



Supporting Addendum McDonald's Corporation Commitment on Forests

GENERAL/BACKGROUND

Why did McDonald's decide to make a Commitment on Forests?

- McDonald's 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.
- We recognize that environmentally destructive practices have potentially negative effects on the long-term supply of raw materials for our products.
- As a global leading brand, we can use the strength of our purchasing power and supply chain influence to drive positive change.
- This Commitment 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.

How does McDonald's define deforestation?

- We recognize there are multiple definitions of deforestation that have guided various efforts to eliminate deforestation from supply chains.
- McDonald's acknowledges World Wildlife Fund's (WWF) definition of deforestation to guide our work: "Deforestation is the process whereby natural forests are cleared through logging and/or burning, either to use the timber or to replace the area for alternative uses" ([source](#)).

Why are you focusing on food, beverage and packaging supply chains to start?

- The production of agriculture commodities is the biggest driver of global deforestation. The cultivation of palm oil and soy, cattle ranching and forest conversion to pulpwood plantations for production of paper are acknowledged as being major contributors to global tropical deforestation (source).
- We will regularly assess risks of other product supply chains and adjust our strategy accordingly.

IMPLEMENTATION

Will this Commitment apply to regions that already have stringent land management and environmental regulations in place?

- Yes, this Commitment is applicable throughout our supply chain in all areas of the world.
- Our intent is to eliminate deforestation from our global supply chains. While we recognize regulations exist in certain areas of the world which address the deforestation issues outlined, through this Commitment we can ensure we are consistently sourcing responsibly globally.
- McDonald's will work with suppliers, industry and external experts to identify if and where gaps may exist in local, regional or country regulations or in enforcement of regulations, and address as needed.



- This Commitment does not intend to curtail agricultural production in accordance with appropriate land use management practices.

Does this Commitment apply to all of McDonald's suppliers?

- The activities outlined in the Commitment extend throughout our entire supply chain.
- The McDonald's supply chain begins with more than 3,100 direct suppliers and extends to a complex network of indirect suppliers that source ingredients for menu items, products, and other materials used in our business.
- We expect our suppliers to work with us in embracing the objectives of this Commitment. We will collaborate with our suppliers and expert advisors to achieve the Commitment.

When is this effective?

- This Commitment is effective immediately. It will build on our existing sourcing commitments that promote responsible land and resource management.

Are you developing different time-bound targets for each product?

- 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.

How will you develop the time-bound targets for your priority products?

- We will engage with our suppliers, expert advisors and internal commercial and sustainability teams to develop informed sourcing targets.
- We will begin by evaluating our current priority product sustainable sourcing plans against the criteria in the Commitment and will map our supply chains to identify risks and priorities. This work will inform targets and the development of product sourcing plans.

How will you monitor the effectiveness of this Commitment?

- McDonald's teams will work with partners throughout the industry to determine appropriate criteria by which to evaluate progress and monitoring systems needed for each product.
- We recognize that deforestation is a complex issue and our work to eliminate deforestation in our supply chains will be a journey of continuous improvement.
- Over time, we will continually evaluate the effectiveness of the Commitment and the resulting support required for our suppliers.

Will you report progress publicly?

- Yes, we will report on progress at least annually through McDonald's Sustainability Report.

What do you mean by "verify origin of raw material"? Do you mean traceability?

- This Commitment does not imply full traceability, but 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.

When will this Commitment be achieved?

- 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 2020 given their link to deforestation and in the spirit of the New York Declaration on Forests.
- As we develop priority product time-bound deforestation-free targets in 2015, we will share them accordingly.
- However, we recognize that deforestation challenges are complex. The issues will take time to address and also may change over time. As such, we acknowledge the importance of continuous improvement in all of our sustainability work and will consider sustainability an ongoing priority.
- Similar to our approach to other strategic priorities, such as food safety, we expect this Commitment to be engrained into how we operate and one that we will continually monitor and improve as needed.

How does this Commitment impact your current sustainable palm oil sourcing strategy?

- Given its link to deforestation, palm oil has been identified as a priority, and we are actively working on a revised sourcing approach and deforestation-free target. We will share the revised strategy and target in 2015.
- McDonald's currently uses palm oil in restaurant frying oil in many of our Asian markets. Palm oil is also used to par-fry our chicken and potato products by direct suppliers in certain markets and in small quantities as an ingredient in some baked goods, sauces and confectionary items. This Commitment will apply to all palm oil used throughout our restaurants and products globally.

DEFINITIONS

Primary forests

- Primary forests as defined by the [Convention on Biological Diversity](#).

High Conservation Value (HCV) Areas

- HCV areas contain items of biological, social or cultural value that are important to conserve, including rare, threatened and endangered species and their habitats ([source](#)).
- McDonald's and our suppliers will engage with stakeholders to identify and protect HCV areas.

High Carbon Stock (HCS)

- HCS forest areas contain a substantial amount of carbon that would be released if converted to alternative uses, and have significant biodiversity value ([source](#)).
- An initial HCS [framework](#) and identification methodology, called the HCS Approach, has been developed by Golden Agri-Resources and SMART, in collaboration with Greenpeace and TFT, and is currently being tested and refined.
- The HCS Approach uses tools such as satellite imagery and field-based surveys to distinguish viable forest areas from degraded areas with low carbon and biodiversity values.

Peatlands

- As advised by WWF, the presence of soils containing greater than 65% organic matter is a defining characteristic of peatlands.
- Peatlands are a component of this Commitment due to their link to palm oil and pulp and paper production, the conversion of peatlands globally, and the carbon stocks contained in peatlands.