republic Finland France Germany India Italy Japan Malaysia New Zealand Norway Poland Republic of Korea Romania Russian Federation South Africa Spain Sweden Switzerland Thailand Turkey Ukraine United Kingdom United States of America Uruguay Other: There are many other potential countries of origin in our fiber supply chain		2015 data as our 2016 annual spend data was not available at time of CDP submission. This figure is extrapolated from 2015 total packaging spend which includes plastic packaging (e.g. plastic cups and lids). Country of origin list provided by HAVI and represents country of origin data collected in 2014. (The data collection system used by HAVI and McDonald's is currently being redesigned and at the time of CDP Submission, we were not able to pull the origin data for reporting). Note that the countries provided are a list of potential countries from which fiber raw material is sourced.
Palm Oil	Retail/ onward sale of commodity or product	Crude palm oil (CPO) Palm oil derivatives Palm kernel oil derivatives Other: Palm oil and palm	Contracted suppliers (manufacturers)	Brazil Ecuador Indonesia Malaysia	<1%	Scope applies to globally managed products (including palm oil used for restaurant cooking, for chicken and potato par-frying, and as an ingredient in

Forest risk commodity	Activity	Form of commodity	Source	Country of origin	% of procurement spend	Comment
	containing commodity	kernel oil is used as an ingredient in some baked goods, palm oil is used as frying oil in some markets, palm oil is also used to partially fry some chicken and potato products at our supplier processing sites before being delivered to McDonald's		Papua New Guinea Thailand Other: Costa Rica, Guatemala		baked goods and sauces) as well as all products in the U.S. business. This covers most of our suppliers' palm oil volume as globally managed products represent >75% of total palm oil volume and McDonald's U.S. business is the second largest user of palm oil in the McDonald's system. Please note that the procurement spend figure is an estimate. We assume total spend percentage is less than 1% because McDonald's restaurants purchase little palm oil for use in restaurants; rather palm oil in our supply chain is used primarily as an ingredient in products sold to McDonald's restaurants. We identified the country of origin through the Company's annual raw material survey (IMPACT). The suppliers surveyed primarily include suppliers of products managed by our global supply chain team including restaurant cooking, par-fry, baked goods and sauces (liquid products).
Cattle Products	Retail/ onward sale of commodity or product containing commodity	Beef	Contracted suppliers (manufacturers)	Argentina Australia Austria Brazil Canada Czech Republic France Germany Italy Mexico New Zealand Norway Paraguay Poland	11-20%	The main use of beef in our products is for our hamburger patties. Beef is used in other products, as well, such as our steak, egg and cheese bagel. We are not covering staff catering. We use beef tallow for frying in one market; Japan. Procurement spend percentages are derived from 2015 data as our 2016 annual spend data was not available at time of CDP submission. Country of origin data was collected through the Company's annual raw material survey (IMPACT) and is an approximation – it does not quite capture 100% of volume

Forest risk commodity	Activity	Form of commodity	Source	Country of origin	% of procurement spend	Comment
				Russian Federation Spain Sweden Switzerland Ukraine United Kingdom United States of America Uruguay Other: Denmark, Guatemala, Hungary, Ireland, Lithuania, Netherlands, Nicaragua, Portugal		as a few smaller volume markets do not use the IMPACT process. Note on Brazilian origin: Since 1989, the Company has had a policy prohibiting the sourcing of beef from within the Amazon Biome. Compliance with this policy is verified by AgroTools, a geospatial mapping and auditing company, and our suppliers. In 2016, Arcos Dorados, McDonald's Developmental Licensee in Latin America, engaged with a Sustainable Beef Project in Alta Floresta State called the Novo Campo Project, supported by the GTPS (Brazilian Roundtable for Sustainable Livestock), local NGO's 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 Global Roundtable for Sustainable Beef. This pilot does not represent an end to our commitment to not source beef from within the Amazon Biome, rather we are leveraging the 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 foundational to our approach.
Soy	Retail/ onward sale of commodity or		Contracted suppliers (manufacturers)	Don't know	<1%	The percent spend is an estimate. Please note that the majority of soy used in our supply chain is for animal feed.

Forest risk commodity	Activity	Form of commodity	Source	Country of origin	% of procurement spend	Comment
	product containing commodity					The Company continues to support the Soy Moratorium, recently extended indefinitely, which is an agreement to not source soya linked to deforestation in the Amazon and played an active role in the development of the moratorium. Further, McDonald's Europe has committed to ensure 100% of soy feed for poultry is certified sustainable by 2020. Under our Commitment on Forests we are working on a strategy to ensure that the soy in our supply chain globally is not linked with deforestation.

## F1.2

Please indicate the percentage of your organization's revenue that was dependent on each of your selected forest risk commodities in the reporting year

Forest risk commodity	% of revenue dependent on commodity in the reporting year	Comment
Timber	<1%	This is an estimate. We do not sell our fiber-based packaging. Rather, packaging is incorporated into our cost of goods sold.
Palm Oil	<1%	This is an estimate. Palm oil is used for frying in restaurants in some markets and par-frying chicken or fry products and it does not directly contribute to revenue. It is also an ingredient in some baked goods and liquid products (sauces). This is incorporated into cost of goods sold and can impact the price of our product, but is not a revenue generator.
Cattle Products		We are unsure of this figure as beef is a component of our products sold (e.g. beef patty in a hamburger).
Soy	<1%	This is an estimate. Soy oil is used for frying in restaurants in some markets and as feed for some animals (e.g. poultry). It does not directly contribute to revenue. This is incorporated into cost of goods sold and can impact the price

Forest risk commodity	% of revenue dependent on commodity in the reporting year	Comment
		of our product, but is not a revenue generator.

**F1.3**

**Has your organization experienced impacts related to forest risk commodities that have generated a substantive change in your business operations, revenue or expenditure in the reporting year?**

Yes

**F1.3a**

**Please identify the impacts related to forest risk commodities that have generated a substantive change in your business operations, revenue or expenditure in the reporting year**

Forest risk commodity	Impact driver	Impact	Description of impact	Estimated financial impact	Response strategy	Description of response strategy
Palm Oil	Reputational: Consumer market campaigns	Brand damage Other: Anticipatory issues management	There has been considerable interest among non-governmental organizations and consumer interest groups for large, global brands to source sustainable palm oil and reduce deforestation impacts associated with palm. While we have been committed to sustainable sourcing prior to any campaigns, we recognize these can have an impact on the brand and understand the		Engagement with other stakeholders Engagement with suppliers Other: Continually assess relevancy and credibility of sourcing	In 2016, McDonald's created our Global Sustainable Palm Oil Policy & global oils product specification which help outline sustainability expectations & requirements for suppliers. The policy is an evolution of our sustainable palm oil strategy, reflective of the need to increase rigor & requirements in our palm oil sourcing. The products specifications marked McDonald's first-ever global oils RFP for restaurant

Forest risk commodity	Impact driver	Impact	Description of impact	Estimated financial impact	Response strategy	Description of response strategy
			<p>importance of ensuring sustainable, reliable supply of palm oil. As such, we've continued to revise our palm oil sourcing strategy, having finalized the strategy and its accompanying requirements in 2016.</p>		strategies	<p>cooking oils, par-fry chicken oil &amp; par-fry potato oil supply chain. We integrated sustainability expectations (including but not limited to RSPO certification) for palm oil into product specifications &amp; evaluated RFP responses based on suppliers' ability to meet them, equally weighted with commercial, quality systems &amp; nutrition expectations. In 2016, McDonald's began the shift to purchases of RSPO certified sustainable palm oil by our suppliers from physical supply chain. In 2011 the Company became a member of the Roundtable on Sustainable Palm Oil. We subsequently developed the following goals: - 100% of palm oil used for restaurant cooking or by McDonald's suppliers to par-fry chicken &amp; potato products will be RSPO-certified sustainable or covered by GreenPalm Book &amp; Claim certificates by 2015. This was nearly achieved, with 99.7% in 2015. -100% of all palm oil or palm kernel oil used as an ingredient by McDonald's suppliers for use in McDonald's products will be RSPO-certified sustainable or covered by GreenPalm Book &amp; Claim certificates by 2020. We've heard from expert stakeholders that our palm oil goals &amp; strategy could be made stronger &amp; we agreed. We've strengthened our policy to address McDonald's Commitment on Forests &amp; our sustainable sourcing goals. All palm oil sold to McDonald's</p>

Forest risk commodity	Impact driver	Impact	Description of impact	Estimated financial impact	Response strategy	Description of response strategy
						must be covered under the following criteria: 1. By 2018 at the latest, all palm oil will be sourced from approved suppliers. To become an approved supplier, the palm oil supplier must demonstrate to McDonald's that they have a traceability system & action plan to address deforestation; 2. Palm oil will be certified sustainable, starting with mass balance & moving to segregated supply by 2020 where possible; 3. Progress will be reported regularly on McDonald's website & the RSPO Annual Communication of Progress. Data is collected from suppliers via IMPACT. We're committed to taking a holistic approach that will serve both the Company & the industry.

#### F1.4

Please describe why you do not know if your organization experienced any impacts related to forest risk commodities that have generated a substantive change in your business operations, revenue or expenditure in the reporting year

Primary reason for being unaware of impacts	Comment

#### Further Information

As a leading global quick service restaurant brand, McDonald's is a target of many NGO environmental and social campaigns throughout the world. The Company recognizes that given our global presence, size and influence, we have a responsibility to conduct responsible business and sourcing and be a force for positive change in the world. We did not list all the campaigns in question 1.3 and rather the more prominent campaigns that have occurred in the last five years which are related to palm oil. Other issues arise locally and regionally and we address these as needed and use this information to inform our sustainable sourcing strategies as sustainable sourcing is a moving target. Prior than 5 years ago, (in 2006), Greenpeace alerted the Company to concerns that soya production in Brazil was contributing to the destruction of the rainforest. We quickly realized that a meaningful solution would require an industry wide effort, since soya producers are far removed from the Company's direct supply chain and our buying power in the region is relatively small – less than 1% of soya purchases. The Company reached out to our partners and advisors – The Company's global, European and Brazilian leadership; Cargill; NGOs; and some large European food retailers – to urge all Brazilian soy producers and exporters to come together and create a solution. By late July 2006, all major soya buyers announced their commitment to a two-year moratorium on purchasing soya from deforested areas in the Amazon region. In 2015, McDonald's, together with Greenpeace and Cargill, was recognized by the Keystone Policy Center Award for Leadership in Environment for our collective effort contributing to the implementation of the Brazilian Soy Moratorium. In 2016, the Company actively supported the indefinite extension of the Brazilian Soy Moratorium. Also, since the development and announcement of McDonald's Commitment on Forests (announced in April 2015 and attached), McDonald's has been working with our suppliers to outline roadmaps and achieve progress. Our operations and expenditures will continue to evolve and be impacted as we meet this Commitment.

## Attachments

[https://www.cdp.net/sites/2017/81/11581/Forests 2017/Shared Documents/Attachments/Forests2017/F1.Context/McDonaldsCommitmentOnForests.pdf](https://www.cdp.net/sites/2017/81/11581/Forests%202017/Shared%20Documents/Attachments/Forests2017/F1.Context/McDonaldsCommitmentOnForests.pdf)  
[https://www.cdp.net/sites/2017/81/11581/Forests 2017/Shared Documents/Attachments/Forests2017/F1.Context/McDonaldsCommitmentOnForestsAddendum.pdf](https://www.cdp.net/sites/2017/81/11581/Forests%202017/Shared%20Documents/Attachments/Forests2017/F1.Context/McDonaldsCommitmentOnForestsAddendum.pdf)

## Module: Risk Assessment

### Page: F2. Risk assessment

#### F2.1

Please select the option that best describes your procedures with regard to assessing deforestation risks and opportunities

Forest risk commodity	Deforestation risk assessment procedure	Operational coverage	Please explain
Timber	Undertaken independently of other risk assessments	Supply chain	HAVI manages the consumer packaging category for McDonald's. The Company works closely with HAVI and various stakeholders such as World Wildlife Fund (WWF) and global risk consultancy Verisk Maplecroft to assess risk (operational, regulatory, and reputational) in our supply chain. In 2009 and 2010 WWF assessed the environmental, social, and economic risk in our supply chain at the raw material production level and identified fiber for packaging as a priority product. As a WWF corporate

Forest risk commodity	Deforestation risk assessment procedure	Operational coverage	Please explain
			<p>partner, the Company collaborates with WWF on our sustainable fiber-based packaging strategy and is regularly informed of any new or emerging deforestation risks related to fiber. With HAVI, we conduct an annual packaging fiber survey which includes a risk assessment in which we evaluate the origin of our packaging and review origin against a list of relevant high-risk markets. In 2015, with WWF and HAVI, we mapped the majority of our consumer-facing paper packaging fiber supply against countries where pulp plantations are known drivers of deforestation and found that less than 12% of the fiber for our consumer packaging cannot be substantiated as avoiding these high-risk countries. We have made a commitment to pursue FSC certification for any fiber sources from these countries by 2020 at the latest and will continue to work for greater visibility into the amount of fiber coming from these countries. See our Commitment on Forests which will impact our risk assessment procedure in the future (question F2.1c and Further Information). Additionally, McDonald's recently joined the CDP Supply Chain program and now requires the Company's top 16 suppliers* to respond to CDP Forests (these suppliers account for nearly 2/3 of annual spend). *In the case of HAVI, their two largest suppliers by spend are required to complete CDP Forests.</p>
Palm Oil	Undertaken independently of other risk assessments	Partial supply chain	<p>The Company works with various stakeholders such as World Wildlife Fund (WWF) and global risk consultancy Verisk Maplecroft to assess risk (operational, regulatory, and reputational) in our supply chain. In 2009 and 2010 WWF assessed the environmental, social, and economic risk in our supply chain at the raw material production level and identified palm oil as a priority product notably because of its link to deforestation. As a WWF corporate partner, the Company collaborates with WWF on our palm oil sourcing strategy and is regularly informed of any new or emerging deforestation risks related to palm oil. In 2016, the Director of Sustainable Sourcing for Asia and other members of our supply chain team visited palm growing regions in Indonesia and met with plantations, WWF, suppliers, other brands and local NGOs to understand and evaluate the risk on the ground in the palm oil industry. The trip exposed, first hand, the impacts on the ground and the challenges ahead to successfully address the issues and realize our Commitment on Forests. See our Commitment on Forests which will impact our risk assessment procedure in the future (question F2.1c and Further Information). The oil RFP process, introduced in question F1.3a, enables us to more clearly know the palm suppliers in our supply chain, from what origins they source palm, and their capabilities in terms of ability to meet our sustainability expectations. This information is considered when deciding whether to do business with suppliers. McDonald's recently joined the CDP Supply Chain program and now requires the Company's top 16 suppliers to respond to CDP Forests (these suppliers account for nearly 2/3 of annual spend). Multiple companies in this list source or use palm oil in our products. In addition, we undertake risk assessments for global supply chain raw materials periodically (of which palm oils is one), though not at a specified frequency.</p>
Cattle Products	Undertaken independently of other	Supply chain	<p>The Company works with various stakeholders such as World Wildlife Fund (WWF) and global risk consultancy Verisk Maplecroft to assess risk (operational, regulatory, and reputational) in our supply</p>

Forest risk commodity	Deforestation risk assessment procedure	Operational coverage	Please explain
	risk assessments		<p>chain. In 2009 and 2010 WWF assessed the environmental, social, and economic risk in our supply chain at the raw material production level and identified beef as a priority product, in part because of its link to deforestation. As a WWF corporate partner, the Company collaborates with WWF on our sustainable beef strategy and is regularly informed of any new or emerging deforestation risks related to beef. See our Commitment on Forests which will impact our risk assessment procedure in the future (question F2.1c and Further Information). In regions with identified risks relating to the preservation of forests, by the end of 2020 we've committed to verifying that beef sourced from these regions comes from farms where primary forests and high conservation value lands are preserved. We acknowledge that the definition of deforestation risk varies in different markets around the world. The assessment of deforestation risk will be determined through consultations with industry and external stakeholders with consideration to local market. McDonald's recently joined the CDP Supply Chain program and now requires the Company's top 16 suppliers to respond to CDP Forests (these suppliers account for nearly 2/3 of annual spend). Multiple companies in this list source beef for our menu items. In addition, we undertake risk assessments for global supply chain raw materials periodically (of which beef is one), though not at a specified frequency. Please see more information about McDonald's beef sourcing in question F2.1c.</p>
Soy	Undertaken independently of other risk assessments	Supply chain Partial direct operations	<p>The Company works with various stakeholders such as World Wildlife Fund (WWF) and global risk consultancy Verisk Maplecroft to assess risk (operational, regulatory, and reputational) in our supply chain. In 2009 and 2010 WWF assessed the environmental, social, and economic risk in our supply chain at the raw material production level and identified soy as a high-priority, notably because of its link to deforestation. Because a large portion of soy use in our supply chain is for poultry feed, the Company identified poultry as a priority product inferring poultry would incorporate feed. The Company has formed a cross-functional team to evaluate the material environmental and social issues associated with the poultry supply chain and develop strategies to address such risks. This cross-functional group will oversee the development of soy risk assessments and strategies in order to reach our Commitment on Forests. As a WWF corporate partner, the Company collaborates with WWF on our sustainable poultry/soy strategy and is regularly informed of any new or emerging deforestation risks related to soy. See our Commitment on Forests which will impact our risk assessment procedure in the future (question F2.1c and Further Information). In 2016, we conducted further analysis of our poultry feed (soy) supply chain to map origin and identify high risk origin. McDonald's recently joined the CDP Supply Chain program and now requires the Company's top 16 suppliers to respond to CDP Forests (these suppliers account for nearly 2/3 of annual spend). Multiple companies in this list source soy for our menu items (i.e. poultry suppliers).</p>

F2.1a

**Please provide further details on your risk assessment procedures with regard to deforestation risks and opportunities**

Forest risk commodity	Frequency of monitoring	To whom are results reported?	Scale of risk assessment	How far into the future are risks considered?	Please explain
Timber	Annually	Senior manager/officer	Other: This reporting represents consumer packaging managed by HAVI – representing around 90% of our consumer packaging used globally	3-6 years	See explanation provided in F2.1 for more information about the Company's risk assessment procedures regarding fiber-based packaging.
Palm Oil	Annually	Other committee	Whole company	Unknown	See explanation provided in F2.1 for more information about the Company's risk assessment procedures regarding palm oil.
Cattle Products	Annually	Other committee	Whole company	Unknown	See explanation provided in F2.1 for more information about the Company's risk assessment procedures regarding beef.
Soy	Annually	Other committee	Whole company	Unknown	See explanation provided in F2.1 for more information about the Company's risk assessment procedures regarding soy.

**F2.1b**

**Please identify which of the following criteria are factored into your organization's deforestation risk assessments**

Criteria	Timeframe	Relevance	Please explain
Changes in availability and quality of forest risk commodities	Current Future	Relevant, included	This was included in the WWF Risk Analysis - Supply Risk; Supply Security indicator.
Impact of activity on the status of ecosystems and habitats	Current Future	Relevant, included	This was included in the WWF Risk Analysis - Environmental Risk category.
Regulation	Current	Relevant,	This was included in the WWF Risk Analysis - Social and

Criteria	Timeframe	Relevance	Please explain
	Future	included	Political Risk category.
Tariffs or price increases	Current Future	Relevant, included	This was included in the WWF Risk Analysis - Economic and Financial Risk category.
Loss of markets	Current Future	Relevant, included	This risk is inherently included in the WWF Risk analysis though not explicitly called 'Loss of markets.'
Stakeholder conflicts concerning forest risk commodities	Current Future	Relevant, included	This was included in the WWF Risk Analysis - Social and Political Risk category.
Brand damage related to forest risk commodities	Current Future	Relevant, included	This was included in the WWF Risk Analysis - Social and Political Risk category.
Corruption			
Other	Current	Relevant, included	Additional considerations were included in the WWF Supply Risk Analysis Methodology.

## F2.1c

### Please provide any additional information about your approach to assessing deforestation risks here

We understand that the majority of the environmental impacts of our business happen at the agricultural level. In 2009 & 2010, we worked with WWF to assess environmental, social, & economic risk in our supply chain at the raw material production level. Subsequently, we published our Sustainable Land Management Commitment in 2011. This informed our commitment to source all of the agricultural raw materials used for our food & packaging from verified sustainable sources over time with an initial focus on beef, chicken (inclusive of soy for feed), coffee, palm oil, & fiber (for packaging). Sourcing Pillar strategies of McDonald's Global Sustainability Framework for these priority products are outlined here: <http://www.aboutmcdonalds.com/mcd/sustainability/sourcing/priority-products.html>. We continue to work with WWF to evaluate progress, opportunities for improvement, emerging issues & risks, & future priority areas.

Through our continued work with WWF, we identified the pressing risks of deforestation & the need to develop a comprehensive corporate Commitment on Forests that should apply to our entire supply chain. In 2015 we announced a global company Commitment on Forests which clarifies & expands on the Company's goals to sustainably source beef, fiber, coffee, palm oil & poultry, & supports progress toward our 2020 aspirational goals. Governance is outlined in the Commitment & indicates we will continue to monitor our progress & evaluate the deforestation risk of other raw materials to ensure we remain focused on the materials & regions most urgently requiring action.

A note about beef & deforestation risk:

McDonald's is committed to leadership on sustainable beef, which includes preserving forests. We've been working with our business, stakeholders, & our suppliers on this important issue for almost 30 years. For example, in 1989 McDonald's stopped buying beef from farms within the Amazon Biome in an effort to protect this important ecosystem. Since then, we've been working with our suppliers & external partners to understand & develop systems for responsible forest management in all biomes from which we source.

McDonald's & Arcos Dorados are partners of the Novo Campo Project by sourcing from this program in which beef is responsibly produced inside the Amazon Biome. This program runs under the auspices of the Brazilian Roundtable on Sustainable Livestock (GTPS) & is run by NGOs such as Imaflora & ICV. Beef from Novo Campo demonstrates that food can be produced without putting important landscapes at risk. This project does not represent an end to our 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 & related partnerships with credible NGOs & our suppliers, we are leveraging this pilot to evaluate whether it is possible – & even productive – to source beef from the Amazon. The results of the pilot will help inform our policy & related strategies moving forward, but our commitment to preventing deforestation & supporting sustainability initiatives that reclaim degraded lands will remain foundational to our approach.

Outside of the Amazon biome, we are working on traceability, risk mapping, supplier engagement, intervention, & assurance that will enable us to ensure we only source beef from farms that meet the criteria outlined in our Commitment on Forests. This is aligned with the New York Declaration on Forests of which we are a signatory. As a signatory, we are active members of TFA 2020. We are prioritizing high-risk regions for deforestation & moving forward by implementing existing solutions such as certification schemes, or supplier led programs. McDonald's is also supporting the creation of solutions where none exist today. For example, we are actively engaged with the Collaboration for Forests & Agriculture (CFA) - an effort of the National Wildlife Federation, The Nature Conservancy, World Wildlife Fund, the Gordon & Betty Moore Foundation, & other strategic partners, which aims to eliminate the loss & degradation of tropical & sub-tropical forest ecosystems resulting from the production of beef & soy to ensure these globally traded agricultural commodities are sourced only from deforestation-free areas. CFA is developing tools for transparency & decision-support & unlocking financial incentives for transformation on the ground, creating the enabling environment to catalyze sector-wide deforestation-free production & sourcing of beef & soy in the Brazilian Amazon & Cerrado & the Gran Chaco in Argentina & Paraguay.

We acknowledge that the definition of deforestation risk varies in different markets around the world. The assessment of deforestation risk will be determined through consultations with industry & external stakeholders with consideration to local market. See Further Information for more details.

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## F2.1d

**If you have conducted a partial risk assessment, please identify any exclusions in the following table**

Forest risk commodity	Exclusion	Please explain
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## F2.2

Please explain why you do not have a process in place for assessing and managing deforestation risks, and whether you plan to introduce such a process in the future

Forest risk commodity	Primary reason for not having a process	Do you plan to introduce a process?	Timeframe	Comment
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### Further Information

In 2014, McDonald's Global Supply Chain strengthened our approach to strategically manage supply risk as a company and created a new position; Senior Director of Supply Chain Risk Management. This position reports to the Chief Supply Chain and Sustainability Officer. In 2015, a Director of Supply Chain Risk Management was subsequently added to the team as well. These positions are responsible for leading the design, development and implementation of a comprehensive risk management strategy for our supply chain organization around the world. These positions regularly assess supply chain risks and work collaboratively with Global Supply Chain & Sustainability's Senior Director of Sustainable Sourcing on environmental risks identified. In addition to the risk assessments and position discussed above, commodity risk management strategies are developed through a collaboration of McDonald's Treasury, Supply Chain, Suppliers and Owner/Operators. The Company and its suppliers manage risks for many of the commodity categories with the goal being to provide predictable and competitive pricing to the restaurants. The Company conducts consumer and stakeholder research to better understand expectations and perceptions of McDonald's. The Company partners with GlobeScan to conduct surveys, interviews and stakeholder engagements that allows us to understand expectations and gauge reputation within the context of the food and beverage industry, as well as among corporate sustainability leaders. For example, GlobeScan's Radar global opinion survey asks consumers how McDonald's compares to other global companies regarding social responsibility and sustainability and overall trends in expectations for business and issues of greatest concern. Our other internal brand trackers help us to understand the strength of the McDonald's brand compared to relevant competitors from the consumers' perspective. A clear finding from this research is that consumers want food they feel good about eating. They want and expect brands like McDonald's to be environmentally and socially responsible. Stakeholders are increasingly interested in seeing McDonald's use its global scale and proliferation in communities to address social and environmental issues. In addition to the risk assessment procedures discussed in the previous questions, these consumer and stakeholder insights drive our sustainable sourcing commitments and help shape the way we communicate on our commitments, including the Commitment on Forests. Continuation of F2.1c - In regards to assessing deforestation risk associated with beef sourcing: What does it take to know the farms we get beef from around the world don't contribute to deforestation? • Traceability – The ability to work with our suppliers who track our ground beef all the way back to the farm where it originated, in the high-risk regions we are prioritizing in our strategy. • Risk mapping – A tool we use to understand & evaluate the relationship between our beef supply chain & forests. • Supplier engagement – Ongoing dialogue with partners to ensure & support best practices across our supply chain. • Intervention – Taking action & ensuring continuous improvement in partnership with suppliers. • Monitoring & Assurance – A critical step we take to check & double check that our efforts across the supply chain are being implemented properly.

### Attachments

[https://www.cdp.net/sites/2017/81/11581/Forests 2017/Shared Documents/Attachments/Forests2017/F2.Riskassessment/McDonaldsCommitmentOnForests.pdf](https://www.cdp.net/sites/2017/81/11581/Forests%202017/Shared%20Documents/Attachments/Forests2017/F2.Riskassessment/McDonaldsCommitmentOnForests.pdf)  
[https://www.cdp.net/sites/2017/81/11581/Forests 2017/Shared Documents/Attachments/Forests2017/F2.Riskassessment/McDonald\\_s\\_2016\\_Sustainable\\_Fiber\\_Update.pdf](https://www.cdp.net/sites/2017/81/11581/Forests%202017/Shared%20Documents/Attachments/Forests2017/F2.Riskassessment/McDonald_s_2016_Sustainable_Fiber_Update.pdf)  
[https://www.cdp.net/sites/2017/81/11581/Forests 2017/Shared](https://www.cdp.net/sites/2017/81/11581/Forests%202017/Shared)

**Module: Implications**

**Page: F3. Risks**

**F3.1**

**Have you identified any inherent risks related to producing, marketing or sourcing forest risk commodities that have the potential to generate a substantive change in your business operations, revenue or expenditure? Please select all that apply**

Forest risk commodity	Risk
Timber	Operational risks driven by changes in physical parameters Risks driven by changes in regulation Reputational risks
Palm Oil	Operational risks driven by changes in physical parameters Risks driven by changes in regulation Reputational risks
Cattle Products	Operational risks driven by changes in physical parameters Risks driven by changes in regulation Reputational risks
Soy	Operational risks driven by changes in physical

Forest risk commodity	Risk
	parameters Risks driven by changes in regulation Reputational risks

**F3.1a**

**For your selected forest risk commodities, please describe any inherent operational risks in your direct operations or supply chain driven by changes in physical parameters that have the potential to generate a substantive change in business operations, revenue or expenditure**

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/ supply chain	Likelihood	Magnitude of impact	Management methods
Timber	Other: We have identified multiple potential risk drivers, see 'Description of risk' field	Global	As noted in the CDP guidance document provided, many physical changes are speculative due to their interlinked changes. However, we have identified multiple potential risk drivers from the dropdown list provided. They included: CLIMATE CHANGE: (Change in precipitation or precipitation	Increased operational cost Reduced demand for goods/service Reduction/ disruption of supply Inability to do business Wider social disadvantage	>6 years	Supply chain	Unknown	Unknown	We recognize there are multiple risk drivers and impacts associated with paper fiber at the global level. As such, The Company developed a Global Fiber Sourcing Policy for paper-based packaging in 2004 which evolved to inform the current policy (see fiber policy attached and described in section F8.4). The Company

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/ supply chain	Likelihood	Magnitude of impact	Management methods
			<p>pattern, change in precipitation extremes and droughts) - Loss of ecosystem services  - Forest fires - Tropical cyclones (hurricanes and typhoons) - Reduced crop yields - Availability of certified sustainable material  - Community opposition - Litigation/grievance procedures - Land tenure changes and disputes</p>						<p>is a member of the Global Forest Trade Network – North America. In 2014, we developed McDonald's Commitment on Forests which was publicly launched in April 2015. Fiber-based packaging is identified as a priority and the management methods for the deforestation risks associated with fiber are outlined in the fiber report released in May 2016 (report attached). For this question, depending on the nature of the region and issues at hand, risk drivers and management methods will vary (e.g. land tenure disputes may be a risk in one region but not the other). HAVI and their suppliers work to manage risks at the local level, with our support. Please note, the selections at left are</p>

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/ supply chain	Likelihood	Magnitude of impact	Management methods
									possibilities only at this stage. McDonald's recently joined the CDP Supply Chain program and now requires the Company's top 16 suppliers* to respond to CDP Forests (these suppliers account for nearly 2/3 of annual spend). *For HAVI, the two largest suppliers by spend are required to complete CDP Forests.
Palm Oil	Other: We have identified multiple potential risk drivers, see 'Description of risk' field	Global	As noted in the CDP guidance document provided, many physical changes are speculative due to their interlinked changes. However, we have identified multiple potential risk drivers from the dropdown list provided. They included: - CLIMATE CHANGE: (Change in precipitation or	Increased operational cost Reduced demand for goods/service Reduction/ disruption of supply Inability to do business Wider social disadvantage	>6 years	Supply chain	Unknown	Unknown	There are multiple risk drivers & impacts associated with palm oil. McDonald's created a Global Sustainable Palm Oil Policy & global oils product specification in 2016 that outline supplier sustainability expectations & requirements. The products specification marked our first-ever global oils RFP for restaurant cooking

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/ supply chain	Likelihood	Magnitude of impact	Management methods
			<p>precipitation pattern, change in precipitation extremes and droughts) - Loss of ecosystem services  - Tropical cyclones (hurricanes and typhoons) - Forest fires - Reduced crop yields - Availability of certified sustainable material - Community opposition - Land tenure changes and disputes</p>						<p>oils, par-fry chicken oil &amp; par-fry potato oil supply chain among others. We integrated palm oil sustainability expectations (including but not limited to RSPO certification) in product specifications &amp; evaluated RFP responses based on suppliers' ability to meet them, equally weighted with commercial, quality systems &amp; nutrition expectations. In 2016 we began the shift to purchases of RSPO certified palm oil by our suppliers from physical supply chain. This is part of our palm oil sourcing strategy &amp; goal evolution. After joining the RPSO in 2011 we developed the following goals: - 100% of palm oil used for restaurant cooking or by McDonald's suppliers</p>

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/ supply chain	Likelihood	Magnitude of impact	Management methods
									<p>to par-fry chicken &amp; potato products will be RSPO-certified sustainable or covered by GreenPalm Book &amp; Claim certificates by 2015 (nearly achieved with 99.7% in 2015). -100% of all palm oil or palm kernel oil used as an ingredient by McDonald's suppliers for use in McDonald's products will be RSPO-certified sustainable or covered by GreenPalm Book &amp; Claim certificates by 2020. We've strengthened our policy to address our Commitment on Forests &amp; sustainable sourcing goals. All palm oil sold to McDonald's must be covered under the following criteria: 1. By 2018 at the latest, all palm oil will be sourced from approved suppliers. To become an</p>

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/ supply chain	Likelihood	Magnitude of impact	Management methods
									<p>approved supplier, the palm oil supplier must demonstrate to McDonald's that they have a traceability system &amp; action plan to address deforestation; 2. Palm oil will be certified sustainable, starting with mass balance &amp; moving to segregated supply by 2020 where possible; 3. Progress will be reported regularly on McDonald's website &amp; the RSPO ACOP. Data is collected from suppliers via IMPACT. McDonald's joined the CDP Supply Chain program &amp; requires our top 16 suppliers to respond to CDP Forests (suppliers account for nearly 2/3 of annual spend). Multiple companies in this list source or use palm oil in our products. Depending on the nature of the region &amp; issues at</p>

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/ supply chain	Likelihood	Magnitude of impact	Management methods
									hand risk drivers/management methods will vary. Selections at left are possibilities only.
Cattle Products	Other: We have identified multiple potential risk drivers, see 'Description of risk' field	Global	The 2009-2010 WWF risk analysis introduced in the preceding section identified the following major concerns: Supply concerns <input type="checkbox"/> Sustainability: disease, climate change (drought), biofuels, developing countries Socio-Political <input type="checkbox"/> Land Tenure: Brazil, China, Guatemala, Mexico, Thailand <input type="checkbox"/> Indigenous Populations <input type="checkbox"/> Labor rights: Argentina, Brazil, China, Guatemala, Thailand Economic-Financial <input type="checkbox"/> Feed prices <input type="checkbox"/> Australian dollar and exports We also recognize loss of herd size as a risk factor which	Increased operational cost Reduction/ disruption of supply	Unknown	Supply chain	Likely	Medium	Since 2011 we've worked with industry leaders as a founding member of the GRISB & serve on its executive board. We support local roundtables & initiatives supporting sustainable beef production. We met our commitment to begin purchasing sustainable beef in 2016 through purchasing a portion of beef from a fully verified sustainable supply chain in a Canadian pilot followed by Arcos Dorados, McDonald's Developmental Licensee in Brazil, sourcing a portion of its beef through the Novo Campo program. Our 2020 vision for sustainable

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/ supply chain	Likelihood	Magnitude of impact	Management methods
			can be a factor of climate change impacts (e.g. drought).						<p>beef states that in regions with identified risks relating to the preservation of forests, by the end of 2020 we're committed to verifying that beef sourced from these regions comes from farms where primary forests &amp; high conservation value lands are preserved. Scope includes high-risk origins. See 2017 Sustainable Beef Report.</p> <p>Deforestation risk assessment will be determined through industry &amp; external stakeholder consultations with consideration to local market. In 1989 McDonald's stopped buying beef from within the Amazon Biome in an effort to protect this ecosystem. We've been working with suppliers &amp; external partners since to</p>

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/ supply chain	Likelihood	Magnitude of impact	Management methods
									<p>understand &amp; help develop systems for responsible forest management in all biomes from which we source. McDonald's &amp; Arcos Dorados are partners of The Novo Campo Project by sourcing from this program in which beef is responsibly produced inside the Amazon Biome. The program runs under the auspices of the GTPS &amp; is run by NGOs such as Imaflora &amp; ICV. Beef from Novo Campo demonstrates that food can be produced without putting important landscapes at risk. This doesn't represent an end to our commitment to not source beef from within the Amazon Biome. We're leveraging this pilot to evaluate whether it is possible &amp; even productive to source</p>

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/ supply chain	Likelihood	Magnitude of impact	Management methods
									beef from the Amazon. Results will help inform our policy & strategies, but our commitment to preventing deforestation & supporting sustainability initiatives that reclaim degraded lands will remain foundational to our approach. Outside of the Amazon Biome, we're working on traceability, risk mapping, supplier engagement, intervention, & assurance that will enable us to ensure we only source beef from farms that meet the criteria in our Commitment on Forests. Depending on the region/issues, risk drivers/management methods will vary. Selections at left are possibilities only.
Soy	Other: We have	Global	As noted in the CDP guidance	Increased operational	Unknown	Supply chain	Unknown	Unknown	There are multiple risk drivers & impacts

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/ supply chain	Likelihood	Magnitude of impact	Management methods
	identified multiple potential risk drivers, see 'Description of risk' field		document provided, many physical changes are speculative due to their interlinked changes. However, we have identified multiple potential risk drivers from the dropdown list provided. They included: - CLIMATE CHANGE: (Change in precipitation or precipitation pattern, change in precipitation extremes and droughts) - Loss of ecosystem services - Tropical cyclones (hurricanes and typhoons) - Forest fires - Reduced crop yields - Availability of certified sustainable material - Community opposition - Land tenure changes and disputes	cost Reduction/ disruption of supply					associated with soy, notably soy produced in the Amazon Biome. The Company continues to support the Soy Moratorium, recently extended indefinitely, which is an agreement to not source soya linked to deforestation in the Brazilian Amazon. In 2015, McDonald's together with Greenpeace & Cargill was recognized by the Keystone Policy Center Award for Leadership in Environment for our collective effort contributing to the implementation of the Brazilian Soy Moratorium. We're prioritizing high-risk regions for deforestation & moving forward by implementing existing solutions such as certification schemes or supplier led programs.

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/ supply chain	Likelihood	Magnitude of impact	Management methods
									<p>McDonald's Europe has committed to ensure 100% of soy feed for poultry is certified sustainable by 2020.</p> <p>McDonald's is also supporting the creation of solutions where none exist today. For example, we are actively engaged with the Collaboration for Forests &amp; Agriculture (CFA), an effort of the National Wildlife Federation, The Nature Conservancy, World Wildlife Fund, the Gordon &amp; Betty Moore Foundation, &amp; other strategic partners, which aims to eliminate the loss &amp; degradation of tropical &amp; sub-tropical forest ecosystems resulting from the production of beef &amp; soy to ensure these globally traded agricultural commodities are sourced only from deforestation-free</p>

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/ supply chain	Likelihood	Magnitude of impact	Management methods
									<p>areas. CFA is developing tools for transparency &amp; decision-support &amp; unlocking financial incentives for transformation on the ground, creating the enabling environment to catalyze sector-wide deforestation-free production &amp; sourcing of beef &amp; soy in the Brazilian Amazon &amp; Cerrado &amp; the Gran Chaco in Argentina &amp; Paraguay. In 2015, we announced McDonald's Commitment on Forests in which poultry is identified as a priority due to soy feed. The Company formed a cross-functional team to evaluate the material environmental &amp; social issues associated with the poultry supply chain &amp; develop strategies to address risks. Soy</p>

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/ supply chain	Likelihood	Magnitude of impact	Management methods
									<p>was identified as a focus area. The group lead (Senior Manager, Sustainable Sourcing) will oversee the development of sustainable soy strategies &amp; management methods to reach our Commitment on Forests. We'll continue to develop appropriate management methods for risk drivers associated with soy. Depending on the nature of the region/issues, risk drivers/management methods will vary. The selections at left are possibilities only.</p>

**F3.1b**

**For your selected forest risk commodities, please describe any inherent risks in your direct operations or supply chain driven by changes in regulation that have the potential to generate a substantive change in business operations, revenue or expenditure**

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/ supply chain	Likelihood	Magnitude of impact	Management methods
Timber	Other: We have identified multiple potential risk drivers, see 'Description of risk' field	Global	International law and bilateral agreements National legislation Moratoria Import tariffs Changes in land tenure regulations Lack of enforcement of regulations Product regulations and standards Voluntary agreements Lack of regulation	Increased operational cost Reduction/ disruption of supply Inability to do business	Unknown	Supply chain	Virtually certain	Unknown	Same management methods for Timber answered in question F3.1a as the management methods employed incorporate addressing all three risks (operational, regulatory and reputational).
Palm Oil	Other: We have identified multiple potential risk drivers, see 'Description of risk' field	Global	International law and bilateral agreements National legislation Moratoria Import tariffs Changes in land tenure regulations Lack of enforcement of regulations Product regulations and standards Voluntary agreements Lack of regulation	Increased operational cost Reduction/ disruption of supply Inability to do business	Unknown	Supply chain	Unknown	Unknown	Same management methods for Palm Oil answered in question F3.1a as the management methods employed incorporate addressing all three risks (operational, regulatory and reputational).
Cattle Products	Other: We have identified multiple potential risk drivers, see 'Description of	Global	International law and bilateral agreements National legislation Moratoria Import tariffs Changes in land tenure	Increased operational cost Reduction/ disruption of supply Inability to	Unknown	Supply chain	Unknown	Unknown	Same management methods for Cattle Products answered in question F3.1a as the management methods employed incorporate

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/ supply chain	Likelihood	Magnitude of impact	Management methods
	risk' field		regulations Lack of enforcement of regulations Product regulations and standards Voluntary agreements Lack of regulation	do business					addressing all three risks (operational, regulatory and reputational).
Soy	Other: We have identified multiple potential risk drivers, see 'Description of risk' field	Global	International law and bilateral agreements National legislation Moratoria Import tariffs Changes in land tenure regulations Lack of enforcement of regulations Product regulations and standards Voluntary agreements Lack of regulation	Increased operational cost Reduction/ disruption of supply Inability to do business	Unknown	Supply chain	Unknown	Unknown	Same management methods for Soy answered in question F3.1a as the management methods employed incorporate addressing all three risks (operational, regulatory and reputational).

**F3.1c**

**For your selected forest risk commodities, please describe any inherent reputational risks in your direct operations or supply chain that have the potential to generate a substantive change in business operations, revenue or expenditure**

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/ supply chain	Likelihood	Magnitude of impact	Management methods
Timber	Other: We have identified multiple potential risk drivers, see 'Description of risk' field	Global	- Negative media coverage - Consumer market campaigns - Community Opposition - Land tenure changes and disputes	Reduced demand for goods/service Inability to do business	Unknown	Supply chain	Unknown	Unknown	Same management methods for Timber answered in question F3.1a as the management methods employed incorporate addressing all three risks (operational, regulatory and reputational).
Palm Oil	Other: We have identified multiple potential risk drivers, see 'Description of risk' field	Global	- Negative media coverage - Consumer market campaigns - Community Opposition - Land tenure changes and disputes	Reduced demand for goods/service Inability to do business	Unknown	Supply chain	Unknown	Unknown	Same management methods for Palm Oil answered in question F3.1a as the management methods employed incorporate addressing all three risks (operational, regulatory and reputational).
Cattle Products	Other: We have identified multiple potential risk drivers, see 'Description of risk' field	Global	- Negative media coverage - Consumer market campaigns - Community Opposition - Land tenure changes and disputes	Reduced demand for goods/service Inability to do business	Unknown	Supply chain	Unknown	Unknown	Same management methods for Cattle Products answered in question F3.1a as the management methods employed incorporate addressing all three risks (operational, regulatory and reputational).
Soy	Other: We have identified	Global	- Negative media coverage	Reduced demand for	Unknown	Supply chain	Unknown	Unknown	Same management methods for Soy

Forest risk commodity	Risk driver	Geographical scale	Description of risk	Potential impact	Timeframe	Direct operations/ supply chain	Likelihood	Magnitude of impact	Management methods
	multiple potential risk drivers, see 'Description of risk' field		- Consumer market campaigns - Community Opposition - Land tenure changes and disputes	goods/service Inability to do business					answered in question F3.1a as the management methods employed incorporate addressing all three risks (operational, regulatory and reputational).

### F3.2

If you indicated in question F3.1 that you do not consider your organization to be exposed to operational risks related to producing, marketing or sourcing any of your selected commodities, please explain why in the table below

Forest risk commodity	Primary reason for not identifying risks	Please explain

### F3.3

If you indicated in question F3.1 that you do not consider your organization to be exposed to risks related to producing, marketing or sourcing any of your selected commodities driven by changes in regulation, please explain why in the table below

Forest risk commodity	Primary reason for not identifying risks	Please explain

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**F3.4**

If you indicated in question F3.1 that you do not consider your organization to be exposed to reputational risks related to producing, marketing or sourcing any of your selected commodities, please explain why in the table below

Forest risk commodity	Primary reason for not identifying risks	Please explain
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**Further Information**

The Company conducts consumer surveys and stakeholder research to better understand consumer expectations and perceptions of McDonald's. For example, the Company partners with GlobeScan to conduct GlobeScan's Radar global opinion survey which asks consumers how McDonald's compares to other global companies regarding social responsibility and sustainability. Our other internal brand trackers help us to understand the strength of the McDonald's brand compared to relevant competitors from the consumers' perspective. A clear finding from this research is that consumers want food they feel good about eating. They want and expect brands like McDonald's to be environmentally and socially responsible. In addition to the risk assessment procedures, these consumer and stakeholder insights drive our sustainable sourcing commitments and help shape the way we communicate on our commitments, including the Commitment on Forests. As reported in McDonald's 2016 Annual Report, the ongoing relevance of our brand may depend on the success of our sustainability initiatives, which require System-wide coordination and alignment. If we are not effective in addressing social responsibility matters or achieving relevant sustainability goals, consumer trust in our brand may suffer. In particular, business incidents that erode consumer trust or confidence, particularly if such incidents receive considerable publicity or result in litigation, can significantly reduce brand value and have a negative impact on our financial results. According to the Annual Report, the "failure to preserve the value and relevance of our brand could have a negative impact on our financial results" Also as stated in the 2016 Annual report, there is a possibility that governmental initiatives, or actual or perceived effects of changes in weather patterns, climate, or water resources could have a direct impact on the operations of the System [including direct operations in restaurants and supply chain] in ways which we cannot predict at this time. Additionally, we are working to manage the risks and costs to the Company, our Franchisees and our supply chain of the effects of climate change, greenhouse gases, and diminishing energy and water resources. These risks include the increased public focus, including by governmental and nongovernmental organizations, on these and other environmental sustainability matters, such as packaging and waste, animal health and welfare, deforestation and land use. These risks also include the increased pressure to make commitments, set targets or establish additional goals and take actions to meet them. These risks could expose us to market, operational and execution costs or risks. If we are unable to effectively manage the risks associated with our complex regulatory environment, it could have a material adverse effect on our business and financial condition.

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**Attachments**

[https://www.cdp.net/sites/2017/81/11581/Forests 2017/Shared Documents/Attachments/Forests2017/F3.Risks/McDonaldsCommitmentOnForestsAddendum.pdf](https://www.cdp.net/sites/2017/81/11581/Forests%202017/Shared%20Documents/Attachments/Forests2017/F3.Risks/McDonaldsCommitmentOnForestsAddendum.pdf)  
[https://www.cdp.net/sites/2017/81/11581/Forests 2017/Shared Documents/Attachments/Forests2017/F3.Risks/2016 Annual Report.pdf](https://www.cdp.net/sites/2017/81/11581/Forests%202017/Shared%20Documents/Attachments/Forests2017/F3.Risks/2016%20Annual%20Report.pdf)  
[https://www.cdp.net/sites/2017/81/11581/Forests 2017/Shared Documents/Attachments/Forests2017/F3.Risks/McDonaldsCommitmentOnForests.pdf](https://www.cdp.net/sites/2017/81/11581/Forests%202017/Shared%20Documents/Attachments/Forests2017/F3.Risks/McDonaldsCommitmentOnForests.pdf)  
[https://www.cdp.net/sites/2017/81/11581/Forests 2017/Shared Documents/Attachments/Forests2017/F3.Risks/McDonald's Fiber Policy.pdf](https://www.cdp.net/sites/2017/81/11581/Forests%202017/Shared%20Documents/Attachments/Forests2017/F3.Risks/McDonald's%20Fiber%20Policy.pdf)  
[https://www.cdp.net/sites/2017/81/11581/Forests 2017/Shared Documents/Attachments/Forests2017/F3.Risks/McDonald\\_s\\_2016\\_Sustainable\\_Fiber\\_Update.pdf](https://www.cdp.net/sites/2017/81/11581/Forests%202017/Shared%20Documents/Attachments/Forests2017/F3.Risks/McDonald_s_2016_Sustainable_Fiber_Update.pdf)

F4.1

Have you identified any opportunities related to producing, marketing or sourcing these commodities sustainably that have the potential to benefit your organization?

Forest risk commodity	Opportunities?
Timber	Yes
Palm Oil	Yes
Cattle Products	Yes
Soy	Yes

F4.1a

Please describe the opportunities related to producing, marketing or sourcing these commodities sustainably, and your organization’s strategy to capitalize on them

Forest risk commodity	Opportunity	Scale of opportunity	Strategy to realize opportunity	Timeframe	Comment
Timber	Increased brand value	Our customers and their changing needs are at the heart of what we do at McDonald’s. We know customers increasingly want to make responsible food choices (see further information for surveys to collect this information and consumer insights) and we recognize our responsibility as a leading global brand to do what is right to drive positive change. In addition to brand value, McDonald’s packaging suppliers have generated savings for McDonald’s as a result of optimizing their packaging weights	In addition to the Company’s Commitment on Forests which was introduced in the previous section, we have a global fiber sourcing policy that aims to continually improve the overall sustainability of our packaging by increasing recycled or certified raw materials and promoting Design for Environment to optimize resources and improve end-of-life recoverability. See more detail on our fiber sustainability work in the attached Fiber Sustainability Update	3-6 years	In addition to increased brand value, we see the following opportunities associated with sourcing fiber for our packaging sustainably (as listed in the CDP Questionnaire) - Staff retention/ satisfaction - New market or product/service opportunities - Increased security of supply - Increased transparency - Increasing capacity of sustainable commodity markets - Driving demand for sustainable materials – Cost savings

Forest risk commodity	Opportunity	Scale of opportunity	Strategy to realize opportunity	Timeframe	Comment
		and reducing raw material usage, which improves both environmental and economic outcomes. For example, from January 2012 through the end of 2015, 30.95 million lbs. of materials were removed from the McDonald's packaging portfolio. This source reduction also resulted in cost savings for the System.	2016.		
Palm Oil	Increased brand value	Our customers and their changing needs are at the heart of what we do at McDonald's. We know customers increasingly want to make responsible food choices (see further information for surveys to collect this information and consumer insights) and we recognize our responsibility as a leading global brand to do what is right to drive positive change.	In addition to the Company's Commitment on Forests we have a Sustainable Palm Oil Policy and action plan. Both were introduced in the preceding section (F1.3a).	3-6 years	In addition to increased brand value, we see the following opportunities associated with sourcing palm oil sustainably (as listed in the CDP questionnaire): - Staff retention/satisfaction - New market or product/service opportunities - Increased security of supply - this is particularly important for palm oil - Increased transparency - particularly important for palm oil - Increasing capacity of sustainable commodity markets - particularly important for palm oil - Driving demand for sustainable materials - particularly important for palm oil
Cattle Products	Increased brand value	McDonald's is synonymous with burgers and as one of the largest purchasers of beef globally, we have the responsibility to help lead the industry toward better and more sustainable practices when it comes to beef. Our customers and their changing needs are at the heart of what we do at McDonald's. We know customers increasingly want to make responsible food choices (see further information for surveys to collect this	In addition to the Company's Commitment on Forests, in 2017 McDonald's announced our 2020 Vision for Sustainable beef. This is outlined in the attached sustainable beef report and was introduced in the preceding section (F1.3a)	3-6 years	In addition to increased brand value, we see the following opportunities associated with sourcing sustainable beef (as listed in the CDP questionnaire): - Staff retention/satisfaction - New market or product/service opportunities - Increased security of supply - Increased transparency - Driving demand for sustainable materials - Increasing capacity of sustainable commodity markets. This is

Forest risk commodity	Opportunity	Scale of opportunity	Strategy to realize opportunity	Timeframe	Comment
		<p>information and consumer insights) and we recognize our responsibility as a leading global brand to do what is right to drive positive change. This global movement is gaining momentum through conversations, collaborations, pilot programs and global and local roundtables, and is helping influence not just the beef served at McDonald's restaurants but beef production around the world.</p>			<p>particularly important for beef. McDonald's size and reach give us a platform for change, but meaningful progress really comes down to teamwork. Along with farmers, advocates, governments and McDonald's local country teams, we're enabling innovations and making sure financially viable sustainable beef sourcing practices reach more and more of the McDonald's supply chain — and the broader marketplace.</p>
Soy	Increased brand value	<p>Our customers and their changing needs are at the heart of what we do at McDonald's. We know customers increasingly want to make responsible food choices (see further information for surveys to collect this information and consumer insights) and we recognize our responsibility as a leading global brand to do what is right to drive positive change.</p>	<p>In 2016, McDonald's actively supported the indefinite extension of the landmark Brazilian Soy Moratorium, an agreement between civil society, industry and government, preventing major traders from selling soy linked to deforestation in the Brazilian Amazon. Because there are no broadly accepted, credible principles or standards for chicken sustainability, the Company is working with its suppliers and NGOs to develop a common set of guiding principles and best practices for sustainable poultry. In 2016, we established a cross-functional team to advance our progress in this area. Significant progress is being made in Europe, where McDonald's has established a 2020 target to purchase only sustainably certified soy, a major component of poultry feed. In 2015, approximately 35% of</p>	3-6 years	<p>In addition to increased brand value, we see the following opportunities associated with sourcing sustainable soy (as listed in the CDP Questionnaire): - Staff retention/ satisfaction - New market or product/service opportunities - Increased security of supply - Increased transparency - Increasing capacity of sustainable commodity markets - Driving demand for sustainable materials</p>

Forest risk commodity	Opportunity	Scale of opportunity	Strategy to realize opportunity	Timeframe	Comment
			<p>the soy used for chicken feed for our markets in Europe was covered by a combination of ProTerra and Roundtable for Responsible Soy certification and this figure is projected to be nearly 50% for 2016. Both certifications ensure adherence to globally recognized standards for responsible soy production. Since 2006, McDonald's has played a leading role in supporting the establishment and continuation of the Soy Moratorium, a voluntary agreement between retailers, NGOs and major soybean traders to not purchase soy grown on land within the Amazon deforested after 2008. The Moratorium has been widely recognized for its success in dramatically reducing the expansion of soy production areas within the Brazilian Amazon. In 2015, McDonald's, together with Greenpeace and Cargill, was recognized by the Keystone Policy Center Award for Leadership in Environment for our collective contribution to this effort. In addition, the Commitment on Forests applies to soy.</p>		

F4.2

Please explain why you do not consider there to be any opportunities for your organization associated with producing, marketing or sourcing these commodities sustainably

Forest risk commodity	Primary reason for not identifying opportunities	Please explain
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#### F4.3

Please explain why you don't know if there are any opportunities for your organization associated with producing, marketing or sourcing these commodities sustainably

Forest risk commodity	Primary reason for not knowing if there are opportunities	Please explain
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#### Further Information

The Company conducts consumer surveys and stakeholder research to better understand expectations and perceptions of McDonald's. For example, the Company partners with GlobeScan to conduct GlobeScan's Radar global opinion survey which asks consumers how McDonald's compares to other global companies regarding social responsibility and sustainability. Our other internal trackers help us to understand the strength of the McDonald's brand compared to relevant competitors from the consumers' perspective. A clear finding from this research is that consumers want food they feel good about eating. They want and expect companies like McDonald's to be environmentally and socially responsible. In addition to the risk assessment procedures, these consumer insights drive our sustainable sourcing commitments and help shape the way we communicate on our commitments, including the Commitment on Forests.

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#### Attachments

[https://www.cdp.net/sites/2017/81/11581/Forests 2017/Shared Documents/Attachments/Forests2017/F4.Opportunities/McDonaldsCommitmentOnForestsAddendum.pdf](https://www.cdp.net/sites/2017/81/11581/Forests%202017/Shared%20Documents/Attachments/Forests2017/F4.Opportunities/McDonaldsCommitmentOnForestsAddendum.pdf)  
[https://www.cdp.net/sites/2017/81/11581/Forests 2017/Shared Documents/Attachments/Forests2017/F4.Opportunities/McDonald\\_s\\_2016\\_Sustainable\\_Fiber\\_Update.pdf](https://www.cdp.net/sites/2017/81/11581/Forests%202017/Shared%20Documents/Attachments/Forests2017/F4.Opportunities/McDonald_s_2016_Sustainable_Fiber_Update.pdf)  
[https://www.cdp.net/sites/2017/81/11581/Forests 2017/Shared Documents/Attachments/Forests2017/F4.Opportunities/McDonalds-Beef-Sustainability-Report 2017.pdf](https://www.cdp.net/sites/2017/81/11581/Forests%202017/Shared%20Documents/Attachments/Forests2017/F4.Opportunities/McDonalds-Beef-Sustainability-Report%202017.pdf)  
[https://www.cdp.net/sites/2017/81/11581/Forests 2017/Shared Documents/Attachments/Forests2017/F4.Opportunities/McDonaldsCommitmentOnForests.pdf](https://www.cdp.net/sites/2017/81/11581/Forests%202017/Shared%20Documents/Attachments/Forests2017/F4.Opportunities/McDonaldsCommitmentOnForests.pdf)

#### Module: Measure & Monitor

F5.1

Do you own or manage land used for the production of any of your selected commodities? Please complete the table

Forest risk commodity	Own and/or manage land?	Size (Hectares)	Type of control	System in place to monitor deforestation?	Recent infractions?	Please explain
Timber	Don't own or manage land					
Palm Oil	Don't own or manage land					
Cattle Products	Don't own or manage land					
Soy	Don't own or manage land					

F5.2

Does your organization collect production and/or consumption data for your selected commodities?

Forest risk commodity	Production and/or consumption data available?
Timber	Consumption data available, disclosing
Palm Oil	Consumption data available, disclosing
Cattle Products	Consumption data available, disclosing
Soy	Consumption data available, disclosing

F5.2a

Please disclose your production and/or consumption data using the table below

Forest risk commodity	Production/ consumption data	Volume	Metric	Full/Partial data?	If partial data, please explain
Timber	Consumption data	695574	Metric tons	Partial commodity production/consumption	This volume includes the product weight of all consumer facing packaging items managed by HAVI made with virgin and/or recycled paper/board, including coatings and minor materials e.g., ink, adhesive. Note, this does not include pre-consumer waste and scrap from die cutting. As noted in question F0.1, raw material data for fiber-based packaging is collected through McDonald's Global Supply Chain annual raw material survey (IMPACT). Note scope for timber disclosure outlined in F0.5. We extrapolate fiber-based packaging volumes for Latin America, Israel, Thailand, Turkey. We conservatively consider these extrapolated volumes as entirely uncertified/unverified recycled because we do not currently collect their fiber-based packaging volumes in IMPACT. We utilize a simple extrapolation method based on sales assuming a linear relationship between sales and fiber packaging volume.
Palm Oil	Consumption data	111910.3	Metric tons	Partial commodity production/consumption	As noted in question F0.1, palm oil raw material data is collected through McDonald's Global Supply Chain annual raw material survey (IMPACT). The suppliers surveyed primarily include suppliers of products managed by our global central supply chain team including oil for restaurant cooking, par-fry, and baked goods and sauces (liquid products).
Cattle Products	Consumption data	742995	Metric tons	Partial commodity production/consumption	The main use of beef in our products is for our hamburger patties. Beef is used in other products, as well, such as our steak, egg and cheese bagel. As noted in question F0.1, we request beef volume data by country of origin from our commercial leads and suppliers through the McDonald's Global Supply Chain annual raw material survey (IMPACT). This is an approximation and does not quite capture 100% of volume as a few smaller volume markets do not use the IMPACT process.
Soy	Consumption data	343823	Metric tons	Partial commodity production/consumption	Please note that this data represents an estimate of soy used in our global poultry supply chain only. A large part of our soy use is for poultry and we will continue with data analysis and mapping to better understand our soy footprint.

Please explain why your organization is not disclosing production and/or consumption data for your selected commodities

Forest risk commodity	Primary reason for not disclosing production/consumption data	Please explain
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F5.4

Please explain why production and/or consumption data is not available for your selected commodities

Forest risk commodity	Primary reason for not having production/consumption data	Please explain
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**Further Information**

**Page: F6. Traceability**

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F6.1

Do you have a system in place to track and monitor the origin of raw materials for your selected commodities?

Forest risk commodity	System to track and monitor origin of raw materials?
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F6.1a

Please describe the system you have in place to track and monitor the origin of raw materials for your selected commodities

Forest risk commodity	System	System coverage	If partial, % of total production/consumption tracked/monitored	Please explain
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**F6.2**

Please explain why you do not have a system in place to track and monitor the origin of raw materials for your selected commodities

Forest risk commodity	Primary reason for not having a system in place	Please explain
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**F6.3**

Please provide details on the level of traceability your organization has for your selected commodities

Forest risk commodity	% of total production/consumption traceable	Traceability system	Point to which traceable	Exclusions	Exclusion description, if applicable	Comment
Timber	81-90%	The Company requires all suppliers of fiber-based consumer packaging to provide third-party evidence of forest fiber origin and legality and to have due diligence systems to minimize the risk of fiber from unwanted sources entering our supply chain. Furthermore, we reserve the right to require further verification that minimum requirements are met, particularly where risk of unwanted	Region	Specific product line(s)	Note scope for timber disclosure outlined in F0.5. NOTE: As this is a new requirement (established in 2014), it is being phased in over time, initially focused on highest risk sources and strategic suppliers, then others (i.e., second tier suppliers). We will review all referenced standards	HAVI has an established process to approve raw materials and suppliers of fiber-based packaging and to understand due diligence practices which requires suppliers to annually report on the origin of the fiber used for our consumer packaging. By 2020, the Company will leverage chain of custody

Forest risk commodity	% of total production/ consumption traceable	Traceability system	Point to which traceable	Exclusions	Exclusion description, if applicable	Comment
		<p>sources is high. Acceptable forms of assurance include, but are not limited to the following schemes (all other local codes accepted unless the market is deemed as high risk): CSA Group (CSA), formerly Canadian Standards Association (CSA Z809 and/or CSA Z804), Forest Law Enforcement, Governance and Trade (FLEGT), Forest Stewardship Council (FSC), Malaysian Timber Certification Scheme (MTCS), Mandatory Legal Timber, Validation (MLTV) (certification by SGS), Origin and Legality of Timber (OLB) (certification by Bureau Veritas), Programme for the Endorsement of Forest Certification (PEFC), Sustainable Forestry Initiative® (SFI®), Timber Legality Assurance System (TLAS), Verification of Legal Compliance (VLC) (certification by Rainforest Alliance).</p>			<p>annually and update our requirements in accordance with updates to those standards. This applies to our consumer-based packaging.</p>	<p>certification and other traceability systems to verify that all of the virgin fiber used in our packaging comes from known and legal sources and is from land that meets our Commitment on Forests criteria. HAVI utilizes an annual Renewable Raw Material Sourcing survey that monitors the qualification and specification of raw materials used and supplier due diligence systems in place. Most of the mills we procure from also have chain of custody certification. All mills that supply our system must be approved. In April of 2014, McDonald's announced its target to source 100% of its fiber-based packaging from recycled or certified sources by 2020. To support this target, McDonald's also published its Global Fiber Sourcing Policy, which can be found here. The policy outlines McDonald's priorities with regards to sustainable packaging:</p> <ul style="list-style-type: none"> <li>• Design - Optimize weight and simplify the number of materials used in our packaging</li> <li>• Sourcing - Increase use of recycled or certified raw materials</li> <li>•</li> </ul>

Forest risk commodity	% of total production/ consumption traceable	Traceability system	Point to which traceable	Exclusions	Exclusion description, if applicable	Comment
						Recovery - Work to use recoverable packaging with viable end-of-life options. In order to achieve this target, every paper mill and packaging converting facility in our supply chain will have to achieve chain of custody certification to either Forest Stewardship Council (FSC), Sustainable Forestry Initiative or Programme for Endorsement of Forest Certification, or achieve 3rd party verification of 100% recycled content for paper used in McDonald's products. Since setting this target, over 80 converting facilities have achieved chain of custody certification to at least one of these standards, and over 40% of the facilities in our supply chain are passing certified claims or 3rd party assurances of 100% recycled paper. McDonald's gives preference to FSC-certified fiber when it meets product performance requirements and competitive market conditions.
Palm Oil	Don't know	We collect palm oil country of origin data through McDonald's Annual Raw Material Survey (IMPACT) which is	Country	Specific supplier(s)	Scope applies to globally managed products (including palm oil used for restaurant	Given its link to deforestation, palm oil has been identified as a priority for our

Forest risk commodity	% of total production/ consumption traceable	Traceability system	Point to which traceable	Exclusions	Exclusion description, if applicable	Comment
		distributed to suppliers who use/source palm oil or palm kernel oil as ingredients/derivatives in our products, restaurant cooking oil and partially-fried oil for chicken products or fries. Under our new palm oil policy, all approved suppliers are expected to have a traceability system in place that will first trace to the mill and ultimately plantation.			cooking, for chicken and potato par-frying, and as an ingredient in baked goods and sauces) as well as all products in the U.S. business. This covers most of our palm oil volume as globally managed products represent >75% of total palm oil volume and McDonald's US business is the second largest user of palm oil in the McDonald's System.	sustainable sourcing commitments. In 2016, we developed a revised palm oil sourcing policy which states that McDonald's will only source palm oil from approved suppliers. All approved suppliers will have a traceability system and plan in place to address traceability to the mill and ultimately to the plantation. Progress will be regularly reported to McDonald's.
Cattle Products	Don't know	Our beef suppliers know from which abattoirs they purchased raw material used in our products. We approve all abattoirs supplying the McDonald's System and all abattoirs keep records of where they purchased their cattle. For the Amazon Biome, we continue to work with our suppliers and Agrottools, a geospatial mapping and auditing company, to map the origins of any beef sourced for the McDonald's System in Brazil back to the last farm and to verify compliance with our Amazon Biome policy and build more traceability into our beef supply.	Farm	Not applicable		Given its link to deforestation, palm oil has been identified as a priority for our sustainable sourcing commitments. In 2016, we developed a revised palm oil sourcing policy which states that McDonald's will only source palm oil from approved suppliers. All approved suppliers will have a traceability system and plan in place to address traceability to the mill and ultimately to the plantation. Progress will be regularly reported to McDonald's. Since 1989, McDonald's has had a policy prohibiting the use of beef produced within the Amazon Biome and the Company

Forest risk commodity	% of total production/ consumption traceable	Traceability system	Point to which traceable	Exclusions	Exclusion description, if applicable	Comment
						<p>does not have any approved abattoirs located within the Amazon Biome*. All Brazilian abattoirs and any supplier sourcing from Brazil have signed a commitment to upholding this policy. As stated, we continue to work with our suppliers and Agrotools, a geospatial mapping and auditing company, to map the origins of any beef sourced in Brazil back to the last farm and to verify compliance with this policy. *As discussed in preceding sections, in 2016 McDonald's and Arcos Dorados partnered on The Novo Campo Project, a program in which beef is responsibly produced inside the Amazon Biome. This program runs under the auspices of the Brazilian Roundtable for Sustainable Beef (GTPS) and is run by NGOs such as Imaflora and ICV. Beef from Novo Campo demonstrates that food can be produced without putting important landscapes at risk. This project does not represent an end to our long standing commitment to not source beef from within the</p>

Forest risk commodity	% of total production/consumption traceable	Traceability system	Point to which traceable	Exclusions	Exclusion description, if applicable	Comment
						<p>Amazon Biome. 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 foundational to our approach. Outside of the Amazon biome, we are actively working on traceability, risk mapping, supplier engagement, intervention, and assurance to enable us to ensure that we only source beef from farms that meet the criteria outlined in our Commitment on Forests.</p>
Soy	Don't know	Given the size of our supply chain and the difficulty of mapping a commodity such as soy, we assume that our supply chain reflects general global	Not applicable	Not applicable		The Company uses little soy in our direct operations, and the majority of the soy in our supply chain is used as

Forest risk commodity	% of total production/consumption traceable	Traceability system	Point to which traceable	Exclusions	Exclusion description, if applicable	Comment
		trade flows of soy. As outlined in previous questions, we helped establish and actively supported the indefinite extension of the Soy Moratorium agreeing not to purchase soy from recently deforested areas in the Amazon. Where soy is used in our European supply chain for feed or as oil, McDonald's Europe requires 3rd party audited documentation assuring that the soy was not grown within the Amazon Biome. Additionally, McDonald's Europe has a 2020 target to purchase only sustainably certified soy for our poultry supply chain.				animal feed or by suppliers who par-fry our chicken and potato products. We are working to improve our data collection and traceability around soy in support of our Commitment on Forests. Poultry is a priority product for which we are currently engaging our chicken sustainability team, suppliers and stakeholders to establish roadmaps to a deforestation free supply chain. Initial actions include mapping our supply chains to better understand the deforestation risks and prioritize regions for engagement.

**F6.3a**

**Please describe your organization's approach to establishing traceability**

The Company's supply chain is very large and very complex and we do not produce any of our products. Rather, we work with our suppliers to develop traceability and visibility into our supply chain and raw material production. McDonald's Commitment on Forests incorporates visibility into origin as a criteria. We include the requirement to verify origin of raw material in our supply chains. It is important to note that this Commitment does not imply full traceability (e.g. following a single coffee bean from coffee cup to coffee farm), but it focuses on visibility to the raw material origin. In other words, knowing where and how our raw materials are sourced. We will work with suppliers and expert advisors to determine the appropriate level of visibility and traceability needed for each product to ensure responsible production at origin.

The Company communicates our sustainability expectations through McDonald's Sustainable Sourcing Guide and at supply chain summits around the world. The Sustainable Sourcing Guide is published for our suppliers and provides an overview of each of our sustainable sourcing programs, our goals, how we measure progress and track data, and the steps we take to drive continuous improvement. By doing so, we seek to establish guidance and clarity around our expectations for

our suppliers. We also aim to establish clarity for our internal teams and provide greater transparency for our stakeholders as to how we measure our performance and report our progress.

The Sustainable Sourcing Guide outlines specific consumption data required and all of the data required for the raw material metrics outlined in this document is collected through the McDonald's Worldwide Supply Chain annual raw material survey (IMPACT). Results of the raw material survey are cross referenced with McDonald's annual spend report to confirm that data in both surveys correlate. Where large differences exist, the data for both surveys will be checked to better understand the inconsistency.

We conduct Animal Health & Welfare, Supplier Workplace Accountability, Quality and Food Safety audits at supplier processing or manufacturing plants as well.

### Further Information

The Company's supply chain is very large and very complex and we do not produce any of our products. Rather, we work with our suppliers to develop traceability and visibility into our supply chain and raw material production. McDonald's Commitment on Forests incorporates visibility into origin as a criteria. We include the requirement to verify origin of raw material in our supply chains. It is important to note that this Commitment does not imply full traceability (e.g. following a single coffee bean from coffee cup to coffee farm), but it focuses on visibility to the raw material origin. In other words, knowing where and how our raw materials are sourced. We will work with suppliers and expert advisors to determine the appropriate level of visibility and traceability needed for each product to ensure responsible production at origin.

## Module: Response

### Page: F7. Governance and strategy

#### F7.1

**Please indicate where the highest level of direct responsibility for deforestation risk lies within your organization and detail the frequency and nature of engagement on the issue**

Highest level of responsibility	Name/position of individual or name of committee	Frequency of briefing	Nature of engagement
Other Manager/Officer	Chief Supply Chain and Sustainability Officer. Additional and/or other senior managers and officers are involved as issues arise in the supply chains per commodity.	Annually	The Chief Supply Chain and Sustainability Officer serves as the executive sponsors of our efforts and strategies to source all of our food and packaging sustainably. As part of the Company's Sustainability Framework, the Senior Director of Sustainable Sourcing in Global Supply Chain & Sustainability serves as the Sourcing Pillar lead. There are scheduled reviews with the Chief Supply Chain

Highest level of responsibility	Name/position of individual or name of committee	Frequency of briefing	Nature of engagement
			and Sustainability Officer at least annually, and often more than once per year, to review Sustainable Sourcing strategies' progress, which includes preserving forests as a priority impact area. Global Sustainability team members work in partnership with commercial, quality and finance groups in the supply chain department, the Company's Global Supplier Advisory Council, and members of other functions throughout the business to ensure our suppliers meet the Company's established environmental and social performance criteria. Cross-functional teams guide the implementation of each of our sustainable sourcing programs, such as the Global Supplier Workplace Accountability Board, and the Global Animal Health and Welfare Team.

**F7.2**

**Have you evaluated how the availability or quality of forest risk commodities could affect your organization's growth strategy?**

Yes, evaluated over the next 1 year

**F7.2a**

**Please explain how you evaluated the effects of the availability or quality of forest risk commodities on the success (viability, constraints) of your organization's growth strategy**

We recognize the importance of sourcing food sustainably from a strategic sourcing and brand trust perspective. This is built in the annual Global Supply Chain and Sustainability Strategic Growth Plan which is accompanied by quarterly scorecards to ensure progress and address barriers. Our strategies in the department's strategic plan align with the Company's corporate strategic growth priorities. In 2016 these included: Creating Brand Excitement, Driving Operating Growth, and Unlocking Financial Value, Running Great Restaurants. Sustainable sourcing is a key element to building brand trust and in building an optimized and assured supply. Further, the importance of sustainability was highlighted in the McDonald's 2016 Annual Report. The report notes that the ongoing relevance of our brand may depend on the success of our sustainability initiatives, which require System-wide coordination and alignment. If we are not effective in addressing social responsibility matters or achieving relevant sustainability goals, consumer trust in our brand may suffer. In particular business incidents that erode consumer trust or confidence, particularly if such incidents receive considerable publicity or result in litigation, can significantly reduce brand value and have a negative impact on our financial results.

F7.3

Please explain why you have not evaluated how the availability or quality of forest risk commodities could affect the success (viability, constraints) of your organization's growth strategy

Primary reason for not evaluating potential impact on growth strategy	Please explain

**Further Information**

Another way we are encouraging sustainability in our independent suppliers' operations is through McDonald's Global Supplier Performance Index (SPI). The SPI is an evaluation tool that includes corporate social responsibility and sustainability along with innovation, contingency planning, business strategy and other topics. The SPI helps us evaluate suppliers on a variety of measures including environmental, social and other metrics and helps to clarify what we mean by CSR and Sustainability leadership. Expectations on all Priority Impact Areas, including protecting forests, is integrated into the SPI expectations. The formal evaluation, which takes place every 1 to 3 years, is complemented by regular reviews that provide feedback. The Company also provides a variety of resources such as newsletters, webcasts and field trips that help suppliers learn and share new strategies for environmental and social stewardship.

**Page: F8. Policies**

F8.1

**Does your organization have a policy that recognizes the role of reducing deforestation for climate change mitigation and sets out clear goals and guidelines for action?**

Policy	Please explain
Yes, a publicly available company-wide policy	The Company understands that deforestation is a major global challenge with broad and far-reaching implications for generations to come due to loss of biodiversity and contribution to climate change. According to WWF, forests serve as important reservoirs of carbon, and deforestation accounts for roughly 15% of global greenhouse gas emission. The Company has two policies in this regard. FIRST, is our corporate Energy and Climate Change Position Statement which acknowledges the role of agriculture and land management practices contribution to climate change. As stated in our Energy and Climate Change Statement, McDonald's is committed to addressing climate change impacts, such as deforestation, by working with our suppliers to source our raw materials sustainably. Our climate-related goals, including eliminating deforestation, are also summarized as part of the White House American Business Act on Climate Pledge (Position Statement available here - <a href="http://www.aboutmcdonalds.com/content/dam/AboutMcDonalds/2.0/pdfs/McD_EnergyClimateChangePositionStatement.pdf">http://www.aboutmcdonalds.com/content/dam/AboutMcDonalds/2.0/pdfs/McD_EnergyClimateChangePositionStatement.pdf</a> ; White House American Business Act on Climate Pledge available here - <a href="http://corporate.mcdonalds.com/content/dam/AboutMcDonalds/2.0/pdfs/McDonalds_White%20House_Climate%20Pledge_Oct%2019%202015.pdf">http://corporate.mcdonalds.com/content/dam/AboutMcDonalds/2.0/pdfs/McDonalds_White%20House_Climate%20Pledge_Oct%2019%202015.pdf</a> )

Policy	Please explain
	<p>SECOND, the Company developed a comprehensive deforestation-free commitment, titled our Commitment on Forests, that was publicly announced in April of 2015. We view protection of forests and High Conservation Value areas as important business and societal issues and believe our role is not just to avoid negative impacts, but to promote responsible production that benefits people, communities and the planet. The Commitment clarifies and expands on the Company's goals to sustainably source beef, fiber, coffee, palm oil and poultry. The Commitment on Forests includes criteria for not developing on High Carbon Stock forest areas as they contain a substantial amount of carbon that would be released if converted to alternative uses, and have significant biodiversity value. Also included in the Commitment criteria is no development on peatlands, regardless of depth. We recognize the significance of peatlands and greenhouse gas potential. The Commitment is in line with the Company's endorsement of the New York Declaration on Forests.</p>

**F8.2**

**Has your organization made a commitment to reduce or remove deforestation and forest degradation from your direct operations and/or supply chain?**

Yes

**F8.2a**

**Please identify which of the following criteria are specifically stated in your organization's commitment to reduce or remove deforestation and forest degradation from your direct operations and/or supply chain**

Criteria	Commodity coverage	Operational coverage	% of total production/consumption covered by commitment	Commitment timeframe	Please explain
High Conservation Value (HCV) management High Carbon Stock (HCS) management No peatland conversion Free, Prior and	Timber Palm Oil Cattle Products Soy	Supply chain	100%	2030	The Company's Commitment on Forests is consistent with our long-term vision to source all of our food and packaging sustainably, and furthers our ability to have positive ethical, environmental and economic impacts throughout our supply chain. The Commitment sets a framework for how we will address deforestation as a company. Every product supply chain is different due to farming practices, origin, risks, regulations, and other factors. This requires different interventions and approaches, and may also require different timing. We focus initially on food, beverage and packaging

Criteria	Commodity coverage	Operational coverage	% of total production/consumption covered by commitment	Commitment timeframe	Please explain
<p>Informed Consent (FPIC)            Legality            Certification            Other: other criteria include, no deforestation of primary forests, respect human rights, 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</p>					<p>supply chains and notably fiber (for fiber-based packaging), palm oil, beef, poultry (which includes soy for feed) and coffee. In line with our endorsement of the New York Declaration on Forests, our goal is to eliminate deforestation throughout our entire supply chain no later than 2030. We intend to achieve this Commitment for our priority products (beef, fiber-based packaging, coffee, palm oil and poultry) before 2030 given their link to deforestation and in the spirit of the NY Declaration on Forests. See Commitment and a supporting addendum on the following website and attached:  <a href="http://corporate.mcdonalds.com/mcd/sustainability/sourcing/priority-products/commitment-on-forests.html">http://corporate.mcdonalds.com/mcd/sustainability/sourcing/priority-products/commitment-on-forests.html</a></p>

F8.3

Please explain why your organization has not made a commitment to reduce or remove deforestation and forest degradation from your direct operations and/or supply chain, and whether you plan to do this in the future

Primary reason for not having made a commitment	Do you plan to introduce a commitment?	Please explain
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**F8.4**

**Do you have commodity specific sustainability policies?**

Forest risk commodity	Commodity specific sustainability policies?	Criteria	Cut-off date, if applicable	Please explain
Timber	Yes	Zero deforestation and forest degradation High Conservation Value (HCV) management High Carbon Stock (HCS) management No peatland conversion Free, Prior and Informed Consent (FPIC) Legality Certification Avoidance of CITES listed species Other: Does not have significant volumes being converted from natural forest to plantation or non-forest use; Is not harvested in violation of traditional and civil rights	Not applicable	In 2014, McDonald's announced its target to source 100% of its fiber-based packaging from recycled or certified sources by 2020. McDonald's Global Fiber Sourcing Policy, attached, outlines our sustainable packaging priorities: Design: Optimize weight & simplify the number of materials used in our packaging Sourcing: Increase use of recycled or certified raw materials Recovery: Work to use recoverable packaging with viable end-of-life options We deliberately did not set specific targets for either certified or recycled content to allow suppliers the flexibility to determine the most efficient combinations of these two beneficial practices. To achieve this 2020 target, every paper mill & packaging converting facility in our supply chain will have to achieve chain of custody certification to either Forest Stewardship Council (FSC), Sustainable Forestry Initiative or Programme for Endorsement of Forest Certification, or achieve 3rd party verification of 100% recycled content for paper used in McDonald's products. Since 2014, over 80 converting facilities have achieved chain of custody certification to at least one of these standards, & over 40% of the facilities in our supply chain are passing certified claims or 3rd party assurances of 100% recycled paper. We give preference to FSC-certified fiber when it meets product performance requirements & competitive market conditions. & require FSC certification in regions with high deforestation risk. We work with our packaging suppliers to ensure that fiber used in our supply chain originates from sustainable sources that meet our minimum requirements & will not knowingly purchase from suppliers that cannot meet these minimum

Forest risk commodity	Commodity specific sustainability policies?	Criteria	Cut-off date, if applicable	Please explain
				<p>requirements. McDonald's Commitment on Forests applies to fiber-based packaging. In 2015 we worked with WWF to map the majority of our consumer-facing paper packaging fiber supply chain against countries where pulp plantations for paper are known drivers of deforestation. As of 2014, 12% of the fiber for our consumer packaging cannot be substantiated as avoiding these high-risk countries. To address this risk &amp; to avoid deforestation in our packaging supply chain, by 2020 at the latest, McDonald's has committed to FSC certification in all high risk countries. Per F0.5, our initial focus is on consumer packaging. We'll work to develop standards for secondary packaging In the coming years.</p>
Palm Oil	Yes	<p>Zero deforestation and forest degradation  High Conservation Value (HCV) management  High Carbon Stock (HCS) management  No peatland conversion  Free, Prior and Informed Consent (FPIC)  Certification</p>		<p>In 2016, McDonald's developed our Global Sustainable Palm Oil Policy &amp; global oils product specification which help outline supplier sustainability expectations &amp; requirements. Highlights include: PALM OIL POLICY: Direct suppliers to McDonald's: all palm oil used as direct or indirect ingredients must adhere to the following: 1. Approved suppliers (palm oil producing companies) will complete the approved supplier checklist with regular updates; 2. Certified sustainable: a. By 2020 Roundtable on Sustainable Palm Oil (RSPO) or other credible certification, certified segregated where possible*; b. By year end 2018 RSPO or other credible certification, certified mass balance where possible*; c. Effective immediately minimum acceptable standard where mass balance is not possible will be Book &amp; Claim certificates, *If not possible, full justification &amp; alternative proposal must be reviewed &amp; approved by the Company; 3. Report to IMPACT. Palm Oil Producing Companies must: 1. Meet all requirements of Approved Supplier Checklist to be an approved supplier; 2. Regularly report progress &amp; goals to McDonald's; 3. Expected to support direct suppliers purchasing needs based on the above criteria. See F1.1 for scope description. In addition to RSPO certification, our Commitment on Forests deforestation &amp; human rights criteria are in the Approved Supplier Checklist. Our goal is for 100% of palm oil used in McDonald's restaurants or as an ingredient in McDonald's products to support production of sustainable palm oil by the end of 2020. Ultimately all palm oil should be certified in accordance with the 'segregated' certification system of RSPO, another credible certification scheme, or be supported by a traceability &amp; action plan that addresses all sustainability concerns. Today segregation is not always possible. Our Palm</p>

Forest risk commodity	Commodity specific sustainability policies?	Criteria	Cut-off date, if applicable	Please explain
				<p>Oil Policy outlines a hierarchy so we can transition to segregated palm oil at the earliest opportunity. GLOBAL OILS PRODUCTS SPECIFICATION: 2016 marked McDonald's first global oils RFP for restaurant cooking oils, par-fry chicken oil &amp; par-fry potato oil supply chain. We integrated palm oil sustainability expectations (including but not limited to RSPO certification) into our product specifications &amp; evaluated RFP responses based on suppliers' ability to meet those them, equally weighted with commercial, quality systems &amp; nutrition expectations.</p>
Cattle Products	Yes	<p>Zero deforestation and forest degradation            High Conservation Value (HCV) management            High Carbon Stock (HCS) management            No peatland conversion            Free, Prior and Informed Consent (FPIC)            Other: No sourcing from Amazon Biome</p>		<p>The Company's Commitment on Forests criteria applies to beef &amp; as such, our definition of sustainable beef includes preserving forests. The Company's 2020 Vision for Sustainable Beef states that in regions with identified risks relating to the preservation of forests, by the end of 2020 we're committed to verifying that beef sourced from these regions comes from farms where primary forests &amp; high conservation value lands are preserved. The assessment of deforestation risk will be determined through consultations with industry &amp; external stakeholders with consideration to local market. The attached 2017 Beef Sustainability Report introduces McDonald's beef sustainability program which aims to accelerate industry progress, pioneer new practices &amp; share knowledge &amp; tools. It shares McDonald's 2020 Vision for Sustainable Beef with case studies from around the world. We aim to set specific country-based ambitious beef sustainability targets in the top 10 beef sourcing countries which collectively represent more than 85% of our global beef volumes. Note the scope for "protect forests" includes high-risk origins. Since 1989, the Company has had a policy prohibiting the sourcing of beef from within the Amazon Biome. All Brazilian abattoirs &amp; any supplier to the McDonald's system sourcing from Brazil have signed a commitment to upholding this policy. As discussed, in 2016 McDonald's &amp; Arcos Dorados partnered on The Novo Campo Project, a program in which beef is responsibly produced inside the Amazon Biome. This program runs under the auspices of the Brazilian Roundtable for Sustainable Beef (GTPS) &amp; is run by NGOs such as Imaflora &amp; ICV. Beef from Novo Campo demonstrates that food can be produced without putting important landscapes at risk. This project does not represent an end to our long-standing commitment to not source beef from within the Amazon Biome. Our commitment to protecting the rainforests remains steadfast.</p>

Forest risk commodity	Commodity specific sustainability policies?	Criteria	Cut-off date, if applicable	Please explain
				Given innovations in sustainable sourcing & related partnerships with credible NGOs & our suppliers, we are leveraging this pilot to evaluate whether it is possible, & even productive, to source beef from the Amazon. Results will help inform our policy & related strategies moving forward, but our commitment to preventing deforestation & supporting sustainability initiatives that reclaim degraded lands will remain foundational to our approach.
Soy	Yes	Zero deforestation and forest degradation High Conservation Value (HCV) management High Carbon Stock (HCS) management No peatland conversion Free, Prior and Informed Consent (FPIC) Other: Signatories to the Soya Moratorium	Not applicable	The Company continues to support the Soy Moratorium, which was extended indefinitely. This is an agreement to not source soya linked to deforestation in the Brazilian Amazon. McDonald's Commitment on Forests applies to soy used for poultry feed. In Europe, McDonald's established a 2020 target to purchase only sustainably certified soy, a major component of poultry feed. In 2015, approximately 35% of the soy used for chicken feed for our markets in Europe was covered by a combination of ProTerra and Roundtable for Responsible Soy certification and this figure is projected to be nearly 50% for 2016. Both certifications ensure adherence to globally recognized standards for responsible soy production.

### Further Information

To enable the greatest impact, we have established seven "Priority Impact Areas" on which to focus our sustainability work that extends across our entire value chain (supply chain through restaurants). These include: Advance economically viable farming; Preserve forests; Address climate change; Reduce food and packaging waste; Respect human rights; Promote the health and welfare of animals; Protect water. \*The below is information about additional programs and policies in place in order to achieve our goal of sourcing all of our food and packaging sustainably, which includes the processing and manufacturing of our products and menu items. MCDONALD'S ENVIRONMENTAL SCORECARD: The Environmental Scorecard has served as a continuous improvement tool for our suppliers. Through 2015\* direct supplier facilities for major global commodity categories (e.g. beef, potatoes, chicken etc.) were asked to submit measurements and provide goals related to water use, energy use, greenhouse gas emissions, and waste production and disposal for each facility – on an individual basis – that supplies an end-product to McDonald's. We have measured success by: 1. % of participating facilities with an Environmental Management System (EMS) 2. % of participating facilities or their parent companies measuring and reporting their carbon footprint annually 3. # of participating facilities that have achieved zero waste to landfill 4. # of participating facilities that have achieved 20% reduction in water intensity 5. # of participating facilities that have achieved 20% reduction in energy intensity 6. % of participating facilities that have achieved at least one of #3 - #5. Notably, all facilities providing products to the McDonald's U.S. system are expected to meet one

of the following 2020 environmental goals: achieve 20% reduction in energy intensity by 2020; achieve 20% reduction in water intensity by 2020; achieve zero waste to landfill by 2020. \*Note that in 2016, we put a pause on the global Environmental Scorecard. We are currently assessing appropriate data collection tools to be used globally to capture key metrics for our Priority Impact Areas (forests, climate change, water, waste, animal health and welfare, human rights, and economically viable farming) including tools like CDP Climate and Forests. The intent is to develop a system and processes that track and drive meaningful progress and outcomes. In order to continue to track progress towards the U.S. 2020 supplier facility goals, McDonald's US administered a condensed version of Environmental Scorecard in 2016 and will administer the scorecard on a biennial basis moving forward. SUPPLIER CODE OF CONDUCT: All suppliers must sign McDonald's Supplier Code of Conduct. At a minimum, the Company requires that all suppliers and their facilities meet the standards and promote the principles outlined in the Code, which are intended to advance McDonald's commitment to all aspects of sustainability: Ethical - human rights and workplace environment; Environmental - environmental management; and Economic - business integrity). See attached for information. SUPPLIER WORKPLACE ACCOUNTABILITY (SWA): The SWA program articulates our expectations of how our suppliers should treat the people within their supply chain- fairly and provided with a safe and healthy work environment. Regular SWA audits are conducted at supplier facilities by independent third parties. McDonald's SWA program has a required Self-Assessment Questionnaire that reaches our independent suppliers at different stages of the value chain upstream from McDonald's restaurants. Through this questionnaire we ask suppliers if they utilize an environmental scorecard or comparable system to track environmental impacts and measure continuous progress, if they have identified and documented environmental legal requirements, and other related questions. Globally, 98% of our suppliers completed the Self-Assessment Questionnaire in 2016. ANIMAL HEALTH AND WELFARE (AH&W): Improving animal health and welfare is an ongoing, ever-evolving priority for the business. We recognize that there will always be opportunity for improvement as the science changes and consumer demands evolve. To align our global supply chain, we've developed Animal Health and Welfare Guiding Principles that inform decision making and the implementation of associated policy, programs, standards and audit criteria for performance measurement. 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, McDonald's requires that all facilities providing meat to pass a rigorous third party animal welfare audit. These audits, developed by leading animal behaviorists Dr. Temple Grandin, and adopted by the North American Meat Institute (NAMI) in the mid 1990's now serve as the foundation for beef and pork welfare auditing worldwide; poultry and eggs are audited using the National Chicken Council (NCC) and United Egg Producers (UEP) audit tools respectively. Global performance against objective measurement criteria via 3rd party audit is communicated in our annual Sustainability Report: [http://www.aboutmcdonalds.com/content/dam/AboutMcDonalds/2.0/pdfs/2014\\_sustainability\\_report.pdf](http://www.aboutmcdonalds.com/content/dam/AboutMcDonalds/2.0/pdfs/2014_sustainability_report.pdf) COMMITMENT ON FORESTS: See attached McDonald's Commitment on Forests and a supporting addendum

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## Attachments

[https://www.cdp.net/sites/2017/81/11581/Forests 2017/Shared Documents/Attachments/Forests2017/F8.Policies/McDonald's Fiber Policy.pdf](https://www.cdp.net/sites/2017/81/11581/Forests%202017/Shared%20Documents/Attachments/Forests2017/F8.Policies/McDonald's%20Fiber%20Policy.pdf)  
[https://www.cdp.net/sites/2017/81/11581/Forests 2017/Shared Documents/Attachments/Forests2017/F8.Policies/McDonaldsCommitmentOnForestsAddendum.pdf](https://www.cdp.net/sites/2017/81/11581/Forests%202017/Shared%20Documents/Attachments/Forests2017/F8.Policies/McDonaldsCommitmentOnForestsAddendum.pdf)  
[https://www.cdp.net/sites/2017/81/11581/Forests 2017/Shared Documents/Attachments/Forests2017/F8.Policies/McDonaldsCommitmentOnForests.pdf](https://www.cdp.net/sites/2017/81/11581/Forests%202017/Shared%20Documents/Attachments/Forests2017/F8.Policies/McDonaldsCommitmentOnForests.pdf)  
[https://www.cdp.net/sites/2017/81/11581/Forests 2017/Shared Documents/Attachments/Forests2017/F8.Policies/McDonalds-Beef-Sustainability-Report 2017.pdf](https://www.cdp.net/sites/2017/81/11581/Forests%202017/Shared%20Documents/Attachments/Forests2017/F8.Policies/McDonalds-Beef-Sustainability-Report%202017.pdf)  
[https://www.cdp.net/sites/2017/81/11581/Forests 2017/Shared Documents/Attachments/Forests2017/F8.Policies/Supplier\\_Code\\_of\\_Conduct.pdf](https://www.cdp.net/sites/2017/81/11581/Forests%202017/Shared%20Documents/Attachments/Forests2017/F8.Policies/Supplier_Code_of_Conduct.pdf)

## Page: F9. Standards and targets

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### F9.1

Do you have any environmental standards for the production of raw materials for your selected commodities, other than third party certification schemes?

Forest risk commodity	Production standards in place?	Please describe your production standards	Comment
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## F9.2

**Does your organization enforce any procurement standards that impact your sourcing of forest risk commodities?**

Forest risk commodity	Procurement standards in place?	Monitor compliance?	Impact on sourcing activities	Please explain
Timber	Yes	Yes	Impact on supplier engagement strategy	See sourcing requirements and goals in questions F9.4 and F9.5. Progress is monitored in partnership with HAVI. Also see policies in previous question.
Palm Oil	Yes	Yes	Impact on supplier engagement strategy	See sourcing requirements and goals in questions F9.4 and F9.5. Progress is monitored through McDonald's annual raw material survey (IMPACT). Also see policies in previous question.
Cattle Products	Yes	Yes	Impact on supplier engagement strategy	See sourcing requirements and goals in questions F9.4 and F9.5. Progress is monitored through McDonald's annual raw material survey (IMPACT). Also see policies in previous question.
Soy	Yes	Yes	Impact on supplier engagement strategy	See sourcing requirements and goals in questions F9.4 and F9.5. Also see policies in previous question.

## F9.3

**Are you involved in any multi-partnership or stakeholder initiatives relating to the sustainability of these commodities? Please describe your role**

Forest risk commodity	Involved in initiatives?	Initiatives	Please explain
Timber	Yes	FSC PEFC WWF Global Forest & Trade Network (GFTN) Sustainable Packaging Coalition (SPC) Tropical Forest Alliance (TFA) Sustainable Forestry Initiative (SFI)	GFTN is WWF's initiative to eliminate illegal logging and drive improvements in environmentally and socially responsible forest management. McDonald's is a Trade Participant in WWF GFTN-North America. GFTN-North America is part of a global program spanning 27 countries. GFTN-NA includes 11 companies, including McDonald's, across several forest product sectors that are contributing to healthy forests through the creation and implementation of comprehensive programs related to responsible sourcing of forestry products. The scope of the Company's GFTN-North America participation is the same as that which is outlined in question F0.5 The Company is an active member of the Sustainable Packaging Coalition and the TFA2020 Forum. In 2016-2017, we presented our position at 3 Innovation Forum conferences focused on deforestation.
Palm Oil	Yes	Tropical Forest Alliance (TFA) Roundtable on Sustainable Palm Oil (RSPO)	The Company is an active member of RSPO and requires suppliers supplying products containing palm oil to be members. We have been an active member of the TFA2020 Forum and in 2016-2017 presented our position at 3 Innovation Forum conferences focused on deforestation.
Cattle Products	Yes	Tropical Forest Alliance (TFA) Global Roundtable for Sustainable Beef (GRSB) Brazilian Roundtable on Sustainable Livestock (GTPS) Sustainable Agriculture Initiative (SAI) Other: US Roundtable on Sustainable Beef, Canadian Roundtable on Sustainable Beef	The Company is a founding member of the GRSB, serving on its Executive Board, and fully supports the principle of a multi-stakeholder organization. As such, in our local markets we are supporting roundtables and other initiatives supporting sustainable production for cattle such as the Canadian Roundtable for Sustainable Beef, the U.S. Roundtable for Sustainable Beef, and the Brazilian Roundtable on Sustainable Livestock (GTPS) of which the Company is on the board. We also participate in the GRSB-GTPS deforestation working group. Our European markets collaborate closely with SAI Platform. We are closely involved in the formation of new roundtables and industry groups focused on sustainable beef around the world including locations such as Australia and Paraguay. We have been an active member of the TFA2020 Forum and in 2016-2017 presented our position at 3 Innovation Forum conferences focused on deforestation.
Soy	Yes	Tropical Forest Alliance (TFA) Sustainable Agriculture Initiative (SAI)	McDonald's Europe goal is to ensure that 100% of soy feed for poultry is certified sustainable by 2020. The European Soy Customer Group is committed to support the work of the Brazilian Soy Working Group (GTS) to achieve its goals. McDonald's Europe chairs the European Soy Customer Group and facilitates the exchange of information, updates and official positions between the GTS and the companies in the European Soy Customer Group, including interim email updates and at minimum, one face-to-face meeting per annum to review and confirm position around the on-going moratorium. Through this group the Company has continued to support the Soy Moratorium. We

Forest risk commodity	Involved in initiatives?	Initiatives	Please explain
			have been an active member of the TFA2020 Forum and in 2016-2017 presented our position at 3 Innovation Forum conferences focused on deforestation.

**F9.4**

**Do you specify any third party certification schemes for your selected commodities? Please indicate the percentage of total production and/or consumption currently certified**

Forest Risk Commodity	Specify third party certification schemes?	% of total production/ consumption certified	Certification scheme breakdown	Please explain
Timber	FSC PEFC SFI Other: PEFC endorsed schemes	61-70%	FSC Chain of Custody PEFC Chain of Custody SFI Chain of Custody	We give preference to Forest Stewardship Council (FSC) certified fiber when it meets product performance requirements and competitive market conditions and will require FSC certification for all fiber-based packaging products sourced from high-deforestation risk countries by 2020 as outlined in the Timber policy section. Other forest certifications recognized include Programme for the Endorsement of Forestry Certification (PEFC) and PEFC endorsed schemes [e.g., Sustainable Forestry Initiative® (SFI®), CSA Group (Canada), and Cerflor (Brazil)]. All virgin fiber counted towards this goal must have chain of custody through the converter and must be documented in the transaction between the converter and the distributor to avoid double counting. In 2016, we increased the amount of fiber-based packaging from certified or recycled sources to nearly 64% percent. Note scope for timber disclosure outlined in F0.5. As noted in question F0.1, raw material data for fiber-based packaging is collected through McDonald's Global Supply Chain annual raw material survey (IMPACT). We extrapolate fiber-based packaging volumes for Latin America, Israel, Thailand, Turkey. We conservatively consider these extrapolated volumes as entirely uncertified/unverified recycled because we do not currently collect their fiber-based packaging volumes in IMPACT. We utilize a simple extrapolation method based on sales assuming a linear relationship between sales and fiber packaging volume.
Palm Oil	RSPO	91-99%	RSPO	NOTE: This figure applies to globally managed products (including palm oil used

Forest Risk Commodity	Specify third party certification schemes?	% of total production/ consumption/ certified	Certification scheme breakdown	Please explain
			producer/grower certification RSPO GreenPalm RSPO Mass Balance RSPO Segregated RSPO Identity Preserved	<p>for restaurant cooking, for chicken and potato par-frying, and as an ingredient in baked goods and sauces) as well as all products containing palm oil in the U.S. business. In 2016, we reached 93% GreenPalm Book and Claim coverage. While we did not achieve 100% as was stated in our first palm oil sourcing goal (per above), our global strategy is shifting to RSPO mass balance certification and we are making progress. The U.S. business (the largest market in our global business) achieved 100% coverage with RSPO mass balance certified palm oil in 2016, meaning that currently 100% of the palm oil used by suppliers as an ingredient in products sold to McDonald's restaurants in the U.S. is RSPO mass balance certified. In addition to the Commitment on Forests, the Company's palm oil goal is: -By 2015: 100% of palm oil used for restaurant cooking or by McDonald's suppliers to par-fry chicken and potato products will be Roundtable on Sustainable Palm Oil (RSPO)-certified sustainable or covered by GreenPalm Book and Claim certificates. (this was nearly achieved in 2015 with 97.5% and in 2016 as reported was 93%) -By 2018 at latest, we will purchase only from approved suppliers and mass balance certified oil where possible. -By 2020: 100% of all palm oil or palm kernel oil used by suppliers as an ingredient in McDonald's products will be certified sustainable, segregated where possible, and sourced only from approved suppliers who have systems in place to address traceability, human rights and deforestation concerns.</p>
Cattle Products	No certification schemes specified Other: according to the GRSB Principles & Criteria	<10%	Not applicable	<p>In 2011, McDonald's joined forces with World Wildlife Fund, suppliers Cargill &amp; JBS &amp; many others in the beef industry to establish the GRSB. In 2014, this multi-stakeholder group published global guiding principles &amp; best practices for sustainable beef. For the first time, the industry had shared global principles &amp; criteria for producing beef in a socially responsible, environmentally sound &amp; economically viable way. In 2014, McDonald's set its first external commitment to support sustainable beef production &amp; to purchase verified sustainable beef in the future &amp; began convening local roundtables &amp; working groups to create a common understanding of risk areas &amp; opportunities &amp; tailoring solutions to regional needs. We met our commitment to begin purchasing sustainable beef. In 2016, we purchased a portion of beef from a fully verified sustainable supply chain in Canada through a pilot program, followed by Arcos Dorados, McDonald's Developmental Licensee in Brazil sourcing beef through the Novo Campo program during the Rio Olympics. Between January 2014 &amp; April 2016, the Canadian pilot program verified operations &amp; tracked cattle chain of custody through a verified sustainable supply</p>

Forest Risk Commodity	Specify third party certification schemes?	% of total production/ consumption certified	Certification scheme breakdown	Please explain
				<p>chain including 121 farms &amp; ranchers, 20 feedlots, 2 packers, 1 patty plant – covering a total 144 operations &amp; 8,967 cattle. Through these programs we are learning how to deliver meaningful impact through a more sustainable beef supply that is scalable, requires ongoing measurement of performance, assumes third party assurances/audits &amp; delivers credibility &amp; transparency. The attached 2017 Beef Sustainability Report introduces McDonald's beef sustainability program &amp; shares our 2020 Vision for Sustainable Beef. By the end of 2020, in each of our top 10 sourcing countries which collectively represent more than 85% of our global beef volumes, we will 1) Accelerate industry progress, 2) share knowledge &amp; tools, 3) promote flagship farmers, 4) pioneer new practices, 5) protect forests. We aim to set specific country-based ambitious beef sustainability targets in these top 10 beef sourcing countries. Note the scope for "protect forest" includes high-risk origins. The assessment of deforestation risk will be determined through consultations with industry &amp; external stakeholders with consideration to local market.</p>
Soy	RTRS ProTerra certification	31-40%	RTRS Chain of Custody RTRS Standard for Responsible Soy Production RTRS certificate trading	<p>NOTE: This figure is for McDonald's Europe only. McDonald's Europe's goal is for 100% of soy feed for poultry to be certified sustainable by 2020. Roughly 35% of the soy used by our European chicken suppliers in chicken feed in 2015 was RTRS certified and this figure is projected to be nearly 50% for 2016.</p>

**F9.5**

**Do you have any quantified targets for third party certified materials in your direct operations and/or supply chains?**

Forest risk commodity	Quantified targets for third party certification?	Certification scheme breakdown	Baseline year	Target year	Coverage	% of materials third party certified in target year	Please explain
Timber	FSC PEFC SFI Other: 3rd party verification of 100% recycled content			2020	Supply chain	100%	100% of fiber-based packaging from certified or recycled sources. In order to achieve this 2020 target, every paper mill and packaging converting facility in our supply chain will have to achieve chain of custody certification to either Forest Stewardship Council (FSC), Sustainable Forestry Initiative or Programme for Endorsement of Forest Certification, or achieve 3rd party verification of 100% recycled content for paper used in McDonald's products. All virgin fiber counted towards this goal must have chain of custody through the converter and must be documented in the transaction between the converter and the distributor to avoid double counting. To fully meet our goal, the product must contain a minimum of 70% certified content with the remainder from non-controversial sources. See fiber policy attached for more information (and described in Section F8.4):
Palm Oil	RSPO	RSPO GreenPalm RSPO Mass Balance RSPO Segregated		2020	Supply chain	100%	NOTE: In addition to the Commitment on Forests, the Company's goal is that: - By 2015: 100% of palm oil used for restaurant cooking or by McDonald's suppliers to par-fry chicken and potato products will be Roundtable on Sustainable Palm Oil (RSPO)-certified sustainable or covered by GreenPalm Book and Claim certificates (97.5% was achieved in 2015, 93% in 2016). - By 2018 at latest, we will purchase only from approved suppliers and mass balance certified oil where possible. - By 2020: 100% of all palm oil or palm kernel oil used by suppliers as an ingredient in McDonald's products will be certified sustainable, segregated where possible, and sourced only from approved suppliers who have systems in place to address traceability, human rights and deforestation concerns. In 2016, we reached 93% GreenPalm Book and Claim coverage. While we did not achieve 100% as was stated in our first palm oil sourcing goal (per above), our global strategy is shifting to RSPO mass

Forest risk commodity	Quantified targets for third party certification?	Certification scheme breakdown	Baseline year	Target year	Coverage	% of materials third party certified in target year	Please explain
							balance certification and we are making progress. The U.S. business (the largest market in our global business) achieved 100% coverage with RSPO mass balance certified palm oil in 2016, meaning that currently 100% of the palm oil used by suppliers as an ingredient in products sold to McDonald's restaurants in the U.S. is RSPO mass balance certified.
Cattle Products	Other: verified sustainable			2016	Supply chain		In 2011, McDonald's joined forces with World Wildlife Fund, suppliers Cargill & JBS & many others in the beef industry to establish the GRSB. In 2014, this multi-stakeholder group published global guiding principles & best practices for sustainable beef. For the first time, the industry had shared global principles & criteria for producing beef in a socially responsible, environmentally sound & economically viable way. In 2014, McDonald's set its first external commitment to support sustainable beef production & to purchase verified sustainable beef in the future & began convening local roundtables & working groups to create a common understanding of risk areas & opportunities & tailoring solutions to regional needs. We met our commitment to begin purchasing sustainable beef. In 2016, we purchased a portion of beef from a fully verified sustainable supply chain in Canada through a pilot program, followed by Arcos Dorados, McDonald's Developmental Licensee in Brazil sourcing beef through the Novo Campo program during the Rio Olympics. Between January 2014 & April 2016, the Canadian pilot program verified operations & tracked cattle chain of custody through a verified sustainable supply chain including 121 farms & ranchers, 20 feedlots, 2 packers, 1 patty plant – covering a total 144 operations & 8,967 cattle. Through these programs we are learning how to deliver meaningful impact through a more sustainable beef supply that is scalable, requires ongoing measurement of performance, assumes

Forest risk commodity	Quantified targets for third party certification?	Certification scheme breakdown	Baseline year	Target year	Coverage	% of materials third party certified in target year	Please explain
							third party assurances/audits & delivers credibility & transparency. The attached 2017 Beef Sustainability Report introduces McDonald's beef sustainability program & shares our 2020 Vision for Sustainable Beef. By the end of 2020, in each of our top 10 sourcing countries which collectively represent more than 85% of our global beef volumes, we will 1) Accelerate industry progress, 2) share knowledge & tools, 3) promote flagship farmers, 4) pioneer new practices, 5) protect forests. We aim to set specific country-based ambitious beef sustainability targets in these top 10 beef sourcing countries. Note the scope for "protect forest" includes high-risk origins. The assessment of deforestation risk will be determined through consultations with industry & external stakeholders with consideration to local market.
Soy	RTRS ProTerra certification			2020	Supply chain	100%	NOTE: This applies to McDonald's Europe only. McDonald's Europe's goal is for 100% of soy feed for poultry to be certified sustainable by 2020. Roughly 35% of the soy used by our European chicken suppliers in 2015 was RTRS certified and this figure is projected to be nearly 50% for 2016.

**F9.6**

**Do you have any quantified targets for sustainable production and/or procurement, other than third party certification?**

Forest risk commodity	Quantified targets for sustainable production/ procurement?	Type of target	Baseline year	Target year	Coverage	% of materials to meet requirements in target year	Please explain
Cattle Products	Yes	Sustainable production					<p>In 2011, McDonald's joined forces with World Wildlife Fund, suppliers Cargill &amp; JBS &amp; many others in the beef industry to establish the GRSB. In 2014, this multi-stakeholder group published global guiding principles &amp; best practices for sustainable beef. For the first time, the industry had shared global principles &amp; criteria for producing beef in a socially responsible, environmentally sound &amp; economically viable way. In 2014, McDonald's set its first external commitment to support sustainable beef production &amp; to purchase verified sustainable beef in the future &amp; began convening local roundtables &amp; working groups to create a common understanding of risk areas &amp; opportunities &amp; tailoring solutions to regional needs. We met our commitment to begin purchasing sustainable beef. In 2016, we purchased a portion of beef from a fully verified sustainable supply chain in Canada through a pilot program, followed by Arcos Dorados, McDonald's Developmental Licensee in Brazil sourcing beef through the Novo Campo program during the Rio Olympics. Between January 2014 &amp; April 2016, the Canadian pilot program verified operations &amp; tracked cattle chain of custody through a verified sustainable supply chain including 121 farms &amp; ranchers, 20 feedlots, 2 packers, 1 patty plant – covering a total 144 operations &amp; 8,967 cattle. Through these programs we are learning how to deliver meaningful impact through a more sustainable beef supply that is scalable, requires ongoing measurement of performance, assumes third party assurances/audits &amp; delivers credibility &amp; transparency. The attached 2017 Beef Sustainability Report introduces McDonald's beef sustainability program &amp; shares our 2020 Vision for Sustainable Beef. By the end of 2020, in each of our top 10 sourcing countries which collectively represent more than 85% of our global beef volumes, we will 1) Accelerate industry progress, 2) share knowledge &amp; tools, 3) promote flagship farmers, 4) pioneer new practices, 5) protect forests. We aim to set specific country-based ambitious beef</p>

Forest risk commodity	Quantified targets for sustainable production/ procurement?	Type of target	Baseline year	Target year	Coverage	% of materials to meet requirements in target year	Please explain
							sustainability targets in these top 10 beef sourcing countries. Note the scope for “protect forest” includes high-risk origins. The assessment of deforestation risk will be determined through consultations with industry & external stakeholders with consideration to local market.

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#### Further Information

PRINCIPLES FOR SUSTAINABLE POULTRY: Because there are no broadly accepted, credible principles or standards for chicken sustainability, the Company is working with its suppliers and NGOs to develop a common set of guiding principles and best practices for sustainable poultry. In 2016 we established a cross-functional team to advance our progress in this area.

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#### Attachments

[https://www.cdp.net/sites/2017/81/11581/Forests 2017/Shared Documents/Attachments/Forests2017/F9.Standardsandtargets/McDonalds-Beef-Sustainability-Report 2017.pdf](https://www.cdp.net/sites/2017/81/11581/Forests%202017/Shared%20Documents/Attachments/Forests2017/F9.Standardsandtargets/McDonalds-Beef-Sustainability-Report%202017.pdf)  
[https://www.cdp.net/sites/2017/81/11581/Forests 2017/Shared Documents/Attachments/Forests2017/F9.Standardsandtargets/McDonald's Fiber Policy.pdf](https://www.cdp.net/sites/2017/81/11581/Forests%202017/Shared%20Documents/Attachments/Forests2017/F9.Standardsandtargets/McDonald's%20Fiber%20Policy.pdf)

#### Page: F10. Engagement

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##### F10.1

**Have you identified sufficient sources of sustainable materials to meet your operational needs? Please explain what you are doing to ensure security/continuity of supply**

Forest risk commodity	Current demand	Future demand	Actions to ensure security/ continuity of supply	Please explain
Timber	Yes		Other: supplier and industry engagement	<p>We work with HAVI and external partners to identify the sourcing needs and plan to continue to work with industry and on-the-ground partners to ensure supply of certified recycled and sustainable (virgin) fiber. For example, we are a member of GreenBlue Forest Products Working Group (FPWG) which includes other brand owners focusing on increasing responsible forest management in North America. In March of 2016, GreenBlue's Forest Products Working Group, and the American Forest Foundation (AFF) hosted its inaugural summit, Woodland Owner and Brand Owner: Opening a Dialogue about Sustainable Forestry, that brought together a diverse set of America's family forest owners and several well-known marketplace brands. McDonald's sponsored the event, helping to make it possible for family woodland owners to attend and engage in meaningful dialogue about sustainable forest management, priorities and challenges, and future opportunities for working together toward shared goals. In 2017, McDonald's has supported the FPWG and AFF development of a prototype tool to leverage data to identify risks and opportunities related to responsible forest land management at the local level. Also, we are members of the Global Forest &amp; Trade Network (GFTN), an initiative convened by WWF to bring together companies across the global forests product supply chain with a shared goal of eliminating illegal logging, improving forest management, and making the global marketplace for forest products a force for social and environmental responsibility. We have a stated goal of sourcing 100% of our fiber-based packaging from certified or recycled sources by 2020. This sends a clear signal and message to the market and to our suppliers to enable them to work with foresters and growers to increase the supply of sustainable products.</p>
Palm Oil	Yes		Other: supplier and industry engagement	<p>We have a stated goal that supports sustainable production of palm oil through certified sources. McDonald's believes in industry transformation and understands that this type of change cannot occur through the efforts of one company alone. McDonald's participates in forums to help advance the agenda on specific issues - for example, we have been an active member of the TFA2020 forum and in 2016-2017 presented our position at 3 Innovation Forum conferences focused on deforestation. The Company is an active member of RSPO and requires suppliers to be members. We also engage directly with our supplier base, which includes companies across the globe, on sustainability topics and include such topics in global commercial discussions for our entire oil category. We are working with our suppliers to understand the best methods to support smallholders through both our commitment to sustainable palm oil and our work to uphold our Commitment on Forests.</p>
Cattle Products	Yes		Engaging in capacity building activities in the value chain	<p>The Company helped found the Global Roundtable for Sustainable Beef (GRSB) to bring together key players in the beef value chain around a common purpose, to help ensure that all aspects of the beef value chain are environmentally sound, socially responsible and economically viable. In 2014, the GRSB finalized a global set of principles and criteria, marking a major milestone in our journey to sustainable beef and meeting the Company's first beef goal. Since then, we've been</p>

Forest risk commodity	Current demand	Future demand	Actions to ensure security/ continuity of supply	Please explain
				actively pursuing and helping promote beef sustainability around the world in part by participating and helping to convene local roundtables and working groups that are aiming to create a common understanding of risk area and opportunities for beef sourcing and tailoring solutions to their regions' needs. Through our sustainable beef sourcing pilot programs (discussed above and featured in the attached 2017 Beef Sustainability report), we are learning how to deliver meaningful impact through a more sustainable beef supply that is scalable, requires ongoing measurement of performance, assumes third party assurances/audits and delivers credibility and transparency.
Soy	Yes		Other: supplier and industry engagement	The European Soy Customer Group is committed to support the work of the Brazilian Soy Working Group (GTS) to achieve its goals. McDonald's Europe chairs the European Soy Customer Group and facilitates the exchange of information, updates and official positions between the GTS and the companies in the European Soy Customer Group, including interim email updates and at minimum, one face-to-face meeting per annum to review and confirm position around the on-going moratorium. Through this group the Company has continued to support the Soy Moratorium.

**F10.2**

Are you working with smallholders to encourage and support sustainable forest management practices?

Forest risk commodity	Working with smallholders?	Please explain

**F10.3**

Are you working with your direct suppliers to support and improve their capacity to supply sustainable materials?

Forest risk commodity	Working with direct suppliers?	Supplier engagement strategy	Please explain
Timber	Yes	Encouraging certification Encouraging work with multi-stakeholder groups Supplier questionnaires on environmental and social indicators Workshops and training	<p>The Company prefers to have-long term and strategic relationships with our suppliers and fully recognizes that achieving sustainable supply is a team effort. To support this model, we have developed our Supplier Performance Index (SPI) to guide our business reviews with suppliers. The SPI and its supporting documents outline the Company expectations with regards to sustainable sourcing, offers resources, and provides dedicated opportunities for discussion. Our markets, regularly (i.e. every 1-2 years) host supplier summits to communicate the Company's expectations, to build alignment with our supply chain, and to offer relevant educational elements. McDonald's facilitates sustainable supplier networks in many markets throughout the world to connect and share best practices. For example, the US sustainable supply network developed a web portal where suppliers may go to download documents and resources to support their alignment with the Company's approach to sustainable sourcing. The US Sustainable Supply Advisory Council, comprised of McDonald's staff and suppliers, organizes an annual "Sustainability in Action" tour for participants to learn from McDonald's suppliers and industry experts by seeing sustainability in action in McDonald's supply chain. Our US and European markets also send out regular Newsletters to suppliers communicating our expectations and providing examples of ways to meet them and suppliers who are leading the way. Consumer facing packaging items are managed by HAVI, our direct packaging supplier, which is an essential partner to achieving our sustainable fiber-based packaging goal. McDonald's and HAVI collaborate on our sustainable fiber-based packaging strategy. For example, WWF, HAVI and McDonald's together mapped our fiber supply chain to identify origins of high deforestation risk. We work with HAVI and external partners to identify the sourcing needs and plan to continue to work with industry and on-the-ground partners to ensure supply of certified recycled and sustainable (virgin) fiber. As discussed above, we, along with HAVI, have participated in industry events that bring together forest owners and brands to discuss sustainable forestry.</p>
Palm Oil	Yes	Encouraging certification Encouraging work with multi-stakeholder groups Supplier questionnaires on environmental and social indicators Workshops and training	<p>The Company prefers to have-long term and strategic relationships with our suppliers and fully recognizes that achieving sustainable supply is a team effort. To support this model, we have developed our Supplier Performance Index (SPI) to guide our business reviews with suppliers. The SPI and its supporting documents outline the Company expectations with regards to sustainable sourcing, offers resources, and provides dedicated opportunities for discussion. Our markets, regularly (i.e. every 1-2 years) host supplier summits to communicate the Company's expectations, to build alignment with our supply chain, and to offer relevant educational elements. McDonald's facilitates sustainable supplier networks in many markets throughout the world to connect and share best practices. For example, the US sustainable supply network developed a web portal where suppliers may go to download documents and resources to support their alignment with the Company's approach to sustainable sourcing. The US Sustainable Supply Advisory Council, comprised of McDonald's staff and suppliers, organizes "Sustainability in Action" tours for participants to learn from McDonald's suppliers and industry experts by seeing sustainability in action in McDonald's supply chain. Our US and European markets also send</p>

Forest risk commodity	Working with direct suppliers?	Supplier engagement strategy	Please explain
			<p>out regular Newsletters to suppliers communicating our expectations and providing examples of ways to meet them and suppliers who are leading the way. We worked closely with our suppliers in the development of the RFP process, specifically the Approved Supplier Checklist, and continue to work with suppliers to meet the requirements. Feedback and input from suppliers was taken into consideration in the development of the policy. Suppliers then had to demonstrate they could meet the expectations, and currently we schedule regular check ins and updates. McDonald's team members offered multiple meetings and workshops, including visits globally, as well as webinars to update suppliers on the RFP process and sustainable palm sourcing policy. The team has spent considerable time building communication and capacity at the global level. We are also working with our suppliers to understand the best methods to support their companies and smallholders through both our commitment to sustainable palm oil and our work to uphold our Commitment on Forests.</p>
Cattle Products	Yes	<p>Encouraging work with multi-stakeholder groups Supplier questionnaires on environmental and social indicators Workshops and training Supplier audits</p>	<p>The Company prefers to have-long term and strategic relationships with our suppliers and fully recognizes that achieving sustainable supply is a team effort. To support this model, we have developed our Supplier Performance Index (SPI) to guide our business reviews with suppliers. The SPI and its supporting documents outline the Company expectations with regards to sustainable sourcing, offers resources, and provides dedicated opportunities for discussion. Our markets, regularly (i.e. every 1-2 years) host supplier summits to communicate the Company's expectations, to build alignment with our supply chain, and to offer relevant educational elements. McDonald's facilitates sustainable supplier networks in many markets throughout the world to connect and share best practices. For example, the US sustainable supply network developed a web portal where suppliers may go to download documents and resources to support their alignment with the Company's approach to sustainable sourcing. The US Sustainable Supply Advisory Council, comprised of McDonald's staff and suppliers, organizes an annual "Sustainability in Action" tour for participants to learn from McDonald's suppliers and industry experts by seeing sustainability in action in McDonald's supply chain. Our US and European markets also send out regular Newsletters to suppliers communicating our expectations and providing examples of ways to meet them and suppliers who are leading the way. Two beef suppliers to the McDonald's System, Cargill and JBS, were fellow co-founders with McDonald's on the Global Roundtable for Sustainable Beef. Since 2011, we have been actively working with these partners on sustainable beef. Through our sustainable beef sourcing pilot programs (discussed above and featured in the attached 2017 Beef Sustainability report), we are working with direct suppliers and producers. We are learning how to deliver meaningful impact through a more sustainable beef supply that is scalable, requires ongoing measurement of performance, assumes third party assurances/audits and delivers credibility and transparency</p>
Soy	Yes	<p>Developing or distributing supply chain mapping tool</p>	<p>The Company prefers to have-long term and strategic relationships with our suppliers and fully recognizes that achieving sustainable supply is a team effort. To support this model, we have developed our Supplier Performance Index (SPI) to guide our business reviews with suppliers. The SPI and its</p>

Forest risk commodity	Working with direct suppliers?	Supplier engagement strategy	Please explain
		Encouraging certification Encouraging work with multi-stakeholder groups	supporting documents outline the Company expectations with regards to sustainable sourcing, offers resources, and provides dedicated opportunities for discussion. Our markets, regularly (i.e. every 1-2 years) host supplier summits to communicate the Company's expectations, to build alignment with our supply chain, and to offer relevant educational elements. McDonald's facilitates sustainable supplier networks in many markets throughout the world to connect and share best practices. For example, the US sustainable supply network developed a web portal where suppliers may go to download documents and resources to support their alignment with the Company's approach to sustainable sourcing. The US Sustainable Supply Advisory Council, comprised of McDonald's staff and suppliers, organizes an annual "Sustainability in Action" tour for participants to learn from McDonald's suppliers and industry experts by seeing sustainability in action in McDonald's supply chain. Our US and European markets also send out regular Newsletters to suppliers communicating our expectations and providing examples of ways to meet them and suppliers who are leading the way. Because there are no broadly accepted, credible principles or standards for chicken sustainability, the Company is working with its suppliers and NGOs to develop a common set of guiding principles and best practices for sustainable poultry. In 2016, we established a cross-functional team to advance our progress in this area. Also, In 2015, McDonald's, together with Greenpeace and our supplier, Cargill, was recognized by the Keystone Policy Center Award for Leadership in Environment for our collective effort contribution to the Soy Moratorium.

**F10.4**

**Are you working beyond the first tier of your supply chain to manage and mitigate risk?**

Forest risk commodity	Work beyond first tier of supply chain?	Please explain
Timber	Yes	Through HAVI we work with supplier facilities and their suppliers/raw material producers to understand the risks and supply challenges on-the-ground. We have sustainable supplier networks and platforms to share best practices as discussed above (question F10.3).

Forest risk commodity	Work beyond first tier of supply chain?	Please explain
Palm Oil	Yes	We actively worked with our suppliers to inform our updated palm oil strategy (finished in 2016), for implementation in key sourcing regions and engagement in multi-stakeholder forums for industry transformation, including RSPO and Tropical Forest Alliance 2020 (TFA2020) where we have been an active member of the TFA2020 Forum. Our suppliers include palm oil producing companies as well as direct suppliers that may source from palm oil producing companies (i.e. source palm oil for a McDonald's baked good). The policy has expectations, which are tailored specifically for these different types of suppliers.
Cattle Products	Yes	We actively engage with organizations representing the entire beef value chain, including ranchers, feedlots, processors, and retailers. We work with stakeholders around the world to create forums to engage and align the entire beef value chain around improving the sustainability of beef production systems. Specifically, we have helped to found the Global Roundtable for Sustainable Beef (GRSB), which was incorporated as a non-profit organization in February of 2012. We have also chaired the Sustainable Agriculture Initiative (SAI) Platform's Beef Working Group and are on the board of the Brazilian Roundtable on Sustainable Livestock (GTPS). McDonald's U.S. is a founding member of the U.S. Roundtable for Sustainable Beef (USRSB) and has been working with the industry to establish a set of metrics that will improve beef sustainability throughout the supply chain. The Company and our Franchisees have committed \$4.5 Million over three years to support research related to these metrics. McDonald's U.S. is also working with its Dairy suppliers to make sure that all farms supplying liquid milk are in good standing with the NMPF F.A.R.M. Animal Care program.
Soy	Yes	The Company is working with its suppliers and NGOs to develop a common set of guiding principles and best practices for sustainable poultry. In 2016, we established a cross-functional team to advance our progress in this area. Soy has been identified as a priority area. In 2015, we engaged in an exercise to understand and map our global soy footprint. This effort helped us to identify our priority sourcing regions to address deforestation risk. In addition to being closely involved with the indefinite extension of the Soy Moratorium, we are engaged in identifying solutions (including, but not limited to certification) to address deforestation risk.

**F10.5**

**Do you engage in activities that could either directly or indirectly influence the market for sustainable forest risk commodities?**

Activity	Please explain
Increasing demand for sustainable materials	As a global leading brand, we can drive positive change through the influence of our supply chain. By making public-facing commitments to source sustainably verified products, we push the industry to change for good. Notably our beef work is pioneering as

Activity	Please explain
Increasing awareness of sustainable materials Raising awareness of the issue of deforestation	there are no broadly accepted definitions for sustainable beef. We launched our work on sustainable poultry and look forward to collaborating with industry stakeholders to deliver on our commitments. Our Commitment on Forests was a leadership position statement in our industry. We were the first in our sector (Quick-Service Restaurant) to make a holistic commitment for deforestation-free supply chains beyond one or two commodities. We hope our public-commitment will inspire other brands in our industry to follow suit to end deforestation in their supply chains. Our participation on global commodity roundtables (GRSB, USRSB, CRSB, RSPO, TFA2020) enables industry discussion and collaboration to address pressing environmental and social implications of the commodity value chains. For each of these commodities, deforestation is a priority issue.

### Further Information

The Company communicates our sustainability expectations through ongoing supply chain processes and communications (including our growth plan, product specifications, supplier expectations, supplier reviews, internal and external reporting requirements), and governing bodies (like the Global Supplier Advisory Council). McDonald's Sustainable Sourcing Guide is published for our suppliers which provides an overview of each of our sustainable sourcing programs, our goals, how we measure progress and track data, and the steps we take to drive continuous improvement. By doing so, we seek to establish guidance and clarity around our expectations for our suppliers. We also aim to establish clarity for our internal teams and provide greater transparency for our stakeholders as to how we measure our performance and report our progress. In the spirit of continuous improvement, this is a living document that will be updated as appropriate and is currently being updated to include details around McDonald's Priority Impact Areas and the respective accompanying requirements. The contents of the Sustainable Sourcing Guide apply to every market where we do business. Sustainability expectations are also communicated at supply chain summits around the world. Our size and reach give us a platform for change, but meaningful progress really comes down to teamwork. Along with farmers, advocates, governments and McDonald's local country teams, we're enabling innovations and making sure financially viable practices reach more and more of the McDonald's supply chain — and the broader marketplace.

### Attachments

[https://www.cdp.net/sites/2017/81/11581/Forests 2017/Shared Documents/Attachments/Forests2017/F10.Engagement/McDonalds-Beef-Sustainability-Report 2017.pdf](https://www.cdp.net/sites/2017/81/11581/Forests%202017/Shared%20Documents/Attachments/Forests2017/F10.Engagement/McDonalds-Beef-Sustainability-Report%202017.pdf)

### Module: Challenges

#### Page: F11. Barriers and challenges

#### F11.1

**Please describe any key barriers or challenges to achieving deforestation free direct operations and supply chains**

The key barriers and challenges that we see to achieving sustainable commodity use are:

- Traceability – In order to direct purchases to producers using sustainable production practices and striving for continuous improvement, traceability is a key factor. However, traceability in the industry for the commodities we are discussing (notably soy, palm oil and beef) is challenging.
- The acceptability of certificates and credit-based systems: Where traceability is not possible, certificates and credit-based systems provide a valuable means to send important market signals to producers and ensure that they receive financial benefits for the work they are doing. Fully segregated supply is not always necessary to ensure the sustainability of production systems and requires significant investment in creating redundant supply chains. This investment could be better spent supporting farms seeking technical assistance to implement sustainable farming practices. Certificates and credit-based systems should be transparent and accountable and must be credible, but they should not be criticized simply because they do not require segregation. Such criticism distorts the issue and makes it more difficult for companies to enter the discussion and take action to create demand for sustainably produced commodities.
- Standard accessibility and credibility. First and foremost, standards should be credible and transparent. Without credibility, voluntary self-governing standards offer little value to companies seeking ways to verify the sustainability of their products and to send clear market signals to their supply chains demanding sustainable production. On the other hand, standards that overly burden producers, particularly small producers, and don't provide reasonable points of entry to a path of continuous improvement also inhibit the development of sufficient supplies of sustainably produced commodities. While competition between standards helps make them all better, competition between standards without respect and collaboration can cloud the waters, confuse consumers, and deter producers from engaging in the continuum of improvement.
- The Company's limited leverage further up our supply chain, where forest related risk is the greatest. As noted throughout our response, McDonald's as a company only purchases a small portion of our products for Company-owned stores. Numerous steps in our supply chain separate the Company from these agricultural impacts and the entities making decisions regarding these commodities. For example, most of soy used in our system is used for feed. This a purchase decision often made by indirect suppliers. We also don't buy any biofuels. This is a purchase decision for our suppliers.
- Size and scope: The Company has 31,000 direct suppliers and complex network of indirect suppliers. This makes it a challenge to coordinate and communicate through to raw material production because we are so far removed. However, we are actively engaging with industries to influence further down the supply chain and partner with our direct suppliers on these engagements.

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**F11.2**

**Please describe any measures that would improve your organization's ability to manage deforestation risk**

- Common, standardized and credible reporting systems and metrics.
- More credible, accessible, broadly accepted, and tiered standards that put producers on the path of continuous improvement.
- Greater collaboration among NGOs and standards systems, particularly with regards to fiber production and alignment on what 'deforestation' means.
- More collaboration in the industry value chains, notably to build traceability or visibility to raw material production

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**Further Information**

**Module: Sign Off**

**Page: F12. Sign off**

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**F12.1**

**Please provide the following information for the person that has signed off (approved) your CDP forests response**

<b>Name</b>	<b>Job title</b>	<b>Corresponding job category</b>
Keith Kenny	VP, Global Sustainability	Other: Corporate Officer

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**Further Information**

**CDP 2017 Forests 2017 Information Request**