

2023–2024

Climate Resiliency Summary

McDonald's Corporation



# Climate Resiliency Summary



# What's Inside

Climate change is one of the most pressing issues today, impacting communities globally. Natural disasters and extreme weather patterns can pose significant risks to food supply resilience and communities around the world, including those from which our Franchisees and suppliers operate and source.

We believe that reducing greenhouse gas (GHG) emissions and adapting to climate change is critical to helping improve the resiliency of the McDonald's System. The Company's goal is to adapt the business to achieve net zero emissions by 2050 to help keep global temperature rises below 1.5°C. We have aligned the Company's 2030 targets with a Science Based Targets initiative (SBTi)-approved net zero target,<sup>1</sup> updated based on the latest science and guidance from external experts.

We looked to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to guide the development of this report.

## Key Takeaways

- 1

**Governance:** Climate action is an enterprise-wide priority, with governing bodies throughout the organization holding varying degrees of oversight for implementing Impact Strategies, including with respect to climate.
- 2

**Strategy:** The Company is working to embed climate ambitions across operations, including prioritizing actions – in coordination with the wider System – in the most carbon-intensive areas, such as restaurant energy and key agricultural supply chains.
- 3

**Risk Management:** We have conducted a thorough analysis of climate scenario modeling to identify risks and opportunities across various scenarios.
- 4

**Metrics & Targets:** McDonald's global 2050 net zero emissions reduction target is validated by the SBTi. Interim 2030 global emissions targets have also been aligned to help keep global temperature rises below 1.5°C, in line with the Paris Agreement.
- Further details about McDonald's goals, progress and definitions can be found on the [Goal Performance & Reporting](#) page of our website.

1 McDonald's SBTi-validated target in full:

- McDonald's Corporation commits to reduce absolute Scope 1 and 2 GHG emissions 50.4% 2030 from a 2018 base year.
- McDonald's Corporation also commits to reduce absolute Scope 3 energy and industrial GHG emissions from purchased goods and services, fuel- and energy-related activities, upstream transportation and distribution, waste generated in operations, end-of-life treatment of sold products, and franchises 50.4% within the same timeframe.
- McDonald's Corporation commits to reduce absolute Scope 3 Forest, Land and Agriculture (FLAG) GHG emissions 16% by 2030 from a 2018 base year. McDonald's Corporation also commits to maintain no deforestation across its primary deforestation-linked commodities.

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Who We Are

As of the end of 2023, McDonald's has over 41,000 locations in more than 100 countries, with approximately 95% of McDonald's restaurants worldwide owned and operated by independent business owners. We believe we have a responsibility to take action on some of the world's most pressing social and environmental challenges in a manner that provides long-term, sustainable value creation for shareholders. We're also prioritizing our role and impact in the communities we have been serving for more than 65 years. As we look to the future, we believe we can have the most effective impact by focusing on the following four areas:

- Our Planet
- Food Quality & Sourcing
- Jobs, Inclusion & Empowerment
- Community Connection

Climate Action Reporting

For further information on terms and definitions, governance, performance data and more, please visit the [Climate Action](#) section of our website.

Key Definitions

- **McDonald's:** Our global brand, unless specified otherwise.
- **We/Our/The Company:** McDonald's Corporation and its majority-owned subsidiaries worldwide.
- **The System:** The Company, its Franchisees and suppliers are collectively referred to as the "System"; also known as McDonald's "three-legged stool."
- **Franchisees:** Collective group of independent individuals and entities owning and operating McDonald's restaurants under one of the following structures – conventional franchise, developmental license or affiliate; for more information, please see the Company's [Annual Report](#).
- **McDonald's restaurants/Restaurants:** Includes restaurants owned by the Company and its Franchisees.

Forward-Looking Statements and Website Links

This report contains certain forward-looking statements or projections that reflect our expectations regarding future events, performance and goals and involve several risks and uncertainties. Generally speaking, any statement in this report not based upon historical fact is a forward-looking statement. Forward-looking statements can also be identified by the use of forward-looking or conditional words, such as "could," "should," "can," "enable," "continue," "estimate," "forecast," "intend," "look," "may," "will," "expect," "believe," "anticipate," "plan," "remain," "confident," "commit" and "potential" or similar expressions. In particular, statements regarding our plans, strategies, prospects, goals and expectations regarding our business and industry are forward-looking statements. You should not unduly rely on forward-looking statements. These are not guarantees of performance and speak only as of the date the statements are made. Factors that could cause actual results to differ materially from our expectations are detailed in our filings with the Securities and Exchange Commission. Except as

required by law, we do not undertake to update such forward-looking statements.

Website links included in this report are for convenience only. Information contained on or accessible through such website links is not incorporated herein and does not constitute a part of this report.

Find Out More

- 📄 Our website: [corporate.mcdonalds.com](https://corporate.mcdonalds.com)
- 📄 Please refer to the Company's filings with the Securities and Exchange Commission, including its latest Annual Report, for details on risks that could adversely affect business performance, including the Company's ability to execute on the initiatives described in this report.

# Governance

**We have made climate action an enterprise-wide priority. Governing bodies throughout the organization have varying degrees of oversight for implementing our Impact Strategy, including with respect to climate.**

## Board Oversight of Climate Action

The Board believes that a fundamental understanding of Company business, strategy and industry assists in the effective discharge of its duties. It regularly reviews Company performance, including climate strategy, risk management practices, commitments and progress. As both a full Board and through standing committees, the Board oversees the Company’s climate strategy.

Under the Company’s Corporate Governance Principles, the Board is also responsible for overseeing the enterprise-wide risk management (ERM) framework, which is designed to identify, assess and prioritize strategic, financial and reputational risks with the potential to have a sustained business impact. This includes regular interaction with senior management regarding risk exposure and mitigation effects related to the Company’s business strategy, operations and values, and annual reviews of identified strategic and enterprise risks. The ERM process includes consideration of climate-related risks (see [Integration Into Overall Risk Management](#) for more information).

## Governance Summary for Climate Action

<b>Board of Directors (Board)</b>	Regularly reviews Company performance and oversees the enterprise-wide risk management (ERM) framework.
<b>Corporate Responsibility Committee of the Board of Directors</b>	Assists the Board of Directors in fulfilling its oversight of the Company's initiatives, programs and strategies related to corporate responsibility matters, including those related to climate, in a manner consistent with McDonald's corporate purpose and values.
<b>Chief Global Impact Officer</b>	Responsible for overseeing climate-related matters and manages the Global Impact function.
<b>Chief Sustainability &amp; Social Impact Officer</b>	Responsible for overseeing climate-related performance, actions, goals and issues, reporting directly to the Chief Global Impact Officer.
<b>Senior Leadership Team</b>	Senior executives from across the Company who are accountable for leading McDonald's Impact Strategy.
<b>ESG Disclosure Committee</b>	Primarily responsible for supervising dissemination of environmental, social and governance (ESG) information to stakeholders.
<b>Global Impact</b>	Focused on guiding the full strength of McDonald's ongoing efforts to effect positive change globally.
<b>Global Supply Chain</b>	Develops and executes sustainable sourcing strategies across the supply chain.
<b>Customer Experience team</b>	Focused on helping to increase restaurant energy efficiency through operations, equipment, design and technology.
<b>Global Technology</b>	Support in enhancing data tracking across Impact commitments, including climate targets.


Source: 2024 Proxy Statement; CDP 2023 C1.1a, C1.1b, C1.2, C1.2a; [Purpose & Impact Report](#)

## Corporate Responsibility Committee

The Corporate Responsibility Committee is a standing committee of the Board of Directors and has primary oversight of sustainability matters and associated enterprise risk, including climate-related risks. This Committee (previously named Sustainability & Corporate Responsibility) met four times in 2023.

### Relevant Areas of Focus Include:

- Reviews and monitors strategies and efforts to address sustainability and brand trust.
- Oversees enterprise risk relating to sustainability matters.
- Reviews and monitors development and achievement of sustainability goals and metrics.
- Reviews global sustainability reporting and communication plans.

 For more information, see the [2024 Corporate Responsibility Committee Charter](#).

## Management's Role in Assessing and Managing Climate Matters

### Chief Global Impact Officer and Chief Sustainability & Social Impact Officer

The Chief Sustainability & Social Impact Officer reports directly to the Chief Global Impact Officer, who oversees the entire Global Impact function. Both are jointly responsible for overseeing performance, actions and goals relating to climate and climate-related issues. They serve as the executive sponsors of McDonald's climate strategy. The Chief Global Impact Officer reports directly to the Company's Chairman and Chief Executive Officer, and reports on climate-related issues to the Board twice per year.

Annual performance plans for the Chief Global Impact Officer and Chief Sustainability & Social Impact Officer establish objectives related to the climate strategy, targets and issues, with compensation directly related to attaining those objectives (among others).

## Senior Leadership Team

The Company's Chief Global Impact Officer and Chief Sustainability & Social Impact Officer serve on a cross-functional leadership team with other executive and corporate officers, including:

- Global Chief Legal Officer and Corporate Secretary
- Global Chief People Officer
- Global Chief Supply Chain Officer
- Global Chief Financial Officer

Together, they oversee McDonald's Impact Strategy, ensuring focus on global sustainability performance, including climate-related issues. They handle the Impact Strategy and priorities, report progress to the Board, assess new opportunities, review Impact disclosures and manage communications on sustainability matters.

## Global Impact Function

Global Impact is focused on harnessing and directing the full strength of McDonald's efforts to help effect positive change globally.

The Global Impact function comprises several critical teams, including:

- Sustainability & Social Impact
- Government Relations & Public Policy
- Global Communications
- Global Security
- Ronald McDonald House Charities

This function provides leadership and support for McDonald's global Impact Strategy, including climate policies, programs and reporting, as well as support for country-level sustainability and Impact staff for localized execution.



Within Global Impact, the Global Sustainability & Social Impact team provides corporate staff leadership and coordination and support for global sustainability policies, programs and reporting. It also liaises with other departments throughout the Company and Franchisees to address climate-related issues. This includes the Government Relations & Public Policy team – which works to understand stakeholder and policymaker perspectives to support internal decision-making – and the Communications team, which drives global audience awareness of impact, sustainability and supply chain initiatives. Through integrated communications strategies, the team helps advocate for key sustainability priorities in support of McDonald's purpose and aids country-level sustainability staff in locally executing those priorities.

### ESG Disclosure Committee

The ESG Disclosure Committee is responsible for overseeing procedures and processes related to Impact commitment and disclosure governance, including external reporting. Among other responsibilities, the Committee oversees current and future disclosures and commitments, risks and opportunities. It comprises, primarily, leadership from Global Impact, Finance and Legal functions.

The ESG Disclosure Committee is closely involved in annual sustainability reporting processes. This includes reviewing progress on McDonald's global climate target to ensure proper due diligence and risk assessment has taken place prior to external publication.

### Global Supply Chain

The Global Supply Chain organization leads sustainable sourcing strategies across the supply chain, including ensuring relationships with suppliers are based on transparency, inclusion and trust. Global Supply Chain works closely with Global Impact to innovate, develop and implement key climate strategy areas and is accountable for category-specific strategies that drive responsible sourcing and resilience.

### Customer Experience

The Global Customer Experience organization is focused on how customers engage with the McDonald's brand, creating authentic and compelling experiences at each physical and digital customer touchpoint. It includes, among others: Global Restaurant Development & Design, Global Operations, Global Marketing and Digital Customer Engagement teams, with regular engagement with Global Finance teams such as Development & Franchising.

The Global Sustainability & Social Impact team works with Global Restaurant Development & Design and Restaurant Solutions teams on restaurant sustainability initiatives, including reducing waste, increasing energy efficiency and engaging customers through operations, equipment, design and technology in restaurants.

### Global Technology

McDonald's Global Technology teams partner with Global Impact to enhance the certification of sustainability-related data and help to improve measurement capabilities. This partnership aims to refine data collection processes to better track and ensure clear data lineage for sustainability commitments, including climate targets.





# Strategy

**Climate change can pose risks to food supply resilience and communities around the world, including those from which our Franchisees and suppliers operate and source. Acting on climate change is challenging and requires significant investment.**

The Company is working to embed climate ambitions across operations. This includes prioritizing actions – in coordination with the wider System – in the most carbon-intensive areas, such as restaurant energy and key agricultural supply chains. The Company also aims to align other environmental strategies – including efforts to help eliminate deforestation, manage water stress and increase circularity – with climate action.

We will continue working to drive meaningful climate target progress, while recognizing emissions reduction plans and ambitions may be impacted by elements outside the Company’s direct control. This may include external policy and geopolitical changes, technological advancements, developments in global climate accounting standards, and supplier and Franchisee actions.

## **Climate-Related Risks, Opportunities and Time Horizons**

Climate change and related risks pose significant impacts to the Company. The Company’s climate-related risk management process includes identifying, prioritizing and managing a range of risks, as well as opportunities, that could directly or indirectly impact the organization in the short, medium and long term.

## **Short-, Medium- and Long-Term Time Horizons**

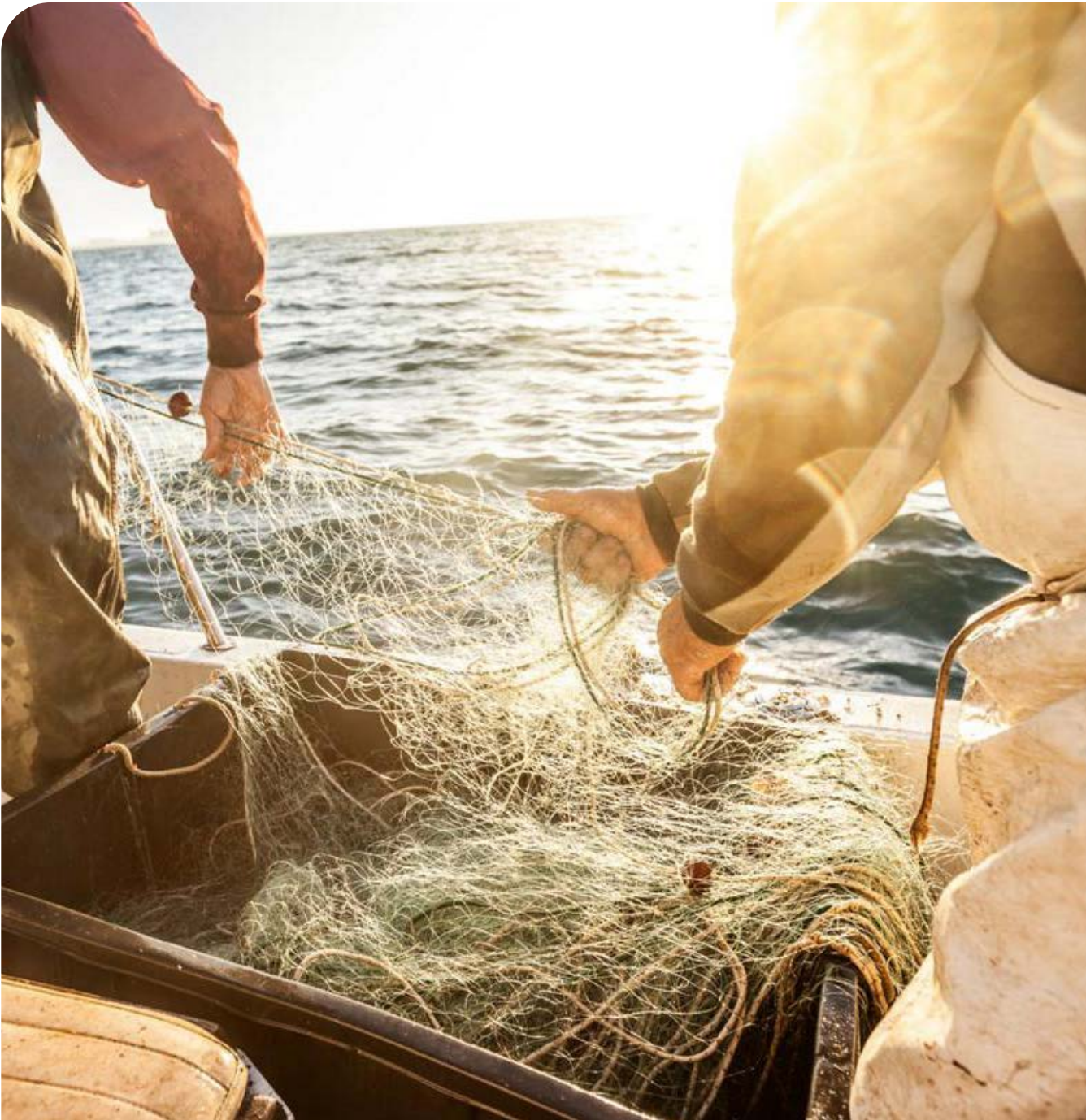
On the following pages we have highlighted some of the key risks with the potential to have an impact on the Company. The risks are not disclosed in order of magnitude, nor are they exhaustive.





Potential Risks and Opportunities: Short Term (0-2 years)

Risk	Potential Risk
Government action	The realization of science-based goals will require significant changes in broader society to ensure the pace of decarbonization is on track. We look to governments to advance policies that enable decarbonization at scale. Governments are outside the Company's control and may not act in a manner that supports McDonald's climate action. Furthermore, they may take action that negatively affects the Company's ability to realize its climate targets and related environmental goals.
	Emerging climate disclosure and reporting legislation could come at a short-term compliance cost to the Company.
	Additionally, mandated carbon pricing mechanisms are increasing globally. The Company operates in many countries and multiple jurisdictions within countries and may, therefore, be subject to various emerging carbon pricing-related regulations. This could potentially result in increased costs for certain restaurant operations in areas where carbon pricing systems are in development or scheduled for implementation.
	To achieve its climate targets and environmental goals, the Company looks to governments to advance policies that enable decarbonization at scale.
	While legislation could come at a short-term cost to the Company in terms of compliance and reporting, in the long term, it may further enable the Company to meet its goals.
Opportunity	Potential Result
Transition to more sustainable and efficient buildings	McDonald's has begun designing and transitioning to more efficient buildings for Company-owned and operated restaurants and offices. The Company has also set expectations that suppliers make similar facility transitions as well.
	In restaurants, together with Franchisees and suppliers, McDonald's is working to be more innovative and efficient, including investing in energy management systems, adding LED lighting and energy-efficient kitchen and restaurant equipment (e.g., refrigeration and heating, ventilation and air conditioning (HVAC) systems) and evaluating fuel conversions and electrification. Given McDonald's strategic plan for the Company is focused, in part, on continued System development, including development of new restaurants and continued sales growth, the opportunity to implement energy-efficient standards in new restaurants is especially relevant to the business.
Supporting and advancing suppliers' climate strategies	The Company's ability to meet supply chain targets is directly tied to supplier actions. Based on the Company's 2018 carbon footprint (the baseline year for the current climate targets), 80% of Company emissions are tied to the actions of suppliers.
	We work to engage key suppliers annually to understand the risks and the actions they are taking in their own businesses and supply chains to develop a climate action approach.
	Additionally, since 2019, the Company has set expectations for suppliers to establish their own climate targets. The Company works with globally managed beef and chicken suppliers directly on both target setting and reduction initiatives relevant to Company supply.





Potential Risks and Opportunities: Medium Term (2-11 years)

Risk	Potential Risk
Changes in precipitation patterns and extreme variability in weather patterns	Severe weather conditions and natural disasters (or expectations about them) can potentially adversely affect operations in impacted locations, supply chain continuity and commodity costs. Climate change can increase the frequency and severity of such weather-related events and natural disasters.
	Farming systems will need to adapt to a changing climate, including more weather extremes. This will require investment from suppliers, with support from the Company, to build resiliency and lower emissions. We anticipate Company restaurants and suppliers could face water-related stresses, such as scarcity or flooding, and stress on energy supply based on increased demand for air conditioning in more extreme heat or to retrofit buildings not equipped for increased temperatures. Initiatives or investments that are only focused on short-term adaption, rather than mitigation, could potentially affect the ability to achieve targets.
Opportunity	Potential Result
Use of lower-emission sources of energy	A primary climate-related opportunity for McDonald's is the procurement of electricity generated from renewable sources. This enables the Company and Franchisees to advance a more stable and cleaner energy grid.
	McDonald's intends to continue adding renewable energy to the grid through virtual power purchase agreements (VPPAs) while using its scale to advocate for policies that enable further development of wind and solar energy sources.
Accelerating sustainable and regenerative farming	The positive environmental impacts of regenerative agriculture practices, such as improving biodiversity and capturing carbon, are demonstrable. The Company is working to scale regenerative agriculture practices with its supply chain. It is also helping prevent deforestation and ecosystem conversion – building on the progress from 2020 milestones in highest-priority commodities and regions – and driving action against the climate goals.
	The Company has several active pilot programs in place around the globe that have already begun generating carbon reductions. These are included in annual Purpose & Impact Reporting progress updates.

Potential Risks and Opportunities: Long Term (11-30 years)

Risk	Potential Risk
Increased cost of raw materials	There is potential for increased raw material costs driven by physical and regulatory risk from climate change and production in jurisdictions where carbon pricing systems and/or carbon tax schemes may be implemented. Adoption of new regulations or costs of changing business practices in response to taxation or regulation may increase costs for McDonald's suppliers. As regulations are uncertain and vary by jurisdiction, there is a risk that they will affect some suppliers significantly more than others. The Company will therefore be exposed to this uncertainty and its potential to impact costs of raw materials.
Water scarcity	Water supplies are under increasing pressure from climate change, extreme weather and growing populations. Risks to the business relating to water, including but not limited to water availability or quality issues, could potentially impact operations through a combination of restaurant closures, operational delays, higher operating costs, loss of license to operate, disruption to sales, supply chain disruption, water supply disruption, and reputational and brand damage, any of which would have a financial and/or strategic impact on the business.
Continued business growth	McDonald's strategic plan for the Company is focused, in part, on continued System development. The Company's pursuit of financial growth strategies, including development of new restaurants and continued sales growth, could also result in an increase in GHG emissions in the near or medium term if the Company does not decarbonize at a rate greater than business growth. Balancing Company-wide objectives and navigating the external environment will remain critical in enabling progress on climate targets while also driving business strategies forward.
Opportunity	Potential Result
Accelerating sustainable and regenerative farming	Among other activities, we are focused on collaborative action and investment to address long-term climate-related risks associated with the agriculture value chain, including sustainable and regenerative agriculture practices.
	The Company approaches agriculture holistically and considers its impact on the planet, farmer livelihoods, local communities and the well-being of animals it relies on. The Company seeks to create positive impact, such as by boosting resiliency, improving biodiversity, maintaining native grasslands, capturing carbon and rebuilding soils. We have listed several activities with a medium-term timeframe; we expect to continue working with farmers and ranchers over the long term on these projects while developing other opportunities globally.

## Impact on Business, Strategy and Financial Planning

The Company plans for executing on its climate strategy. We make significant investments to activate strategies, including integrating opportunities into financial planning to achieve the science-based target, or implementing resilience and adaptation plans and other actions to accommodate transitional and physical risks and opportunities.

Examples of important steps we have taken to assess and plan for risks across the business include:

- As part of the Company's *Accelerating the Arches* growth strategy, we are integrating decarbonization efforts in business expansion plans to help responsibly grow the System. This will help ensure we meet business goals while also fulfilling the Company's climate-related commitments.
- The Company's planning and roadmaps consider GHG emissions reduction calculations and business growth together. This is done in collaboration cross-functionally and across locations as part of the work to identify activities needed to meet near-term climate targets.

- We have integrated building- and equipment-efficiency measures, with associated cost savings from energy efficiency, into asset reinvestment plans in the short- to medium-term time horizon.

We advocate for government policies that we believe will help better enable businesses to take fast and meaningful action to address climate risks. In 2023, such advocacy included co-leading a letter urging congressional agriculture committees in the United States to allocate significant funding in the Farm Bill for the Foundation for Food & Agriculture Research (FFAR). The letter, co-signed by other industry peers, received support from 125 organizations across academia, agriculture and industry.

## Investment in R&D

As we decide how and where to pursue and scale innovation pilots, such as agricultural research projects or alternative energy technology, we build on prior learnings and anticipate future insights that will help inform short-, medium- and long-term future investments in research and development (R&D) related to climate-related risks and opportunities.

## Emissions Data Management


The Company's Global Data & Technology team partners with Global Impact to strengthen governance and practices. This collaboration focuses on enhancing data collection processes and measurement technology capabilities to better track sustainability commitments, particularly climate targets.

## Piloting Net Zero Standard Buildings

Some McDonald's restaurant locations are testing innovations for energy sourcing and reductions, water savings, waste reductions and recycling. We also aim to reduce carbon emissions associated with the construction of restaurants and look to replace, where feasible, carbon-intensive materials with alternatives such as those made from recycled materials.

## Innovations for Circularity

We are committed to taking steps to help reduce waste and advance a circular economy. For example, we're investing in strategies and working collaboratively with other stakeholders to help address systemic challenges related to recycling infrastructure, demand for recycled materials and development of new packaging and toy materials. We continue to evaluate and consider the role reusables can play in our restaurants around the world, alongside other circularity solutions and in compliance with applicable laws regarding reusable packaging.

 Read more on our [Packaging, Toys & Waste](#) web page.






**Supporting Supply Chain Projects**

The Company is engaged and invested in projects that focus on supply chain impact. For example:

- We launched a partnership with FFAR. We also committed to match up to \$4.5 million in a research project with the Arizona State University (ASU) Foundation for a New American University. The research analyzes the impact of grazing practices that mimic the natural grazing patterns of wild ruminants versus continuously grazed ranches across 10 ranches in the southeastern U.S.
- We helped establish the CAP’2ER project in France, an environmental footprint calculator that evaluates environmental impacts within beef farming to help identify where farmers can reduce emissions. As of 2023, we have verified that over 121,000 hectares of land are being managed to support biodiversity by more than 1,000 French cattle farms we source from.
- As part of a five-year pilot initiative with Cargill, the Walmart Foundation and World Wildlife Fund (WWF), we have invested \$1.6 million since 2020 to support ranchers in the Northern Great Plains through the Ranch Systems and Viability Planning (RSVP) network.

- Alongside Proforest, we developed the Company’s [Deforestation-Free Beef Procurement Policy \(PDF – 146 KB\)](#). We have detailed requirements to help support forest-positive beef sourcing from high priority regions in Brazil, Paraguay, Argentina and Australia. We work alongside our monitoring service provider Agrottools to utilize social and environmental criteria and monitor adherence to our policy, focusing on purchasing from producers that conserve forests and respect human rights.

 Please see the [Purpose & Impact Report](#) for examples of recent projects.

**Restaurant Operations**

In cases of extreme weather, certain restaurant operations and deliveries can be disrupted.

Energy- and emissions-reducing technologies and approaches are being implemented across restaurants. An example is McDonald’s digital Global Restaurant Standards (GRS), which is a platform designed to provide building and equipment requirements for new restaurants, as well as guidance on exterior and site LED lighting, energy management, building construction, refrigeration, HVAC, maintenance and servicing, local equipment, recycling bins and water conservation.

**Key Levers of the Climate Strategy**

We leverage insights from our Franchisees and suppliers, as well as other business insights, to prioritize our climate actions.

Currently, we are focused on the following impact levers in advancement of Company commitments but acknowledge that approaches may need to evolve to meet changing external pressures and technological improvements.

**Renewable Energy and Energy Efficiency**

As of the end of 2023, restaurant energy use represented 78% of SBTi boundary restaurant and operations baseline emissions and a key focus area for accelerating progress against the 2030 targets.

We collaborate with Franchisees to improve energy use wherever possible, including by installing LED lighting, energy management systems and energy-efficient kitchen equipment. We aim to reduce emissions while providing customers with the level of service they expect and supporting Franchisees in managing their operations and costs.

We believe that investing in renewable energy is one of the most effective and timely actions we can take to help reduce our electricity-related emissions footprint. Since 2019, McDonald's has signed multiple large-scale renewable energy VPPAs that will help add new renewable energy to the U.S. grid. The projects we have contracted renewable energy through cover solar and wind technologies and are operational in Texas, Illinois, Oklahoma and Louisiana.

### Addressing Packaging Waste and Increasing Circularity

The Company is committed to implementing solutions to help advance the reduction, reuse, recycling or composting of guest packaging, and helping create demand for recycled materials. We have collaborated with suppliers and Franchisees, as well as customers, external organizations and local governments to help establish robust recycling systems, enable policies and innovate in ways that will help to reduce the Company's Scope 3 emissions.

As part of our commitment to circularity, we have been exploring the potential role and impact of implementing reusable guest packaging in McDonald's restaurants. Although reusable guest packaging may be part of the solution, additional tools, such as recycling, recovery and reduction, must continue to be part of overall guest packaging-related waste reduction strategies.

As we move forward, we will look to further develop our reuse strategy, advocating for feasible solutions that can help advance evidence-based circularity strategies for McDonald's and the wider industry.

The Company's packaging and waste strategy aims to help accelerate a circular economy and reduce waste, which will help further reduce operational and supply chain emissions. Read more on our [Packaging, Toys & Waste](#) web page.

### Expectations of Suppliers

The Company's ability to measure and achieve reductions in overall GHG emissions – particularly Scope 3 – depends on supplier collaboration. We collaborate and clearly communicate with suppliers about our expectation that all McDonald's suppliers set climate targets and measure their emissions. The Company supports this through supplier webinars, reviews and a Global Sustainable Sourcing Guide.

Beef and chicken sourcing represent two-thirds of McDonald's farm-related emissions. As such, we are prioritizing action in this area in partnership with suppliers, nongovernmental organizations (NGOs) and climate experts. As part of the Company's commitment to reducing emissions, global beef and chicken suppliers are required to submit a science-based target for validation by the SBTi no later than the end of 2024.

### Supporting Deforestation-Free Supply Chains

We are committed to eliminating deforestation and addressing conversion in McDonald's global supply chains by 2030, building on progress from the 2020 milestones in the highest-priority commodities and regions where we can deliver the greatest impact. Where possible, we rely on reputable commodity-specific, third-party certifications to support deforestation-free supply chains for priority commodities. When suitable certifications are not available, as in the beef supply chain, we invest in external verification systems to map, monitor and address impact.

The EU Deforestation Regulation (EUDR), which has prohibitions that will be in force from December 2024, signifies a change in the expectations for companies to report on key product traceability and impact.

Company emissions reduction targets include estimated impacts from land use change, and we model emissions from land use change associated with deforestation. To demonstrate the positive impact McDonald's [Commitment on Forests and Natural Ecosystems](#) has had, we have started merging forests and climate measurement systems to improve how we measure the climate impact of supply chain forest conservation.

Adapting the McDonald's Deforestation-Free Beef Procurement Policy for countries with high land use change emissions associated with cattle grazing will help reduce emissions and drive wider positive outcomes in the communities and landscapes we source from. As will the Company's work in advocating for practical approaches to land use change accounting, including the use of credits as part of collaborative landscape-scale investment programs.

Strengthening the use of physical traceability and third-party certification schemes for soy and palm used in livestock feed, in line with EUDR requirements, will help reduce land use change emissions from animal feed. This will be further enhanced by work to better quantify and address the link between land use change emissions from grassland conversion and animal feed in the U.S.

### On-Farm Initiatives

At McDonald's, we aim to maintain or improve the natural capital that fuels our business and to support farmers that source our products. To do so, we work to scale the adoption of regenerative agriculture principles to build more resilient supply chains, drive action against our climate goals and help protect delicate ecosystems.



We are working to support and scale on-farm initiatives that increase feed efficiency, use lower-carbon feed and begin to quantify the positive outcomes of regenerative grazing. Regenerative crop production practices and regenerative grazing techniques can improve nutrient use efficiency, reduce synthetic inputs and improve long-term farmer viability while enhancing ecosystems services and benefits such as biodiversity, soil health and water optimization – while also promoting the long-term productivity and resilience of farms.

Examples of sustainable and regenerative practices we are working to support include:

- Increasing plant cover to protect soil health and biodiversity.
- Promoting regenerative cattle grazing practices.
- Investing in resources for farmer training and education.
- Research and trialing the reduction of methane gases associated with cattle production.
- Supporting the development of new tools and technology to measure impact.

These initiatives, and more, are prioritized by McDonald's in an effort to further strengthen resiliency across our supply chains and agricultural food systems at large in the face of increasingly unpredictable weather and climate impacts. Scaling regenerative practices also has the potential to drive climate action through carbon sequestration, which can help us make meaningful progress toward our climate ambitions while increasing the long-term resiliency of agricultural processes.

Examples of McDonald's recent partnerships and investments to scale sustainable and regenerative practices can be found in our recent [Purpose & Impact Report](#).

**Supplier Facilities, Logistics and Packaging**

A logistics network transports McDonald's food products, packaging and other restaurant supplies across our global System to keep our operations afloat. To help address the associated impact, we are encouraging suppliers to advance efforts across their facilities, logistics and packaging, including by:

- Driving fewer miles and using less fuel through routing improvements, innovations like engineless cooling and air deflectors, and driver training.
- Increasing the use of alternative fuels with lower emissions compared to diesel, including renewable natural gas created from biowaste, biofuels, hydrogen, natural gas, propane and electricity. Where possible, we encourage suppliers to use biofuels that are generated from by-products rather than crops grown for food.

Source: CDP 2023 C2.1a, C2.1b, C2.2, C2.2a, C2.3a, C2.4a, C3.2a, C3.3, C3.4; [Purpose & Impact Report](#)

**Collaborating to Drive Change**

The Company collaborates with external climate action stakeholders through the following initiatives.

- The Company is a member of the [Clean Energy Buyers Association \(CEBA\)](#), collaborating with other energy buyers, energy providers and service providers to navigate market complexities. CEBA recognized McDonald's as one of the top 10 voluntary buyers of renewable electricity in the United States by contracted volume for four years in a row from 2019–2022.
- We are a member of the Greenhouse Gas Protocol's Technical Working Group on Land Based Emissions, which is developing new technical guidance and standards on how companies account for and report emissions, reductions and removals from land use activities.
- As members of the Gold Standard Value Chain Initiative, we have worked with others to test new carbon accounting techniques in the supply chain and navigate traceability challenges.
- In 2022, we joined the Consumer Goods Forum's Forest Positive Coalition, a multi-company initiative to stop commodity-driven deforestation and address global climate change issues across the sector. Learn more on our [Nature, Forests & Water](#) web page.

# Risk Management

## Risk Identification and Assessment Process

The Company's climate risk management processes identify, prioritize and enable the business to take steps to help address a range of risks that can directly or indirectly impact the organization in the short, medium and long term. Risks are determined as substantive based on quantitative and qualitative factors.

The Company's approach in response to identified risks depends on numerous factors, including the magnitude of the risk and the cost and operational impact of the feasible mitigating actions. We have committed resources to focus on mitigating climate-related risks and have conducted a thorough analysis of climate scenario modeling to pinpoint both risks and opportunities across various scenarios. We have also developed a supply chain cross-commodity working team dedicated to supply chain resiliency, including with respect to climate.

## Current Regulatory Risks

McDonald's success depends in part on the Company's ability to manage regulatory impacts that can affect business plans and operations, or that increase costs of doing business and potential exposure to litigation, governmental investigations or other proceedings.

The Company is subject to the laws of all jurisdictions in which it operates, as well as the rules and regulations of various governing bodies, which may differ among jurisdictions. Changes in regulation are assessed regularly. Examples of current climate-related laws and regulations that may affect business plans, operations and costs include, but are not limited to:

- **The Enhancement and Standardization of Climate-Related Disclosures for Investors:** U.S. Securities and Exchange Commission rule requiring certain companies to provide certain climate-related information in their annual reports.
- **EU Deforestation Regulation (EUDR):** EU legislation requiring certain companies to conduct due diligence and produce an accompanying statement concerning deforestation, forest degradation and breaches of local laws connected with specific products/commodities.

- **Corporate Sustainability Reporting Directive (CSRD):** EU legislation that requires certain companies to publish regular reports on the social and environmental risks they face, and on how their activities impact people and the environment.





# Emerging Regulatory Risks

Emerging climate-related laws and regulations are assessed regularly. Multiple teams exist within the Company, including Global Legal and Public Policy & Government Relations teams, that work to identify actual or perceived risks relating to emerging regulation in areas such as climate, packaging and energy. These teams also support development of mitigation strategies.

One example of a climate-related emerging regulatory risk is carbon pricing regulation, which has the potential to create a negative financial impact on restaurants operating in jurisdictions where carbon tax schemes are proposed for implementation. This also comes with the potential to increase raw material costs associated with production in jurisdictions where carbon pricing systems may be implemented.

# Technology Risks

Technology solutions and associated risks are evaluated as part of both restaurant and supply chain sustainability programs.

We continue to invest in technology and modernization to transform the customer experience. For Company-owned and operated restaurants, this can include substitution of existing products and services with lower-emission options, including but not limited to renewable energy, packaging or restaurant equipment.

The pace of technological development and investment in reducing and monitoring emissions is a critical factor in the Company's ability to achieve its climate targets and drive adaptation and mitigation against climate change impacts. We believe development of the following key technologies is critical:

- Accessible and cost-effective emissions measurement, monitoring and verification techniques to develop strategy and direct investment.
- Large-scale emissions reduction solutions such as renewable energy developments, methane additives and regenerative agriculture management techniques.
- Longer-term carbon capture technology to augment biological carbon removal and storage opportunities.

# Commodity Market Risks

We regularly assess commodity market fluctuations across geographies to monitor raw material availability and price. For example, the Company utilizes public commodity reporting to assess anticipated fluctuations that may impact future prices or assured supply. Beyond direct crop impact, extreme weather incidents may impact manufacturing facilities, causing unplanned downtime and resulting in pressure on pricing and/or supply.

We also monitor consumer preference trends and regulatory developments that may impact commodity markets, implementing appropriate mitigation controls to minimize operational and financial impact.

# Reputational Risks

The Company conducts consumer and stakeholder surveys, interviews and stakeholder engagements, and external long-term horizon mapping to understand expectations and gauge reputation within and adjacent to the food and beverage industry, as well as among corporate sustainability, policy, government and climate technology leaders. These insights inform engagement and Company communications on sustainability topics and are considered in sustainability strategies including [Climate Action](#), [Nature, Forests & Water](#), [Responsible Sourcing](#) and [Packaging, Toys & Waste](#).



## Management Process

The Global Sustainability & Social Impact team partners closely with Global Finance to determine potential financial impacts to the Company and its Franchisees. Climate, forests, water and other natural resource-related risks are assessed based on both breadth and depth of impact to the McDonald's System. Each is measured distinctly depending on the topic, but may include impact on factors such as sales, price stability, competitive advantage, restaurants and Franchisees, customers and communities, suppliers and producers, farmers and supply chain commodities. Assessment of a risk's substantive impact may include magnitude, duration and/or dependency. We also assess impact based on existing crisis preparedness or the ability to develop such crisis preparedness, contingency and resiliency plans, and expressed external stakeholder concern or inquiry.

Identification, assessment and management of supply chain risk is overseen by the Corporate Vice President (VP), Strategic Sourcing, who reports directly to the Global Chief Supply Chain Officer. This VP is supported by a team of colleagues to lead the design, development and implementation of a comprehensive risk management strategy for the global supply chain organization. They regularly assess supply chain risks, working with the Chief Global Impact Officer, Chief Sustainability & Social Impact Officer and other sustainable sourcing team members on identified environmental risks.

## Integration Into Overall Risk Management

### Identifying, Assessing and Responding to Climate-Related Risks and Opportunities

Senior leaders in several functional areas are responsible for identifying and managing risks within their areas of expertise. A cross-functional working group helps ensure timely risk information is shared across internal stakeholders and elevated within the organization as appropriate. Input is also incorporated from external partners, such as strategic suppliers and industry experts.

For example, the Company leverages partnerships and insights from leading environmental stakeholders and industry groups to continually monitor and integrate the latest factors (science, policy, geopolitics, trends) into climate risk and resiliency planning.

We have analyzed medium- and long-term implications of carbon pricing mechanisms and water stress risks for both McDonald's restaurants and the supply chain and intend to integrate the results into a corporate sustainability tracking system. By doing so, we can advance internal climate-related risk discussions, ensuring we are appropriately managing these risks and related opportunities and supporting effective alignment with upcoming regulated disclosures as part of future planning.

### Enterprise-wide Risk Management Framework

The Board is responsible for overseeing the Company's ERM framework. The Company periodically reviews this framework and incorporates learnings to drive transparency and strategic decision-making.

Management is responsible for ERM framework design and execution. The Company's internal auditors support risk identification and risk monitoring. The framework leverages internal risk committees of cross-functional leadership, which meet regularly to evaluate and prioritize risk in the context of the *Accelerating the Arches 2.0* strategy, with further escalation to the President and Chief Executive Officer and the Board as appropriate.

**Source:** CDP 2023 C2.1b, C2.2, C2.2a, C2.3a; [2024 Proxy Statement](#)



# Metrics & Targets

## Metrics to Assess Climate-Related Risks and Opportunities

We collect and track emissions metrics through a corporate sustainability tracking system.

As we continue to enhance existing methodology and data quality, we expect the baseline and annual progress figures to adjust accordingly. Future methodology for reporting progress for the net zero target and 2030 interim targets may differ and impact final progress figures. Although we aim for continuous progress, we acknowledge change is not a linear journey and that each year brings new factors that may cause variability.

## Scope 1, 2 and 3 Emissions

Most McDonald's restaurants worldwide are owned and operated by Franchisees, and, as a result, the bulk of restaurants are in the Scope 3 (indirect emissions) accounting category, which is also where the supply chain carbon footprint sits.

The figures to the right reflect 2023 GHG emissions relative to a 2018 base year, including renewable energy VPPAs in the U.S. These figures have been updated based on third-party guidance around leveraging the latest methodology and most comprehensive data available.

## Our Performance Data

GHG Emissions (Metric Tons Carbon Dioxide Equivalent (CO<sub>2</sub>e))<sup>2</sup>

Emissions	2018 (Baseline)	2023	Percentage Reduction
Scope 1 emissions	106,963	100,264	6%
Scope 2 emissions (market-based)	364,985	224,964	38%
Scope 3 emissions	62,354,135 <sup>3</sup>	59,929,320	4%

<sup>2</sup> Consistent with past reporting by the Company, these figures include the impact through 2023 of the Corporate backed VPPA program in the U.S., recognizing that the SBTi is currently assessing the effectiveness of Environmental Attribute Certificates (EACs) in corporate climate targets to inform its revisions to the net zero standard.

<sup>3</sup> These 2018 baseline Scope 3 emissions were updated in 2024 to reflect more complete product volume inputs and the inclusion of Category 7 Employee Commuting emissions, which were first included for baseline and current reporting in 2023.



How We Measure Climate Impact

We hold ourselves accountable by measuring emissions data annually and partnering with experts to report progress using the latest leading methodologies for data collection and analysis in alignment with the Greenhouse Gas Protocol.

We have an internal, enterprise-level climate tracking system that uses millions of data points to model emissions from sourcing, restaurants and operations. The climate tracking system runs parallel with the supply chain sustainability reporting system and other restaurant-related data systems, using common sources of information. We also engage suppliers directly to better understand the actions of key suppliers on climate and forests.

Climate plans and targets are informed by internal and external data sets that may be incomplete and that continue to evolve over time. This includes, for example, Company growth predictions and emissions footprint measurements for various operational activities and geographies. We will continue to evolve McDonald's systems through annual reviews of data quality and completeness, climate accounting methodology and the latest scientific insights and benchmarking capabilities.

Climate-Related Targets and Progress

Net Zero Climate Target

In 2018, we set targets, approved by the SBTi, to reduce GHG emissions in line with a 2°C warming scenario. Since then, as science has evolved so have our targets. In 2023, the SBTi validated our global 2050 net zero emissions reduction target and our adjusted 2030 global emissions target, aligned with the latest guidance to help keep global temperature rises below 1.5°C.<sup>4</sup>

By the end of 2030, from a 2018 base year, McDonald's commits to reduce:

- Absolute Scope 1 and 2 GHG emissions by 50.4% from Company-owned and operated restaurants and offices.
- Absolute Scope 3 energy and industrial GHG emissions by 50.4% from Franchisee and Company-owned and operated restaurants, and the facility, logistics and plastic packaging emissions in our supply chain.
- Absolute Scope 3 Forest, Land and Agriculture (FLAG) GHG emissions by 16% and to maintain no deforestation across its primary deforestation-linked commodities.

Meeting these targets requires Systemwide as well as third-party coordination and alignment, over which we do not have complete control and which may be unpredictable. The standards by which these targets are measured are also evolving and subject to assumptions that could change over time. Our ability to meet our SBTi-validated target may be impacted if third-party accounting methodologies do not enable or recognize McDonald's procurement of renewable electricity to account for Franchisee restaurant emissions.

Progress Toward the 2030 Targets

We have worked to evolve McDonald's 2030 targets in alignment with the SBTi-approved net zero target. This process included updating the restaurants and offices target, as well as the supply chain target, based on the latest science and guidance from external experts.

Achieving these ambitions will require continued and immediate action throughout our own business and across our full value chain – including our independent Franchisees and suppliers, with support and enabling conditions from industry peers, NGOs and government on all levels. Among other efforts, we intend to continue focusing on:

- Adding renewable energy to the grid, including through VPPAs.

- Scaling regenerative agriculture practices within our supply chain.
- Contributing to deforestation-free supply chains for our primary commodities through our sourcing actions.
- Using our voice to advocate for climate positive policies globally.

Food, Land and Agriculture Targets

The SBTi requires companies with significant value chain emissions from farming and land-based activities to set targets that specifically address FLAG-related emissions, including those associated with land use change from deforestation and ecosystem conversion.

We have set targets for beef and chicken in line with industry requirements that 2030 goals cover two-thirds of relevant emissions.

Source: CDP 2023 C0.1, C1.3a, C2.2a, C2.3a, C2.4a, C4.1a, C5.1, C5.2, C6.1, C6.2, C6.3, C6.4, C6.5, C6.10, C7.5, C7.6c; Purpose & Impact Report

4 McDonald's SBTi-validated target in full:

- McDonald's Corporation commits to reduce absolute Scope 1 and 2 GHG emissions 50.4% by 2030 from a 2018 base year.
- McDonald's Corporation also commits to reduce absolute Scope 3 energy and industrial GHG emissions from purchased goods and services, fuel- and energy-related activities, upstream transportation and distribution, waste generated in operations, end-of-life treatment of sold products, and franchises 50.4% within the same timeframe.
- McDonald's Corporation commits to reduce absolute Scope 3 FLAG GHG emissions 16% by 2030 from a 2018 base year. McDonald's Corporation also commits to maintain no deforestation across its primary deforestation-linked commodities.