

# OUR JOURNEY TOGETHER. FOR GOOD.



**MCDONALD'S CORPORATE SOCIAL  
RESPONSIBILITY & SUSTAINABILITY REPORT  
2012 - 2013**



# 2012-2013 HIGHLIGHTS

OFFERED FRUITS,  
VEGETABLES OR  
LOW-FAT DAIRY



**IN HAPPY MEALS IN MORE THAN  
95% OF MCDONALD'S RESTAURANTS.**



## WASTE AND RECYCLING



OF THE 34,113 RESTAURANTS SURVEYED IN 2013,  
**90% REPORTED RECYCLING USED COOKING OIL AND  
77% REPORTED RECYCLING CORRUGATED CARDBOARD.**



**100%**

OF THE FISHERIES THAT MCDONALD'S SOURCES  
WHITEFISH FROM ARE VERIFIED SUSTAINABLE.



**87%** of restaurant managers felt  
the person they reported to supported  
their professional development in 2013.

\*Data reflects numbers from Company-owned restaurants in Canada,  
Germany, the U.K., and the U.S., as well as restaurants in Brazil and Japan.



MCDONALD'S SUPPORT HAS HELPED  
RMHC TO IMPACT THE LIVES OF

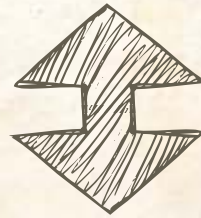
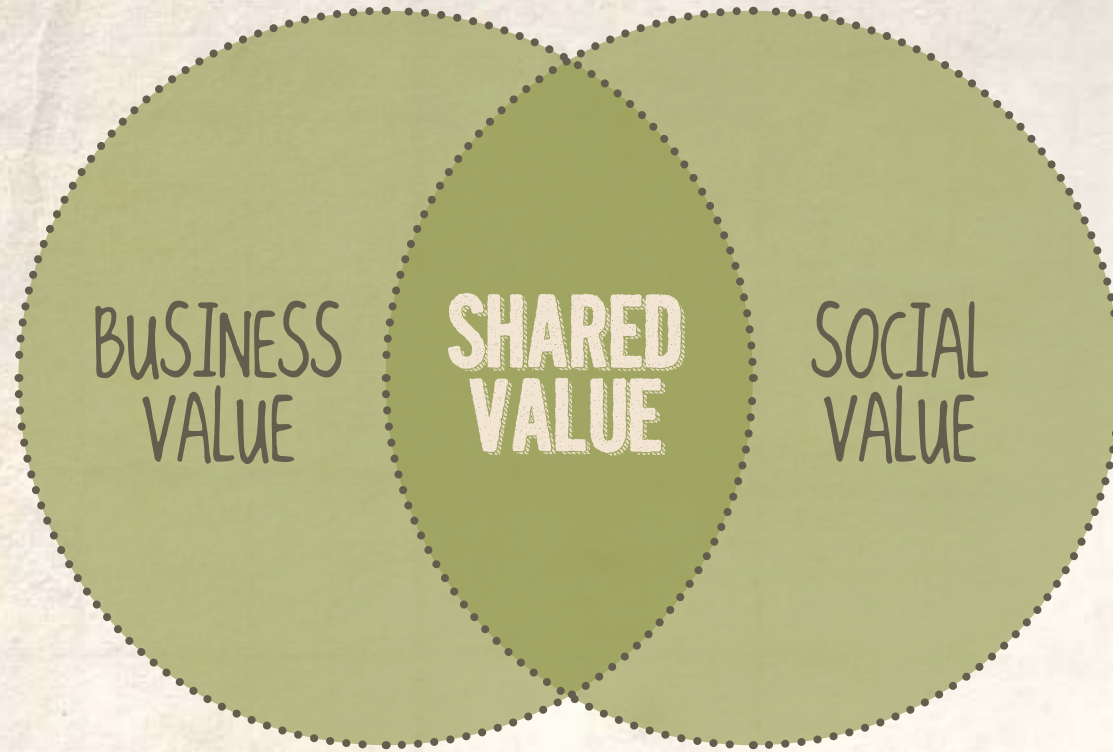
**7 MILLION CHILDREN  
AND THEIR FAMILIES EACH YEAR.**



A person wearing a yellow and red McDonald's mask is holding a red report cover. The cover features a white table of contents. The background is a blurred outdoor setting with trees and a building.

# WHAT'S INSIDE OUR JOURNEY

2012-2013 HIGHLIGHTS .....	2
FROM OUR CEO .....	5
OUR CSR & SUSTAINABILITY STRATEGY .....	6
ABOUT THIS REPORT .....	8
ABOUT McDONALD'S .....	10
STAKEHOLDER ENGAGEMENT .....	12
GOOD FOOD .....	18
GOOD SOURCING .....	34
McDONALD'S ESTIMATED CARBON FOOTPRINT .....	56
GOOD PLANET .....	58
GOOD PEOPLE .....	78
GOOD COMMUNITIES .....	92
ETHICS AND GOVERNANCE .....	108
APPENDIX .....	113



OUR JOURNEY TOGETHER.  
**FOR GOOD.**



## FROM OUR CEO

# WELCOME TO MCDONALD'S 2012-2013 CORPORATE SOCIAL RESPONSIBILITY & SUSTAINABILITY REPORT

Every day, McDonald's independent restaurant Franchisees, suppliers, and Company employees are working together to provide great-tasting food and beverages to our customers around the world. Through good people, we also strive to create great experiences with our Brand, and to be a good neighbor and partner in the local communities where we operate.

Even though our approach may vary from country to country—and even from restaurant to restaurant—we are all aligned around a common ambition: being a force for good.

This notion of “good” has always been an important part of our heritage—and it's an equally important part of our future. We are committed to working toward a tomorrow where quality food and balanced choices are accessible and affordable to all. Where the food we serve is sustainably sourced from thriving farms. Where environmental protection and efficiency are universal. Where people from all walks of life are valued for their unique contributions to a shared global community. And, where every restaurant is more than an address on a map—it's part of the local neighborhood.

This report—and the framework we are launching with it—reflect the progress we are making toward this vision for the future, and our plans as we continue to look forward. Our work across the broad spectrum of sustainability—from well-being to energy efficiency and animal health—reflects our understanding that sustainability in McDonald's restaurants and in our supply chain drives growth, creates jobs, and fuels economies.

**“WE REALIZE THAT OUR  
BUSINESS AND OUR  
RESPONSIBILITIES TO SOCIETY  
ARE INEXTRICABLY LINKED.”**

We realize that our business and our responsibilities to society are inextricably linked. Now more than ever, customers care about where products come from, how they are sourced, and the environmental, ethical and economic impact of purchase decisions they make each day. At the same time, society, businesses and individuals are continuously faced with significant global issues like the demand for resources of a growing population. The benefits to solving these challenges are significant. From assuring supply and reducing the risk of long-term supply interruptions to encouraging sustainable economic growth for businesses and communities and reducing operating costs through greater efficiencies, the ways we choose to address these challenges will change the world for the better and ensure we maintain an enduring, sustainable and profitable business model.

As we continue along this journey, we're striving to ensure our actions and our ambitions are both holistic and outcome-based.

I'm encouraged by the progress we're making and our accomplishments along the way—a number of which are detailed in the pages of this report. At the same time, we also know that we must continue to expand and evolve our efforts. That's why we continuously challenge ourselves, our Franchisees and our suppliers to keep working together and finding even better ways to be a force for good.

Thank you for your interest in McDonald's and our efforts to do good in the world. And, on behalf of our global system of Franchisees, employees, and suppliers, I invite you to join us as we continue on this journey together.



**DON THOMPSON**  
President & CEO  
McDonald's Corporation



# OUR CSR & SUSTAINABILITY STRATEGY

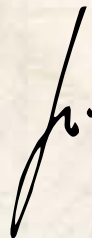
**IN MY ROLE AS** McDonald's Senior Vice President of Global CSR, Sustainability, and Philanthropy, I've had the pleasure of working closely with a broad spectrum of internal and external stakeholders as we finalized our CSR & Sustainability Framework. This Framework, which serves as the foundation for this Report, provides the structure and focus to help us mainstream sustainability, drive progress, and achieve our 2020 vision for McDonald's CSR & Sustainability efforts.

We've worked diligently to develop this CSR & Sustainability Framework focused on five key areas—Food, Sourcing, Planet, People, and Community. These pillars are central to our commitment to create shared value for our business and society.

In the course of developing this blueprint for our work in the area of CSR & Sustainability we've methodically developed distinct, forward-looking goals. These goals will serve to focus us on a long-term view of the social and environmental business imperatives that will help shape our future. McDonald's is working System-wide to meet or exceed these goals.

As we look to the future, it's important to note that there will be related challenges associated with achieving these goals. With this in mind, implementing robust data collection, reporting and infrastructure enhancements will be critical to our success. We have begun to enact changes that will help us address these priority areas and foster continued focus on developing policies, programs and tactics that will help us meet these goals.

We welcome your contributions to this effort as we all continue on "Our Journey Together. For Good."



**J.C. GONZALEZ-MENDEZ**

Senior Vice President

Global CSR, Sustainability & Philanthropy, McDonald's Corporation



# GROWING OUR BUSINESS BY MAKING A POSITIVE DIFFERENCE IN SOCIETY

## OUR FRAMEWORK

We have worked to develop and finalize a Global CSR & Sustainability Framework, with five clear priority areas, or “pillars,” to structure our efforts. We identified our aspiration in each pillar with input from key internal and external stakeholders who understand the complexities of our business model and the greatest opportunities to create shared value for our business and society. In 2013, we were able to develop measurable, specific goals for some of these efforts to align McDonald’s around common goals for advancing what we call “Our Journey Together. For Good.”

### SOURCE ALL OF OUR FOOD AND PACKAGING SUSTAINABLY

#### 2020 ASPIRATIONAL GOALS |

#### BEEF: SUPPORT SUSTAINABLE PRODUCTION

Lead development of global principles and criteria in 2014.  
Develop goals and begin purchase of verified sustainable beef by 2016.

#### 100% OF COFFEE, PALM OIL AND FISH

Verified as supporting sustainable production.

#### 100% OF FIBER-BASED PACKAGING

From certified or recycled sources.



### DEVELOP AND OPERATE THE MOST ENVIRONMENTALLY EFFICIENT McDONALD’S RESTAURANTS

#### 2020 ASPIRATIONAL GOALS |

#### 20% INCREASE IN ENERGY EFFICIENCY OF COMPANY-OWNED RESTAURANTS

Top 9 Markets excluding Brazil and Japan. Develop Franchisee goal in 2016.

#### INCREASE ENERGY EFFICIENCY THROUGH RESTAURANT STANDARDS

Top 9 Markets. Develop goals in 2014.

#### INCREASE AMOUNT OF IN-RESTAURANT RECYCLING TO 50% AND MINIMIZE WASTE

Top 9 Markets



OUR JOURNEY TOGETHER.  
FOR GOOD.

### PROVIDE BALANCED CHOICES

#### 2020 ASPIRATIONAL GOALS |

#### SERVE 100% MORE FRUIT, VEGETABLES, LOW-FAT DAIRY OR WHOLE GRAINS

Top 9 Markets

#### REDUCE SALT/SODIUM, SUGAR, SATURATED FAT OR CALORIES ACROSS THE MENU

Top 9 Markets. Develop goals by 2015.



#### CORE VALUE |

### GIVE BACK TO OUR COMMUNITIES

#### IMPROVE THE LIVES OF CHILDREN AND THEIR FAMILIES

Through support of Ronald McDonald House Charities and other organizations.

#### STRENGTHEN COMMUNITIES

By addressing needs such as education and physical activity.



COMMITTED FOR OVER 50 YEARS TO OUR EMPLOYEES AND COMMUNITIES



### COMMITTED TO OUR PEOPLE

#### CREATE OPPORTUNITY

Provide lifelong skills and career opportunities for our global workforce.

#### PROMOTE DIVERSITY AND INCLUSION

Foster a work environment that values the unique contributions of all.

#### CORE VALUE |

# ABOUT THIS REPORT

Sharing our Corporate Social Responsibility (CSR) & Sustainability progress with our stakeholders is a key part of McDonald's journey to growing our business sustainably and making a positive difference in society. We've been reporting on this journey for more than a decade, publishing six full-length reports between 2002 and 2010 and two summary reports in 2011 and 2012.

Since then many of our stakeholders have recommended that we share more about our CSR & Sustainability journey. We are encouraged by the progress we're making and know that being transparent about our goals, our successes and the lessons we've learned helps us continuously improve.

## WHAT WE MEAN WHEN WE SAY...

Given the complexity of McDonald's business, communicating about CSR & Sustainability can be challenging. To facilitate understanding of what we mean we've defined key terms below used throughout this report.

### McDONALD'S TERMS AND DEFINITIONS

<b>McDONALD'S</b>	<ul style="list-style-type: none"> <li>• Our global Brand, unless specified otherwise</li> </ul>
<b>WE/THE COMPANY</b>	<ul style="list-style-type: none"> <li>• McDonald's Corporation and its majority-owned subsidiaries worldwide</li> </ul>
<b>THE SYSTEM</b>	<ul style="list-style-type: none"> <li>• The Company, its Franchisees and suppliers are collectively referred to as the "System"</li> <li>• Also known as McDonald's "three-legged stool"</li> </ul>
<b>FRANCHISEES</b>	<ul style="list-style-type: none"> <li>• Collective group of independent individuals and entities operating McDonald's restaurants—see page 10 for more details</li> </ul>
<b>RESTAURANTS</b>	<ul style="list-style-type: none"> <li>• Includes restaurants owned by the Company and its Franchisees</li> </ul>

## SCOPE OF THE REPORT

The reporting organization of this report is McDonald's Corporation, headquartered in Oak Brook, Illinois, USA. Performance data included in this report generally reflects operations in our top nine markets: Australia, Brazil, Canada, China, France, Germany, Japan, the United Kingdom and the United States. Two of these markets, Brazil and Japan, are entirely operated by Franchisees and we rely on the accuracy of the performance data provided by their management. The designation "top markets" reflects many factors such as System-wide sales, revenues, operating income, number of restaurants and potential for growth. Together, they represent about 70% of total revenues.

Except where noted, reported performance includes restaurants owned by the Company and those owned by Franchisees.

### OUR CSR & SUSTAINABILITY REPORT COVERS

<b>TOP 9 MARKETS</b>	<ul style="list-style-type: none"> <li>• Australia</li> <li>• Brazil</li> <li>• Canada</li> <li>• China</li> <li>• France</li> <li>• Germany</li> <li>• Japan</li> <li>• United Kingdom</li> <li>• United States</li> </ul>
<b>PERIOD</b>	January 1, 2012 - December 31, 2013
<b>BASELINE YEAR FOR ASPIRATIONAL GOALS</b>	2012, with the exception of our energy efficiency goal (2013)
<b>UNITS</b>	Metric, unless otherwise noted
<b>CURRENCY</b>	U.S. dollar
<b>REPORTING FRAMEWORK</b>	Global Reporting Initiative (GRI) 3.1 Sustainability Reporting Guidelines



# WHAT'S INSIDE

At McDonald's, our CSR & Sustainability approach is guided by the **Five Pillars of our CSR & Sustainability Framework—Food, Sourcing, Planet, People and Community**. These pillars establish a clear vision for our critical areas of focus and are aligned with the work we're doing to address the issues of highest importance to our internal and external stakeholders. In this, our ninth sustainability report, we've dedicated individual chapters to sharing our progress under each pillar.

## ASPIRATIONAL GOALS

The aspirational goals included in our framework provide a destination we desire to achieve by 2020. Each of our five pillars is at different stages of progress, governance and resource allocation. Our Framework currently includes goals for Food, Sourcing and Planet, while People and Community represent core foundational values. In addition, our business operates under various constraints that impact our journey to achieve these goals. As a brand we realize that it will be difficult to measure progress in all the countries where we operate, but will strive to motivate the entire System by providing tools and resources to drive engagement and performance across our System. Progress toward the aspirational goals will be aggregated and reported in our annual sustainability report, but market-by-market progress may vary. Plans to achieve the global goals will be created based on market-by-market considerations.

We cannot guarantee that we will achieve these stated goals given the above factors. The Company is committed to putting forth good-faith efforts to make progress towards these goals, to report on an annual basis tangible progress and measurements, where possible, and to explain both successes and challenges along this journey.

### THINGS TO KEEP IN MIND . . .

- **OUR FRANCHISEES AND SUPPLIERS ARE INDEPENDENT BUSINESS OWNERS WHO MAKE DECISIONS FOR THEIR OWN ORGANIZATIONS, WHILE MAINTAINING CORE STANDARDS FOR OUR BRAND AND CUSTOMER SATISFACTION.** We cannot prescribe CSR & Sustainability solutions for them. Rather, we work in collaboration to raise awareness and provide tools and opportunities to help them on their CSR & Sustainability journeys. We work with suppliers to mutually set objectives and targets on CSR & Sustainability and monitor their progress.
- **COMPANY EMPLOYEES AND COMPANY-OWNED RESTAURANTS ARE IN OUR DIRECT SPHERE OF CONTROL.** Therefore, many of the measures start with Company restaurants, with a plan to demonstrate success and expand measurement, as more independent Franchisees choose to implement CSR & Sustainability initiatives.
- **ALONG WITH THE VISION FOR EACH GOAL, WE MAY PROVIDE AN INITIAL, NARROWER SCOPE FOR MEASUREMENT PURPOSES, IF NEEDED.** This scope reflects our available baseline data and short-term measurement capabilities, which we will continue to improve over time. The majority of our aspirational goals focus on our top 9 markets, as specified.



# ABOUT McDONALD'S

With more than 35,000 locations in over 100 countries, McDonald's serves approximately 70 million customers each day. More than 80% of McDonald's restaurants worldwide are owned and operated by independent Franchisees. An estimated 1.8 million people work for the Company and our Franchisees, helping us deliver on our collective mission to be our customers' favorite place and way to eat and drink.

## A GLOBAL FAMILY OF LOCAL RESTAURANTS

All restaurants are operated by either the Company or Franchisees, including conventional Franchisees, developmental licensees and affiliates, as explained below.

### RESTAURANT OWNERSHIP

<b>COMPANY-OWNED</b>	<p><b>Owned and operated by the Company</b></p> <ul style="list-style-type: none"> <li>The Company owns the land and building or secures long-term leases for both</li> </ul>
<b>FRANCHISED</b>	<p><b>Owned/Operated under one of the following ownership structures</b></p>
Conventional Franchise	<ul style="list-style-type: none"> <li>Typically small business owners</li> <li>Provides a portion of the capital required by investing in the restaurant equipment, signage, seating and décor and is responsible for the day-to-day restaurant operations</li> <li>Leases restaurant location(s) from the Company</li> <li>Contributes to the Company's revenue stream through the payment of initial franchise fees, and rent and royalties based upon a percent of restaurant sales</li> </ul>
Developmental License (DL)	<ul style="list-style-type: none"> <li>Typically receives a license to operate restaurants within specified territory and may have the right to sub-franchise McDonald's restaurants within their territory to individual Franchisees</li> <li>Will own or lease their own restaurant premises without the Company's investment</li> <li>Contributes to the Company's revenue stream through the payment of initial franchise fees, and royalties based upon a percent of restaurant sales</li> <li>The largest developmental licensee, operating nearly 2,100 restaurants across 19 countries in Latin America, including Brazil and the Caribbean, is Arcos Dorados Holdings Inc., a public company</li> </ul>
Affiliate	<ul style="list-style-type: none"> <li>The Company makes an equity investment in other companies that operate McDonald's restaurants under license as joint ventures or affiliates</li> <li>The affiliate will typically own or lease the real estate underlying their restaurants and may operate or sub-franchise restaurants within their licensed territory</li> <li>Contributes to the Company's revenue through a royalty based on a percent of restaurant sales and the Company's share of earnings</li> <li>The largest affiliate is in Japan, with nearly 3,200 restaurants operated by McDonald's Holding Company (Japan), Ltd (a 49.9% owned affiliate), a public company</li> </ul>

## MCDONALD'S GEOGRAPHIC SEGMENTS

McDonald's business is managed in distinct geographic segments. Significant reportable segments include the United States (U.S.); Europe; Asia/Pacific, Middle East and Africa (APMEA). In addition, McDonald's business operations in Canada and Latin America, as well as Corporate activities, are collectively referred to as "Other Countries and Corporate."

U.S.	<ul style="list-style-type: none"> <li>Represents 14,278 restaurants</li> <li>Accounts for 31% of the Company's total revenues</li> </ul>
Europe	<ul style="list-style-type: none"> <li>Represents 7,602 restaurants operated across 49 countries</li> <li>Accounts for 40% of the Company's total revenues</li> <li>The segment's three largest markets—the U.K., France and Germany—collectively account for 50% of the revenues the Company receives from Europe</li> </ul>
APMEA	<ul style="list-style-type: none"> <li>Represents 9,918 restaurants operated across 37 countries</li> <li>Accounts for 23% of the Company's total revenues</li> <li>The segment's three largest markets—China, Australia and Japan—collectively account for 54% of the revenues the Company receives from APMEA</li> </ul>
Other Countries & Corporate	<ul style="list-style-type: none"> <li>Represents 3,631 restaurants operated across 29 countries</li> <li>Segment includes operations in Canada and Brazil</li> </ul>

As of 12/31/13

## GROWING OUR BUSINESS RESPONSIBLY

Over the past decade, our worldwide operations have been aligned around a long-term strategic framework called the Plan to Win. Focused on the five basics of an exceptional customer experience—People, Products, Place, Price, and Promotion—the Plan serves as our operations roadmap to further enhance the customer experience and drive sustainable and profitable growth. At the same time, we are focused on continuous improvement in addressing environmental, social, and economic issues where we can have a positive impact for our customers and our business.

### THREE-YEAR REVENUES 2011-2013

	2011	2012	2013
U.S.	8,528	8,814	8,851
Europe	10,886	10,827	11,300
APMEA	6,020	6,391	6,477
Other Countries and Corporate	1,572	1,535	1,478
<b>TOTAL</b>	<b>\$27,006</b>	<b>\$27,567</b>	<b>\$28,106</b>

Dollars in millions.

The Company's revenues consist of sales by Company-owned restaurants and fees from restaurants operated by Franchisees. Revenues from restaurants operated by conventional franchisees include rent and royalties based on a percent of sales along with minimum rent payments, and initial fees. Revenues from restaurants operated by affiliates (including Japan) and developmental licensees (including Brazil) consist of royalties based on a percent of sales, and generally include initial fees.

## THE THREE-LEGGED STOOL

Former Chairman Fred Turner characterized McDonald's operations as a three-legged stool, the legs being the Company and its employees, Franchisees, and suppliers. As with a stool, all three legs are essential, and all three legs have to be strong and balanced to succeed. We provide a framework of common values, policies, and business strategies, and empower our Franchisees, our suppliers, and Company staff to contribute in ways that reflect their unique expertise and particular circumstances. This "freedom within a framework" supports best practices and innovations in our individual markets and enables us to meet the local needs of customers and employees.



### FRANCHISEES

Our relationships with our independent Franchisees are key to McDonald's success, helping to ensure the right balance between individual autonomy and alignment with our worldwide quality and service standards. Franchisees live and work in the communities they serve. They know the local business environment and are connected with the interests and concerns of their communities. Franchisees develop and implement their own business plans, make their own purchases of goods and services, and hire and manage their own employees. In addition to ensuring that McDonald's restaurants worldwide conform to a strict set of quality, service, cleanliness and safety standards, we collaborate with Franchisees to support responsible business practices.

### McDONALD'S SUPPLIERS

Since McDonald's does not actually produce ingredients used in our menu items, our suppliers are a critical leg of our three-legged stool. We fully expect our suppliers to share our values and commitments and have implemented numerous programs to encourage this. We are aware that our procurement policies can affect producer industries and their employees, and we work to exercise this influence responsibly.

### THE COMPANY & ITS EMPLOYEES

The McDonald's customer experience starts with our people. We take seriously the responsibility to promote respectful, safe, healthful working conditions, effective management policies, diversity and inclusion. We pride ourselves on the opportunities for learning, training and development, and advancement within McDonald's, starting with the Company's employees.

# STAKEHOLDER ENGAGEMENT

## DRIVING BROAD PROGRESS THROUGH COLLABORATIONS

Advancing CSR & Sustainability is a team effort. Each of us—individuals, communities, companies and governments—has an important role to play. Ultimately though, the world's challenges are bigger than each of us alone. That's one reason we engage directly with organizations and participate in coalitions, associations and initiatives made up of diverse stakeholders working together for the common good. We contribute our time, knowledge and financial support to various local, national and global organizations striving for collective solutions.

### CSR & SUSTAINABILITY

- **Business for Social Responsibility** (member)
- **Sustainability Consortium** (member)
- **Global Reporting Initiative** (organizational stakeholder - Germany)

### FOOD

- **Global Food Safety Initiative** (board member)
- **International Food & Beverage Alliance** (member)
- **Alliance for a Healthier Generation** (partner)
- **Clinton Global Initiative** (member)

### PLANET

- **Conservation International's Business and Sustainability Council**

### SOURCING

- **Global Roundtable for Sustainable Beef** (founding member)
- **Roundtable on Sustainable Palm Oil** (member)
- **Sustainable Agriculture Initiative** (member)
- **World Wildlife Fund** (collaborator)

### PEOPLE

- **Catalyst** (global research partner)
- **Multicultural Foodservice & Hospitality Alliance** (member)

“OVER THE LAST 20+ YEARS OF WORKING ON CSR & SUSTAINABILITY ISSUES FOR McDONALD'S, WE'VE WORKED WITH A WIDE RANGE OF SOCIAL AND ENVIRONMENTAL NGOS, SUPPLIERS, ASSOCIATIONS AND OTHER EXPERTS. I TRULY ENJOY IT, AND THEY ENERGIZE AND STIMULATE INNOVATION FOR OUR TEAM. WHAT BETTER WAY TO STAY IN TUNE WITH SOCIETAL NEEDS THAN TO LISTEN AND LEARN FROM THE BEST AND BRIGHTEST IN AREAS SUCH AS ANIMAL WELFARE, THE ENVIRONMENT, AND HUMAN RIGHTS? THEIR AMAZING PASSION AND INSIGHTS HELP US CREATE BETTER SUSTAINABILITY STRATEGIES AND PROGRAMS.”

### BOB LANGERT

Vice President CSR & Sustainability

McDonald's Corporation



**BOB LANGERT (LEFT), VICE PRESIDENT OF CSR & SUSTAINABILITY, (WITH FORREST ROBERTS, CEO, NATIONAL CATTLEMEN'S BEEF ASSOCIATION) ADDRESSING THE ISSUE OF SUSTAINABLE BEEF.**

## WORKING WITH OUR STAKEHOLDERS

McDonald's stakeholders are important to our CSR & Sustainability progress. We are all in this together from our employees, Franchisees and suppliers, to investors, non-governmental organizations, and academics. Ongoing two-way dialogue is essential. It helps us prioritize issues of greatest concern to our business and society. It drives innovation and it builds trust.

### Q: **STAKEHOLDER PERSPECTIVE** **WHAT MORE COULD McDONALD'S DO TO ADDRESS STAKEHOLDER INTERESTS?**

We are pleased that the process of stakeholder engagement at McDonald's has started to result in more actions and strategic commitments. For instance, we have talked over the years about setting public goals and targets, and those have now been established. We are looking forward to these being strengthened going forward. This framework is particularly important as McDonald's sometimes downplays its influence but, as a prominent global brand, the Company has a responsibility to ensure that sustainability is a core part of its business strategy—when McDonald's acts, other companies can follow suit, influencing the broader market.

That said, it's not always clear how McDonald's makes sure stakeholder feedback gets into their business process and strategies. Ceres would like to see more transparency regarding complex issues like obesity, climate change, and water scarcity, along with bolder actions McDonald's might take and how they will engage Franchisees in this journey. We would like to know more about how sustainability fits into McDonald's risk management and governance and how social and environmental issues will be addressed as part of their business performance through 2020 and beyond.



**ANDREA MOFFAT**

Vice President

Corporate Programs at Ceres

## HOW WE'RE RESPONDING TO STAKEHOLDER FEEDBACK

We take the feedback of stakeholders like Andrea seriously. In the ensuing pages, many of the issues that she—and other stakeholders with whom we work—have raised, are addressed. We are thankful for the insights and guidance we have received as a result of our ongoing stakeholder engagement efforts. They have played a significant role in defining our CSR & Sustainability Framework, associated goals and reporting efforts. Read on to learn more.

## 2011-2013 CSR & SUSTAINABILITY STAKEHOLDER ADVISORY TEAM

A diverse group of experts helped shape and refine our Global CSR & Sustainability Framework and provide feedback on our initial goal setting.

The stakeholder team met in person and via conference call on multiple occasions with members of McDonald's leadership team to provide specific recommendations on McDonald's CSR & Sustainability priorities, progress, challenges and reporting areas.

### **ALLIANCE FOR A HEALTHIER GENERATION**

Victoria Brown

### **BUSINESS FOR SOCIAL RESPONSIBILITY**

Eric Olson

### **CALVERT INVESTMENTS**

Ellen Kennedy

### **CERES**

Andrea Moffat

### **CLINTON HEALTH MATTERS INITIATIVE**

Rain Henderson

### **INTERFAITH CENTER ON CORPORATE RESPONSIBILITY**

Laura Berry

### **UNIVERSITY OF TORONTO**

Harvey Anderson

### **WALDEN ASSET MANAGEMENT**

Heidi Soumerai

### **WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT**

Jessica McGlyn

### **WORLD RESOURCES INSTITUTE**

Chris Perceval

### **WORLD WILDLIFE FUND**

Jeff Malcolm

# BE BOLD. BE TRANSPARENT. BE A LEADER.

Our stakeholder engagement process has identified a number of issues that are important to society and our business, including several over-arching priorities for the future.



## WHAT OUR STAKEHOLDER ADVISORY TEAM TOLD US

**GOALS:** SET LONG-TERM, MEASURABLE, AMBITIOUS GOALS.

**FOOD:** FOCUS ON FOOD AS THE PRIORITY.

**SOURCING:** LEVERAGE McDONALD'S SCALE AND MARKET LEADERSHIP TO INFLUENCE CHANGE ON KEY ISSUES.

**PLANET:** INCORPORATE CLIMATE CHANGE AND WATER RISK AVOIDANCE IN OUR STRATEGY.

**PEOPLE:** BE BOLDER IN OUR COMMUNICATIONS, BOTH INTERNALLY AND EXTERNALLY.

**COMMUNITY:** LEVERAGE EMPLOYEES AS A KEY DRIVER OF COMMUNITY STRATEGY.

## HOW IT IS INFLUENCING OUR JOURNEY



- ESTABLISHED GOALS FOR THREE OF OUR CSR & SUSTAINABILITY PILLARS
- DEVELOPING IMPROVED COLLECTION, CONSOLIDATION, AND REPORTING PROCESSES

- PARTNERED WITH THE ALLIANCE FOR A HEALTHIER GENERATION IN CONNECTION WITH THE CLINTON GLOBAL INITIATIVE TO COMMIT TO INCREASING CUSTOMERS' ACCESS TO FRUIT AND VEGETABLES AND HELPING FAMILIES MAKE INFORMED FOOD CHOICES
- WORKING TO IMPROVE PRODUCT NUTRITIONALS
- PROVIDING EASY ACCESS TO NUTRITION INFORMATION AND MORE CUSTOMER CHOICE

- WORKING THROUGH GLOBAL ORGANIZATIONS TO ADVANCE COLLECTIVE IMPROVEMENTS, SUCH AS SUSTAINABLE BEEF PRODUCTION
- COLLABORATING WITH SUPPLIERS TO SUPPORT MORE SUSTAINABLE AGRICULTURE

- ESTIMATED SYSTEM-WIDE CARBON FOOTPRINT
- DEVELOPED CLIMATE AND ENERGY CHANGE POSITION STATEMENT
- INCLUDED WATER RISK IN ENVIRONMENTAL SCORECARD FOR SUPPLIERS
- COMPLETED WATER STRESS MAPPING FOR ALL RESTAURANTS
- DEVELOPING ENTERPRISE-WIDE WATER STRATEGY AND BEGINNING WATERSHED-LEVEL INVESTIGATIONS

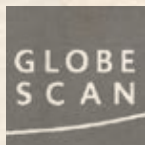
- CREATED A CSR & SUSTAINABILITY COMMUNICATIONS TEAM
- ALIGNING WITH REGIONAL McDONALD'S COMMUNICATIONS PERSONNEL

- PLANNING GLOBAL EMPLOYEE VOLUNTEER PROGRAM AND RECOGNITION INITIATIVE
- CREATING COMMUNITY STRATEGY ALIGNED WITH BRAND AMBITION, CSR & SUSTAINABILITY FRAMEWORK



# FOCUSING ON THE IMPORTANT ISSUES FOR OUR BUSINESS AND SOCIETY

As part of the development of our Global CSR & Sustainability Framework we reviewed a range of stakeholder inputs, benchmarking analyses, research, reports and other sources to determine our priority issues based on their leadership opportunity for McDonald's and their impact on society and the environment.



We also place a high value on what our customers think. As a result, we work with independent organizations to engage with consumers and obtain their perceptions of our CSR & Sustainability performance. For example, GlobeScan has conducted consumer research on McDonald's behalf for the last several years. The findings are based on telephone or face-to-face surveys with over 8,000 randomly sampled consumers across eight countries: Australia, Brazil, Canada, China, France, Germany, U.K. and the U.S. The results are considered to be accurate within 3.1% in each country.

It is no surprise that our food and sourcing are the key areas where consumers would like us to focus, with 51% of consumers in agreement. This was also echoed by our Stakeholder Advisory Team, making food and sourcing two of the key focus areas of our framework.

## 2012 GLOBESCAN RESEARCH ON CONSUMER PERCEPTIONS OF McDONALD'S



1990  
**ENVIRONMENTAL DEFENSE FUND**  
Task force participant to reduce, reuse and recycle materials



1991  
**GLOBAL RELEAF**  
Participant in "Let's Get Growing America," distributing millions of trees



1992  
**NATIONAL RECYCLING COALITION**  
Founding member of Buy Recycled Business Alliance



1993  
**STUDENT CONSERVATION ASSOCIATION**  
Partnership to recognize high school students for environmental efforts



1993  
**US ENVIRONMENTAL PROTECTION AGENCY**  
Participant in Green Lights for energy-saving lighting



1987  
**MCDONALD'S HELPED FOUND RONALD MCDONALD HOUSE CHARITIES**  
Founder of ongoing, global network providing comfort and care to children and their families through Ronald McDonald Houses, Ronald McDonald Family Rooms and Ronald McDonald Care Mobiles

2001  
**FOOD ANIMAL INITIATIVE**  
Sustainable agriculture partnership and Agricultural Assurance Programme – McDonald's Europe



2000  
**ANIMAL WELFARE COUNCIL**  
Establishment of McDonald's Animal Welfare Council and guiding principles



1996  
**DR. TEMPLE GRANDIN**  
Collaboration to develop McDonald's animal welfare auditing program

2001  
**CONSERVATION INTERNATIONAL**  
Partnership to develop McDonald's Sustainable Fisheries Program



1997  
**ENVIRONMENTAL DEFENSE FUND**  
Member of the Paper Task Force developing recommendations for purchasing environmentally preferable paper

2002  
**ENVIRONMENTAL DEFENSE FUND**  
Collaboration to create McDonald's Global Antibiotics Policy

2002-2006  
**PROJECT KALEIDOSCOPE**  
Collaboration to promote sustained compliance with labor standards



2003  
**MCDONALD'S GLOBAL ADVISORY COUNCIL**  
Formation of global expert panel on nutrition and children's well-being



2004  
**REFRIGERANTS, NATURALLY!**  
Member of global initiative to combat climate change and ozone layer depletion



2005  
**CERES**  
Member of Ceres, which supported our stakeholder engagement efforts





# ENGAGEMENT TIMELINE TOGETHER MAKING PROGRESS

## OUR JOURNEY TOGETHER. FOR GOOD.



OVER THE LAST SEVERAL DECADES, WE'VE COLLABORATED WITH APPROXIMATELY 25 ORGANIZATIONS TO DEVELOP PROGRAMS THAT CREATE LASTING CHANGE FOR SOCIETY AND OUR BUSINESS.

**2005**  
**CONSERVATION INTERNATIONAL**  
Partnership to develop McDonald's Supplier Environmental Scorecard

**2005**  
**SUSTAINABLE AGRICULTURE INITIATIVE**  
Member of food industry initiative supporting sustainable agriculture

**2006**  
**AMAZON SOY MORATORIUM**  
Supporter with Greenpeace and suppliers to stop illegal deforestation

**2008**  
**GLOBAL FOOD SAFETY INITIATIVE**  
Member of GFSI's Board

**2009**  
**COALITION FOR SUSTAINABLE EGG SUPPLY**  
Partnership to study humane and sustainable laying hen options—McDonald's USA

**2010**  
**WORLD WILDLIFE FUND**  
Supply Risk Analysis to inform the Company's Sustainable Land Management Commitment; Conveners of Global Conference on Sustainable Beef

**2011**  
**GLOBAL SUSTAINABILITY FRAMEWORK STAKEHOLDER TEAM**  
Establishment to inform McDonald's global targets

**2012**  
**EPA GREEN POWER PARTNERSHIP**  
Commitment to match 30% of energy use in Company-owned restaurants with renewable energy certificates for 2012 - 2013—McDonald's USA

**2012**  
**KaBOOM!**  
Partnership to build 12 playgrounds—McDonald's Foundation

**2013**  
**ALLIANCE FOR A HEALTHIER GENERATION**  
Partnership with Alliance on Clinton Global Initiative commitment to promote balanced food and beverage choices



## OFFERING BALANCED CHOICES AND PROVIDING MORE INFORMATION TO CUSTOMERS

When most people think of McDonald's, they think of food. Iconic menu items like our World Famous Fries and Big Mac are what we're known for around the globe.

Over the past decade and more, McDonald's has been offering even more balanced choices on our menu, changing the composition of some of our classic favorites, and finding newer and better ways to share food and nutrition information with our customers. We're committed to quality food, responsible marketing, and to providing information to enable our guests to make informed choices that fit their nutritional needs and lifestyle. Obesity is a complex and multi-faceted issue. We all have a role to play. We're collaborating with others in the industry and with health and nutrition experts to continue to do more. For McDonald's, Good Food means great taste, modern choices and real ingredients.

## GOOD FOOD - WHAT WE'RE BUILDING ON

- **CONTINUING TO ENHANCE THE NUTRITIONAL PROFILE** of existing menu offerings and developing new menu choices featuring fruit, vegetables, low-fat dairy, and whole grains.
- **FOCUSING ON CHILDREN'S WELL-BEING** by optimizing our children's menu, promoting physical activity, and communicating responsibly.
- **PROVIDING FOOD AND NUTRITION INFORMATION** in relevant ways that help customers make easy, informed choices.

EVOLVING TO MEET THE PREFERENCES OF OUR CUSTOMERS IS CRITICAL TO OUR SUCCESS AT McDONALD'S. WE KNOW THAT QUALITY, CHOICE AND NUTRITION ARE INCREASINGLY IMPORTANT TO CUSTOMERS AND WE'RE COMMITTED TO CONTINUOUSLY MEETING THEIR NEEDS.

### ERIK HESS

Senior Vice President

Global Consumer Insights, Menu and Brand Strategy, McDonald's Corporation



## LOOKING FORWARD TO 2020 - OUR ASPIRATIONAL GOALS FOR GOOD FOOD

### ACROSS OUR MENU:

#### 1. SERVE 100% MORE FRUIT, VEGETABLES, LOW-FAT DAIRY OR WHOLE GRAINS.\*

Top 9 Markets.

\*We are developing guidelines to measure our progress against this goal.

#### 2. REDUCE SALT/SODIUM, SUGAR, SATURATED FAT OR CALORIES ACROSS THE MENU.

Top 9 Markets. Develop goals in 2015.

## PARTNERS IN NUTRITION: ALLIANCE FOR A HEALTHIER GENERATION

In collaborating with the Alliance for a Healthier Generation, we developed our Clinton Global Initiative (CGI) commitment. We are working to find new ways to make nutritious choices and nutrition education a bigger part of the McDonald's experience.

By 2020, in 20 major markets around the world that currently represent more than 85% of our global System-wide sales, we commit to:

1. Offer customers a choice of a side salad, fruit or vegetable as a substitute for French fries in value meals. (Salad, fruit or vegetable option will vary per participating market.)
2. Feature only water, milk and juice as the beverage in Happy Meals on menu boards and in-store and external advertising directed to children. For Happy Meals, remove all soda logos and images of cups with soda from Happy Meal section of menu boards (where it exists) and all in-store and external advertising directed to children. Note: McDonald's will phase out the listing of soda on the Happy Meal section of the menu board. Soda will be available as a beverage option, but it will not be listed on the Happy Meal section of the menu board.
3. Utilize Happy Meal and other packaging innovations and designs to generate excitement for fruit, vegetable, low/reduced-fat dairy, or water options for kids or offer new fruit, vegetable, low/reduced fat dairy or water options in the Happy Meal.
4. Dedicate Happy Meal box or bag panel to communicate a fun nutrition or children's well-being message. (Four times annually.)
5. Include a fun nutrition or well-being message in 100% of advertising directed to children.

McDonald's will retain an independent, reputable third-party organization to verify progress on these commitments in a clear and transparent manner.

### CLINTON GLOBAL INITIATIVE ANNOUNCEMENT

September 26, 2013

Don Thompson, CEO and President,  
McDonald's Corporation  
Former President Bill Clinton  
Dr. Howell Wechsler, CEO,  
Alliance for a Healthier Generation



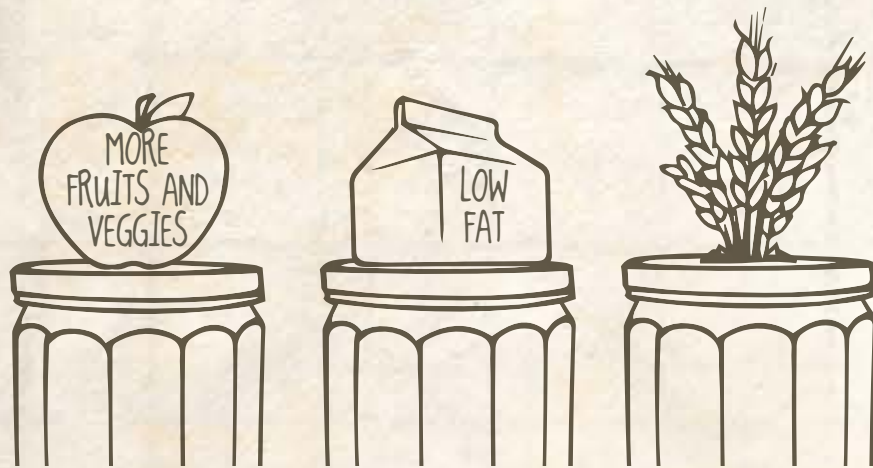
OUR JOURNEY CONTINUES |

2012 - 2013 HIGHLIGHTS

- OFFERED FRUITS, VEGETABLES, OR LOW-FAT DAIRY IN HAPPY MEALS IN MORE THAN 95% OF OUR RESTAURANTS.
- JOINED THE INTERNATIONAL FOOD & BEVERAGE ALLIANCE IN SUPPORT OF THE WORLD HEALTH ORGANIZATION'S GLOBAL STRATEGY ON DIET, PHYSICAL ACTIVITY AND HEALTH.

# MORE CHOICES, IMPROVED NUTRITION

At McDonald's, we have a broad array of menu options that represent a wide spectrum of choices and we are working to improve our variety of offerings—such as adding more fruits, vegetables, low-fat dairy and whole grains to our menu overall, and by making fruits and vegetables fun for children.



## IMPROVED NUTRITION AND CHOICE

### SAME GREAT TASTE, BETTER NUTRITION PROFILE

Before making adjustments to sodium, sugar or fat content, we carefully consider customer input to make sure the taste and experience of our menu offerings still meet customer expectations.

We are also mindful of the diverse nature of the cultural environments in which we operate. Therefore, while we are globally aligned and committed to common goals, each McDonald's market has the flexibility to look for locally appropriate ways to improve nutritional profiles.

“ WE ARE WORKING HARD TO DEVELOP NEW ITEMS THAT OFFER OUR CUSTOMERS THE CHOICE THEY WANT. MANY MARKETS ACROSS EUROPE OFFER NEW FRUIT OPTIONS IN THE HAPPY MEAL, MAKING THEM FUN AND EXCITING TO EAT. ”

#### NICOLA PITMAN

Senior Food Development  
Manager

European Food Studio  
McDonald's Europe



## McDONALD'S NEW HAPPY MEALS IN THE U.S. AVERAGE 18.8% FEWER CALORIES THAN PREVIOUS HAPPY MEALS

At McDonald's request, academic experts have worked to assess the positive outcomes for customers associated with our Happy Meal changes in the U.S. A 2013 study compared the previous three-item Happy Meal—for which apples were optional—with the new four-item Happy Meal in the U.S., which automatically includes apple slices and a smaller-sized portion of fries. The research was conducted by Cornell Food and Brand Lab researchers Brian Wansink and Andrew S. Hanks.

The research determined that, on average, kids who received the new four-item Happy Meal had an average of 104 (or about 18%) fewer total calories in their meal.

### • KEY DISCOVERIES

- Customers did not appear to compensate by choosing higher calorie entrees within the meal.
- 94% of the calorie decrease was due to the smaller size French fry.
- More milk was purchased with Happy Meals during the time period of June-August 2012 as compared to that same time period in 2011.

### • POTENTIAL IMPLICATIONS BEYOND THE RESTAURANT

- Kids learn that fruit is a natural part of a meal.
- Parents can offer smaller portions of favorite snack items instead of eliminating them altogether.

### STUDY QUESTIONS

- What happens if McDonald's lowers calories in the Happy Meal, mainly by reducing the portion size of French fries?
- Would lower-calorie changes lead to choices of other, more calorically dense meal items?

### STUDY METHODS

- Researchers analyzed 232,424 itemized transaction records including a Happy Meal purchase. The data was collected at 30 representative Company-owned restaurants over the summer months (June-August) in 2011 and 2012.
- The 2011 Happy Meal included either a small French fry or apple slices with caramel dipping sauce. The new Happy Meal (introduced March 2012) included both a kid-size fry (52% smaller) and apple slices with no caramel sauce.



AN AVERAGE OF  
**104**  
FEWER CALORIES  
(U.S. HAPPY MEAL)

---

## FOCUSING ON FOOD GROUPS

McDonald's has sold millions of salads worldwide, but our efforts to offer expanded menu choice go well beyond greens. McDonald's markets continue to make real progress in offering menu choices that incorporate fruits and vegetables. Some of our recent innovations to expand choices of fruits and vegetables include:



**ACROSS EUROPE,** McWraps offer a variety of ingredients, and many McWraps contain about 40-60 grams of vegetables.



**McCAFÉ SMOOTHIES** made with pureed fruits and juices.



**HAPPY MEAL FRUIT,** vegetable and low-fat dairy options such as kiwi, apples, tomatoes, corn, carrots and low-fat yogurt offered in countries around the world.



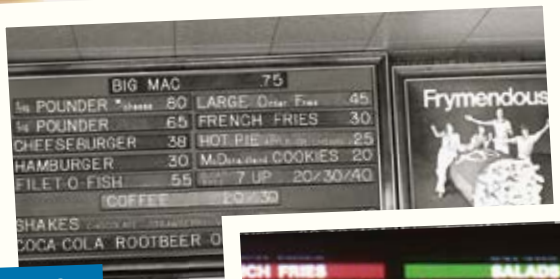
**SEASONAL FRESH FRUIT** including fresh blueberries in the Blueberry Yogurt Crunch and the Blueberry Banana Nut Oatmeal, sold as a limited-time offering in the U.S. in 2012.

# OUR MENU HAS EVOLVED OVER THE YEARS TO INCLUDE MORE CHOICES.

Grilled chicken, salads, fruits, whole grains, low-fat dairy options, and a variety of tastes and sizes all help our customers create meals that satisfy their nutritional and lifestyle needs.



1950s



1970s



1960s



1990s

## OUR MENU TODAY IN BRAZIL

“OUR MENU HAS EVOLVED OVER THE YEARS, AND SO HAS OUR MINDSET AROUND HOW WE ENGAGE OUR GUESTS ON NUTRITION. THERE ARE REAL DIFFERENCES ACROSS GEOGRAPHIES WHEN IT COMES TO NUTRITION. NO MATTER WHERE IN THE WORLD OUR GUESTS VISIT A McDONALD'S, WE WANT THEM TO HAVE THE INFORMATION THEY NEED TO MAKE THE CHOICE THAT'S RIGHT FOR THEM.”



**JULIA BRAUN, MPH, RDN, LDN**  
 Director, Global Nutrition-Global Menu Strategy  
 McDonald's Corporation

## REDUCING SATURATED FAT, SUGAR, ARTIFICIAL TRANS FATS AND SODIUM

We have been working to reduce saturated fats, sugar, artificial trans fats (which form when plant fats are partially hydrogenated) and sodium in a number of our menu items in various markets. For instance, in 2012 a number of McDonald's markets in Europe reduced saturated fat by approximately 30% in sundaes and shakes. In the U.S., switching from 1% low-fat chocolate milk to fat-free chocolate milk reduced calories by 24% and sugar by 12%, and resulted in a beverage with zero grams of both total fat and saturated fat per 8-fluid ounce labeled serving. All of the fried products that McDonald's U.S. serves—including French fries, hash browns and fried chicken choices—have zero grams of trans fat per labeled serving.

McDonald's is also working to reduce sodium in our menu items. The timing and reduction amounts vary by country and menu item. Because nutritional values vary around the world, McDonald's markets have different baselines for measuring sodium content and different opportunities to reduce sodium. The number of McDonald's markets and the menu variation among them has made it difficult to calculate an overall improvement that represents all of our operations worldwide. However, we are making progress, including:

- From 2009-2012, McDonald's Canada worked to reduce sodium in a number of menu items. Two of the ingredients with the biggest sodium reductions are the grilled chicken patty, which had a 45% reduction in sodium, and the crispy chicken patty, which had a 50% reduction in sodium.
- The amount of salt dispensed on fries has been reduced by 20% in markets across Europe.
- McDonald's Australia achieved a 20% sodium reduction in their American cheese slices.
- During the last several years, a number of markets in Europe have been working to reduce salt in their Chicken McNuggets.



## BOOSTING WHOLE GRAINS

McDonald's USA uses buns made with 8 grams of whole grain for premium chicken sandwiches, offers Fruit & Maple Oatmeal with two servings of whole grain in the oatmeal and uses an English muffin made with 8 grams of whole grain for breakfast sandwiches. The oatmeal offerings alone have provided more than 500 million servings of whole grain since the oatmeal was introduced in January 2011.



## STRIVING TOWARD SUSTAINABLE BEEF

Enhancing nutrition and choice is important to McDonald's, and so is sourcing our ingredients responsibly. We are collaborating with other stakeholders to help develop a common set of guiding principles and best practices for sustainable beef.



See the Sourcing section for more about our progress toward sustainable sourcing for beef, fish and other priority ingredients.

# FOCUSING ON CHILDREN'S WELL-BEING

McDonald's commitment to children's well-being manifests itself in several ways. We take a thoughtful and varied approach to contributing positively to the balanced lifestyles of our youngest customers.

First, it begins with the food we serve through Happy Meal innovations in a number of countries. We continue to make fruits, vegetables and low-fat dairy more accessible and fun for children. Secondly, our commitment to responsible marketing practices has led to the development of voluntary pledges in several markets and creative advertising campaigns that encourage an active and balanced lifestyle. In addition, our recent commitment made in partnership with the Alliance for a Healthier Generation as part of the Clinton Global Initiative, is designed to ensure that 100% of advertising directed to children will include a fun nutrition or well-being message in 20 major markets by the year 2020.



## GLOBAL ADVISORY COUNCIL— GUIDING NUTRITION AND CHILDREN'S WELL-BEING

For assistance with guidance and counsel regarding McDonald's commitments to children's well-being, the Company formed the McDonald's Global Advisory Council (GAC) in 2003 which includes experts from academia and science representing premier institutions around the world. The GAC provides professional guidance to help us evolve our approach and programs in the areas of nutrition and children's well-being. Since 2003, it has provided McDonald's with guidance on global nutrition labeling and approaches for motivating children to eat more fruits and vegetables and stay active. Current members of the GAC include:



**HARVEY ANDERSON, PH.D.**

University of Toronto, Canada

**ARNE ASTRUP, M.D., PH.D.**

Royal Veterinary and Agricultural University of Copenhagen, Denmark

**YVONNE BRONNER, SC.D., R.D.N., L.D.**

Morgan State University, USA

**ROGER CLEMENS, DRPH.**

USC School of Pharmacy Institute for Food Technology, USA

**SILVIA COZZOLINO, PH.D.**

São Paulo University, Brazil

**ADAM DREWNOWSKI, PH.D., M.A.**

University of Washington in Seattle, USA

**PENNY KRIS-ETHERTON, PH.D., R.D.N., F.A.H.A.**

Pennsylvania State University, USA

**JAMES O. HILL, PH.D.**

University of Colorado School of Medicine, USA

**PAUL GATELY, PH.D.**

Leeds Metropolitan University, U.K.

**JUDY RODRIGUEZ, PH.D., R.D.N., L.D.N., F.A.D.A.**

University of North Florida, USA

**BRIAN WANSINK, PH.D.**

Cornell University, USA

**GLEN WIGGS, MNZM, LL.B., IMD**

The University of the Sunshine Coast, Queensland, New Zealand

Q:

### STAKEHOLDER PERSPECTIVE

**CONSIDERING GLOBAL FOOD AND NUTRITION ISSUES, WHAT MORE CAN MCDONALD'S DO TO SUPPORT CHILDREN'S WELL-BEING?**

McDonald's has launched many carefully planned nutrition and well-being initiatives, such as reducing the calorie count in the most popular McDonald's USA Happy Meals. This is one of the most exciting innovations in years! But most of McDonald's innovations—as positive as they are—may not necessarily be enough to engage all consumers in significant behavior change. Realistically, McDonald's can't change the world but it can make a positive difference. It has a large customer base, is a global company and is ahead of the curve in terms of menu variety and nutrition. Going forward, McDonald's should develop a cohesive framework around food and physical activity and work to provide tangible evidence of its benefits to children.

**PROFESSOR PAUL GATELY**

Leeds Metropolitan University, U.K.

Global Advisory Council





# BUILDING A BETTER HAPPY MEAL

The Happy Meal has evolved over the years to include additional options for fruit, vegetables and low-fat dairy. McDonald's introduced fruit into Happy Meals in the U.K. in 2003, and in the U.S. in 2004. Since then, these options for Happy Meals have continued to expand to numerous markets around the world.

## TODAY MORE THAN 95% OF OUR RESTAURANTS AROUND THE WORLD OFFER FRUITS, VEGETABLES OR LOW-FAT DAIRY IN HAPPY MEALS.

**APPLES** are now available in Happy Meals in 20 countries. Carrot sticks are offered in 23 countries, and corn cups are offered in 13.

### McDONALD'S U.S. AND LATIN AMERICA

Starting in 2012 the four-item Happy Meal was introduced in the U.S., to automatically include fruit. Since we started automatically including apple slices in every Happy Meal in the U.S., we have served more than 130 million cups of apples to our youngest customers. Calories in the most popular Happy Meals served in the U.S. have been reduced by roughly 18%. A number of markets in Latin America also currently offer Happy Meals which include a side of fruit.

**McDONALD'S ITALY** made fruit fun by offering peeled kiwi on a stick as a Happy Meal option, helping to increase the number of Happy Meals sold with fruit during the initial promotional period.



**McDONALD'S EUROPE** All markets in Europe offer vegetables or fruit options such as carrots, pineapple or apple slices and a number of markets offer low-fat dairy options.

### McDONALD'S CANADA

As of 2012, McDonald's Canada Happy Meals include a strawberry yogurt in every meal and sodium-reduced entree options (compared to the prior sodium levels for those same entree options), such as the Grilled Chicken Snack Wrap and Chicken McNuggets.

### McDONALD'S AUSTRALIA

Happy Meal options include a grilled chicken wrap, apple slices, low-fat flavored milk, fruit juice and water.

**McDONALD'S FRANCE** Crunchy Wednesdays, a program by McDonald's France that runs one Wednesday a month, offers easy-to-eat fruit to each child who visits McDonald's and purchases a Happy Meal on that day. As a result of Crunchy Wednesdays, our restaurants in France provided more than 9 million packs of fruit between September 2010 and September 2013.



## GET ACTIVE, STAY ACTIVE HAVE FUN.

McDonald's is committed to helping kids get active, stay active, and have fun while they do it. For instance, we leveraged the London 2012 Olympic Games to engage kids in physical activity. The McDonald's Champions of Play program, developed for kids ages 6 to 14, encouraged a fun approach to activity. The program connected millions of kids all over the world to the Games, inspiring the power of play.



For more about our partnerships to encourage fun physical activity, please see the Community section.

## GOOD FOOD, A FUN TOY, AN EDUCATIONAL MESSAGE

For many years our Global Children's Marketing Guidelines have helped us create advertising and marketing that is appropriate for children. Everywhere we operate, McDonald's adheres to, and often surpasses, the legal requirements for marketing to children. Many countries and regions also participate in industry food advertising and marketing pledges. The Company and/or its Franchisees have signed country or regional pledges in Australia, Brazil, Canada, Europe, Mexico, Singapore and the U.S., and in many countries McDonald's was a founding member.

### • ENCOURAGING BALANCED FOOD CHOICES FOR CHILDREN

McDonald's Canada is a founding member of the Canadian Children's Food and Beverage Advertising Initiative, which promotes healthy dietary choices and healthy lifestyles through marketing activities directed to children under 12 years of age outside of the Province of Quebec. McDonald's Canada committed to promoting products that represent healthy dietary choices in 100% of its national child-directed advertising. In addition, McDonald's Canada committed to distributing advertising that prominently includes healthy lifestyle messaging designed to appeal to children.

### • LEADERSHIP IN U.S. CHILDREN'S FOOD AND BEVERAGE ADVERTISING

McDonald's USA is a founding member of the U.S. Children's Food and Beverage Advertising Initiative, which established nutrition criteria for calories, saturated fat, trans fat, sodium, and sugar. In addition, the commitment sets requirements for positive nutrient components such as fruits, vegetables, and low-fat dairy for meals promoted to children. McDonald's USA committed to promoting nutrition and/or active lifestyle messages in 100% of national kids' communications, including merchandising, advertising, digital, and Happy Meal packaging.

### • NUTRITIONAL CRITERIA FOR ADVERTISING

McDonald's Europe reinforced its commitment to responsible advertising to children by joining the EU Pledge, which limits the types of food and beverage products that can be featured in advertising directed to children under 12. Compliance is verified each year through third-party audit. All McDonald's advertisements in Europe directed to children under 12 that feature a Happy Meal bundle show fruit or vegetable options and drinks with only naturally occurring or no added sugar. In 2012, McDonald's Europe went even further, agreeing to industry-wide nutrition criteria for advertising to children.

“ WE ARE COMMITTED TO ADVERTISING RESPONSIBLY AND ARE A MEMBER OF THE EU PLEDGE INITIATIVE. COUPLED WITH INCREASED CHOICE AND VARIETY ON OUR MENU, CONSUMER-FRIENDLY NUTRITION INFORMATION AND OUR PROMOTION OF PHYSICAL ACTIVITY AND EDUCATION INITIATIVES, SUCH AS BOOK GIVEAWAYS AND READING PROGRAMS, WE BELIEVE WE ARE SUPPORTING PARENTS IN MAKING THE RIGHT DIET AND LIFESTYLE CHOICES FOR THEIR CHILDREN. ”



**PIERRE WORECZEK**  
Senior Vice President and  
Chief Brand and Strategy Officer  
McDonald's Europe



# MCDONALD'S GLOBAL GUIDELINES FOR CHILDREN'S MARKETING

- 1 The food we promote to children under the age of 12 will fit within a child's nutritional needs and will include a fruit, vegetable and/or low/reduced-fat dairy side, where available.
- 2 We will feature water, milk and juice as beverages for children. We will not advertise soda to children or feature them on our Happy Meal menu boards.
- 3 Marketing communications to children will deliver a fun nutrition or children's well-being message.
- 4 In addition to promoting the fun of the brand, we will use licensed characters, Happy Meal characters, and packaging to generate excitement for fruit, vegetables, low/reduced-fat dairy or water options for kids.
- 5 We will not engage in communications related to our food and beverage menu items in schools with children under the age of 12, except where specifically requested by or agreed with the school for educational or charitable fundraising purposes.
- 6 We will provide nutrition information about our food to help parents and families make informed food choices.
- 7 We will engage the support of subject matter experts and informed third parties to help guide our efforts for children and families worldwide.



## MCDONALD'S USA COMMITMENTS TO NUTRITION CHOICE AND INFORMATION

In 2011, McDonald's USA established goals related to nutrition, choice and information, which it continues to evaluate relative to its progress.

- 1 Automatically include produce or low-fat dairy in each Happy Meal.
- 2 Develop additional vegetable, fruit or low-fat dairy choices for the Happy Meal and roll out over the next few years.
- 3 Promote Happy Meal options that meet the new, rigorous Council of Better Business Bureaus Children's Food and Beverage Advertising Initiative food pledge standards.
- 4 Reduce sodium by an average of 15% overall across the national menu of food choices, excluding beverages, by 2015.
- 5 Reduce added sugars, saturated fat and calories with varied portion sizes, reformulations and innovations by 2020.
- 6 Promote nutrition and/or active lifestyle messages in 100% of national kids' communications including merchandising, advertising, digital and Happy Meal packaging by the end of 2012.
- 7 Establish a Kids' Food and Nutrition Advisory Board of parents and experts in children's nutrition, education and behavior to help develop effective nutrition and active lifestyle marketing messages and programming for kids.
- 8 Provide funding for grassroots community nutrition awareness programs.
- 9 Expand in-restaurant, website, mobile communications and marketing vehicles, making access to nutrition information even easier.
- 10 Embark on a listening tour to hear from parents and nutrition experts about how McDonald's can play a role in nutrition.
- 11 Launch new online parents' forum for McDonald's and parents to engage on nutrition topics.
- 12 Enter into an agreement with a third party to attest to our performance/progress against our commitments.

“MCDONALD'S OFFERS WHOLESOME FOOD AND BEVERAGE CHOICES IN A VARIETY OF PORTION SIZES TO SATISFY INDIVIDUAL TASTES. MCDONALD'S USA OFFERS FRUITS, VEGETABLES, LOW-FAT AND FAT-FREE DAIRY, WHOLE GRAIN AND PROTEIN OPTIONS. WE CONTINUE TO EVOLVE OUR MENU WITH QUALITY, GREAT-TASTING FOOD THAT CAN FIT INTO A BALANCED DIET.”



**CINDY GOODY,**

PhD, RDN, LDN, Senior Director-Nutrition

Menu Innovation, McDonald's USA

# INFORMATION IS EMPOWERING - AND WE'RE GETTING IT TO OUR CUSTOMERS

McDonald's serves approximately 70 million guests each day around the world. Helping them make smart and informed nutritional choices is a priority. This means providing customers with easier access to accurate nutrition information. McDonald's uses a host of vehicles to do just this.



## NUTRITION INFORMATION RIGHT ON THE PACKAGE

**Nutrition Facts** Serving Size 1 container, Amount Per Serving: **Calories** 280, Fat Cal. 160, **Total Fat** 18g (27% DV), Saturated Fat 3g (15% DV), *Trans Fat* 0g, **Cholest.** 40mg (13% DV), **Sodium** 540mg (22% DV), **Total Carb.** 18g (6% DV), Fiber 1g (4% DV), Sugars 0g, **Protein** 13g, Vitamin A (0% DV), Vitamin C (2% DV), Calcium (2% DV), Iron (4% DV). Percent Daily Values (DV) are based on a 2,000 calorie diet.

Actual values may vary due to factors such as individual preparation of our menu items. Current as of 05/11. For the most complete nutrition information visit [www.mcdonalds.com](http://www.mcdonalds.com).

©2011 McDonald's. Printed in the U.S.A. (45154)  
U.S. Patent Number 5,205,476  
U.S. Patent Number 5,221,040  
NRC: [NA840.6NUG.0004]

Calories		14%	280
Calorias		14%	280
Protein		26%	13g
Proteínas		26%	13g
Fat		27%	18g
Grasa		27%	18g
Carbs		6%	18g
Carbohidratos		6%	18g
Sodium		22%	540mg
Sodio		22%	540mg

## CALORIES, NUTRIENTS - IT'S ALL THERE

Reading and understanding nutrition information is essential to making diet and lifestyle choices. In the U.S., we have provided nutrition information to customers for more than three decades. Over time, as the information needs of consumers have changed, we have begun to disclose nutrition information in markets outside of the U.S. and have adjusted our approach to make sure the information remains understandable and convenient for customers to access.

In 2006, we committed to providing nutrition information on select packaging in 20,000 McDonald's restaurants in various countries within 18 months. We met that target, and as of the end of 2012, nutrition information appears on some packaging in about 24,000, or approximately 70%, of restaurants in markets around the globe. Each McDonald's market determines which of its market-specific items will include nutrition labeling on the package.



QUICK RESPONSE (QR) CODES RIGHT ON PACKAGING



U.S. GRILLED CHICKEN SANDWICH PACKAGING

## HOW WOULD YOU LIKE THAT INFORMATION? MENU BOARD, PACKAGING, MOBILE APP?

McDonald's markets use a variety of approaches to make nutrition information available:

- McDonald's websites
- Applications for mobile devices
- Select product packaging
- In-restaurant nutrition brochures
- Tray liners
- Toll-free phone lines

In 2012, consumers accessed U.S. nutrition information on mcdonalds.com over 50 million times. Also:

### • MENU BOARD LABELING

We've added calorie counts (or their local equivalents) to the menu boards in a number of major markets, including the U.K., Australia and the U.S.

### • QR CODES

Quick response (QR) codes were added to select carry-out packaging in 2012 in the U.K., making it easier for customers to access nutrition information on the go. In 2013, we added QR codes to carry-out bags and fountain beverage cups in many markets. The QR codes link to nutrition information on local websites or to McDonald's food quality stories in local languages.

### • MOBILE APPLICATIONS

A new McDonald's Australia mobile app, TrackMyMaccas, took customers behind the scenes to show where their food came from. The app shared information about the sources of our food in a fun and interactive way.

### • RESTAURANT STAFF AWARENESS

A voluntary e-Learning program has helped restaurant staff in about 1,000 restaurants in the U.S. expand their knowledge about the nutritional content of McDonald's menu items.

## COLLABORATING THROUGH THE INTERNATIONAL FOOD & BEVERAGE ALLIANCE

In 2013, the Company joined the International Food & Beverage Alliance, a group of food and beverage companies with a shared goal of supporting the World Health Organization's *Global Strategy on Diet, Physical Activity and Health* through the following commitments:

1. **Reformulate products and develop new products** that support the goals of improving diets.
2. Provide **easily understandable** nutrition information to all consumers.
3. Extend our initiatives on **responsible advertising and marketing to children**.
4. **Raise awareness** on balanced diets and increased levels of physical activity.
5. Actively support **public and private partnerships** that support the World Health Organization's Global Strategy.



# WHAT IS IN THE CHICKEN McNUGGET?\*

## McDONALD'S CANADA "OUR FOOD. YOUR QUESTIONS."

Are your fries made from real potatoes? Do you use filler in your burgers? These and more than 22,000 other questions have been asked—and answered—about the food served by McDonald's Canada. After listening carefully to customers McDonald's Canada created a transparent line of communication via the interactive, online Q&A platform, *Our Food. Your Questions.* The website received nearly 260,000 unique visits in its first six weeks, while the video series—which shows how potatoes are grown for McDonald's Canada's fries, how to make a Big Mac at home and how the eggs are cooked for the McMuffin sandwiches—has received more than 16 million views.



IN CANADA, CHICKEN McNUGGETS ARE MADE FROM CHICKEN BREAST, A FEW SEASONINGS, ALONG WITH A NATURAL PROPORTION OF CHICKEN SKIN, USED FOR BOTH FLAVOR AND AS A BINDER. THE McNUGGETS ARE THEN COATED WITH A TEMPURA-STYLE BATTER.

*\*Excerpt from McDonald's Canada's "Our Food. Your Questions." website. To ask your own questions and learn more about McDonald's Canada's food, visit: <http://yourquestions.mcdonalds.ca/#/>*

IN AN EFFORT TO ADDRESS MANY OF THE POPULAR MISCONCEPTIONS SURROUNDING OUR FOOD, McDONALD'S CANADA UNDERTOOK THE CHALLENGE OF RECLAIMING THE TRUTH THROUGH THE "OUR FOOD. YOUR QUESTIONS." CAMPAIGN. THIS ALLOWED CUSTOMERS FROM ACROSS THE COUNTRY TO ASK McDONALD'S CANADA ANY QUESTIONS ABOUT OUR FOOD, AND RECEIVE A PERSONALIZED RESPONSE. THIS TRANSPARENT AND AUTHENTIC APPROACH HELPED SHIFT CANADIANS' PERCEPTIONS ABOUT THE QUALITY OF McDONALD'S FOOD, AS WELL AS OUR PRACTICES AND PROCEDURES, IN A NEW AND DYNAMIC WAY.

**JEFFREY FITZPATRICK-STILWELL**

Manager

Sustainability and Government Relations  
McDonald's Canada

# FOOD SAFETY FROM FARM TO FRONT COUNTER

Since the beginning, food quality and safety have been the cornerstones of the McDonald's business. We are committed to serving good-tasting, quality food that starts with science-based food safety systems. This begins with our direct food suppliers and extends to the front counter of our restaurants. We are diligent in our focus, day in and day out, implementing food safety practices that meet our stringent standards to serve safe, quality products to the customers we serve every day around the world.

## EMPLOYEE TRAINING FOR FOOD SAFETY

Food safety is central to McDonald's training programs for restaurant managers and crew members, is integrated into our operational procedures, and is a significant component of the restaurant assessment process.

- Restaurant employees participate in operations training on a range of critical food safety measures such as cooking, food handling, product internal temperatures, sanitation, hand washing, equipment settings and many other requirements.
- McDonald's Restaurant Operations and Training Manual details the procedures for proper food delivery, storage, preparation and holding.
- All of McDonald's global food safety procedures require daily verification at the restaurant level.

## DILIGENT DEDICATION TO SAFETY BY SUPPLIERS AND DISTRIBUTORS

Food supplied to McDonald's restaurants comes from approved suppliers who are required to meet McDonald's food safety and quality standards. Our direct suppliers are audited annually to ensure compliance with our requirements. McDonald's requirements cover more than 30 key topics from air and water quality to facility management and traceability. Suppliers must also work under a validated Hazard Analysis Critical Control Point (HACCP) system, a management system in which food safety is addressed by controlling biological, chemical and physical hazards in raw materials and during manufacturing and distribution.

Once products leave the supplier they are delivered to our restaurants from approved, audited distribution centers that meet McDonald's food safety and quality standards, as well as local regulatory requirements for food safety.



## CAPACITY BUILDING IN EMERGING ECONOMIES SUPPORTS FOOD SAFETY

The Company's quality systems professionals provide training to our suppliers on McDonald's quality expectations, product specifications and other Company global and local requirements so that they are equipped to comply with our standards for food safety. Suppliers learn best practices and requirements for assessing and mitigating potential food safety risks, from planting to harvesting to transportation. When we enter a new market, the Company works closely with potential suppliers to assess their ability to meet our stringent standards for quality, safety and taste. In India, for example, the Company encouraged its suppliers to help improve parts of the local agricultural system. In connection with potatoes and other produce, our suppliers helped farmers improve their farming, storage and transportation practices for higher yields. In China, the Company worked with producers and growers to make sure they have the facilities and systems in place to meet our requirements.

## SAFE INGREDIENTS FROM LOCAL AND GLOBAL SUPPLIERS

We recognize that local sourcing is increasingly important to some consumers—however they choose to define it. We often source our food within the country where it will be served. For example:

- **BEEF:** McDonald's Australia serves only Australian beef and McDonald's U.K. gets its beef from Irish and British farmers.
- **PRODUCE:** The majority of McDonald's USA's fresh leafy greens are sourced from the United States, with some product coming from Mexico as well. Fresh tomatoes are sourced from places like Florida, the Carolinas, California and Mexico.
- **POTATOES:** McDonald's USA sources potatoes from Idaho, among other locations in the U.S. and Canada.

We will continue working with our suppliers to source quality foods for consumption in the country where they are produced and in other applicable markets.

For more, please see the Sourcing section.



## SUPPLIER COUNCILS SHARE KNOWLEDGE FOR FOOD SAFETY LEADERSHIP

Just as McDonald's strives for continuous improvement in our own operations, we also encourage suppliers to stay current on best practices in their industries. Many of McDonald's food suppliers have elected to participate in the Company's Supplier Councils for their sector, with both global and regional opportunities to get involved. For instance, McDonald's beef suppliers who participate on the Company's Beef Council share best practices where necessary and appropriate.





## HARMONIZING GLOBAL FOOD SAFETY STANDARDS

The Company has been on the board of the Global Food Safety Initiative (GFSI) since 2008. GFSI's mission includes harmonizing food safety standards within the food industry globally and driving for continuous improvement. Over the years we have collaborated with regulatory food agencies, other governmental organizations and NGOs, including sharing our food safety standards with the U.S. Department of Agriculture and the U.S. Food and Drug Administration, to help advance food safety practices both within the System and beyond.

## PROMOTING BEST PRACTICES FOR THE FOOD INDUSTRY

The Company embraces our responsibility to serve safe food and beverages in our restaurants around the world. Internally, the McDonald's Quality Leadership Board leads global food quality strategies, including food safety. The board includes members responsible for supply chain, food safety, and quality assurance in each of our major geographic locations across the globe. Our Food Safety Advisory Council includes leading experts from academia and McDonald's food suppliers, who provide guidance on emerging food safety issues and share best practices throughout our System.

## ANTIBIOTIC USE AND ANTIMICROBIAL RESISTANCE

Antibiotic use in food animals is an issue subject to industry-wide discussion that requires the attention of global organizations like the Company. We recognize the importance of understanding antibiotic resistance and have maintained a global policy outlining guiding principles for the sustainable use of antibiotics in animals since 2004. We take seriously the ethical responsibility to help assure the health and welfare of animals in the supply chain, including the use of antibiotics when appropriate to treat, control or prevent disease in food producing animals.

The Company will continue to engage experts from all over the world who understand the issues associated with antibiotic use to help us review our current antibiotic use policy. Our global, cross-functional team is led by Dr. Mike Apley at Kansas State University and Dr. Guy Loneragan at Texas Tech University. The team includes academicians, animal health and welfare experts, representatives from our supplier community, and others from Europe, Australia, Latin America and the U.S. They provide the Company with both science-based and practical advice as we review our policy for relevance against emerging science and consumer expectations.

## TOY SAFETY TO PROTECT OUR YOUNGEST CUSTOMERS

While our business is food, we also provide toys with our Happy Meals. When it comes to toy safety, we work together with dedicated agencies, suppliers, safety laboratories, industry experts and employees who help ensure our toys are safe. We impose stringent safety protocols throughout toy design, development and manufacture. Happy Meal toys are tested by independent laboratories that verify compliance with regulatory requirements and McDonald's own safety protocols through on-site monitoring, inspections and audits.



## GOOD FOOD - WHERE WE'RE GOING

In the coming months and years, we will continue advancing toward our 2020 goals. McDonald's participating markets will develop action plans that support these goals in their markets, and we anticipate working both at the global and regional level to continue evolving our menu and the ways we support our customers in making informed choices to fit their lifestyle needs.



## LEADERSHIP AND COLLABORATION BUILDS A MORE SUSTAINABLE SUPPLY CHAIN

At McDonald's, providing our customers with great-tasting, high-quality, safe, affordable and increasingly more sustainable food is a big responsibility. We work with suppliers who share our commitment to sourcing food ingredients and materials for packaging in an ethical and responsible manner, and sustainability is an integral part of how we measure their performance.

Our journey toward sustainable sourcing begins with our direct suppliers and extends to thousands of indirect suppliers that source ingredients for our menu items. We recognize that the impacts of a global supply chain like ours are significant. In fact, the majority of our environmental impacts occur beyond our own operations, through the McDonald's supply chain.

## GOOD SOURCING - WHAT WE'RE BUILDING ON

- **DRIVING ETHICS, ENVIRONMENT AND ECONOMICS IN OUR SUPPLY CHAIN**  
through sustainable sourcing of beef, coffee, palm oil, fish, fiber, and poultry, as well as other items.
- **PROMOTING POSITIVE WORKPLACES AND HUMAN RIGHTS**  
through McDonald's Supplier Workplace Accountability Program and Supplier Code of Conduct.
- **CONTINUOUSLY IMPROVING THE HEALTH AND WELFARE OF ANIMALS**  
raised for food production throughout their lives.



OPERATING SUSTAINABLY HAS BECOME A 'GREENS FEE' FOR A GLOBAL SUPPLY CHAIN LIKE OURS. TOGETHER WITH OUR VAST NETWORK OF SUPPLIERS, WE HAVE AN ENORMOUS AND HUMBLING OPPORTUNITY TO LEAVE A LASTING AND POSITIVE IMPACT ON THE PLANET BY DRIVING INNOVATION IN FOOD PRODUCTION.

### JOSÉ ARMARIO

Executive Vice President

Worldwide Supply Chain,  
Development, and Franchising  
McDonald's Corporation

## LOOKING FORWARD TO 2020 - OUR GLOBAL ASPIRATIONAL GOALS FOR GOOD SOURCING

### 1. BEEF: SUPPORT SUSTAINABLE PRODUCTION

Lead development of global principles and criteria in 2014.

Develop goals and begin purchase of verified sustainable beef by 2016.

### 2. 100% OF COFFEE, PALM OIL AND FISH

Verified as supporting sustainable production.

### 3. 100% OF FIBER-BASED PACKAGING

From certified or recycled sources.

## WHY SUSTAINABLE SOURCING IS IMPORTANT

Society faces a number of pressing challenges, today and in the future. According to the United Nations, resources are becoming increasingly scarce due to the needs of a growing population, while the changing climate is contributing to extreme weather events and to greater water scarcity.

By sourcing our ingredients and packaging sustainably, we aim to create value for our business and society. We are committed to doing what we can to help protect oceans and other valuable ecosystems, promote resource efficiency, and support the economic viability of farming, fishing and responsible land management so that resources are adequately available for generations to come.

## ETHICS, ENVIRONMENT AND ECONOMICS IN OUR SUPPLY CHAIN

McDonald's approaches supply chain management through what we call the "three Es"—Ethics, Environment and Economics. We are responsible for influencing and reinforcing these three Es at each level of our supply chain: raw material production, processing, and distribution. Among other things, this means working with suppliers to innovate and implement best practices for sustainable ingredients, requiring that our suppliers protect human rights in the workplace, and safeguarding food quality and safety through best practices in animal health and welfare.

### TOURING THE GLENAFOOKA FLAGSHIP FARM IN COUNTY WATERFORD, IRELAND

**ADRIAN CREAM**, Managing Director of McDonald's Ireland

**DON THOMPSON**, President & CEO, McDonald's Corporation

**JOHN POWER**, Farm Owner

**SIMON COVENEY**, Irish Minister for Agriculture, Food and the Marine



OUR JOURNEY CONTINUES |

2012 - 2013 HIGHLIGHTS

- 100% OF THE FISHERIES THAT THE McDONALD'S SYSTEM SOURCES WHITEFISH FROM ARE VERIFIED SUSTAINABLE.
- 99% OF SUPPLIER FACILITIES SIGNED THE COMPANY'S SUPPLIER CODE OF CONDUCT.

# DRIVE ETHICS, ENVIRONMENT, AND ECONOMICS IN OUR SUPPLY CHAIN

Working with our suppliers, we have taken many positive steps in the past 20 years to strengthen the sustainability of our supply chain. From partnering with NGOs to enhancing our Supplier Code of Conduct and building capacity among suppliers in emerging economies, we have worked to continuously improve the ethical, environmental, and economic profile of the products and packaging we purchase.

## OUR VISION FOR SUSTAINABLE BEEF

### VERIFIABLE, ENVIRONMENTALLY AND SOCIALLY RESPONSIBLE

McDonald's beef comes from farmers and processors who create economic value and nutritious protein through verifiable and diverse production systems that:

- OPTIMIZE CATTLE'S IMPACT WITHIN ECOSYSTEMS AND NUTRIENT CYCLES
- CARE FOR THE WELFARE OF THE CATTLE THROUGHOUT THEIR LIVES
- POSITIVELY IMPACT THE LIVES OF THEIR EMPLOYEES AND THE COMMUNITIES IN WHICH THEY OPERATE

I AM SO EXCITED ABOUT OUR STRATEGY BECAUSE I BELIEVE WE HAVE A REAL OPPORTUNITY TO MAINSTREAM SUSTAINABLE BEEF GLOBALLY. OUR GOAL IS TO BE A LEADER IN THIS AREA AND TO BE THE FIRST IN OUR INDUSTRY TO PURCHASE EXTERNALLY VERIFIED SUSTAINABLE BEEF AROUND THE WORLD, BUT WE CANNOT DO THIS ALONE. OUR PARTNERSHIP WITH THE GLOBAL ROUNDTABLE FOR SUSTAINABLE BEEF—AS WELL AS OUR WORK WITH BEEF SUPPLIERS AND FARMERS—WILL ENSURE THAT WHAT WE DEVELOP CAN BE PRACTICALLY REALIZED AT THE FARM LEVEL.



**FRANCESCA DEBIASE**

Vice President

Strategic Sourcing, World Wide Supply Chain Management  
McDonald's Corporation

## SUPPORTING FARMS, FORESTS, AND OCEANS

The Company asked World Wildlife Fund (WWF) to study our supply chain and help us prioritize global sustainable sourcing initiatives based on impacts and influence of key ingredients. In 2010, WWF was given access to a full scope of information, including volumes and geographic sources, regarding four types of ingredients the System purchases for our products—beef, chicken, coffee, and oils, such as palm and canola. In addition, WWF interviewed experts within our supply chain to help us analyze, from a sustainability perspective, which ingredients the Company should prioritize.

Findings from WWF's Supply Risk Analysis informed the Company's Sustainable Land Management Commitment, a commitment to ensure that, over time, the agricultural raw materials for our food and packaging originate from sustainably managed land. This has now evolved into our CSR & Sustainability Framework and road map for the future as it relates to sustainable sourcing of beef, fiber-based packaging, fish, coffee, palm oil and poultry. These priorities present opportunities for us to help solve global challenges, such as biodiversity loss and deforestation.

## THE ROAD TO SUSTAINABLE BEEF

Close to 60 years ago, McDonald's started out as a hamburger destination. Today, we offer a range of menu choices, but burgers remain some of our most iconic menu items. That's just one reason we want to do our part to improve environmental practices in the way beef is produced, support positive workplaces in the beef industry, and drive continuous improvement in animal health and welfare. And, we envision doing all of this while providing affordability and quality, along with economic viability for those who raise cattle and produce beef.

We are committing to a goal of purchasing verified sustainable beef. This may sound simple, but there isn't a universal definition of sustainable beef. And because beef production varies around the world, the industry needs multi-stakeholder collaboration to align around common improvement practices. That's why we have joined forces with other stakeholders to build coalitions and help reduce the environmental impacts of beef production, support positive working conditions and livelihoods in the beef industry, and drive continuous improvement in animal health and welfare.

Some aspects of beef production can be positive for our planet, such as when well-managed pasture lands support biodiverse habitats. However, we recognize the negative impacts of certain practices, like overgrazing, and the effects on climate change. Even though System purchases represent less than 2% of the global beef supply, we are working with other end users and the broader beef industry to address this important topic.

## PRINCIPLES, PRACTICES AND TRANSPARENCY FOR BEEF SUSTAINABILITY

Our strategy toward sustainable beef production involves three primary elements:

### 1. CREATE PRINCIPLES AND STANDARDS FOR MEASURING SUSTAINABLE BEEF

We are collaborating with diverse stakeholders to develop globally aligned, locally relevant, broadly accepted, measurable principles and criteria for beef sustainability across the industry.

### 2. IDENTIFY AND SCALE SUSTAINABLE BEEF PRODUCTION BEST PRACTICES

We are launching on-farm field projects in environmental protection, traceability, animal health and welfare, technology use, employee well-being, and other priorities, so these best practices can eventually become standard across the industry.

### 3. LEAD WITH TRANSPARENCY AND ENGAGEMENT

We will devise new ways to engage our customers and other stakeholders in our challenges and successes on the journey towards beef sustainability.

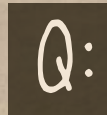
## TRACEABILITY BEYOND THE ABATTOIR

Knowing where our food comes from is a priority for our customers and for us. Globally, McDonald's requirements help us ensure the quality of our ingredients from the farm to the front counter. In some countries—including systems in place across Europe—government-mandated or industry-led beef traceability systems help us to further verify the origin of our beef.

## TRACING INDIVIDUAL CATTLE IN AUSTRALIA

In Australia, where an estimated 48,000 producers supply the beef that goes into McDonald's burgers, traceability is managed through the Australian National Livestock Identification System. The system uses ear tags and radio frequency identification devices to identify and track cattle as they move among facilities, from birth to the abattoir. The owner's property identification code is recorded and linked to the devices, and the movement of animals from one facility to the next is recorded on the central NLIS database. At processing, the information from the ear tag is linked to the body number of the animal all the way through to packing of the meat.

## STAKEHOLDER PERSPECTIVE: COLLABORATING WITH GLOBAL ROUNDTABLE FOR SUSTAINABLE BEEF (GRSB)



**CAN BEEF REALLY BE SUSTAINABLE, GIVEN ITS WIDE RANGE OF IMPACTS? SINCE McDONALD'S PURCHASES LESS THAN 2% OF BEEF IN THE MARKETPLACE, CAN McDONALD'S COMMITMENT TO PURCHASE SUSTAINABLE BEEF TRULY MAKE A DIFFERENCE?**

“Yes, the beef industry can become sustainable, and we at GRSB envision a world in which all aspects of the beef value chain are environmentally sound, socially responsible and economically viable. Cattle ranchers, graziers and other producers are already proud stewards of the land, their animals and the people and families that raise cattle; they are a solid foundation to build upon. McDonald's commitment is significant because they have taken the leap to put this marker out there in the marketplace; they represent a huge range and number of consumers. I hope many other food retailers make similar commitments in order to reach the tipping point we need to make “sustainable beef” become mainstream.”

### RUARAIKH PETRE

Executive Director

Global Roundtable for Sustainable Beef



# BUILDING A BETTER BIG MAC

## TOWARD GLOBAL PRINCIPLES AND CRITERIA

Since the first Global Conference on Sustainable Beef in 2010, McDonald's helped found and serves on the executive board of the GRSB, which has drafted the first version of guiding principles and criteria for sustainable beef.

## FIELD PROJECTS

In 2013, the Company invested approximately \$1.8 million in on-farm field projects in collaboration with local governments and our suppliers.

Examples include:

### TRACEABLE BEEF

McDonald's Brazil is developing a pilot program to trace beef throughout the entire value chain.

### SUSTAINABLE FARMING

More than 1,000 farmers are part of the BEST beef project implemented by McDonald's Germany. The project rewards sustainable farming practices with bonus payments and aims to positively influence the beef industry in Germany while providing for responsibly sourced, traceable beef.

### AGRO-ECOLOGICAL STRATEGY

McDonald's France is working to identify key issues for five core McDonald's ingredients, including beef, and to identify agricultural practices to help address issues in four areas: minimizing greenhouse gas emissions, protecting water resources, nurturing biodiversity and improving animal welfare.



## CARBON FOOTPRINTING

McDonald's Europe chairs the Sustainable Agriculture Initiative (SAI) Platform Beef Working Group, which is working toward a comprehensive framework for sustainable beef production in Europe, including a carbon footprinting methodology for the beef sector. France, Germany, the U.K. and Ireland are working to reduce on-farm greenhouse gas emissions from beef production. The U.K.'s Farm Forward Program's "What If" tool provides a carbon calculator to support beef farmers in measuring and reducing greenhouse gas emissions.



### Stephen Hobbs—A Forward-Thinking Farmer

Stephen Hobbs has been working on the family farm since agricultural college in 1980. He currently farms 119 hectares of arable crops and 63 hectares of grassland, and rears a herd of 60 Simmental Cross and Limousin Cross suckler cattle. As part of McDonald's Farm Forward program, Stephen was one of the first beef farmers to measure the carbon footprint of his beef enterprise using the free "What If?" tool.

### STEPHEN HOBBS

Beef farmer

Buckinghamshire, U.K.

"I'VE ALWAYS FOUND FARMING TO BE INCREDIBLY REWARDING, BUT IT'S HARD TO REMAIN PROFITABLE GIVEN CURRENT MARKET CONDITIONS, AND WE'RE A FAMILY FARM. THAT'S WHY IT MAKES A HUGE DIFFERENCE WHEN A COMPANY LIKE MCDONALD'S INVESTS IN SIMPLE, PRACTICAL ON-FARM TOOLS TO MAKE LIFE ON THE FARM THAT LITTLE BIT EASIER. THE 'WHAT IF' CARBON CALCULATOR GIVES ME A QUICK OVERVIEW OF THE FARM'S CARBON FOOTPRINT AND SHOWS ME HOW SMALL CHANGES WILL STRENGTHEN THE EFFICIENCY OF MY BUSINESS."

## REGIONAL COLLABORATION

Regionally, McDonald's participates in several organizations working toward sustainable beef:

- GTPS—Brazilian Roundtable on Sustainable Livestock
- Founding member of Canadian Roundtable for Sustainable Beef
- Cattle Council of Australia Rising Beef Champions Initiative

McDonald's USA is collaborating with the National Cattlemen's Beef Association and others to drive sustainable beef production in the U.S. In 2013, three workshops brought more than 80 participants together for presentations, expert panels, discussion, and field tours focused on beef sustainability.

SAI finalized Principles for Sustainable Beef Farming in Europe in November, 2013. As a member of the GRSB, SAI's work is important to the development of globally relevant principles for sustainable beef.

Read more about the role of beef and other supply chain products in our System-wide carbon footprint summary on pages 56-57.

# ON THE WAY TO SUSTAINABLE PACKAGING

McDonald's aims to improve the overall sustainability of our packaging through product design and responsible sourcing. The packaging for items purchased by our customers is intended to contain and protect the contents from the restaurant to a customer's final destination. The majority of our packaging is fiber-based and McDonald's sources fiber-based paper and packaging—including fry boxes and sandwich "clamshells," wrappers, tray liners, cups and other items—from global and market-level suppliers.

## DESIGN, SOURCING AND DESTINATION

McDonald's priority is to optimize the amount of packaging we use, and to use only sustainably sourced materials that are recyclable or compostable. In collaboration with our suppliers, we pursue these priorities in three critical areas:

- **DESIGN**  
Optimize weight and 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

## MORE SUSTAINABLE PACKAGING FROM THE START

In 2007, HAVI Global Solutions (HGS), the Company's packaging category manager in most markets, collaborated with McDonald's to develop a framework for a packaging evaluation tool, Eco-Filter 2.0, to provide better information about packaging decisions. HGS leveraged the expertise of Environmental Packaging International, a consulting firm that specializes in design for environmental tools, to assist with building the tool. The tool was built on McDonald's historic key packaging performance indicators, best practices from European and North American markets and advice from outside experts and NGOs, such as the Environmental Defense Fund.

In 2012, we updated our Eco-Filter Tool to make better informed packaging decisions, with the objective of optimizing packaging weight, maximizing certified or recycled content, ensuring the safety of all materials used in the product and its production, and supporting responsible end-of-life options such as recycling or composting.

## A CUP WITH LESS PLASTIC

The four-flap McFlurry cup in use by McDonald's Australia since late 2011 eliminated the need for a lid and reduced plastic use by more than 58 metric tons during 2013.



## HOW WE DEFINE OUR CERTIFIED AND RECYCLED FIBER-BASED PACKAGING GOAL

To achieve our 2020 targets, we have identified three approaches that we will pursue to continually improve the sustainability aspects of our fiber-based packaging. The three approaches are as follows:



Fiber or fiber-based packaging certified to the Forest Stewardship Council™ (FSC);



Fiber or fiber-based packaging certified to any system endorsed by the Programme for the Endorsement of Forest Certification (PEFC); and



Verified post-industrial or post-consumer recycled fiber.

While our initial focus is on our consumer packaging, in the coming years we will work to develop standards for secondary packaging as well.

## DOING OUR PART TO SUPPORT RESPONSIBLE FORESTRY THROUGH CERTIFICATION

We give preference to FSC®-certified fiber when it meets product performance requirements and competitive market conditions. Other forest certifications that we recognize include the PEFC and any PEFC- endorsed schemes, such as the Sustainable Forestry Initiative® (SFI®) and Cerflor (Brazil). All certified virgin fiber must have appropriate chain of custody through packaging manufacturers.

### McDONALD'S FIRST FSC-CERTIFIED PACKAGING

Since 2012, 100% percent of the clamshells (packaging used for sandwiches) used by McDonald's Brazil have been certified by the FSC. All the fiber used in these clamshells comes from FSC-certified forests. We are evaluating ways to expand the use of FSC-certified fiber in our packaging.



## PACKAGING KPIs

### PERCENTAGE OF CERTIFIED OR RECYCLED FIBER-BASED PACKAGING<sup>1,2</sup>

2012	2013
9.3%	13.9%

**2013 PERFORMANCE**—Between 2012 and 2013 we saw a 4.6% increase in certified virgin or recycled fiber-based packaging. Looking ahead, we plan to work with our suppliers to increase the availability of certified fiber with documented chain of custody from the forest to the final product. In addition, we have begun to integrate the certified and recycled fiber requirements into McDonald's supplier qualification process.

<sup>1</sup>Based on fiber-based consumer facing packaging for all McDonald's restaurants globally. Packaging categories included without limitation are the following: hot cups, cold cups, carry out bags, folding cartons, clamshells, wraps, food service bags, napkins, salad bowls, Happy Meal containers, drink carriers. Packaging metrics do not include operational supplies or pre-filled food packaging (e.g., sauce packets, salad dressings).

<sup>2</sup>Methodology for calculating metric was modified in 2012 to be in line with other fiber certification standards by requiring chain of custody documentation.

### AMOUNT OF PACKAGING PROVIDED PER TRANSACTION COUNT

IN GRAMS OF PACKAGING MATERIAL IN TOP 9 MARKETS<sup>3</sup>

2011	2012	2013
58.1	56.9	57.5

**2013 PERFORMANCE**—While we do not have a target set for this metric, we are focused on optimizing our packaging for our product mix. While we saw a 2% reduction in packaging weight per transaction count from 2011 to 2012, we saw a 1% increase between 2012 and 2013. Between 2012 and 2013 for the top 9 markets, we did see an overall increase (just over 0.5%) in the proportion of fiber based packaging weight and a similar decrease in the proportion of resin (plastic) based packaging weight.

<sup>3</sup>Except for Brazil, based on consumer packaging (including fiber, resin and wood-based packaging) information managed by HGS. Some examples of packaging include: paper or plastic hot cups, cold cups; paper or plastic carryout bags; paper or plastic salad bowls; folding cartons, clamshells, wraps, food service bags, napkins, Happy Meal containers, drink carriers, stir sticks, straws, lids. Packaging metrics do not include operational supplies or pre-filled food packaging (e.g., sauce packets, salad dressings).



## SUPPORTING SUSTAINABLE FISHERIES WORLDWIDE

We began our journey toward sustainable fish in 2001, working with Conservation International to identify ways we could help protect long-term fish supplies and improve the health of surrounding marine ecosystems. As a result, McDonald's sustainable fisheries standards have guided fish purchases since 2001. Since then, McDonald's global Sustainable Fisheries Program has grown to include purchasing standards, annual third-party assessments of all our fish suppliers and the purchase of whitefish from sustainable fisheries. Globally, 100% of the fisheries from which McDonald's sources whitefish are from verified sustainable sources.

## WHY SUSTAINABLE FISH MATTERS

The United Nations estimates that approximately 3 billion people in the world rely on both wild-caught and farmed seafood as their primary source of protein. This will further stress fisheries, threatening livelihoods and food security worldwide. McDonald's supports sustainable fisheries management to maintain seafood resources, protect marine ecosystems and safeguard the future of fishing communities.

.....

**100% OF THE FISHERIES THAT McDONALD'S SYSTEM SOURCES WHITEFISH FROM ARE VERIFIED SUSTAINABLE SOURCES.**

.....

## MSC-CERTIFIED FISH IN ALL U.S. AND CANADIAN RESTAURANTS

McDonald's achieved Marine Stewardship Council (MSC) certification for all of the whitefish served in our U.S. and Canadian restaurants in 2013. This achievement is the result of a long-term commitment to work with suppliers to improve fishing practices throughout our supply chain, and the next step in our decade-long practice of sourcing sustainable fish. McDonald's is the first quick-service restaurant chain in the U.S. to offer MSC-Certified sustainable fish all year long, and McDonald's Canada is the first major Canadian quick-service restaurant chain to achieve MSC certification.



**FILET-O-FISH**



**FISH MCBITES**

Offered as a promotional item in the U.S. in 2013.

## OUR SUSTAINABLE SOURCING COMMITMENTS HAVE EVOLVED

In 2009 we established McDonald's Sustainable Land Management Commitment to help ensure that, over time, the agricultural raw materials for our food and packaging originate from sustainably managed land sources and suppliers work to minimize greenhouse gas emissions, reduce waste and improve water stewardship. The commitment provided a useful framework for developing sustainable sourcing strategies and action plans. Today, the Company's sustainable sourcing approach will build on our land management focus and will holistically include more specific workplace standards, and animal health and welfare practices. We are also focusing on additional products and goals that will take us beyond the original 2009 commitment.



Still, its principles continue to guide our sourcing practices:

- **LEVERAGE OUR SIZE** to make a positive, meaningful impact on land management practices.
- **PARTNER WITH SUPPLIERS** to find the best solutions.
- **SEEK THE BEST SCIENTIFIC ADVICE** to guide our work.
- **FOCUS OUR EFFORTS** on the areas where we can achieve the greatest impacts.
- **IDENTIFY WAYS TO VALIDATE** and measure our progress.
- **SUPPORT CREDIBLE, MULTI-STAKEHOLDER EFFORTS** to promote sustainable land management.
- **BALANCE TRADE-OFFS** between land conservation and regional economic development needs.

## SUSTAINABLE FILET-O-FISH AROUND THE WORLD

### **SINCE 2011, McDONALD'S EUROPEAN RESTAURANTS**

have served whitefish certified to the MSC Chain of Custody traceability standard. McDonald's was the first restaurant company to offer MSC certified sustainable whitefish throughout Europe.

**IN APMEA,** McDonald's serves only wild-caught whitefish from verified sustainable fisheries.



### **IN THE U.S. AND CANADA,**

McDonald's uses only wild-caught, Alaska Pollock from MSC certified fisheries.

# MCDONALD'S AND SUSTAINABLE COFFEE

At McDonald's, we're committed to serving our customers great-tasting coffee and espresso brewed from high-quality coffee beans. At the same time, we realize that when it comes to coffee sourcing—where we get our beans and the farmers who grow them—it's important that we think about the long-term impacts of coffee production and trading.

Globally, we're committed to responsible coffee sourcing, and we're focusing our efforts in two primary ways intended to drive ethical, environmental and economic outcomes in our coffee supply chain:

- **BUYING CERTIFIED (AND VERIFIED) COFFEE:** Globally in 2012, about **25%** of our total coffee bean purchases were from farms that were Rainforest Alliance Certified,<sup>™</sup> UTZ Certified or certified by Fair Trade USA or Fairtrade International. The majority of these certified coffee purchases are from Rainforest Alliance Certified<sup>™</sup> farms, including **100%** of espresso in the U.S. and Canada, and all of our coffee in Australia and New Zealand. McDonald's markets in Europe\* source **100%** of their coffee—with the exception of decaf—from farms that are Rainforest Alliance Certified,<sup>™</sup> UTZ Certified or certified by Fairtrade International.
- **INVESTING IN FARMER TRAINING:** While our goal to advance coffee sustainability is global in nature, our efforts begin locally. McDonald's USA, McDonald's Canada and their Franchisees are investing over \$6 million in a 4.5 year time period on a farmer technical assistance program. They are collaborating with TechnoServe, an international non-profit and leading provider of agricultural technical assistance, as well as SCAN (Sustainable Commodities Assistance Network), to train up to 13,000 farmers in Guatemala and Central America.

This effort includes providing farmers with technical assistance and training to produce coffee in a more sustainable manner. Through these efforts, we endeavor to strengthen local economies, preserve biodiversity and give farmers the tools they need to improve their production. When farmers can deliver a more consistent, high-quality bean, it increases the chances that their yield can be sold for a higher price, helping to improve their livelihood. It also helps our business because by supporting the development of sustainable farming practices, we hope to ensure coffee's long-term availability in the region.

\*Excludes Morocco, which is considered by McDonald's as part of its geographic segment in Europe.



**KELLY LUDWIG**

Manager

Strategic Supply Team  
McDonald's USA

“COFFEE PRODUCERS FACE MANY CHALLENGES, FROM FOOD INSECURITY TO THE EFFECTS OF CLIMATE CHANGE ON THEIR CROPS. THAT'S WHY WE DECIDED TO TAKE A DIVERSIFIED APPROACH THAT INCLUDES BOTH THIRD-PARTY VERIFICATION AND FARMER TECHNICAL ASSISTANCE TO EMPOWER COFFEE-PRODUCING COMMUNITIES. OUR INTERESTS OVERLAP WITH THOSE OF COFFEE FARMERS—SUPPORTING HIGH-QUALITY, SUSTAINABLY GROWN COFFEE THAT CONTRIBUTES TO FARMERS' LIVELIHOODS AND A STABLE LONG-TERM SUPPLY.”



# WORKING TOWARD SUSTAINABLE PALM OIL

McDonald's uses palm oil in many different ways. First, palm oil is used in restaurant frying oil in certain markets. Palm oil is also used to par-fry chicken and potato products by McDonald's direct suppliers in some markets and in small quantities as an ingredient across a wide range of products such as baked goods, sauces and confectionery items.

McDonald's goal is that 100% of the palm oil used in our restaurants and as ingredients in McDonald's products will support the production of sustainable palm oil. This includes sourcing from RSPO certified sustainable sources or covering usage with GreenPalm Book and Claim certificates for palm oil or palm kernel oil.

## THE ROUNDTABLE ON SUSTAINABLE PALM OIL (RSPO)

The RSPO is a multi-stakeholder association whose members comprise the entire palm oil supply chain (oil palm growers, processors, traders, consumer goods manufacturers, retailers, NGOs, banks and investors). RSPO promotes the production and uptake of Certified Sustainable Palm Oil with the aim to transform markets to make sustainable palm oil the norm with principles and criteria that encompass, among others, the importance of transparency, legal compliance, environmental conservation and social considerations, and best practice sharing.

### WHY SUSTAINABLE PALM OIL IS IMPORTANT

Palm oil is one of the most versatile and productive oils in the world, used in a variety of products from cosmetics to cooking oils, and plays a significant cultural and economic role for many Asian economies. Unfortunately, as the demand for palm oil has increased worldwide, unsustainable growing practices have also increased in some areas, according to World Wildlife Fund, with palm plantations replacing native forest and reducing biodiversity. We are committed to supporting sustainable palm oil production.

## MAKING PROGRESS

In 2011, we set a goal of requiring all of our suppliers of palm oil to become members of RSPO by the end of 2011, and we met this goal. In 2011, we also set a milestone of using only certified sustainable palm oil in restaurants and for par-fry for chicken and potato products by 2015.

The palm oil industry continues to change and evolve. As a result, we have modified our 2011 approach and 2015 milestone to include support for growers of sustainable palm oil through various methodologies recognized by RSPO. As a first step in our journey, we now believe that one of the best ways today to support sustainable palm oil production is through the purchase of GreenPalm certificates, also called the "Book and Claim" system. The Book and Claim system allows RSPO certified growers to earn saleable GreenPalm certificates for every metric ton of sustainable palm oil that they produce. The Company and our suppliers can then purchase these GreenPalm certificates to cover a specific amount of palm oil used in their businesses. RSPO certified growers get revenue from both the direct sale of their palm oil and from the sale of GreenPalm certificates.

We believe the GreenPalm Book and Claim system is an effective way to contribute to the production of sustainable palm oil by helping to get benefits directly into the hands of growers and encouraging them to continue operating sustainably to RSPO standards and practices. Supporting sustainable production through the purchase of GreenPalm Book and Claim certificates supports the palm oil industry's efforts by demonstrating market demand for sustainably produced palm oil while reducing the logistical challenges associated with our complex supply chain.

## WHERE WE'RE GOING

Globally, we are committed to meeting our adjusted 2015 milestone and 2020 aspirational goal to support sustainable palm oil production for all palm oil used in our restaurants or palm oil/palm kernel oil purchased as ingredients by McDonald's suppliers for use in McDonald's products. This includes:

- By 2015—100% of palm oil used for restaurant cooking or by McDonald's suppliers to par-fry chicken and potato products will be RSPO certified sustainable or covered by GreenPalm Book and Claim certificates.
- By 2020—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 and Claim certificates.



Moving toward these goals, several of McDonald's markets in APMEA began using RSPO certification methodologies for restaurant cooking oil and supplier ingredients starting in 2012. McDonald's restaurants in the U.S. and European markets do not use palm oil in restaurant cooking, so they have begun to use RSPO certification methodologies, including GreenPalm Book and Claim certificates, to cover a portion of their suppliers' use of palm oil and palm kernel oil as ingredients in McDonald's products. All McDonald's markets will further advance these plans throughout our supply chain in the years ahead.

# DEVELOPING PRINCIPLES AND CRITERIA FOR SUSTAINABLE POULTRY

Chicken has been part of McDonald's menu since the McChicken sandwich was introduced in 1975. Today, we offer a variety of chicken items around the world, including our Chicken McNuggets, sandwiches, salads, wraps and bone-in chicken. We have estimated that approximately 12% of our supply-chain-related carbon impacts come from poultry production in our System-wide carbon footprint. Proper land use for the growth of poultry feed and responsible management of poultry waste are two important environmental considerations for our supply chain.

As with beef, however, there are currently no broadly accepted standards for sustainable poultry production. McDonald's Poultry Sustainability Team, which includes suppliers and McDonald's experts, is working with industry groups to develop principles, criteria and key performance indicators to continue addressing these impacts through a variety of initiatives:

- **KEY PERFORMANCE INDICATORS (KPIs):** Supporting The Sustainability Consortium's future development of KPIs for sustainable poultry production
- **GLOBAL PRINCIPLES:** Developing global principles for sustainable poultry production, adapting them to each McDonald's market and advocating for industry alignment
- **FIELD PROJECTS:** Identifying, planning and implementing field projects to inform principles and scale sustainable production practices
- **VERIFICATION:** Developing on-farm verification processes, engaging assurance programs and piloting verification systems
- **PERFORMANCE ASSESSMENT:** Evaluating baseline performance in McDonald's global supply chain against principles for sustainable poultry production



STEPS TO POULTRY  
SUSTAINABILITY IN EUROPE

The poultry Sustainable Three Es—ethics, environment, economics—Project (STEP), is a three-year initiative launched in 2012 by McDonald's Europe. The initiative aims to review and improve the existing agricultural standards for chicken production across our European supply chain. The project will drive further progress on key issues such as animal health and welfare and the environmental impacts of chicken production, by identifying and scaling best practices from across the European supply chain. The project will also explore the potential for using new techniques to further improve our standards. Results will help to inform global principles for sustainable poultry production.



## DRIVING TOWARD SUSTAINABLE LOGISTICS

Our global network of distributors makes sure that our food, beverages, and toys are delivered to the restaurants safely, efficiently, and on time. We collaborate with them to promote energy and fuel efficiency in their distribution centers and fleets, using scorecards to measure the environmental performance of the centers themselves, as well as the outbound logistics between the centers and our restaurants. We are working to:

- **DRIVE SYSTEM-WIDE CONTINUOUS IMPROVEMENT** in logistics efficiency and savings by reducing the carbon footprint of distribution centers and outbound logistics
- **TO SUPPORT OUR SYSTEM-WIDE CARBON FOOTPRINT ANALYSIS** and recognize leadership among our distributors
- **INCREASE USE OF BIOFUELS** from used cooking oil or non-food sources

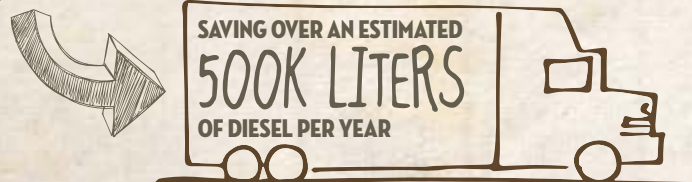
## REDUCING THE CARBON FOOTPRINT OF DISTRIBUTION CENTERS AND FLEETS

McDonald's collaborates with its suppliers to optimize transportation routes, reduce kilometers driven, and improve energy and fuel efficiency for food delivered to our restaurants. The McDonald's U.S. Distributor Council, for instance, has reduced travel by 1.25 million kilometers per year, saving an estimated 503,459 liters of diesel. Our logistics partners in APMEA have implemented energy management systems at their distribution centers to compare energy and fuel usage across different regions and to identify further opportunities for greater efficiency and carbon footprint reductions. McDonald's Germany has worked with their distributor to implement daylight-controlled lighting, rapid rolling gates and heat recovery systems to reduce energy consumption at its seven distribution centers. Photovoltaic systems have been installed on the roofs of two distribution centers.

REDUCED TRAVEL IN THE U.S. BY

**1.25 MILLION KILOMETERS\***

PER YEAR



\*Average annual values, 2008-2013

## DISTRIBUTORS GO FOR EFFICIENCY

In 2012, McDonald's USA and the U.S. Distributor Council hosted a Transportation Sustainability Summit to share best practices about emerging trends for sustainable logistics. Sessions focused on initiatives that provide both environmental improvements and cost savings. McDonald's USA distribution centers are implementing a variety of efficiency initiatives such as idle time management and use of speed governors and louvered mud flaps, which collectively improved fuel efficiency by 2.5% from 2011 to 2012. Going forward, distributors plan to increase their focus on driver behavior to further increase efficiency.



SUSTAINABLE LOGISTICS:  
WHAT THE FUTURE LOOKS LIKE.

We are developing new metrics for tracking environmental progress in logistics and measuring baseline logistics performance in 6 of our top 9 markets as well as McDonald's operations in Europe. This will enable us to better monitor improvements and share best practices going forward. A global fuel sustainability policy for McDonald's distribution centers is in development to clarify our expectations and drive adoption of more carbon-efficient fuels, such as biofuels developed from our restaurants' used cooking oil.

See the Planet chapter to learn more about how McDonald's restaurants collaborate with our distributors to recycle used cooking oil into biodiesel for their fleets. The Planet chapter also contains additional information about the development of our water strategy.



## PROMOTING ENVIRONMENTAL BEST PRACTICES IN SUPPLIER FACILITIES

The Company has developed several tools in partnership with our suppliers to help them track their environmental performance and identify opportunities for improvement. For example, our Environmental Scorecard is a web-based platform currently leveraged by more than 400 suppliers to measure energy use and greenhouse gas emissions, waste production and disposal, and water use. The Scorecard drives continuous improvement, shares knowledge and reinforces environmental management as an expectation of good business practices. In 2012, we updated and re-launched the Environmental Scorecard on a new data platform to provide better visibility into suppliers' facilities' environmental performance and provide an opportunity to share best practices. In 2013, McDonald's increased the number of supplier facilities using the Scorecard to demonstrate their own progress against goals for energy and carbon reduction, zero waste and water stewardship by expanding the program to include packaging and kitchen equipment suppliers.

## THE McDONALD'S GLOBAL SUPPLIER PERFORMANCE INDEX

Another way we are encouraging sustainability in our suppliers' operations is through the Global Supplier Performance Index. This tool includes corporate social responsibility and sustainability—along with innovation, contingency planning, business strategy and other topics—and helps us evaluate suppliers on a variety of measures including environmental, social and other metrics, to help clarify what we mean by CSR & Sustainability leadership. The formal evaluation, which takes place every 1 to 3 years, is complemented by quarterly reviews that provide regular feedback. McDonald's also provides a variety of resources such as newsletters, webcasts and field trips that help suppliers learn and share new strategies for energy efficiency, alternative fuels, waste reduction, water conservation and others.

## MAPPING SUPPLIER WATER RISK

According to the United Nations, agriculture accounts for about 70% of the freshwater used in the world, which means that understanding water risk and efficiently using water is very important throughout McDonald's agricultural supply chain. We recognize how important water is to our suppliers, our customers and communities, and our business.

McDonald's is currently working to articulate a holistic water stewardship strategy that aligns our current water-related efforts across our restaurants and supply chain, so that we can effectively prioritize our future areas of focus. In our supply chain, we will continue our existing efforts to promote water stewardship among suppliers through the Environmental Scorecard, the Aqueduct tool, and our Global Best of Sustainable Supply recognitions (see pg. 48). Water stewardship is embedded within the sustainability criteria for the products included in our aspirational goals, and we plan to focus our efforts on regions with the greatest water risk moving forward.

## SUPPORTING SUSTAINABLE PRACTICES FOR SOME 500,000 FARMERS

McDonald's Europe works with suppliers to monitor and improve the sustainability of farm products used in our European menu items. The McDonald's Agricultural Assurance Program promotes sustainable practices across the European agricultural supply chain, where we source from approximately half a million farms. The program includes a comprehensive set of standards that cover key economic, environmental and ethical practices for production of the main ingredients in our menu items. The Flagship Farms initiative identifies some of the most progressive and innovative farmers in the McDonald's supply chain and shares their practices to influence positive agricultural practices among our own suppliers and beyond. Learn more at [www.flagshipfarms.eu](http://www.flagshipfarms.eu).

## REDUCING PESTICIDE USE BY POTATO GROWERS

Working with the Integrated Pest Management Institute, the National Potato Council and growers in the U.S. and Canada, McDonald's USA helped to develop a comprehensive reporting process that documents the use of pesticides, as well as fertilizer and water, on crops. The potato growers and processors supplying McDonald's USA and McDonald's Canada completed the mandatory survey in 2010, 2011, 2012 and 2013. Growers were self-scored at the basic, steward, expert, or master level based on practices related to weed and insect control, soil management, irrigation and more.

For more information on the stewardship program, please see the definitions below. For more information on the Integrated Pest Management survey, as well as potato industry sustainability efforts, please see the National Potato Council website.

### 2013 POTATO GROWER PESTICIDE STEWARDSHIP SUMMARY

LEVEL	CRITERIA	% ACHIEVEMENT
BASIC	Follows all regulations pertaining to pesticide use, worker protection, and environmental protection. Practices food safety principles (not certified). Follows non-regulated basic agricultural practices.	98%
STEWARD	Complies with customer contract terms as related to pesticides, workers, environment and food safety. Has in place conservation practices on areas of the farm. Can document some practices beyond legal requirements.	93%
EXPERT	Has participated and passed in sustainability/environmental audits. Has goals established for environmental improvement. Applies environmental principles to whole farm.	77%
MASTER	Is certified for sustainable, environmental, and worker practices. Has documented some level of environmental or resource improvement. Participates or assists planning of resource conservation or pesticide use education.	50%



## McDONALD'S "BEST OF SUSTAINABLE SUPPLY"

Our suppliers often lead the way toward more sustainable sourcing, implementing best practices for environmental management, energy efficiency and sustainable agriculture. The McDonald's "Best of Sustainable Supply" is one way we honor leadership among our suppliers and share best practices. Category winners for the 2014 McDonald's "Best of Sustainable Supply" include:

### HUMAN HEALTH AND WELFARE

**Axonlog Cold Solutions**, Growing Together School

The Growing Together "School for Adults" program provides a free education for employees who wish to earn their high school diplomas and prepare themselves for expanded job opportunities and higher education. The program has also reduced employee turnover by almost 5% since 2007.

### WASTE MANAGEMENT

**BRF S/A**, Animal Waste Reverse Logistics

BRF designed a nationwide project designed to ensure that farmers disposed of animal waste responsibly. Approximately 15,000 farmers have been trained to separate waste, contributing to better air, soil, and water quality in the agricultural production chain.



### CLIMATE CHANGE AND ENERGY (two category winners):

• **Arla Foods**, Combination Trailer for Reduced Emissions  
Arla developed the dairy industry's only combination trailer—half milk tanker and half refrigerated container—to eliminate the need for two separate types of vehicles and reduce fuel and carbon emissions. The projected annual fuel savings is 1.2 million liters.



• **Celulose Irani S.A.**, Greenhouse Gas Emissions Inventory and Innovations  
Celulose Irani developed a Clean Development Mechanism (CDM) for a cogeneration boiler and a wastewater treatment plant, including monitoring emissions and reducing greenhouse gases. The cogeneration boiler generates renewable electricity and eliminates methane production by burning biomass.



### ANIMAL HEALTH AND WELFARE

**FrieslandCampina**, Dairy Cow Welfare through Collaboration and Knowledge Transfer

The FrieslandCampina Foqus planet strategy supports almost 20,000 member dairy farmers in making their businesses—and the broader dairy farming industry—more sustainable. To date, more than 4,000 member dairy farmers have participated in workshops on the responsible use of animal medicines and the program has also provided workshops on udder and hoof health.

### WATER

**Inghams Enterprises**, Water Stewardship in Action

Inghams implemented advanced water treatment technology through a multi-barrier approach that allows for reuse and reduces reliance on the water supply by more than 70% with no impact on product quality.

### LAND AND BIODIVERSITY (two category winners):

• **Espersen A/S**, Innovative Trawling Equipment to

Preserve Marine Biodiversity

Espersen partnered with fishermen, scientists, and gear designers to re-engineer traditional trawler gear that reduces the impact on plant and animal life on the seabed, increases the catch per trawling hour by 20%, and saves fuel.



• **International Paper**, Education, Collaboration, and Certification to Support Sustainable Forests

IP formed Certified Forest Management LLC to educate landowners about the benefits of certification, provide resources, shoulder the cost, and provide incentives for preferential fiber purchases from certified lands. Since the program began in 2012, it has increased certified lands by more than 42,000 hectares.

### COMMUNITY IMPACT

**Cargill**, Rural Development Initiative

In 2008, Cargill and CARE launched the five-year, \$10 million Rural Development Initiative, which has since helped improve the livelihoods of more than 100,000 farmers and their families around the world, and has become a model for CARE's engagements with other corporations.

### ECONOMICS

**Dawn Meats**, Boosting Revenues in Irish Beef Farming

To support Irish beef production, Dawn Meats implemented four key projects, including the Dairy Beef Club that promotes knowledge transfer; the Save Our Sucklers Scheme, which includes financial incentives to produce calves; a reporting system to detect liver fluke infection and improve herd health; and premium payments for cows from certified farms.



# PROMOTE POSITIVE WORKPLACES AND HUMAN RIGHTS IN OUR SUPPLY CHAIN

McDonald's strives to work with suppliers who share our commitment to CSR & Sustainability within their own supply chains. We expect our suppliers to support our expectation of fundamental rights for all people: to treat their employees with fairness, respect and dignity, and to follow practices that protect health and safety for the people working in their facilities. And just as we are committed to fair employment practices and a safe, healthful and productive work environment for our employees, we expect our suppliers to hold their own suppliers to these same standards.

## McDONALD'S SUPPLIER CODE OF CONDUCT

The Supplier Code of Conduct is the cornerstone of our Supplier Workplace Accountability program and sets clear guidelines that help our suppliers understand McDonald's expectations and how to live up to them. Every supplier is required to sign the Code and their facilities acknowledge this Code annually. In November 2012, McDonald's launched an enhanced Supplier Code of Conduct. This Code was a result of a comprehensive 2-year process that included benchmarking with a number of organizations that lead in this area, consultation with external experts in supplier workplace accountability, a human rights gap analysis and dialogue with suppliers.

The Code details our expectations regarding the following:

- HUMAN RIGHTS
- ENVIRONMENTAL MANAGEMENT
- WORKPLACE ENVIRONMENT
- BUSINESS INTEGRITY

At McDonald's, our core values are integral to how we do business, and we expect our suppliers to respect and promote these values. At a minimum, we require that all suppliers and their facilities meet the standards and promote the principles outlined in this Code, which are intended to advance McDonald's commitment to all aspects of sustainability...We expect suppliers to hold their supply chain to the same standards contained in this Code.

—From McDonald's Supplier Code of Conduct

## SETTING CLEAR EXPECTATIONS

In addition to the Supplier Code of Conduct, a detailed supplier guidance document, annual self-assessments and on-site third-party audits are used to monitor compliance with our standards and to promote continuous improvement in performance. These requirements apply not only to our direct suppliers, but to their suppliers as well.



THE UPDATED SUPPLIER CODE OF CONDUCT COVERS A NUMBER OF TOPICS. IN ORDER TO SUPPORT THE IMPLEMENTATION OF THE SUPPLIER CODE OF CONDUCT, WE PROVIDE ONLINE TRAINING, A SUPPLIER GUIDANCE DOCUMENT, AND A PRE-AUDIT GUIDELINE WHICH DETAILS SPECIFIC REQUIREMENTS FOR OUR SUPPLIERS AND THEIR FACILITIES. THIS SUPPORTS THEIR ABILITY TO MEET OUR EXPECTATIONS AND DRIVE THIS THROUGHOUT THEIR OWN SUPPLY CHAIN.

**RONA STARR**

Director

Supplier Workplace Accountability  
McDonald's Corporation

## WORKING TO ENSURE THE SUPPLY CHAIN IS FREE OF UNDER-AGE AND FORCED LABOR

McDonald's Supplier Workplace Accountability audit program includes many aspects. Maintaining a workplace free of under-age and forced labor of any kind is just one focus area. The Supplier Code of Conduct outlines our expectation that every McDonald's supplier will comply with all labor laws and with our own standards for minimum work ages and conditions of employment.

McDonald's suppliers and the facilities and subcontractors within their supply chains shall not employ anyone younger than the minimum employment age according to the laws of the facilities' country. Regardless of the country's minimum working age, suppliers and their facilities and subcontractors may not employ anyone younger than 14. Likewise, the Company values the freedom of workers to accept or leave a job voluntarily. Involuntary prison, forced, bonded or indentured labor, human trafficking and slavery are prohibited. Suppliers and their facilities and subcontractors must ensure their hiring practices, as well as those of any labor or recruitment agencies and subcontractors within their supply chain, provide workers who meet our expectations.

Q:

### STAKEHOLDER PERSPECTIVE

WHERE SHOULD McDONALD'S FOCUS NEXT STEPS TO CONTINUE SUPPORTING POSITIVE SUPPLIER WORKPLACES?

As a sustainable and responsible investment firm, Calvert has engaged in dialogue with McDonald's over several years regarding labor and supply chain risks. We commend the company's efforts to engage investors and stakeholders in designing a new approach to sustainability and in the shaping of the 2012 Supplier Code of Conduct. The Code has some important new elements that strengthen protections for workers across McDonald's supply chain, particularly the support for freedom of association. We expect continuous improvement of the Supplier Code and other workplace policies and practices as they are implemented throughout the company's operations. We also encourage the company to assess progress regularly.



**ELLEN KENNEDY**

Manager

Environment, Water, and Climate  
Calvert Investments

## MONITORING PERFORMANCE FOR OUR SUPPLIERS AND THEIR FACILITIES

To verify that our suppliers are adhering to our Supplier Code of Conduct and to help them identify opportunities for improvement, we maintain a risk-based auditing system, implemented through independent experts. Every facility must participate in a baseline, third-party audit when they begin working with the Company. Ongoing audits are conducted using a risk-based approach and take into account historical audits, country of origin, and product.

## ADDRESSING NONCOMPLIANCE AND ISSUES REQUIRING URGENT ACTION

Auditors measure performance against a number of issues including 10 that the Company considers urgent.

### Urgent Issues include:

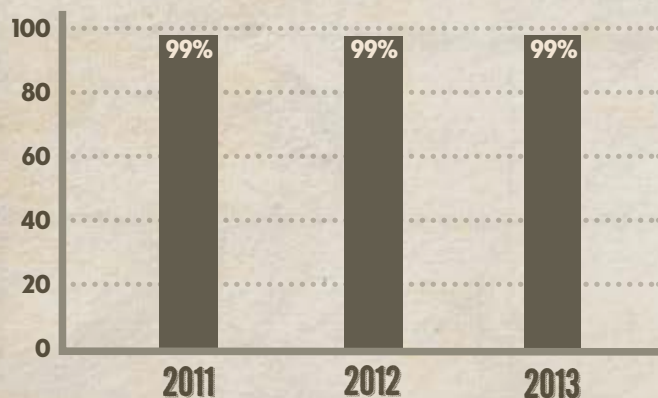
- Working 21+ days without a rest day of at least 24 consecutive hours
- Emergency exits that are locked and/or blocked
- Harassment, abuse or discrimination
- Any worker not being paid at least minimum wage
- Eligibility to work documentation either not available or not completed properly
- Under-age labor (either current or historical)
- Forced labor
- Health and safety issues that may threaten life, limb or function of the worker
- Denial of access to auditors
- Bribe or offer of gift to auditor

If any noncompliance is found, a Corrective And Preventative Action Plan (CAPA) must be developed and uploaded to our data system within 30 days. The McDonald's Supplier Workplace Accountability program stipulates that this CAPA is reviewed by one of our monitoring firms who will then conduct a re-audit within a timeframe set by us, in line with the severity of the issue and the time required to correct sustainably.

## EMPOWERING OUR SUPPLIERS TO MONITOR AND IMPROVE THEIR PERFORMANCE

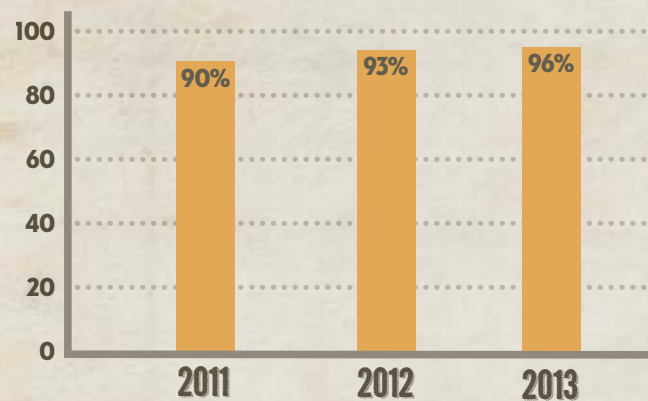
Every supplier facility must complete the online self-assessment annually, review its findings and implement any necessary corrective action. The self-assessment also allows suppliers to record and evaluate their CSR & Sustainability management practices and is validated during the on-site audit process. The self-assessment provides information that the Company and our suppliers can use to measure performance and set goals for continuous improvement. Progress toward agreed-upon goals then becomes a component of the McDonald's Supplier Performance Index. In 2013, 96% of facilities completed the self-assessment.

**PERCENT OF FOOD, PACKAGING, EQUIPMENT, DEVELOPMENT AND MARKETING SUPPLIERS THAT HAVE SIGNED THE CODE OF CONDUCT<sup>1</sup>**



<sup>1</sup> Percentages reflect a snapshot of suppliers that have signed the Supplier Code of Conduct at year end. Because suppliers have 30 days to sign, there is a natural fluctuation between 99% and 100% over the year.

**PERCENT OF SUPPLIER FACILITIES COMPLETING THEIR ONLINE ASSESSMENTS ON SCHEDULE**



# IMPROVING THE HEALTH AND WELFARE OF ANIMALS THROUGHOUT THEIR LIVES

When it comes to animal health and welfare, McDonald's is committed to meaningful and enduring change. Healthy animals are one of the first steps to providing safe food. McDonald's has collaborated with our suppliers to develop and maintain global handling and/or slaughter requirements for the beef cattle, swine, poultry and egg-laying hens in our supply chain. At the same time, we understand the opportunity we have as a global company to collaborate with industry experts toward additional positive advancements. Drawing on evidence-based research, the advice of our academic advisors, and the expertise of suppliers, we prioritize global animal health and welfare opportunities within our supply chain and partner with the broader industry for continuous improvement.

## PARTNERSHIPS FOR POSITIVE INDUSTRY CHANGE

Working in partnership with our direct suppliers, other retailers, the broader industry and NGOs, we seek ways to promote animal health and welfare practices along their supply chains, drive continuous improvement and implement verification systems that monitor compliance against specific criteria. Given the vertical integration typically associated with poultry and eggs, we have visibility back to the farm, and have been able to establish programs to drive continuous improvement in poultry health and welfare. Visibility within the beef supply chain is more complex, involving multiple facilities for animals from birth to processing. Regardless of the infrastructure, we require our suppliers to implement the Company's animal health and welfare standards throughout their own supply chains.

Our global animal health and welfare program takes a multi-pronged approach and includes a cross-functional, Global Animal Health and Welfare team and local teams focused on local market issues. The Company's Animal Health and Welfare Guiding Principles provide a framework for operations, and an audit program verifies compliance in all approved slaughter facilities.

## ANIMAL HEALTH AND WELFARE GUIDING PRINCIPLES

The Company's global commitment to animal health and welfare is guided by a common set of principles that apply to all the countries in which McDonald's does business. These global principles are supplemented by more detailed policies maintained by each of the four areas of the world in which we operate.

### SAFETY

First and foremost, the Company provides its customers with safe food products. Food safety is our number one priority.

### QUALITY

The Company believes treating animals with care and respect is an integral part of an overall quality assurance program; it makes good business sense because having healthier animals is one of the first steps to providing safe food.

### ANIMAL TREATMENT

The Company supports the Five Freedoms related to animal health and welfare. We maintain an ethical commitment to improve the health and welfare of animals in our supply chain.

### PARTNERSHIP

The Company works with our direct suppliers, other retailers, the broader industry and NGOs to ensure continuous improvement through ongoing dialog as the science of animal health and welfare continues to evolve.

### LEADERSHIP

The Company is committed to working with our suppliers and industry experts to advance animal welfare practices and technology.

### PERFORMANCE MEASUREMENT

The Company sets annual performance objectives to measure our improvement and to ensure our purchasing strategy is in alignment with our commitment to animal welfare issues.

### COMMUNICATION

The Company will communicate our process, programs, plans and progress surrounding animal health and welfare.

“IN MANY AREAS, LEADERSHIP BY RETAILERS IS IMPROVING THE HEALTH AND WELFARE OF POULTRY AND LIVESTOCK MORE THAN LAWS AND REGULATIONS. McDONALD'S WORK WITH RESEARCHERS AND SUPPLIERS—SUCH AS THROUGH THE ANIMAL HEALTH AND WELFARE TEAM—TO APPLY THE LATEST SCIENCE, TECHNOLOGY, AND ETHICS TO THE TREATMENT OF ANIMALS IS ALREADY LEADING TO IMPORTANT CHANGES IN THE WAY ANIMALS ARE RAISED, HOUSED, AND TRANSPORTED.”

### JOY MENCH

Professor of Animal Science and Director of Center for Animal Welfare

University of California-Davis, Animal Welfare Council Member

## THE McDONALD'S ANIMAL HEALTH AND WELFARE TEAM

In early 2012 we reinforced our global commitment to animal health and welfare by establishing a global, cross-functional Animal Health and Welfare Team that includes experts on beef, pork, dairy, poultry, egg-laying hens, animal behavior and animal ethics. Building on the legacy of the original animal welfare council the Company formed in 1996, this global team has one simple objective: to strike a balance between what the science says and what our customers expect.

The collective work of this global team is leading to meaningful, sustainable and measureable improvement. Specifically, the Company aims to:

- **ESTABLISH EVIDENCE-BASED GLOBAL POLICY, PROGRAMS, AND PROCEDURES** that can be verified by independent third parties
- **PROMOTE BEST PRACTICES** from around the world

The global team is focused on three initial priorities, each co-led by a supplier and academic advisor and facilitated by the Company. The priority projects initiated in 2013 were:

1. Defining general and specific guidelines for laying hen housing regardless of housing type.
2. Defining general and specific guidelines for chickens from the time of receipt at the slaughter facility through processing, for the purpose of harmonizing animal health and welfare requirements within the scope of the slaughter facility.
3. Developing cull cattle care guidelines for both dairy and beef cull cows.

Local teams continue to focus, as they have for many years, on those priorities with the greatest impact in their markets. For example:

1. Europe: The STEPs Project, which works to improve ethical, environmental and economic issues, with a strong focus on poultry welfare.
2. U.S.: The Coalition for Sustainable Egg Supply and a timetable for phasing out gestational stalls for sows.
3. APMEA: Animal health and welfare training across the supply chain.



## ANIMAL HEALTH AND WELFARE TEAM

### GLOBAL EXPERTISE IN BEEF, PORK, DAIRY, POULTRY, EGGS

#### ACADEMIC ADVISORS

Dr. Mike Apley—Kansas State University  
Dr. Harry Blokhuis—  
Swedish University of Agricultural Sciences  
Dr. Anna Johnson  
Dr. Candace Croney—Purdue University  
Dr. Linda Detwiler—  
Mississippi State University  
Dr. Pilar Donado—Corpoica, Bogotá, Colombia  
Dr. Temple Grandin—Colorado State University  
Dr. Alan Harris—  
Rush Medical College, Chicago  
Dr. David Jordan—  
New South Wales Department of  
Primary Industries, Australia  
Dr. Guy Loneragan—Texas Tech University  
Dr. Joy Mench—University of California—Davis  
Dr. Suzanne Millman—Iowa State University  
Dr. Ed Pajor—University of Calgary  
Dr. Stuart Reid—  
Dean Royal Veterinary College, London  
Dr. H. Morgan Scott—Texas A&M University  
Dr. Janice Swanson—Michigan State University  
Dr. Yvonne Vizzier Thaxton—  
University of Arkansas  
Dr. Dan Thomson—Kansas State University  
Dr. Kurt Vogel—University of Wisconsin—  
River Falls  
Karl Williams—FAI Farms, Oxford U.K.

#### McDONALD'S SUPPLIERS

Cargill—Dr. Bob Evans,  
Dr. Mike Siemens, Rosalind Zils  
Dean Foods—Dr. Jennifer Walker  
Inalca Italy—Gabriele Mezzadri  
JBS—Dr. Lily Edwards-Callaway  
Keystone—Dr. Ken Opengart  
OSI—Joon Wong  
Smithfield—Don Butler  
Tyson Foods—Joe Harmon

#### McDONALD'S REPRESENTATIVES

Global Lead—Bruce Feinberg  
Asia/Pacific, Middle East,  
Africa—Eden Huang  
North America—Dr. Justin Ransom  
Latin America—Francisco Centeno  
Europe—  
Ignacio Blanco Traba and  
Norbert Rank  
Communications—Sarah Kafenstok  
Global Supply Chain—Daniel Boer

## A LEGACY OF CONTINUOUS IMPROVEMENT AND INDUSTRY INVOLVEMENT

Improving animal health and welfare is a journey, not a destination. At McDonald's we recognize that there will always be opportunities for improvement as the science of animal health and welfare continues to evolve. We have worked for more than 25 years with the industry, leveraging their deep understanding of the issues associated with animal production and processing, and recognized animal health and welfare experts such as Dr. Temple Grandin, Dr. Joy Mench, Dr. Janice Swanson and Dr. Ed Pajor, members of our original Animal Welfare Council. Each has advised the Company on animal health and welfare initiatives and opportunities where McDonald's can drive improvement through the industry.

## CLEAR CRITERIA = CLEAR EXPECTATIONS

McDonald's supplier facilities for beef, pork and chicken slaughter are audited annually by independent firms and/or McDonald's staff using McDonald's audit criteria, which are based on recognized international and U.S. standards like General Principles for Animal Welfare developed by the World Organization for Animal Health (OIE) and American Meat Institute. These audits are conducted to ensure compliance with animal health and welfare standards and the implementation of corrective action and follow-up wherever needed. As standards change—based on advances in science and best practices—so will our audit criteria. Auditors receive additional training to make sure our systems remain relevant.

## 100% OF SLAUGHTER FACILITIES AUDITED

The Company requires that all approved slaughter facilities supplying the Company undergo a third party animal health and welfare audit annually. The Company currently has 598 approved slaughter facilities globally for beef, poultry and pork. For the audit period ending December 31, 2013, 100% of our approved facilities were audited for animal health and welfare. If a facility fails the Company's animal health and welfare audit, the Company requires the supplier to develop a corrective action plan to resolve the specific issue identified. A second audit is then conducted to confirm the improvements were made. If a facility fails to make the necessary improvements, it is removed from the Company's approved supplier list and purchases from that facility cease immediately. For the audit period ending December 31, 2013, and as a result of failing a Company animal health and welfare audit, one supplier was removed from our approved supplier list.

## ANIMAL WELFARE ISSUES WE'RE FOCUSING ON

### HOUSING FOR LAYING HENS

McDonald's USA is a member of the Coalition for Sustainable Egg Supply (CSES) which has contracted research to better study the impacts of hen housing on animal welfare, food safety, worker/employee welfare and the environment. We feel the Coalition's work will result in meaningful science-based data that will help guide future production and purchasing decisions. The team is also determining management practices that are scientifically sound and aligned with accepted principles.

While no single housing system can satisfy all criteria, we are working to develop guidelines for hen housing systems that best reflect these guiding principles. The team is assessing the Company's current laying hen health and welfare guidelines and audits for the various housing systems available throughout the world. Data from McDonald's Agricultural Assurance Program, the Coalition for Sustainable Egg Supply initiative, and the European Animal Welfare Platform and Welfare Quality Project is being analyzed to:

- **DEVELOP GENERAL GUIDELINES** applicable to any housing system and specific to conventional, cage-free, enriched and free-range housing systems.
- **ALIGN THE COMPANY'S REQUIREMENTS AND AUDIT CRITERIA** to the most applicable scientific evidence and OIE's General Principles for Animal Welfare.

### BROILER HEALTH AND WELFARE

McDonald's poultry sub-team is identifying general guidelines for broiler health and welfare from the receipt of the live birds at the slaughter facility through processing. These guidelines are scientifically sound and aligned with accepted practices, such as standards of the U.K. Department for Environment, Food & Rural Affairs, the U.S. National Chicken Council, the OIE Terrestrial Animal Health Code, and/or the European Animal Welfare Platform and Welfare Quality Project. Additional work includes:

- **IDENTIFYING OPPORTUNITIES** within the McDonald's supply chain.
- **DEFINING "EFFECTIVE STUNNING" AND "INSENSIBILITY"** in an effort to establish a single, global McDonald's standard that is applicable across stunning systems in use around our global System, taking into consideration the variety of electrical water bath stunning systems, the expanding use of controlled atmosphere stunning and the exploration of emerging technologies like low atmospheric pressure stunning.

## CULL CATTLE CARE GUIDELINES

Even with the best care, dairy cows can become non-productive due to infertility, udder problems and/or injury. When that happens, farmers and producers make decisions to remove or “cull” these animals from the herd and determine whether to send them to slaughter. Although no longer productive members of the herd, cull cows represent a source of safe, quality beef. Like feeder cattle, cull cows must pass stringent inspection by specially trained and qualified inspection services in all our approved slaughter facilities before the meat from these animals enters the food supply chain. Ensuring that cull cows entering the food supply are not only of good quality, but that they are fit for transport, is the responsibility of everyone in the beef supply chain.

The cull cattle care sub-team of McDonald's Global Animal Health and Welfare Team is tasked with improving the health and welfare of cull animals, including cull dairy and beef cows. We believe that by establishing guidelines and creating awareness regarding the welfare of culled cows, the health and welfare of animals entering the supply chain will be the highest in the industry. We also believe that the best mechanism to achieve this outcome is through outreach and education to farmers, ranchers and producers, while we continue to work closely with processors in our supply chain.

The sub-team has two purposes:

1. USE A GLOBAL SURVEY TO CAPTURE THE INCIDENCE RATES OF SEVERAL ISSUES THAT REQUIRE AN ANIMAL TO BE CULLED IN ORDER TO PRIORITIZE OUR EFFORTS.
2. CREATE AN ASSESSMENT FRAMEWORK TO ASSIST PRODUCERS, FARMERS AND RANCHERS IN RECOGNIZING HEALTH-RELATED PROBLEMS AND RESPONDING TO THEM IN A TIMELY AND RESPONSIBLE MANNER.

Early recognition of problems and prompt, appropriate treatment are key factors in improving the health and welfare of animals and preventing loss. Producers are encouraged to work with their herd veterinarians for early intervention treatment and culling decisions, while maintaining compliance with local laws for the treatment and transport of animals.

## ALTERNATIVE SOW HOUSING

McDonald's is working with our suppliers on evaluating alternative sow housing. There are varied efforts within the global supply chain which include:

- In the EU countries within Europe, gestation crates are illegal. Therefore, McDonald's Europe pork suppliers are not permitted to use them. In Russia (a non-EU country), we are working with our supplier to phase out its use of gestation crates.
- In 2013, McDonald's U.K. became the first “high-street” restaurant chain to serve 100% Freedom Food pork from British farms certified by the Royal Society for the Prevention of Cruelty to Animals.
- In 2012, McDonald's USA announced its commitment to work with pork suppliers to phase out of the use of gestation stalls for housing pregnant sows. By 2017, McDonald's USA will source pork only from producers who share this commitment. By the end of 2022, McDonald's USA will source pork only from supply chains that do not use gestation stalls for housing pregnant sows. McDonald's USA is already working with producers and suppliers to support their transition and will develop verification systems to assess compliance.

### WHERE WE'RE GOING: ANIMAL HEALTH AND WELFARE

The work of our Global Animal Health and Welfare team will continue as long as the science related to animal health and welfare continues to evolve. As the current work assigned to the three sub-teams is completed and deployed across our System, new initiatives will be assigned. Future sub-team work that has already been identified includes evaluating programs and industry standards related to on-farm initiatives, making certain they are continuously improving and reflect best practices.

Where appropriate, McDonald's promotes animal health and welfare improvements throughout the food industry. For instance, McDonald's Europe was a founding member of the **European Animal Welfare Platform**, a multi-stakeholder initiative that achieved broad consensus on key issues and best practices in beef and dairy, poultry and eggs, pork and fish. And our work with the Global Roundtable for Sustainable Beef is integrating animal health and welfare standards into beef sustainability for the industry worldwide.



## GOOD SOURCING - WHERE WE'RE GOING

Our 2020 goals for sourcing represent our continued journey toward a sustainable supply chain. We have set interim goals to guide us along the way, such as developing global principles and criteria for sustainable beef and purchasing some verified sustainable beef by 2016. This will mean ongoing collaboration with partners in the Global Roundtable for Sustainable Beef and other groups. We will also work with other industry and NGO stakeholders to meet our aspirational goal to source 100% of the fiber-based packaging from certified or recycled sources. For other priority products such as coffee, palm oil and fish, an important challenge will be maintaining the progress we have already achieved, doing so as we grow and as sustainable supplies and markets shift.

# MCDONALD'S ESTIMATED CARBON FOOTPRINT

BASED ON 2011 DATA

MCDONALD'S SUPPLY CHAIN

41%  
BEEF



17%  
OTHER<sup>1</sup>



12%  
CHICKEN



6%  
PACKAGING



6%  
CHEESE



6%  
DAIRY



5%  
BUNS & BAKERY



4%  
PRODUCE



3%  
TRANSPORTATION



71%

COMPANY-OWNED  
RESTAURANTS & OFFICES

71%  
ELECTRICITY



17%  
OTHER<sup>2</sup>



12%  
WASTE<sup>3</sup>



6%

23%

MCDONALD'S FRANCHISEE  
RESTAURANTS

66%  
ELECTRICITY



20%  
OTHER<sup>2</sup>



14%  
WASTE<sup>3</sup>



1. Represents estimated emissions from all food and packaging product categories not shown on the chart above.  
 2. Represents estimated emissions from natural gas combustion, upstream activities related to energy production, refrigerant discharges, employee commuting & travel.  
 3. Represents estimated emissions from in-restaurant waste and carry-out waste.



# MCDONALD'S ESTIMATED CARBON FOOTPRINT

In 2013, we launched a new life cycle assessment (LCA) project with scientists at Enviance, an environmental consulting firm, to estimate our System's global carbon footprint. They evaluated the greenhouse gas (GHG) emissions associated with our System including restaurants, Company offices, and food and packaging supply chains and delivery systems worldwide.

Using a hybrid LCA model that combines input-output and process LCA methods, Enviance estimated and categorized our Scope 1, 2 and 3 GHG emissions according to the World Resources Institute/World Business Council for Sustainability Development GHG Protocol. This analysis builds on the momentum of regional and supply chain-specific studies completed in the past. These results are approximate, based on best available data. We will continue to refine our global analysis in the years to come. Read more about our System-wide carbon footprint methodology in the Appendix on page 114.

## KEY EMISSIONS RESULTS

The majority of our System-wide carbon footprint impacts (over 70%) occur in our supply chain and the agriculture systems that produce raw materials for our menu items (our GHG emissions breakdown is outlined in the graphic at left). Across these raw materials, the major GHG emissions-driving activities include:

- CATTLE RAISING TO PRODUCE OUR BEEF, CHEESE AND DAIRY; MAJOR DRIVERS INCLUDE ENTERIC FERMENTATION AND FEED-LOT MANURE MANAGEMENT
- ELECTRICITY USAGE ACROSS FARMS, PLANTS AND DISTRIBUTION CENTERS
- GRAIN FARMING TO PRODUCE OUR BUNS, BAKED GOODS AND FEED FOR ANIMALS

GHG emissions from Company offices and all Restaurants, including Franchisees, represents nearly 30% of the total. Electricity usage is the primary driver. A smaller proportion is associated with in-restaurant waste and on-site gas combustion for hot water heating and cooking.

When we categorize our System's carbon footprint according to the GHG Protocol, indirect emissions across the value chain (Scope 3) represent an estimated 95% of our overall footprint; this is primarily due to emissions from Franchisee restaurants and our supply chain. Our direct GHG emissions from Company-owned operations (Scope 1) is estimated at 0.19 Megatons carbon dioxide equivalents (CO<sub>2</sub>e), while our indirect energy purchases at Company-owned facilities (Scope 2) is estimated at 1.83 Megatons CO<sub>2</sub>e.

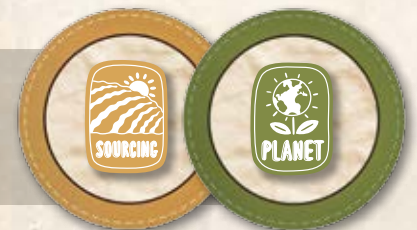
For McDonald's, Scopes 1 and 2 reflect GHG emissions associated with our Company-owned restaurants and offices, and include purchased fuel, electricity and refrigerants. Most Scope 3 emissions are associated with Franchisee restaurants and our supply chain. Note that the certainty of our Scope 1 and 2 results is greater than that of Scope 3 because the inherent complexity of our supply chain required the use of industry averages and third-party data to complete the analysis.

## IMPLICATIONS FOR ACTION ACROSS OUR SYSTEM

Our estimated new carbon footprint validates the appropriateness of our focus on mitigating our System's GHG emissions impacts over time, especially through our beef sustainability strategy in our supply chain and in our energy management focus in the restaurants.

Since the majority of our System's impacts are beyond our direct control—for example, our suppliers and Franchisees—we need to work collaboratively with all parts of our System to make progress.

The Sourcing and Planet chapters detail our strategies and actions to address these major impact areas, and we will report our progress as these environmental strategies evolve in the future.





## SHARED VALUE FOR BUSINESS AND A BETTER PLANET

### OUR RESPONSIBILITY

Environmental pressures present both challenges and opportunities for the future of the planet. As a Company and brand with a large global footprint, we have a responsibility to take meaningful action as environmental stewards to address the impacts of the McDonald's System. Serious challenges, including the impacts of climate change and dwindling resources, are already affecting our society and will only continue to rise in importance to our business.

### OUR OPPORTUNITY

Now more than ever opportunities for shared value are clear for our business and society. We have designed our strategies to address global environmental pressures and to reduce our System's impacts, while helping us to build a better business and create value for our shareholders.

### MORE FOCUSED STRATEGY

Environmental stewardship is not new to McDonald's, but with the launch of our CSR & Sustainability Framework, our Planet strategy is more focused than ever. Towards 2020 and beyond we will heighten our focus on energy management, waste minimization and recycling. Water efficiency and availability are also of increasing importance in our System, requiring our continued attention in the years to come. We operate in a wide range of geographies and some McDonald's markets are further along than others. This is natural. The strength of the McDonald's System is that we can leverage approaches from around the world to drive innovation and use our scale and scope to make a positive difference.

## GOOD PLANET - WHAT WE'RE BUILDING ON

- **IMPROVING OUR CARBON INTENSITY** through enhanced energy efficiency in our restaurant operations and innovations in restaurant design and equipment.
- **MINIMIZING AND DIVERTING WASTE** in the restaurants and converting waste into a valued resource.



“OVER MY MORE THAN 25 YEARS AT McDONALD'S, I HAVE SEEN FIRSTHAND HOW WE CAN CAPITALIZE ON THE POWER OF THE SYSTEM—ACROSS OVER 35,000 RESTAURANTS—TO DRIVE SHARED VALUE ACROSS OUR BUSINESS, FRANCHISEES, AND SUPPLIERS. AS WE PROGRESS TOWARD OUR 2020 VISION, WE HAVE THE CHANCE TO APPLY PRACTICAL, ENVIRONMENTAL SOLUTIONS TO OUR OPERATIONS THAT NOT ONLY DO GOOD FOR THE BUSINESS, BUT DO GOOD FOR THE PLANET, AND ULTIMATELY DO GOOD FOR THE BRAND.”

### KEN KOZIOL

Executive Vice President and  
Global Chief Restaurant Officer

McDonald's Corporation

## LOOKING FORWARD TO 2020 - OUR ASPIRATIONAL GOALS FOR A GOOD PLANET

### FOR THE TOP 9 MARKETS:

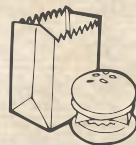
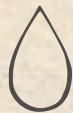
1. **20% INCREASE IN ENERGY EFFICIENCY OF COMPANY-OWNED RESTAURANTS\***
2. **INCREASE ENERGY EFFICIENCY THROUGH RESTAURANT STANDARDS\*\***
3. **INCREASE AMOUNT OF IN-RESTAURANT RECYCLING TO 50% AND MINIMIZE WASTE**

\*Excluding Brazil and Japan. Develop Franchisee goal in 2016.

\*\*Develop goals in 2014.

## RESTAURANT ENVIRONMENTAL IMPACTS

INPUTS



OUTPUTS

## BUILDING ENVIRONMENTAL STEWARDSHIP FROM THE GROUND UP

Ric Richards acquired his first McDonald's restaurant in 1988. Since then, he has owned restaurants in three states, twice earning the Ronald Award, a prestigious recognition for Franchisees. In 2009, Ric opened the first-ever LEED® (Leadership in Energy and Environmental Design) Gold-Certified McDonald's in North Carolina, and is seeking his second LEED® certification for a restaurant opened in 2013. Ric is also a 14-year member of the Board of Trustees for the Ronald McDonald House of Durham, North Carolina.

“AS A PROUD MCDONALD'S FRANCHISEE, I FEEL STRONGLY THAT TAKING ADVANTAGE OF THE LEED® VOLUME PROGRAM TO BUILD A GREEN-CERTIFIED, ENVIRONMENTALLY-FRIENDLY RESTAURANT IS DEFINITELY WORTH THE EFFORT. RESIDENTS AND CUSTOMERS APPRECIATE THE FACT THAT WE ARE GIVING BACK TO THE COMMUNITY BY SAVING WATER AND ELECTRICITY. THEY FEEL GOOD ABOUT SUPPORTING A BUSINESS THAT HAS MADE SUCH A STRONG COMMITMENT TO ENVIRONMENTAL STEWARDSHIP—AND IT MAKES OUR MANAGERS AND CREW MEMBERS FEEL GOOD, TOO.”

### RIC RICHARDS

Franchisee

Raleigh and Cary, North Carolina, USA

RIC RICHARDS, FRANCHISEE  
CARY, NORTH CAROLINA, USA

OUR JOURNEY CONTINUES |

2012 - 2013 HIGHLIGHTS

- **STRENGTHENING ENVIRONMENTAL STRATEGIES:** DEVELOPED CLIMATE CHANGE POSITION STATEMENT, ESTIMATED SYSTEM-WIDE CARBON FOOTPRINT FOLLOWING GHG PROTOCOL, AND LONG-TERM WATER SCARCITY MAPPING FOR RESTAURANTS WORLDWIDE.
- **WASTE AND RECYCLING:** OF THE 34,113 RESTAURANTS SURVEYED IN 2013, 90% REPORTED RECYCLING USED COOKING OIL AND 77% REPORTED RECYCLING CORRUGATED CARDBOARD.
- **ENERGY:** INSTALLED APPROXIMATELY 300,000 PIECES OF MORE ENERGY EFFICIENT KITCHEN AND BUILDING EQUIPMENT IN RESTAURANTS WORLDWIDE.

## OUR ENVIRONMENTAL EVOLUTION

Environmental strategies and issues have a heightened focus within our Company with the adoption of our broader CSR & Sustainability Framework. The officer overseeing our Planet Pillar is McDonald's Executive Vice President and Global Chief Restaurant Officer, Ken Koziol. Environmental responsibility is widely dispersed throughout Company departments ranging from Equipment Design and Purchasing to Innovation, Restaurant Design and Construction. To develop and execute action plans against our environmental strategy we employ a network of internal teams throughout our System.

- **GLOBAL SUSTAINABILITY DEPARTMENT**

Serves as the overall conduit and coordinator for our worldwide environmental efforts, our external stakeholder advisors, and our CSR & Sustainability Framework as a whole.

- **GLOBAL ENVIRONMENTAL COUNCIL**

Brings together McDonald's environmental leads from around the world to share and align global guidelines, policies, and initiatives that can be adapted within McDonald's markets to address local issues while meeting the global goals.

- **GLOBAL ENERGY LEADERSHIP BOARD**

Includes energy leads from each Area of the World who collaborate on energy management policies and best practices. The board is coordinated by the Company's Restaurant Solutions Group to maintain close alignment with restaurant strategies, and works to make our many energy environmental initiatives more cohesive.

When we talk about the Planet Pillar in this chapter, we focus on the development and operation of McDonald's restaurants. Obviously, our supply chain has impacts on the planet, too, which we outline in the Sourcing chapter.



“ IN DEVELOPING OUR CSR & SUSTAINABILITY STRATEGY, STRONG LEADERSHIP COMMITMENT FOSTERED BY ROBUST GOVERNANCE HAS ENHANCED OUR ABILITY TO ENGAGE THE SYSTEM AND ALIGN OUR MARKETS AROUND A COMMON FRAMEWORK. OVER THE YEARS, OUR MARKETS HAVE DEVELOPED BEST PRACTICES THAT HAVE INSPIRED OUR SYSTEM, AND HAVE BEEN SCALED GLOBALLY. WITH IMPROVED ALIGNMENT AND LEADERSHIP ACCOUNTABILITY, WE CAN ACCELERATE OUR PERFORMANCE AS A BRAND, CONNECT WITH OUR CUSTOMERS MORE, AND DRIVE MORE FOCUSED EFFORTS. ”

**JEFFREY HOGUE**

Senior Director of Global CSR & Sustainability  
McDonald's Corporation



“ WE INCORPORATED ENVIRONMENTAL AWARENESS INTO OUR CREW TRAINING SO THEY CAN HELP SAVE ENERGY AND WATER RIGHT AWAY. WE HOLD REGULAR ENVIRONMENTAL MEETINGS, SHARE INFORMATION WITH OTHER OWNER/OPERATORS AND INVOLVE LOCAL GOVERNMENT COUNCILS, POLICE, COMMUNITY GROUPS AND THE LOCAL MEDIA. IN 2013, WE ASKED OUR CUSTOMERS TO VOTE ON THE COMMUNITY SITE THEY WANTED US TO CLEAN UP IN OUR ANNUAL LITTER PICK, AN EVENT THAT INCLUDED CREW AND MANAGERS FROM ALL 11 OF OUR RESTAURANTS. ”

**AMY MCDYRE**

Training Officer and "Planet Champion"  
Employee of Glyn Pashley, McDonald's Franchisee  
Rugby, U.K.

# MCDONALD'S BEST OF GREEN

McDonald's Global Best of Green recognizes environmental best-practice innovations in several categories with tangible impacts for our business and our brand. These environmental innovations, taking shape at multiple levels throughout the McDonald's System, illustrate that positive change can originate from anywhere and that we all have a role to play in improving our environmental performance. We collaborate with key external stakeholders to recognize "best of the best" actions by selecting "Planet Champions" for each category.

The selection committee included representatives from McDonald's as well as Business for Social Responsibility, Ceres, Conservation International and World Wildlife Fund. They made their selections based on the level of innovation, environmental and business impacts, scalability and business integration. Congratulations to the 2012 winners. Learn more about our environmental best practices and additional Best of Green recognitions on our Company website.

## MCDONALD'S 2012 PLANET CHAMPIONS



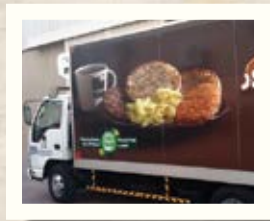
### **PACKAGING: BETTER NAPKINS AND BAGS OFFER BETTER ENVIRONMENTAL PERFORMANCE**

McDonald's Canada's switch to unbleached napkins and bags leads to positive environmental, customer and cost savings impacts.



### **RECYCLING AND WASTE REDUCTION: WASTE MANAGEMENT WITH McRECYCLE®**

McDonald's Austria achieved an overall 95 percent recycling rate in its restaurants with the McRecycle® program.



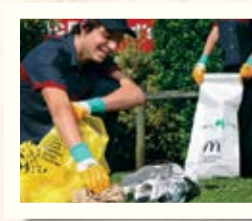
### **LOGISTICS: BIODIESEL AND REVERSE LOGISTICS IN THE UAE**

McDonald's distributors' entire fleet of supply trucks in the United Arab Emirates currently run on 100 percent biodiesel made from vegetable oil recycled from McDonald's restaurants.



### **GREENING OUR RESTAURANTS WITH LEED® VOLUME**

McDonald's USA seeks to build 25 additional LEED® certified restaurants through its participation in the LEED® Volume Program.



### **ANTI-LITTERING: LEADING THE WAY TOWARD CLEANER STREETS IN AUSTRALIA**

Through a focus on litter reduction for more than 20 years, McDonald's Australia works to establish a leadership position by engaging its restaurant employees, staff and customers to control the impacts of litter around restaurants in Australia.



### **NEW RESTAURANT EARNS FIRST LEED® GOLD CERTIFICATION IN ARGENTINA**

The first green restaurant in Pilar, Argentina, built by Arcos Dorados, McDonald's developmental licensee in Latin America, became the first new building in the country to receive LEED® Gold for New Construction certification.

### **COMMUNICATIONS: MCDONALD'S SPAIN ADDED ENVIRONMENTAL TRAINING FOR ALL**

For McDonald's restaurant employees in Spain, environmental training is a core element of orientation and training.

### **MCDONALD'S ENERGY: CALCULATE YOUR CARBON FOOTPRINT**

Europe's innovative carbon footprint measurement "toolkit," which was launched in 2009, set the stage for identifying future carbon reduction opportunities.

### **GREENING THE WORKPLACE: CREW MEMBERS PARTICIPATE IN POWER SAVING CAMPAIGN**

McDonald's Japan helped nearly 5,500 of its crew members achieve a 15 percent reduction in their power usage from July through September 2011.

# IMPROVING OUR CARBON INTENSITY

Climate change presents a global challenge with broad and far-reaching implications for generations to come. We acknowledge the findings of the 5th Assessment Report of the Intergovernmental Panel on Climate Change – “that human influence on the climate system is clear,” and “limiting climate change will require substantial and sustained reductions of greenhouse gas emissions.” Our statements on energy and climate change can be found on our Company website.

We recognize the need for strong collaboration between governments and the private sector to mitigate climate change’s adverse impacts. This includes the Company’s active participation and influence to help develop solutions to mitigate and adapt to the effects of climate change across our System.

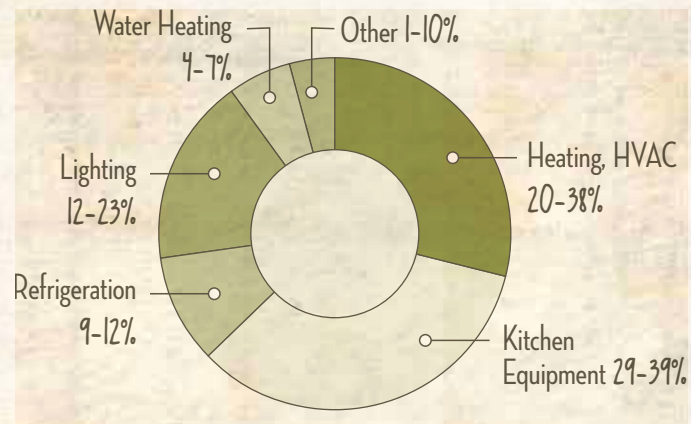
## MCDONALD’S GLOBAL ENERGY AND CARBON FOOTPRINT

In 2013, we worked with a consulting firm to estimate the System-wide carbon footprint, including GHG emissions associated with restaurants, Company offices and our entire food and packaging supply chain. The footprint was calculated using a hybrid life cycle assessment model based on the World Resources Institute and World Business Council for Sustainable Development Greenhouse Gas Protocol.

Approximately 71% of System-wide GHG emissions are associated with our supply chain. As described in the Sourcing chapter, we work with our suppliers to foster their use of the McDonald’s Environmental Scorecard and encourage their participation in multi-stakeholder initiatives to address the environmental impacts in our agricultural supply chains.

Approximately 29% of System-wide GHG emissions are associated with McDonald’s restaurant operations and Company offices. To mitigate this impact, we are incorporating energy efficiency solutions into our equipment decisions, building standards and operational practices. We also purchase renewable energy credits, and we are evaluating next steps.

Read more about our System-wide carbon footprint details in the summary on pages 56-57.



\*Based on datasets from 2010-2012 collected for 2-3 week periods at four restaurants in different climate zones across the U.S. There can be significant intra-restaurant variability in energy consumption based on the time of year, location, guest counts, and menu.

In the top 9 markets in 2013, the estimated average annual energy consumption per restaurant was 694,372 kWh.

### TO EXECUTE AGAINST OUR 2020 ENERGY EFFICIENCY ASPIRATIONAL GOAL, WE’VE IDENTIFIED FIVE KEY AREAS TO CONTINUE FOCUSING ON GOING FORWARD:

1. IMPROVED BUILDING DESIGN
2. EQUIPMENT
3. ENERGY MANAGEMENT
4. RENEWABLE ENERGY
5. PERFORMANCE MEASUREMENT, TRACKING, AND REPORTING

# RESTAURANT ENERGY EFFICIENCY AND ASSOCIATED GREENHOUSE GAS EMISSIONS

Over time, we may anticipate that our System's total energy use will increase due to opening new restaurants, serving more customers, extending operating hours and other factors. Therefore, to measure energy efficiency we look at the restaurants' annual energy consumption in kilowatt-hours (kWh) per number of sales transactions, or guest counts (GC).

In 2013, energy efficiency declined slightly compared to 2012 due to multiple factors, including an unseasonably cold winter in some markets and increased restaurant operating hours in some markets. Going forward, we will continue to evaluate our methodology to potentially include variables such as climate and fuel source to enable more robust comparisons across time and geographies.

Currently, we do not have Company-owned restaurants in two of these top 9 markets, but we evaluated the top 9 markets across both Company-owned and Franchisee restaurants for consistency. Our restaurant-level data for the top 9 markets is not complete, so to calculate these estimates we had to make certain assumptions and extrapolate from the data available. Going forward, we plan to continue focusing on improving restaurant energy efficiency as we simultaneously improve our data-gathering processes around the world.

## ENERGY CONSUMPTION - MCDONALD'S RESTAURANTS<sup>1</sup>

<b>MCDONALD'S COMPANY-OWNED RESTAURANTS TOP 9 MARKETS</b>	<b>2012<sup>3</sup></b>	<b>2013<sup>4</sup></b>
Direct energy consumption: kWh/GC <sup>2</sup>	0.222	0.247
Indirect energy consumption: kWh/GC	1.115	1.138
Overall energy consumption: kWh/GC	1.337	1.385
Overall energy consumption: GWh	2,875	2,903
<b>MCDONALD'S FRANCHISEE RESTAURANTS TOP 9 MARKETS</b>	<b>2012</b>	<b>2013</b>
Estimated direct energy consumption: kWh/GC	0.393	0.430
Estimated indirect energy consumption: kWh/GC	1.308	1.313
Estimated overall energy consumption: kWh/GC	1.701	1.743
Estimated overall energy consumption: GWh	15,337	15,777

1. These figures represent estimates based on the best available energy data in our top 9 markets. Currently we do not have Company-owned restaurants in Brazil or Japan.
2. GC represents total transactions for the calendar year. "Direct" energy data reflects the use of natural gas, propane, fuel oil and liquefied petroleum gas. "Indirect" energy data reflects electricity usage. We categorized them in this fashion to show their relationship to Scope 1 and Scope 2 of our estimated System-wide GHG emissions. Due to a change in our data collection methodology in 2012, we do not present a side-by-side comparison with data from 2011 or earlier.
3. 2012 figures reflect primary data from 4,217 out of 4,265 Company-owned restaurants and 6,825 out of 21,828 Franchisee restaurants in our top 9 markets, totaling 11,042 out of 26,093 restaurants overall. Primary energy data was extrapolated to estimate energy consumption for all restaurants in the markets and ownership types reported. The top 9 markets included approximately 76% of the restaurants worldwide (26,093 out of 34,480 as of December 31, 2012).
4. 2013 figures reflect primary data from 4,296 out of 4,310 Company-owned restaurants and 7,386 out of 22,236 Franchisee restaurants in our top 9 markets, totaling 11,682 out of 26,546 restaurants overall. Primary energy data was extrapolated to estimate energy consumption for all restaurants in the markets and ownership types reported. The top 9 markets included approximately 75% of the restaurants worldwide (26,546 out of 35,429 as of December 31, 2013).

## GHG EMISSIONS - MCDONALD'S RESTAURANTS\*

<b>GHG PROTOCOL CATEGORIES<sup>1</sup></b>	<b>2012<sup>2</sup></b>	<b>2013<sup>2</sup></b>
<b>Company-Owned Restaurants, Worldwide</b>	Total Estimated GHGs in Megatons of CO <sub>2</sub> equivalents <sup>3</sup>	
Direct - Scope 1	0.173	0.185
Indirect - Scope 2	1.726	1.658
<b>Franchisee Restaurants, Worldwide (Part of McDonald's Scope 3)</b>	Total Estimated GHGs in Megatons of CO <sub>2</sub> equivalents <sup>3</sup>	
Franchisee Direct	1.026	1.084
Franchisee Indirect	6.619	6.804

1. For our 2012-2013 analysis, we worked with Enviance to launch an updated methodology to estimate GHG emissions from McDonald's restaurant energy use and refrigerant emissions worldwide.
2. Best available primary energy data from our top 9 markets (see table at left) was extrapolated to estimate energy consumption and GHG emissions for all restaurants worldwide as of December 31, 2012 (34,480 restaurants) and December 31, 2013 (35,429 restaurants). Refrigerant emissions were estimated using input/output analysis of McDonald's data and U.S. industry average emissions information.
3. Enviance addressed uncertainty in GHG emissions estimates by conducting 1 million Monte Carlo simulations to establish 95% confidence intervals around each data point for 2012 and 2013.

\*Please see pages 56 -57 and the Appendix for additional information about our System-wide carbon footprint for 2011.

## DESIGNING BUILDINGS WITH EFFICIENCIES IN MIND

As we build and remodel more restaurants, we see the continued opportunity to develop restaurants that are less impactful—saving energy and water, while using environmentally preferred building materials. Since restaurant design and construction is very locally based—considering local building codes, regulations and differing infrastructures—our approach is tailored to each market.



**SILVER**



**GOLD**



**PLATINUM**

Between 2010 and 2013, some 3,200 of the 4,190 new, remodeled and reimaged restaurants in Europe were built to the McDonald's European Green Building Guidelines. These guidelines are internal only and not an independent third party certification.

## McDONALD'S EUROPE GREEN BUILDING GUIDELINES

To advance the overall sustainability of our restaurants in Europe, McDonald's Europe has developed its own green building standards in consultation with external experts, designed to be scalable across our new and remodeled restaurants. In 2008, McDonald's Europe began to develop principles for green building that address the major restaurant impacts. These standards were formalized in 2009-2010 and applied across Europe. They provide guidance for our development teams and contractors to develop more sustainable buildings.

### NEW STORE GUIDELINES

For new European restaurants there are Gold (minimum required) and Platinum-level standards. The standards include a mix of low cost, practical measures and more expensive and innovative measures that align to the principle of achieving the higher efficiency buildings envisaged for 2020. They cover the areas of construction of the building shell, energy management, lighting, heating, ventilation and air conditioning (HVAC), refrigeration, water and renewable energy. Both levels also present significant estimated GHG reductions as well—ranging from 12-57 metric tons of CO<sub>2</sub>e reduction per restaurant/year.

### REMODEL GUIDELINES

Similarly for European remodeling projects, there are three levels of standards based on similar principles—Silver (minimum required), Gold and Platinum—which focus on solutions feasible in remodeling projects. The standards address construction practices affecting lighting, water, heating, ventilation and air conditioning (HVAC), refrigeration, energy management and renewable energy installations. These standards provide potential GHG reductions of 9-50 metric tons of CO<sub>2</sub>e per restaurant/year.



**McDONALD'S CIRCUNVALAÇÃO, PORTUGAL**



“ IN THE U.S., OUR LEED® PROJECTS HAVE GIVEN US THE OPPORTUNITY TO LEARN ABOUT ALTERNATIVE BUILDING ELEMENTS AND PRACTICES, REMAIN RELEVANT TO OUR CUSTOMERS, AND HAVE A REDUCED IMPACT ON THE ENVIRONMENT. WE CONTINUE TO FOCUS ON SUSTAINABLE BUILDING PRACTICES, THE LEED® RATING SYSTEM, HOW TO BEST INTEGRATE THOSE PRACTICES INTO OUR NEW AND EXISTING RESTAURANTS, AND THE PURSUIT OF CONTINUED EDUCATION TO KEEP MCDONALD'S USA WELL-POSITIONED FOR FURTHER SUSTAINABILITY SUCCESSES. ”



**JOHN ROCKWELL**

Sustainability Manager,  
McDonald's U.S. Restaurant Development  
Oak Brook, Illinois, USA

**U.S. RESTAURANT SUSTAINABLE DESIGN APPROACH**

The U.S. Restaurant Development Department (USRD) has tailored its own sustainable design standards for the U.S. market. USRD approaches restaurant sustainability by focusing on both design advances and sourcing through the construction supply chain. The team evaluates and tests advanced technologies that have scalable applications across our building prototypes; for example, LED lighting in our restaurants' interior, exterior and signage; high-efficiency cooking exhaust systems; and high-efficiency HVAC units. The U.S. construction supply chain work focuses on aligning our goals and driving innovation with suppliers.

We have compared our 2005 U.S. prototype designs to our 2012 prototype designs to analyze the energy and water saving features that have become standard since that time. As of 2012, the energy and water efficiencies in our standard restaurant designs have improved by 13% and 8%, respectively.

Some of our Franchisees in the U.S. also pursue voluntary design elements to increase their level of stewardship and efficiency in their operations. Examples include drought-tolerant landscaping, photovoltaic solar panels, permeable pavement, dining area recycling, electric vehicle charging, smart irrigation and LEED® certification.

McDonald's USA wishes to build 25 restaurants to LEED® standards through the LEED® Volume Program. These are laboratories for innovation, to learn what we can scale for all new restaurants, while sharing our story with our customers.

**ENERGY EFFICIENCY AND SUSTAINABLE DESIGN ELEMENTS IN U.S. RESTAURANTS**



**STANDARD PROTOTYPE ITEMS**

- 1 White Roof
- 2 High-Efficiency HVAC
- 3 High-Efficiency Cooking Exhaust
- 4 High-Efficiency Plumbing Fixtures
- 5 LED Dining Room Lighting
- 6 LED Building Signage
- 7 Bulk Cooking Oil
- 8 Energy Management Systems (EMS)

**ADVANCED DESIGN ITEMS**

- 1 Drought Tolerant Landscaping
- 2 Smart Irrigation
- 3 Permeable Pavement
- 4 LED Parking Lot Lighting
- 5 Photovoltaic Solar
- 6 Electric Vehicle Charging
- 7 Waste Recycling
- 8 LEED® Certification

## CERTIFIED GREEN BUILDINGS

- **Argentina, Pilar:** Arcos Dorados' first McDonald's restaurant in Argentina to achieve LEED® Gold certification for new construction from the U.S. Green Building Council.®
- **Australia, Kilsyth:** First quick service restaurant in Australia to achieve Green Star certification from Green Building Council Australia.
- **Austria, Stockerau:** One restaurant achieving "klima:aktiv" certification for climate protection measures from the Austrian Ministry of Agriculture, Forestry, Environment and Water Management.
- **Brazil, Riviera São Lourenço:** McDonald's first LEED® certified restaurant in Brazil from the Brazil Green Building Council.
- **Brazil, São Paulo:** McDonald's Hamburger University building was certified in the LEED® Commercial Interior category after its 2011 renovations.
- **Canada, Beauport:** First McDonald's restaurant in Canada to achieve LEED® Silver certification from the Canada Green Building Council.
- **France, Revel & Plaisance-du-Touch:** High Environmental Quality (HQE™) certifications for construction & operations, respectively.
- **Mexico, Parque Hundido:** Arcos Dorados' first restaurant in Mexico to receive LEED® Gold certification from GBCI.
- **Puerto Rico, Guaynabo:** Arcos Dorados' first McDonald's restaurant in Puerto Rico and the Caribbean to achieve LEED® certification for Retail: New Construction from the GBCI.
- **Singapore:** The first restaurant in Singapore to be awarded the Building and Construction Authority (BCA) Platinum Green Mark Award. Two other McDonald's restaurants earned the Gold Green Mark Award, and a third was Green Mark certified.
- **The Netherlands, Amsterdam:** Won the European Commission GreenBuilding Award in 2013 for their restaurant designed to the McDonald's Europe Platinum Green Building Guidelines.
- **USA, Oak Brook, Illinois:** All corporate headquarters buildings achieved LEED® certified status from the U.S. Green Building Council,® including the McDonald's Corporation Campus Office Building (Platinum), McDonald's USA Plaza Building (Gold), and McDonald's Hamburger University (Silver).
- **USA, Various Locations:** Four U.S. restaurants have achieved LEED® certification to date, and McDonald's USA seeks 25 more through the LEED® Volume Program.



**JURONG CENTRAL PARK RESTAURANT, SINGAPORE**

## GREEN ROOF PROVIDES MULTIPLE BENEFITS

Our McDonald's built at Jurong Central Park in Singapore has been fitted with a green roof designed to be energy efficient and to provide space that local wildlife could inhabit. Additional benefits of this green roof include a significantly lower ambient temperature and a much cooler interior even when the exterior walls are subjected to intense sunlight. This saves on energy consumption by reducing air conditioning needs as well as mitigating the Urban Heat Island Effect. Apart from the roof, plants encircle the restaurant to create a welcoming atmosphere for diners. This natural cover creates a transition from restaurant to surrounding environment, while also giving customers a cool and shaded place to eat.

We learn a lot from our approach to green buildings. The restaurants at left serve as learning laboratories for our approach to scaling improvements into our building standards and design. We will continue to evaluate what we learn from these special restaurants and carefully select when certifications make sense and can provide valuable learnings to scale on a market level.

## ENERGY EFFICIENCY IMPROVEMENTS IN KITCHEN EQUIPMENT

Kitchen equipment presents a significant opportunity for energy efficiency improvements because it represents a significant portion of the overall energy consumption of the average McDonald's restaurant. Our equipment suppliers are critical to helping us build and operate a more efficient System. As new and more efficient equipment is incorporated into our standards, older and less efficient equipment is removed from our approved equipment list—ensuring that when new restaurants are built or equipment is replaced, we are improving our foundation for energy efficiency. To incentivize our suppliers, we award those who bring the best improvements in efficiency of new equipment models.

Each year, our equipment suppliers continue to make progress in their own sustainability journeys. We ask our worldwide equipment suppliers to assess their sustainability progress in four key areas including Engagement, Ethics, Environment and Economics, which we review with them annually during business reviews.

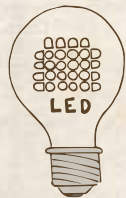
## KITCHEN EQUIPMENT ENHANCEMENTS

- A new generation of low oil volume (LOV) fryer that uses about 40% less oil while consuming 4% less energy in operation
- Proprietary Universal Hoods for kitchen ventilation that reduce the exhaust air rate by about 40% compared to previous models, reducing overall energy usage
- The High Density Universal Holding Cabinet that increases hot holding capacity and reduces energy use by about 31% compared to the previous holding cabinet
- New bun toasters that provide up to 55% better energy efficiency than the previous model

## SUPPLIER ENERGY EFFICIENCY CHALLENGE

Between 2010 and 2013, we conducted our global Supplier Energy Efficiency Challenge to motivate further energy efficiency improvements among our approved equipment suppliers for building and kitchen equipment. We ask suppliers to report estimated annual kWh and cost savings as a result of these improvements\*, which we celebrate at McDonald's biennial Worldwide Convention.

SAVED MORE THAN  
**161 MILLION  
KWH**



Estimated from the installation of 299,886 pieces of high-efficiency building equipment.

SAVED MORE THAN  
**33 MILLION  
USD**



Estimated from the installation of 406,604 pieces of high-efficiency equipment.

SAVED MORE THAN  
**169 MILLION  
KWH**



Estimated from the installation of 106,718 pieces high-efficiency kitchen equipment.



“OUR SUPPLY CHAIN SHARES THE RESPONSIBILITY OF MINIMIZING IMPACTS ON THE ENVIRONMENT. WE ARE WORKING DILIGENTLY WITH OUR KITCHEN EQUIPMENT SUPPLIERS TO ENSURE THE DESIGN OF OUR EQUIPMENT, AS WELL AS ITS MANUFACTURE, DISTRIBUTION AND USE MINIMIZES LIFE CYCLE IMPACTS ON THE ENVIRONMENT. IT'S THE RIGHT THING TO DO FOR OUR SYSTEM AND THE WORLD AT LARGE.”

**RHONDA URBIK**

Director, Equipment, Restaurant Solutions Group

McDonald's Corporation

\*Building equipment refers to solutions such as LED lighting, exhaust fans, and building signage, among others. Kitchen equipment refers to solutions such as low oil volume fryers, grills, ice and beverage machines, and refrigeration units, among others. "Savings or saved" means the estimated annual amounts saved on a going forward basis when a new approved model of equipment replaces a prior approved model (such as in building remodels) and the amounts avoided when the equipment is installed in new restaurants (such as in new construction). These estimated figures are self-reported by equipment suppliers based on standardized parameters of 18 hours of operation/day, open 365 days/year, \$0.10/kWh and/or \$0.876/Therm. We have a strategic equipment sourcing strategy that has been in place for several years, and we will continue to work with our approved suppliers in the years ahead as we strive for better efficiency.

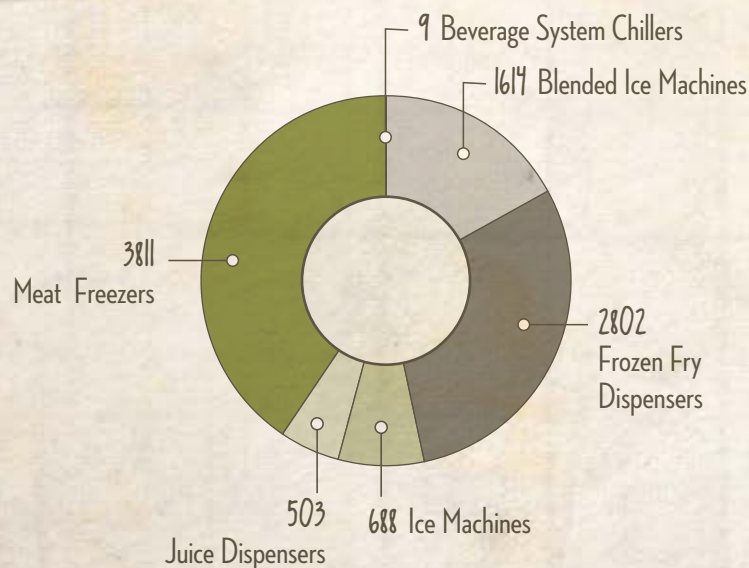
## HFC-FREE REFRIGERATION EQUIPMENT

Also contributing to climate change impacts is the potential release of GHGs into the atmosphere in the form of refrigerants from refrigeration equipment. A variety of refrigeration equipment exists in a McDonald's restaurant ranging from our HVAC equipment to our blended ice machines.

Our recent carbon footprint work has estimated the potential leakage of refrigerants at less than 1% of our total System-wide GHG emissions. While this is a relatively small amount, we have committed to working with our equipment suppliers to develop and implement hydrofluorocarbon (HFC)-free refrigerant solutions, where possible, to help reduce impacts to climate change. Implementing HFC-free solutions may reduce the 100 year Global Warming Potential (GWP) of these refrigerants to zero.

McDonald's Europe, which has led the testing of HFC-free alternatives across our System, has installed over 9,000 pieces of HFC-free refrigeration equipment since 2010, including meat freezers, frozen fry dispensers and display refrigerators. While we have made significant progress in HFC-free replacement we still have more work to do, especially with larger equipment. These challenges are echoed by our industry, requiring additional focus.

We are planning to convene a natural refrigerants summit for the food service industry, regulators and our supply chains to continue to work on these challenges. We will focus first on the challenges in the U.S. market.



## EMPOWERING RESTAURANT MANAGERS TO SAVE ENERGY

Aside from our efforts in building and equipment, another significant opportunity lies in how we manage and how we operate our equipment. It may seem obvious, but if we fail to maintain and operate our equipment effectively, we will not realize the full energy efficiency and cost savings potential of the designed solutions. Proper training and Franchisee engagement is essential to ensure that the management solutions and tools provided are adopted and support increasing energy efficiency over time.

Often the simplest solutions can be the most effective. Helping our restaurant managers understand when to turn equipment on and off is a very effective way to ensure that equipment is not left on when not in use. McDonald's has used an equipment fire-up schedule for many years that outlines precise schedules for managing kitchen equipment, thereby saving energy.

The Expandable Energy Management System, which became a global standard for new restaurants in 2012, helps to manage restaurants' energy usage from HVAC and lighting systems. This system allows a restaurant to reduce its energy usage from HVAC and lighting by up to 5% per year.

Similarly, some McDonald's restaurants in Europe have installed energy monitoring systems that allow restaurant managers to see electricity use patterns, contributing towards estimated efficiency gains of approximately 12% in the U.K. in 2009.

## McDONALD'S EUROPE ENERGY MANAGEMENT GUIDELINES

With the recent launch of Energy Management Guidelines, country energy and environmental managers in Europe can log in to an interactive website to pursue energy-saving activities appropriate to the current status of their local restaurants. Solutions range across a spectrum of foundational people and operational practices, before progressing to more advanced monitoring tools and automatic controls. All stages are supported by best practice examples, tools available for download and customizable action plan templates.

## RENEWABLE ENERGY PURCHASES CONTINUE

The Company has varied approaches to renewable energy. Our primary focus is to improve energy efficiency first, then support renewable energy in a variety of ways, including the purchase of Renewable Energy Credits (RECs) and long-term renewable power purchase agreements with utility providers.

McDonald's Europe has pursued various renewable energy initiatives over the past decade. For example, McDonald's U.K. has committed for a 20-year period to purchase renewable energy from new infrastructure, including an innovative waste-to-energy plant. By enabling the development of renewable energy generating infrastructure in this manner, McDonald's U.K. anticipates saving on energy costs over the long term. Eight other European markets—Austria, Belgium, France, Ireland, Germany, the Netherlands, Sweden and Switzerland—have achieved or are working toward purchasing 100% renewable energy for their restaurants.

### McDONALD'S USA A LEADER IN EPA'S GREEN POWER PARTNERSHIP®

In our U.S. business, 2013 was our third year of renewable energy purchases. McDonald's USA has purchased RECs for its Company-owned restaurants in an amount equal to at least 30% of the restaurants' total electricity usage each year from 2011 to 2013. This was accomplished through Renewable Energy Certificates from national wind sources. McDonald's USA is among the first within the Quick Serve Restaurant segment to participate in the EPA's Green Power Partnership® program, earning the Company #11 on the National Top 50 list and #8 among Fortune 500 companies in April 2012. As a result, McDonald's USA was awarded the EPA's Green Power Leadership Award in 2012.

These initial efforts provide important learnings as we continue to evolve our renewable energy strategy. Working with our Global Environmental Council and our Global Energy Leadership Board, we plan to review and evaluate our approach to renewable energy in 2014.

“THERE ARE MULTIPLE REASONS FOR McDONALD'S TO FURTHER EXPAND ITS COMMITMENTS TO RENEWABLE ENERGY. INCREASING THE AMOUNT OF GREEN POWER IN THE SYSTEM CAN HELP TO ACCELERATE MARKET TIPPING POINTS, AT WHICH CLEAN ENERGY IS COST COMPETITIVE WITH TRADITIONAL FOSSIL SOURCES. THE BENEFITS WOULD BE SHARED WITH ALL OF THE COMPANY'S STAKEHOLDERS.”

#### CHRIS PERCEVAL

Formerly, Director of Corporate Relations

World Resources Institute  
Washington, D.C., USA



## LOOKING AHEAD: WHERE WE'RE GOING WITH CLIMATE AND ENERGY

In 2013 we developed our first set of aspirational goals for a 20% increase in energy efficiency for our Company-owned restaurants and to increase energy efficiency through our restaurant standards by 2020. As of year-end 2013, our Company-owned restaurants made up 19% of McDonald's restaurants, so the greater future opportunity for energy efficiency lies with our Franchisee restaurants.

This is why we will work with Franchisees to increase energy efficiency—utilizing the learnings, tools, and approaches developed for our Company-owned restaurants. We plan to work with our Franchisees to develop a System-wide goal by 2016. We will leverage our learning from improved measurement systems for our Company-owned restaurants to scale the measurement capabilities in our Franchisee restaurants to help them to track their progress.

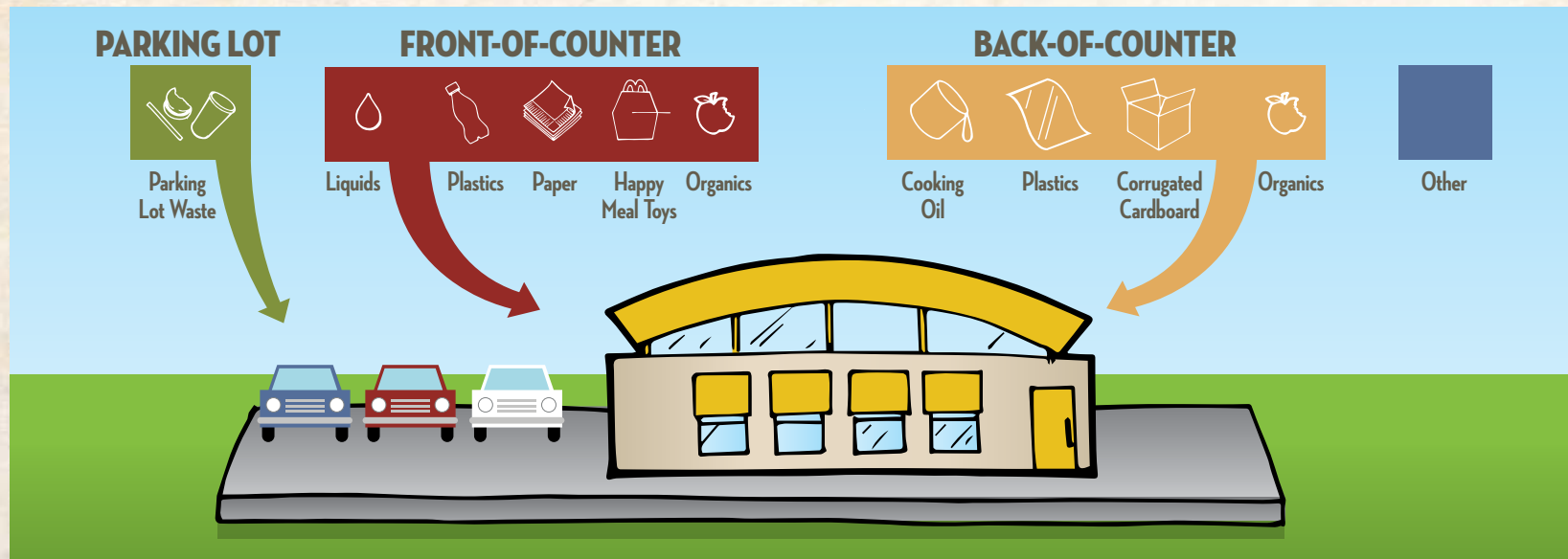
We have also identified a portfolio of energy efficiency solutions, combined with a strong business case for deployment across the restaurants. At least fourteen solutions have been identified to date, such as high efficiency exhaust fans and LED walk-in refrigerator lighting, with the potential to support our aspirational goal of 20% increase in energy efficiency in our Company-owned restaurants by 2020. While not all of the solutions can be deployed in all of our markets, we will continue developing approaches that meet local market needs. We will seek to incorporate these solutions into our market-level restaurant standards.

# MINIMIZING AND DIVERTING RESTAURANT WASTE

Our customers have told us that one of the most important environmental issues in our restaurants is waste and recycling. We feel the same way, and we must join together with our customers and crew to tackle this issue. Our ultimate vision is to avoid waste in the first place. When we do generate waste, we want it to be recycled into valuable resources. We will not meet our vision without learning together, engaging our customers and crew, along with the broader community and the waste hauling industries that we rely upon.

In this section, we outline our approach to minimizing and recycling waste in our restaurants. We set an aspirational goal to recycle 50% of our in-restaurant waste by 2020. In 2013, we estimated that restaurants in the top 9 markets recycle about 36% of the in-restaurant waste, by weight. While our strategy is focused—creating waste diversion plans for our top 9 markets—we know there will be challenges to attain our goal due to the differences in local infrastructures in each market.

## A TYPICAL McDONALD'S RESTAURANT WASTE PROFILE



Read more about our strategies to continually develop more sustainable packaging in the Sourcing chapter.



# TAKING A 'DUMPSTER DIVE'

Globally, waste volumes and compositions vary based on a variety of factors including the menu, location, restaurant volume, and drive-thru or parking lot characteristics. McDonald's restaurants in airports or shopping malls have different customer traffic patterns and waste profiles than restaurants with a high volume of drive-thru traffic, especially for the front-of-counter waste.

For example, when we looked at a sample of two U.S. restaurants, one with a higher percentage of drive-thru customers, and the other with a higher percentage of dine-in customers, overall on-premise waste averaged about 2,214 pounds generated per week.

## BACK-OF-COUNTER WASTE PROFILE

In our U.S. sample at right, approximately 67% of waste by weight was from back-of-counter, or where the crew receives deliveries and prepares food. This waste stream is primarily comprised of used cooking oil, corrugated cardboard, and food and organic waste. We estimate these three streams make up roughly 74% of the total back-of-counter waste.

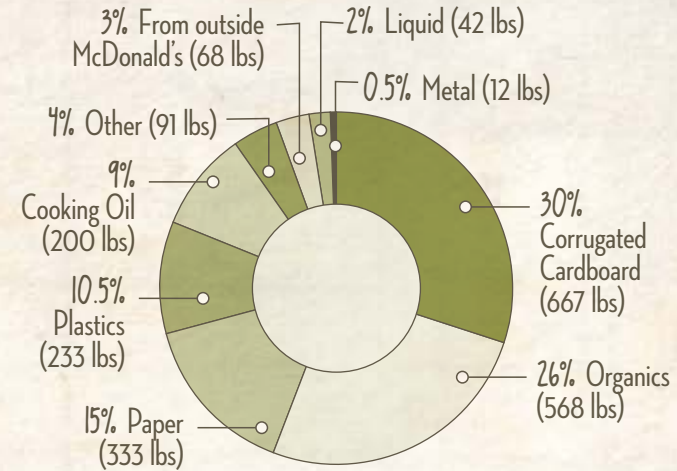
In many cases, the corrugated cardboard is recycled into future cardboard boxes or other fiber-based materials. Used cooking oil is often converted into biofuels. Of the 34,113 restaurants surveyed in 2013, about 90% of the restaurants recycle used cooking oil and 77% recycle corrugated cardboard.

Organic waste is an issue across the entire food industry and value chain, all the way from the farm to the home kitchen—and every stage in between. It is a focus area for the Company, especially food and organic waste that is generated back-of-counter. Back-of-counter food waste is comprised mostly of coffee grounds and food that has exceeded quality holding times. We pursue organic composting and recycling when feasible, which can incorporate some post-consumer food waste as well.

Although there are different possibilities for diverting food and organic waste away from landfills and towards more useful purposes, at this time there is no universal solution. Waste industry infrastructure and regulations vary from place to place, so we must seek local solutions in each of the communities where we do business. Food donation is an area of opportunity that we are exploring in some markets where it is appropriate. Going forward we intend to increase our efforts, working with stakeholders across the public and private sectors, as we seek solutions that can be applied on a broader scale.

## FRONT-OF-COUNTER WASTE PROFILE

In our U.S. sample at right, approximately 33% of on-premise waste by weight was from front-of-counter, or where our customers order food and enjoy their meals. It was mainly comprised of waste packaging materials and food waste. These materials continue to present a real challenge because local recycling programs vary considerably in the types of materials they accept. Recyclers commonly prefer waste that has not come in contact with food or beverages. In some of our large European markets, a sizable portion of front-of-counter waste is diverted from landfill. For instance, in Austria, Germany and some other countries, the restaurant waste from the kitchen and lobby is separated and about 90% of this waste can be recycled.



Based on detailed analysis of a traditional free-standing restaurant with average volume in 2012. Average weekly on premises restaurant waste totaled 2,214 lbs.

**OF THE 34,113 RESTAURANTS SURVEYED GLOBALLY IN 2013, 90% REPORT RECYCLING USED COOKING OIL & 77% REPORT RECYCLING CORRUGATED CARDBOARD. WE ASPIRE TO INCREASE THESE PERCENTAGES AS GLOBAL RECYCLING INFRASTRUCTURE CONTINUES TO GROW.**

## CONVERTING USED COOKING OIL TO BIOFUEL

In 2013, about 90% of McDonald's restaurants reported that they recycle used cooking oil for after-market uses, including biodiesel. We encourage our distributors to work with us to improve their environmental performance by powering their fleets with alternative fuels like biodiesel. In a few countries, McDonald's cooking oil recycling is a closed-loop system. That is, the used cooking oil from the restaurants is collected, recycled into biodiesel, and put back into our distributors' trucks to fuel their deliveries to McDonald's restaurants.



**McDONALD'S UAE LOGISTICS PROVIDERS USE RECYCLED COOKING OIL FROM McDONALD'S RESTAURANTS TO POWER THEIR TRUCKS.**

Refer to the Sourcing chapter for more about our distributors' sustainable logistics activities beyond recycling used cooking oil into biodiesel.



## BIODIESEL INNOVATIONS

**McDONALD'S DEVELOPMENTAL LICENSEE IN THE UNITED ARAB EMIRATES** operates a 100% closed-loop biodiesel system. More than 25,000 liters of used cooking oil are being collected from McDonald's approximately 108 restaurants each month and converted into biodiesel. At the end of 2013, the McDonald's UAE logistics providers' trucks had traveled 2,710,000 kilometers on used cooking oil from McDonald's outlets. Used cooking oil is stored at the restaurants in a specially designed container.

When making a delivery to McDonald's restaurants, the distribution trucks pick up the container before going back to the distribution center, which has a co-located biodiesel facility. Drivers drop off the used cooking oil and fill their trucks with biodiesel made from the used cooking oil—all at the same location. Since the program began, more than 1.75 million liters of biodiesel have been generated from used cooking oil and used to power the distribution fleet. Excess biodiesel can be sold, helping other companies reduce their transportation impacts.

Many other McDonald's markets have implemented innovative recycling programs:

- **U.K.:** In 2013, McDonald's U.K. logistics providers replaced more than 3 million liters of diesel fuel with biofuel made from used cooking oil collected at approximately 1,200 restaurants. The biodiesel covers an estimated 118,000 deliveries per year.
- **AUSTRALIA:** Logistic providers and some product suppliers use biodiesel from used cooking oil to fuel restaurant delivery trucks across Victoria.
- **EUROPE:** Some markets in Europe have progressed further along in closing the circle on biodiesel systems, including Austria, Switzerland and the U.K. (see above). Across markets in Europe, the used cooking oil from more than 80% of the McDonald's Europe restaurants is being converted into biodiesel.
- **BRAZIL:** Nineteen restaurants in Brazil are participating in a closed-loop system that has recycled more than 187,000 liters of used cooking oil into 65,000 liters of biodiesel since 2009, for use in five trucks that deliver to the restaurants. Arcos Dorados and Martin Brower donated a portion of the savings to Ronald McDonald House Charities.





## MORE EFFICIENT FRENCH FRIES

While packaging is probably one of the most visible environmental aspects of our customers' dining experience, there are many innovations behind the scenes to help avoid waste. For example, new McDonald's restaurants and some existing sites now use low oil volume (LOV) fryers. Collaborating with our key equipment suppliers we were able to design a fryer that uses up to 40% less oil and about 4% less energy for heating than previous models. The LOV fryer improves cooking efficiency and simplifies filtering and cleaning. It also reduces packaging waste for markets using "jug-in-box" oil delivery and results in less oil to be disposed of for recycling or rendering. After the completion of successful tests, both electric and gas versions of this fryer are now in use and available for our restaurants worldwide. As of end of year 2013, over 22,300 LOV fryers had been purchased for restaurants, reducing waste oil across the globe.

## TOWARD ZERO WASTE IN EUROPE

McDonald's Europe aims to send zero waste to landfill or incineration by 2020. Minimum recycling standards have been set for both the kitchen and front counter, including corrugated boxes, used cooking oil, organic food waste, polyethylene foils, PET bottles, and other items. Innovative approaches are emerging across European markets. McDonald's Hungary has advanced restaurant recycling by tracking the transportation and handling costs separately from the commodity value of the recyclable waste. In 2013, the group of restaurants participating in the program reported approximately €60,000 (\$82,800 U.S.) in total municipal waste cost savings and returns from recyclable wastes. European markets are increasingly engaging customers in anti-littering efforts beyond the restaurants. By sponsoring anti-littering events and community cleanups, public awareness about proper disposal of McDonald's packaging and other waste is increased. McDonald's Poland anti-littering program even earned recognition by the Polish Environmental Ministry as a benchmark for other companies.

## WHERE WE'RE GOING WITH WASTE: MEASUREMENT AND GUIDELINES

One of our primary challenges is measuring waste in all of the restaurants by weight—we do not have an effective system to do so today in most markets. Waste and recycling companies that service the restaurants mainly keep track of the number of pickups per week, and sometimes only the volume. The previously mentioned 2013 estimation of 36% in-restaurant recycling by weight comes from a combination of internally reported recycling rates in the top 9 markets for commonly recyclable waste streams such as used cooking oil and corrugated cardboard, and the percentages that those materials represent, by weight, in the total waste stream from restaurant waste audits. Therefore, through 2014 and 2015, we plan to develop a process for better measuring waste and waste diversion activities.

In the same time frame we intend to develop global waste management guidelines, seek to establish minimum standards, where possible, and share our best practices from around the world, in order to advance the progress already made in many local markets.

We will continue to collaborate with local communities, other food service organizations, suppliers and logistics providers to develop diversion solutions.

# MANAGING WATER STEWARDSHIP IN THE RESTAURANTS

Water is a critical input to the agricultural systems that grow and support the food produced for McDonald's restaurants. The use of water in our supply chain is significant and is discussed in our Sourcing chapter. In relation to our supply chain, water consumption in the restaurants is relatively less impactful and varies widely in sensitivity because water availability is a very localized issue.

We estimate that a traditional, freestanding U.S. McDonald's restaurant (including its customers) consumes roughly 1,800 m<sup>3</sup> of water per year or about 1,300 gallons per day. This estimate is based on total clean water input of approximately 4,100 m<sup>3</sup>, less total output of 2,255 m<sup>3</sup> to the sewer system. By comparison, the U.S. Environmental Protection Agency estimates that an average American household uses more than 300 gallons of water per day. That's roughly 4 times more water use per day than an average American family—however, a McDonald's restaurant can serve thousands of customers.

When we study where water is used in our restaurants, we see that the main areas of water usage are landscape irrigation, washrooms and cleaning—providing focus for our water conservation efforts.

## HOW WE USE WATER

1. IRRIGATION
2. PUBLIC & STAFF AMENITIES
3. CLEANING
4. BEVERAGE SYSTEMS

## ASSESSING WATER STRESS ACROSS OUR VALUE CHAIN

### USING THE GLOBAL WATER TOOL FOR 25,000 RESTAURANTS

In 2012, we used the Global Water Tool, developed by the World Business Council for Sustainable Development (WBCSD), to map water use and assess risks for over 25,000 of McDonald's restaurant locations. The tool helped us estimate that about 25% of the restaurants analyzed are in areas where potential water scarcity is expected in 2025. As used here, potential water scarcity means "scarcity" as defined in WBCSD Global Water Tool. It does not include "stress" as defined in that tool.

To address water efficiency in the restaurants, we are focusing in several areas. For example, in the U.S., our new restaurant construction and remodel standards include low flow urinals, high efficiency toilets and faucets. In addition, we encourage sustainable design practices through our U.S. Restaurant Design Site Planning Guide such as utilizing native and/or drought tolerant landscaping, and storm water management through the use of rain gardens, permeable pavement and rainwater collection and reuse where it makes sense. We have also incorporated best practices in our restaurant operations manuals and checklists.

### WHERE WE'RE GOING WITH WATER: A KEY ISSUE MOVING FORWARD

Across the restaurants and our supply chain we remain focused on a local approach to water risk, reflecting that water scarcity is a localized issue. Further work is needed to evaluate the actual water scarcity risk on a watershed basis to confirm our initial analysis. Going forward we plan to improve our water risk mapping by employing the World Resource Institute's Aqeduct™ water risk mapping tool to utilize the most recent water data sets.

We are also currently working to develop a holistic water stewardship strategy for our System. Our goal is to align our existing water stewardship and efficiency efforts across our restaurants and supply chain and to more effectively prioritize our areas of focus in 2014 and beyond.

In addition, we are also working with our suppliers and NGOs to understand water scarcity implications across our agricultural supply chains and supplier processing facilities, as explained in the Sourcing chapter.



## EVERY DROP COUNTS ON A PARCHED CONTINENT

In Australia, where water scarcity is a significant concern, water conservation is an important focus for McDonald's restaurants. Current water management initiatives include:

- Rainwater harvesting for irrigation and toilet flushing
- Water-efficient fixtures with flows set to optimize use, including a water-efficient spray rinse gun, which has reduced the flow rates and water consumption
- Crew and manager training on water usage
- Detailed landscaping guidelines



A **McDonald's**  
WATER SAVING  
SOLUTION

# SUSTAINABILITY IN ACTION THROUGHOUT THE SYSTEM

## PLANET CHAMPIONS: ENERGIZING EMPLOYEES FOR THE ENVIRONMENT

Nearly 1,300 employees of McDonald's U.K., Ireland, Denmark and Sweden have volunteered to serve as the environmental voice in approximately 1,000 restaurants, helping with existing environmental initiatives and generating new ideas. Employees receive a day of training on environmental issues, as well as regular communications to learn about new opportunities and share ideas. Since the program began in 2010, restaurants have participated in activities related to energy efficiency, waste recycling and community clean-ups. The growing network of enthusiasts raises environmental awareness and engages colleagues in environmental improvements. To further promote best practices, a section of the McDonald's U.K. website is dedicated to the environment, with opportunities to learn about McDonald's environmental activities, and purchase environmentally conscious items at reduced prices.

## BEST PRACTICES AT OUR WORLDWIDE CONVENTION

McDonald's 2012 Worldwide Convention, a four-day event that brought together about 16,000 Company employees, Franchisees, suppliers and their staff, incorporated several CSR & Sustainability best practices. In connection with the event the Company and its suppliers:

- Sourced about 17% of the event's food locally
- Recognized equipment suppliers who offered restaurant equipment with environmental improvements such as HFC-free refrigerators
- Composted an estimated 38,180 kilograms of food and other organic waste
- Donated more than 30,390 kilograms of leftover exhibit materials such as counter tops, cabinets, drapes and humidifiers, as well as 860 kilograms of soap and other hotel amenities
- Promoted CSR & Sustainability actions to participants throughout the event
- Renovated a local Ronald McDonald House

## SUPPORTING MORE SUSTAINABLE OLYMPIC GAMES

In celebration of the London 2012 Olympic Games, McDonald's was a key supporter of the London Organizing Committee of the Olympic Games and Paralympic Games vision to help deliver sustainable Games. Some of our environmental practices included:

- **ON-SITE RESTAURANTS**  
McDonald's built four temporary restaurants for the London Games. After the Olympic and Paralympic Games ended, the restaurants were de-constructed. We recycled the furniture and equipment that could be re-used, and nearly all of the building materials, for restaurants in the U.K.
- **PACKAGING AND WASTE**  
The majority of the packaging was recyclable or compostable at the McDonald's Olympic venue restaurants. We also adapted our packaging to include the Organizing Committee's on-pack recycling labels to help customers recycle on the Park.
- **RECYCLED COOKING OIL**  
We engaged our suppliers to repurpose cooking oil from our four Olympic venue restaurants and convert it to biodiesel to fuel the trucks that deliver supplies to restaurants.
- **LOCALLY SOURCED FOOD**  
McDonald's U.K. was a member of the Organizing Committee's Food Advisory Group and helped shape the organizing committee's food vision for the Games. McDonald's exceeded the vast majority of the Organizing Committee's benchmark standards thanks to our strong British-ingredient-led supply chain.
- **AWARENESS OF BRITISH FARMING**  
McDonald's U.K. wanted to showcase the British farms and farmers who supplied the ingredients that helped feed the athletes, coaches, officials, media and spectators. Our suppliers provided open doors to some of the British and Irish farms that supply the menu, allowing the public to understand the practices at the farm level.

## ENGAGING OUR PEOPLE

With approximately 1.8 million people working for the Company and our Franchisees, it is important to have employee involvement in improving the restaurants' energy, waste and water performance. A number of McDonald's markets and regions have developed resources and tools to help drive continuous improvement.

### EMPLOYEES HELP IMPROVE OUR RESTAURANTS

- ENERGY TIPS FOR EMPLOYEES

McDonald's Germany published a catalogue of energy-saving tips for restaurant employees that also includes estimated costs and benefits, as well as contacts for more information. McDonald's Australia compiled top tips to help employees practice environmental stewardship both at work and home. McDonald's Japan created a special website for crew members where they could find recommendations for power-saving tips.

- SUPPORT FOR ENVIRONMENTAL MANAGERS

The McDonald's Europe Energy Management Guideline, launched in 2012, provides best practices to help environmental and energy managers assess status and develop roadmaps for further efficiency.

- SUPPORT FOR FRANCHISEES

McDonald's Europe published a summary of the HFC-free equipment available for use in McDonald's restaurants, including detailed specifications for freezers, drink machines, ice dispensers and other equipment. McDonald's U.K. provided Franchisees with a booklet of energy-saving technologies and a return-on-investment calculator. As a way to share energy best practices across the McDonald's System, McDonald's USA recognizes Energy All-Stars—restaurant managers, Company employees, Franchisees and their employees whose focus on proper maintenance, education and energy conservation provide leading examples for others to follow.

- EMPLOYEES ENGAGE COMMUNITIES

McDonald's Australia proactively engages restaurant employees, staff and customers in efforts to minimize the impacts of litter around existing restaurants. McDonald's Australia is a founding partner of Clean Up Australia, the organization behind Clean Up Australia Day, celebrating over two decades of partnership. Clean Up Australia Day is now a community icon and one of Australia's biggest annual volunteer events.

## THE COMPANY'S "GREEN TEAM"

The McDonald's Green Team has engaged our corporate headquarters and regional office employees in the U.S. in workplace environmental initiatives since 2008. The Green Team's vision is to foster a workplace environment where working sustainably is completely integrated into our McDonald's culture, and to create an engaged workplace where employees and guests are aware of and individually support McDonald's environmental sustainability efforts. The Green Team hosts events to educate and engage employees to use sustainable behaviors at the office and at home. For example, they regularly sponsor drives to enable

responsible disposal of hard-to-recycle items such as batteries and electronics, and host competitions between departments to motivate 'green' activity. The Company recently added composting to the recycling opportunities in our Home Office buildings—as of 2013, the landfill diversion rate was almost 80% by weight. We hope to improve on these achievements in 2014 and beyond. Some of McDonald's offices and training centers are LEED® certified as well, including our corporate headquarters, McDonald's USA headquarters, U.S. Hamburger University and McDonald's University in Brazil. Along with our restaurants, these efforts help us refine our approach to sustainable building design and operations, providing valuable learnings that can boost efficiency in future offices and restaurants.

## GOOD PLANET - WHERE WE'RE GOING

**DOING MORE GOOD**—World Wildlife Fund's *Living Planet Report*<sup>1</sup> is a leading science-based analysis on the health of our planet and the impact of human activity. Its key finding is that "humanity's demands exceed our planet's capacity to sustain us." This is not the future we want for our children and future generations. Our Company, the restaurant business in general, and the extended food and agricultural network have environmental impacts to mitigate. In addressing these mounting environmental pressures, we need to shift our collective thinking away from "doing less bad," to "doing more good." As this chapter details, for our restaurant operations we are focused on two key areas: energy and climate change, and waste and recycling. The Sourcing chapter details our aspirations to source our food and packaging from verified sustainable sources, with environmental actions embedded within this work. Together with our Franchisees and suppliers, NGO experts, industry stakeholders, and others in the food service business, we are poised to do more good for our planet and generate benefits for our business as well.

<sup>1</sup>© WWF. 2012. Living Planet Report 2012. WWF International, Gland, Switzerland.





## PROVIDING OPPORTUNITIES TO GROW AND DEVELOP

For some, McDonald's represents a first job—a place to develop fundamental skills that can help employees achieve success in future life pursuits. For others, McDonald's represents a pathway to a long-term career that provides rewarding opportunities to grow, contribute and advance over many years.

Each day, around the world, we are united by one common mission: delivering an exceptional customer experience. This is a commitment shared by our independent Franchisees, our suppliers and the Company. We know that having energized and engaged employees makes all of us better equipped to deliver this unique customer experience. When our employees feel energized, they are inspired to do their best.

## GOOD PEOPLE

- **CREATING OPPORTUNITY** by providing lifelong skills and career opportunities for our global workforce.
- **PROMOTING DIVERSITY AND INCLUSION** by fostering a work environment that values the unique contributions of all.

“PEOPLE ARE THE FACE OF OUR BRAND, OUR GREATEST ASSET. PROVIDING OUR GLOBAL WORKFORCE WITH OPPORTUNITIES FOR GROWTH AND CAREER DEVELOPMENT CONTINUES TO BE ONE OF OUR TOP PRIORITIES BECAUSE WE UNDERSTAND HOW IMPORTANT IT IS TO OUR LONG-TERM SUCCESS.”



### DON CROSBY

Senior Vice President

Human Resources  
McDonald's Corporation



**ABOVE, McDONALD'S HONG KONG EMPLOYEES CELEBRATE THEIR 2013 RECOGNITION AS A BEST EMPLOYER IN ANNUAL RESEARCH CONDUCTED BY AON HEWITT.**

# OUR APPROACH IS GUIDED BY OUR CORE VALUES AND OUR STANDARDS OF BUSINESS CONDUCT

For more than 50 years, McDonald's has been a Company guided by Core Values. One of the basic principles that guides our behavior, actions, and decisions every day is that we are committed to our people. We demonstrate that commitment in many ways, including through the Company's Standards of Business Conduct (for more information see pg. 109). These standards provide clarity, guidance and resources on a wide range of issues that stand for operating with fairness, honesty, and integrity. As it relates to our people, these standards include:

- Conducting our activities in a manner that respects human rights as set out in the United Nations Universal Declaration of Human Rights
- Treating employees with fairness, respect and dignity
- Ensuring employees have the right to work in a place that is free from harassment, intimidation or abuse, sexual or otherwise, or acts or threats of physical violence
- Embracing the diversity of employees, Franchisees, customers and suppliers
- Providing equal treatment and equal employment opportunity
- Providing a safe, productive and healthful working environment
- Striving to work with suppliers that are committed to our universal principles of doing business in a responsible and ethical manner

## OUR JOURNEY CONTINUES

## 2013 HIGHLIGHTS

- 87% OF RESTAURANT MANAGERS FELT THE PERSON THEY REPORT TO SUPPORTS THEIR PROFESSIONAL DEVELOPMENT.\*
- MORE THAN 3.1 MILLION LEARNING MODULES COMPLETED BY RESTAURANT MANAGEMENT AND MID-MANAGEMENT IN THE U.S. ALONE. (IN BOTH COMPANY-OWNED AND FRANCHISED RESTAURANTS.)

\*Data reflects numbers from Company-owned restaurants in Canada, Germany, the U.K., and the U.S., as well as restaurants in Brazil and Japan.



## EMPLOYMENT PRACTICES AROUND THE WORLD

Because of our franchise structure and the number of locations where McDonald's operates, people policies differ. Labor standards also vary considerably across the countries where we operate, requiring different approaches to people issues and practices. We care about all McDonald's employees—those who work for the Company and those who work for Franchisees. Not only do we comply with local laws everywhere we operate, but we often go above and beyond legal mandates to provide additional benefits and compensation, deliver training that develops both professional and life skills, and to help protect the health and safety of crew and managers in our restaurants. We expect our Franchisees to share our commitment to comply with law and exercise sound employment practices.



## EMPLOYEE VALUE PROPOSITION

Across McDonald's, employees have been clear about what they want to get out of working at McDonald's. Based upon research conducted with 10,000 crew and managers in 55 countries, we identified three critical elements known as our Employee Value Proposition.

- **FRIENDS AND FAMILY**

Working in an enjoyable, energizing atmosphere where everyone feels part of the team

- **FLEXIBILITY**

Having a challenging, varied job with the flexibility to fit into employees' lifestyles

- **FUTURE**

Having the opportunity to grow and progress by learning personal and work skills that will last a lifetime

These elements are incorporated into people programs at regional and market levels in a variety of ways.

“ I HAVE BEEN WITH McDONALD'S SINGAPORE FOR OVER 20 YEARS AND McDONALD'S IS A SECOND HOME TO ME. I LOVE MY WORK AND INTERACTING WITH MY CUSTOMERS. WHEN MY CUSTOMERS ARE HAPPY, I AM HAPPY. YOU MAY ASK, “HOW DO YOU DO YOUR JOB SO WELL?” ONE OF THE KEY REASONS IS THAT McDONALD'S PLACES STRONG EMPHASIS ON TRAINING OF EMPLOYEES AT ALL LEVELS TO HELP US SUCCEED IN OUR JOBS. I HAVE BENEFITTED TREMENDOUSLY BOTH PROFESSIONALLY AND PERSONALLY FROM THE TRAINING I'VE RECEIVED ... IT INSPIRES ME TO GIVE THE BEST OF MYSELF EVERY DAY. ”



**SUSAN LOW**

Party Planner, McDonald's Singapore, also a 3-time Gold Award winner of Singapore's Store Activities Representative (STAR) Award.



## MY JOURNEY IS ABOUT... CREATING OPPORTUNITIES TO GROW AND DEVELOP



PEOPLE ARE THE MOST IMPORTANT ASSET OF OUR BUSINESS. AS AN OWNER-OPERATOR, I VALUE THE MANY CONTRIBUTIONS OUR EMPLOYEES MAKE EACH DAY FOR MCDONALD'S AND FOR OUR CUSTOMERS. AT MCDONALD'S, OWNER-OPERATORS HAVE THE OPPORTUNITY TO MAKE A DIFFERENCE IN THE WORK EXPERIENCE OF OUR CREW AND MANAGERS BY PROVIDING TRAINING AND CAREER OPPORTUNITIES THAT ALLOW OUR CREW AND MANAGERS TO GROW PERSONALLY AND PROFESSIONALLY. I AM PROUD TO BE PART OF A BRAND THAT IS COMMITTED TO CREATING AND MAINTAINING A "PEOPLE FIRST" CULTURE WHERE EMPLOYEES FEEL VALUED AND PART OF THE TEAM.

### CYNTHIA BOOTH

Franchisee

Cincinnati, Ohio, USA

More than 80% of McDonald's restaurants are owned and operated by independent Franchisees. The Company expects its Franchisees to maintain high standards of integrity and to abide by all applicable laws and regulations, including laws regarding human rights, dignity and respect, workplace safety, and worker compensation and treatment. Ultimately, Franchisees define and implement people practices in their local restaurants. One of the greatest strengths of the McDonald's business model is the entrepreneurial approach Franchisees take to meet the needs of their operating environments. Cynthia Booth lives this approach in the way she manages her seven restaurants in Greater Cincinnati, Ohio. She also is the Owner-Operator Co-Lead of the McDonald's U.S. National People Team, a team whose mission is to share best practices about the employee's experience in such areas as hiring, on-boarding, training and development.



# TRAINING AND DEVELOPING OUR PEOPLE

## BUILDING THE FOUNDATION FOR SUCCESS

McDonald's is a first job for many. We have an important opportunity to help these new members of the workforce develop valuable life skills that will serve them throughout their careers and open up new opportunities.

Together with our Franchisees, we create and constantly improve programs to help our employees reach their potential and contribute to our shared success. The majority of this training takes place at the restaurant level. Additional training for restaurant management takes place in country-level training centers and through Hamburger Universities. In some cases, the training McDonald's provides extends beyond the skills employees need to do their jobs, and can help prepare them for life and success outside of McDonald's. These development opportunities include second language instruction, organization skills, customer service acumen, literacy and math skills, and accelerated degree completion through accreditation and financial support.

## CREATING OPPORTUNITY IN THE RESTAURANT

Training and development is what McDonald's is all about. It is essential that shifts are staffed by skilled, well-trained crew members. Training for crew members includes foundational topics to orient them to McDonald's operations and expectations in customer service, communication and restaurant production/service stations.



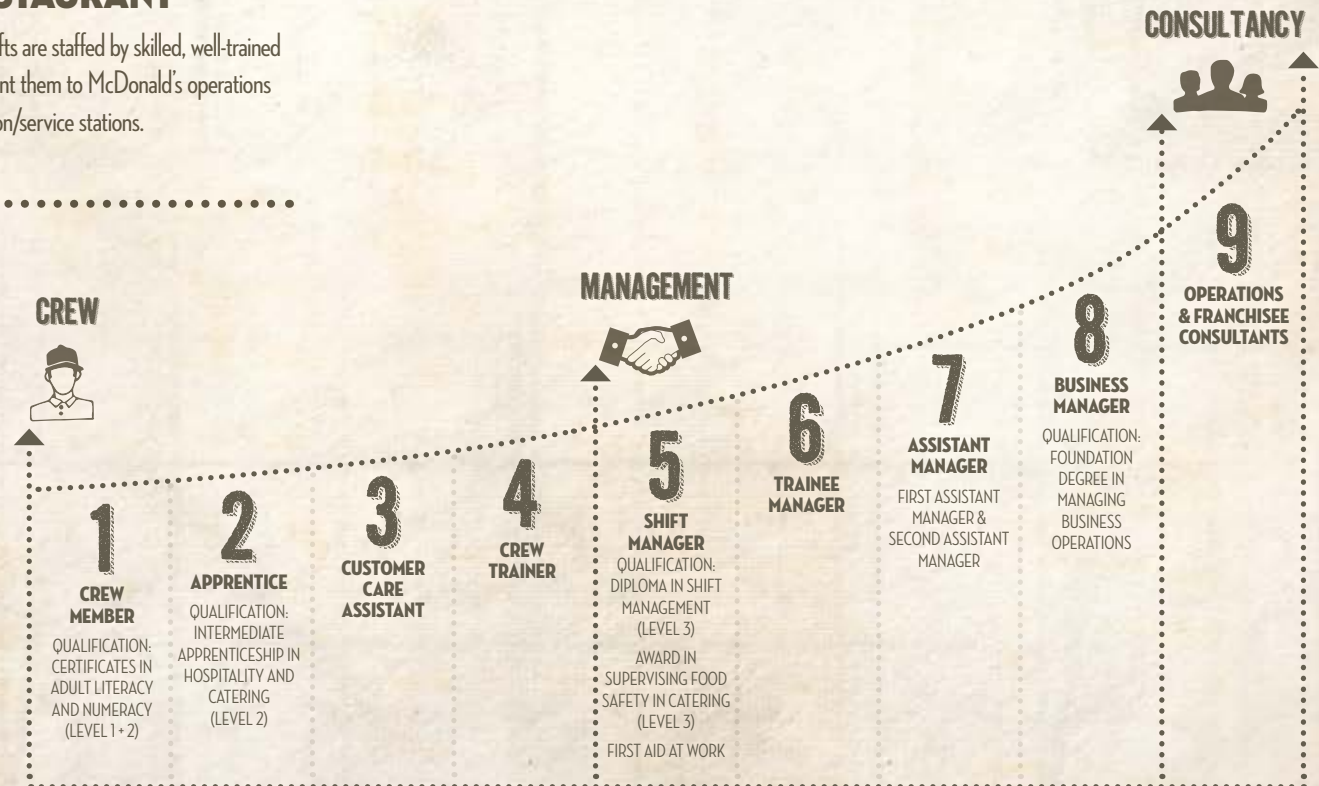
**FREDIS GUTIÉRREZ**  
Store Manager, Ray Kroc Award winner  
Dallas/Fort Worth, Texas, USA

Fredis Gutiérrez has been affiliated with a McDonald's in the Dallas/Fort Worth airport for a decade. Since graduating from "English Under the Arches", he has been promoted to store manager and won the McDonald's Ray Kroc Award, an honor bestowed on the top 1% of McDonald's restaurant managers in the country.

“BEFORE I TOOK THE CLASS, I DIDN'T FEEL CONFIDENT TALKING WITH PEOPLE OR WITH MY CUSTOMERS. THERE IS A BIG DIFFERENCE BEFORE “ENGLISH UNDER THE ARCHES” AND AFTER. NOW, I SEE MORE OPPORTUNITIES IN MY FUTURE AND IN THIS COMPANY.”

## POTENTIAL CAREER PATH McDONALD'S U.K. EXAMPLE

Restaurant employees can advance along a career path that spans many levels and functions. While specific levels, positions, and job titles vary among McDonald's markets, the general career path from entry-level crew positions to restaurant management is available around the world. Employees often enter at the crew member level. After completing required training and mastering certain skills, they can obtain the qualifications needed to advance to the next level and may eventually move into restaurant management positions and, ultimately to operations consulting and beyond. An example of how this comes to life in McDonald's U.K. is at right.



## HELPING MID-MANAGERS TO BE THE BEST THEY CAN BE

When it comes to creating a positive work environment, mid-managers are key. They drive individual restaurant success and influence our collective business performance. The Mid-Management Leadership Development Program is designed to enhance McDonald's mid-manager leadership competencies, business acumen, operations expertise and performance. The blended learning program allows them to participate in virtual learning communities, complemented by on-the-job practice and coaching. The program runs for six months and ends with a classroom simulation at a Hamburger University.

## MY JOURNEY IS ABOUT... HELPING EMPLOYEES GROW AND DEVELOP



“IT'S FANTASTIC TO SEE—AND SUPPORT—THE DEVELOPMENT IN PEOPLE. ONE EMPLOYEE WHO CAME THROUGH THE PRINCE'S TRUST, A PROGRAM THAT SERVES STRUGGLING AND UNEMPLOYED YOUNG PEOPLE, HAS ALREADY PROGRESSED TO SHIFT MANAGER. ANOTHER MEMBER OF MY TEAM HAS BEEN ACCEPTED INTO THE DEGREE PROGRAM FOR BUSINESS MANAGERS. IT'S A LOVELY THING TO BE ABLE TO OFFER A JOB TO THOSE WHO MIGHT HAVE LIMITED OPPORTUNITIES OTHERWISE.”

### ANNE WAINWRIGHT

Franchisee

Leeds and Wakefield, Yorkshire U.K.

Anne had a successful and long-running career in information technology, but had always wanted to operate her own business. Today, she runs three McDonald's restaurants and employs about 220 people in a diverse, multi-generational environment.

## TRAINING TOMORROW'S MANAGERS

In the U.S., restaurant management and mid-managers in Company and Franchisee restaurants participated in more than 3.1 million learning modules throughout 2013. The Guest Service Department curriculum includes an estimated 48 hours of training over 16 weeks on more than a dozen topics, from operational efficiency and customer service to building sales. Online learning modules, coaching sessions, virtual collaborations, reading assignments and a classroom session keep the training experience fresh and engaging.

## TRAINING THAT DELIVERS RESULTS

We develop and provide quality training that meets McDonald's high standards. In the U.S. there are over 80,000 full- and part-time trainers in Company-owned and Franchised restaurants, and training programs are available in English and Spanish. In 2013 post learning surveys, 93% of respondents taking the Restaurant Department Manager curriculum indicated the training will positively affect quality and guest service. The McDonald's USA learning strategy has been recognized externally with honors such as the Elliott Masie Innovation Award, Top Young Trainers, and Chief Learning Officer Learning Collaboration 2012 Gold Award. In 2013 McDonald's USA was ranked as the #2 Training Organization in the World by *Chief Learning Officer Magazine*.



### TIM FENTON

Chief Operating Officer

McDonald's Corporation

**TIM FENTON STARTED AS CREW IN 1973 IN UTICA, N.Y. BY '79 HE WAS "MANAGER OF THE YEAR." THROUGHOUT HIS 40 YEARS OF MCDONALD'S OPERATIONS AND LEADERSHIP EXPERIENCE IN THE U.S., EUROPE, AND APMEA, MCDONALD'S CHIEF OPERATING OFFICER HAS CONTINUED TO REACH FOR OPPORTUNITIES TO LEARN, GROW AND LEAD, AND HE HAS ENCOURAGED MCDONALD'S EMPLOYEES TO DO THE SAME.**

# BUILDING A BETTER LEARNING EXPERIENCE

Like nothing else, McDonald's Hamburger University embodies our commitment to training that fosters talent, develops leaders and leverages life-long learning. And despite its name, Hamburger University is about a whole lot more than learning the best way to cook a burger. Since its 1961 founding by former chairman Fred Turner in a restaurant basement, Hamburger University has grown to seven campuses around the world, with training provided in 28 languages. McDonald's Franchisees, managers and employees are trained in restaurant procedures, quality, food safety, service, cleanliness and value. Students in some areas are even eligible to receive university credits for their Hamburger University courses, helping them earn advanced degrees while building their careers. Both our Hamburger University curricula and our regional and local training programs reflect real-world business experience and practical management competencies that can be used in a host of career paths.

**WORLDWIDE, MORE THAN 334,000 McDONALD'S FRANCHISEES, MANAGERS AND EMPLOYEES HAVE GRADUATED FROM HAMBURGER UNIVERSITY SINCE OPENING.**

**IN THE U.S.,** Hamburger University receives college accreditation from the American Council on Education so that students can earn college credit for their successful course work. Completion of the U.S. management curriculum provides the McDonald's restaurant manager with an equivalent of 18 recommended credit hours that can be transferred to many colleges and universities and applied toward a two- or four-year degree. Completion of the mid-management curriculum offers up to 24 recommended credit hours. In 2012, 398 Hamburger University transcripts were sent to colleges on behalf of employees, the highest in more than a decade. We are proud to be one of only 8 Fortune 500 companies to receive college accreditation for training.

**IN FRANCE,** McDonald's helps restaurant staff obtain degrees. To promote continuing education among restaurant employees, McDonald's France obtained Validation of Acquired Experience (VAE) for the professional experience and training of restaurant employees. McDonald's France encourages employees to take part in VAEs to develop professional competencies, receive degrees through the VAE program and be better prepared for the wider job market.

**IN BRAZIL,** as of the end of 2013, more than 5,000 people have graduated from McDonald's University.

“ I GOT TO DO THE FOUNDATION DEGREE PROGRAM, WHICH TOOK 12 MONTHS. I LOOK AT WHAT I ACHIEVED AND I THINK TO MYSELF: 'MCDONALD'S HAS REALLY DONE ME A FAVOR HERE.' ”



**ALEX SALE**

Business Manager

Lancaster, England  
McDonald's U.K.





**IN THE U.K.,”** McDonald’s has partnered with Manchester Metropolitan University to offer business managers a Foundation Degree in Managing Business Operations. The university awards the degree, which is delivered and assessed by McDonald’s.

**IN GERMANY,** a 3-year apprenticeship program for restaurant managers leads to a qualification recognized by the Chamber of Industry and Commerce.

**IN ASIA,** Hamburger University courses are accredited by major universities in mainland China, Hong Kong, and Taiwan.



**IN AUSTRALIA,** McDonald’s offers free “traineeships,” which are structured, self-paced training programs for crew that lead to nationally recognized qualifications, credit toward university degrees and a foundation for a management career.

**Also in Australia,** the online platform “Metime” provides management and crew training resources, including orientation information, me-learning, the operations and training manual, and traineeship resources.





## MAKING TRAINING MORE CONVENIENT

Technology-enabled learning can improve the way we deliver training to crew and managers and address the way they learn today, tomorrow and in the future. For example, McDonald's Australia, U.K. and USA have implemented learning management systems. These systems track courses for each learner, deliver e-learning modules and podcasts, and help facilitators and learners collaborate online. This "just in time" learning can be more convenient, efficient, and effective for people throughout the restaurants.

“THE DEVELOPMENT THAT I’VE RECEIVED THROUGHOUT MY CAREER—FROM MY TIME IN THE RESTAURANTS IN BRAZIL, TO BEING AN H.U. PROFESSOR, AND ALL THE WAY TO MY POSITION AS AN EXECUTIVE IN THE COMPANY—HAS PROVEN TO ME THAT TALENT IS THE NUMBER ONE PRIORITY AT McDONALD’S.”



**ATILA NORONHA**

Vice President

McDonald's USA, Ohio Region

## HOW McDONALD'S RESTAURANT CREW AND MANAGERS FEEL ABOUT THEIR TRAINING AND DEVELOPMENT OPPORTUNITIES<sup>1</sup>

	2011	2012 <sup>3</sup>	2013 <sup>4</sup>
Percent of crew members satisfied that they receive the training needed to do a good job	87% <sup>2</sup>	87%	89%
Percent of managers who feel the person they report to supports their professional development	86% <sup>3</sup>	86%	87%

<sup>1</sup>All data on this chart reflects numbers from Company-owned stores in the top 9 markets, as well as stores in Brazil and Japan, unless otherwise designated.

<sup>2</sup>Excludes China and France.

<sup>3</sup>Excludes China and Germany.

<sup>4</sup>Excludes Australia, China and France.



**JIM SKINNER**

Former Vice Chairman and CEO  
McDonald's Corporation

McDonald's former Vice Chairman and CEO, Jim Skinner, knows a lot about the importance of training and leadership development. After starting his career in a McDonald's restaurant in 1971, Jim was promoted to higher and higher levels of responsibility across a range of operational areas, and assumed the role of Vice Chairman and CEO of McDonald's in 2004. Along the way, Jim recognized the importance of a strong commitment to people and made people development a key priority during his tenure. Upon Jim's retirement in 2012, the Leadership Institute was renamed in his honor.



Jim Skinner  
Institute of Leadership

**JIM SKINNER INSTITUTE OF LEADERSHIP**

Named for McDonald's former CEO, Jim Skinner, the Institute of Leadership is a global learning community that helps emerging and existing Company leaders become better prepared to address business challenges, today and in the future. Its primary goal is to ensure McDonald's has the leadership talent and capabilities to drive employee engagement and enduring business success. The Institute offers diverse resources, structured learning opportunities with other McDonald's leaders, and experiences that reflect real business situations to promote critical thinking, analysis, decision-making, and people leadership. Accelerated development programs for high-potential mid-management and officers are offered across all areas of the world. For example, in 2013, 1,614 people participated in courses and programs offered by the Institute.

**STRONG LEADERS FOR A STRONG FUTURE**

Globally, three leadership priorities help make sure we foster the talent that will take McDonald's into the future:

**TODAY'S LEADERS:**  
We develop high-performing, committed business leaders in all key positions



**TOMORROW'S LEADERS:**  
We create a deep pipeline of diverse and talented future leaders

**LEADERSHIP CULTURE:**  
We maintain an organizational culture that supports talent and leadership development consistent with our Values at all levels

**KUDOS**  
The Company was ranked the  
**#8 BEST COMPANY FOR LEADERSHIP**  
by the Hay Group in 2013.

# FOSTERING DIVERSITY AND INCLUSION

## DIVERSITY AND INCLUSION IS EVERYBODY'S BUSINESS

At McDonald's our goal is to foster an environment within our global System where everyone sees differences as strengths and feels valued and respected, on both sides of the counter. We embrace all the dimensions of diversity and leverage the differences that make us strong as we strive to meet the needs of our Franchisees, suppliers, employees and customers every day.

### OUR DIVERSITY AND INCLUSION MISSION

- **CHAMPION A GLOBAL CULTURAL INTELLIGENCE MINDSET** that motivates leaders to hold themselves and their teams accountable to value and respect everyone on both sides of the counter.
- **GALVANIZE DIVERSE EXTERNAL PARTNER ORGANIZATIONS** to advance mutual goals and inspire them to become brand ambassadors and advocates.
- **SPEARHEAD GLOBAL COLLABORATION** to leverage differences as strengths and have the courage to be in the presence of discomfort that results from an inclusive environment.

## KUDOS

McDonald's  
**TIED FOR 5TH OUT OF 100**  
large companies for diversity in the 2013 Calvert Investments ranking. The score was based on 10 criteria, including policies, internal and external diversity initiatives, family-friendly benefits, board diversity, director selection criteria, disclosures and other commitments and practices.



### STAKEHOLDER PERSPECTIVE

Q:

WHAT MORE COULD McDONALD'S DO TO IMPROVE THE DIVERSITY OF LEADERSHIP?

“Focusing on diversity, culture, and inclusion improves the organization's “cultural intelligence.” Paying close attention to the various groups that McDonald's engages with positions the Company to deliver better business results through increased engagement and innovation. McDonald's should continue to focus on its objectives, and making continued investments.”



**GERRY FERNANDEZ, SR.**

President and Founder

Multicultural Foodservice  
& Hospitality Alliance



## FOUR PROVEN STRATEGIES

Our inclusion and intercultural management mission is evident everywhere we operate, while the strategies that bring it to life are as diverse as the local values of our local communities. The Company's Inclusion and Intercultural Management department supports the Company's business strategy, focusing on four diversity and inclusion (D&I) pillars.

- **DIVERSITY AND INCLUSION EDUCATION:** The Intercultural Learning Lab is a series of workshops designed to build skills and behaviors to contribute to McDonald's global business growth. The engaging and spirited workshops help us move from awareness to action.
- **INCLUSION:** This function provides coaching for management and leadership, aligns the employee business networks and resource groups with McDonald's larger business goals, and helps to expand McDonald's online mentoring program.

The following are U.S. Business Networks and Resource Groups:

### EMPLOYEE BUSINESS NETWORKS

Asia/Pacific Middle East Network  
Hispanic Employee Network  
McDonald's African-American Council  
McDonald's Gay, Lesbian and Allies Network  
Women's Leadership Network

### RESOURCE GROUPS

Veteran Resource Group  
Working Mothers' Council  
Young Professionals Network

- **STRATEGIC DIVERSITY AND INCLUSION:** The function plans and executes on its vision, mission and values.
  - **EXTERNAL PARTNERSHIPS:** The function builds and maintains relationships to support the efforts of diverse organizations that serve communities where McDonald's operates.
- .....



“OUR INCLUSION AND INTERCULTURAL MANAGEMENT MISSION IS EVIDENT EVERYWHERE WE OPERATE, WHILE THE STRATEGIES THAT BRING IT TO LIFE ARE AS DIVERSE AS THE LOCAL VALUES OF OUR LOCAL COMMUNITIES.”

**PAT HARRIS**  
Global Chief Diversity Officer  
McDonald's Corporation

## CREATING CHANGE AGENTS INTERCULTURAL LEARNING LAB

The Intercultural Learning Lab provides a spirited and action-oriented day of classroom learning that develops “change agent” behaviors and skills to foster a respectful intercultural environment in the U.S. Through customized workshops, the Intercultural Learning Lab helps participants:

- View differences as strengths and practice non-judgmental listening
- Identify the impacts of disparaging treatment due to “ageism”, “classism” and other “ISMs”
- Understand how each generation defines success
- Explore less obvious forms of discrimination and how to address them



**2012 INTERCULTURAL LEARNING LAB FOR A MCDONALD'S U.S. REGIONAL HUMAN RESOURCES DEPARTMENT**

## WOMEN'S LEADERSHIP STRENGTHENS OUR COMPANY AND OUR BRAND

McDonald's Global Women's Initiative supports the recruitment, development, retention and advancement of women at all levels of the Company, while creating a culture where women can thrive in their careers. Recognized with the prestigious Catalyst Award in 2011, the Global Women's Initiative has helped McDonald's develop and advance women around the world. Five Women's Leadership Networks are active across the Company.



During 2013 McDonald's committed to a new global Women's Leadership Network project to build an even stronger female leadership pipeline by supporting the career progression of Company-owned restaurant managers. Already, we have assembled a working group of women from each McDonald's area of the world to assess the opportunity and identify ways to best support women's career growth.



“THE WOMEN'S LEADERSHIP NETWORK HAS SHAPED OUR GENDER DIVERSITY WORK ACROSS OUR REGION TO DEMONSTRATE THE SPIRIT OF 'LIFTING SELF, LIFTING OTHERS, AND LIFTING THE BRAND.' WHEN YOU INVEST IN TRAINING AND DEVELOPMENT, YOU'RE LIFTING YOURSELF. WHEN YOU DONATE YOUR TIME, TALENT AND WISDOM TO SERVE AS A MENTOR, YOU'RE LIFTING OTHERS. AND WHEN YOU BECOME A VISIBLE LEADER OPERATING AT YOUR FULL POTENTIAL, YOU'RE LIFTING THE BRAND.”

### EMILY PANG

Co-Chair, Asia-Pacific, Middle East and Africa  
Women's Leadership Network

Vice President, Training, Learning & Development, McDonald's China  
Dean of Hamburger University China

## MORE THAN 70% OF U.S. SPENDING WITH MINORITY AND WOMEN-OWNED SUPPLIERS

In 2013, the McDonald's U.S. system purchased approximately \$8.8 billion in goods and services from minority and women-owned suppliers. Collectively, this represents 75% of our total U.S. expenditures for food, packaging, equipment, uniforms and premiums. We will continue promoting greater supplier diversity among secondary suppliers so that the benefits of diverse ideas, approaches and resources can reach further into our supply chain.

### SUPPLIER DIVERSITY DRIVES INNOVATION

Just as diversity and inclusion enhance our own operations, so too, diversity strengthens our supply chain. By leveraging the unique talents and assets of diverse suppliers we can advance growth and customer satisfaction. For us, supplier diversity is the right thing for our business. In addition to driving innovation in our products, processes and approaches, supplier diversity is one way we support economic growth among historically under-represented entrepreneurs.

## GLOBAL WOMEN'S LEADERSHIP NETWORK

The Company's Global Women's Leadership Network (WLN) works to recognize and raise awareness of the significant contributions that women are making to McDonald's worldwide, and facilitate a culture where women have the most opportunity to succeed and grow. From celebrating International Women's Day with workshops to supporting the career progression of female restaurant managers, WLN and our five regional women's networks foster the culture and infrastructure to address women's career development and advancement around the world.

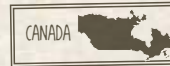
### 2012-2013 HIGHLIGHTS



- Rolled out a Winning with Inclusion and Diversity webinar for women throughout the region
- Held events for female employees through 11 local Women's Leadership Network chapters
- Began interviews with McDonald's managing directors throughout the region to better understand the unique needs and opportunities related to women's leadership
- McDonald's Hong Kong earned the Best Employer for Women Award from AON Hewitt. They also earned recognition from AON Hewitt for Best Employer in Hong Kong and Asia Pacific. McDonald's Malaysia was named Best Employer in Malaysia, in part for high employee engagement



- Expanded the European Women's Leadership Network (EWLN) Vision and Mission by creating our strategic imperative, "Breaking Down Barriers." This imperative encourages both men and women to participate in actively dismantling barriers to female progression in Europe. Gender diversity was identified as a top priority in Europe for 2014
- Expanded the scope and awareness of Gender Diversity as a key business driver through increasing the number of local chapters by 80%
- Conceptualized, designed, and facilitated first ever Local Chapter Workshop, which enabled best practice sharing in women's leadership chapters between established and emerging chapters
- Drove creation of quarterly pan-European gender reporting by global level by market
- Established strategic agenda for biennial EWLN Conference



- Held career development road shows in the three major Canadian markets to explore what makes a great leader, with special focus on women's leadership
- Expanded Canada's WLN to include two additional career levels and held an orientation meeting and webcast to welcome new members to the network
- Provided the inaugural women's leadership award at the restaurant operators' and managers' event



- With McDonald's Hamburger University in Brazil, developed course content to raise awareness about the benefits of inclusive environments
- Launched a new mentoring program with a focus on gender diversity
- Led Women's Workshops in Brazil, Argentina, Mexico, Colombia, Venezuela and Puerto Rico
- Developed a diversity scorecard to track progress



- Delivered a Women's Career Development train-the-trainer workshop and held a customized career development session for women in information technology
- Sponsored learning events that addressed women's leadership in the Company and began mapping next steps for women's talent development
- Continued McDonald's leadership role in Women's Foodservice Forum, participating in the annual conference, sponsoring attendees and holding a reception to support networking
- Provided resources and tools for WLN U.S. chapter leads on building talent and other topics



## GOOD PEOPLE - WHERE WE'RE GOING

Our continued success depends on a talented, engaged, and diverse workforce. From energized crew members and managers to committed leaders, the people who make up McDonald's around the world are at the center of our shared journey, now and in the future. As we go forward, we will continue seeking new ways to create rewarding opportunities in a work environment that trains and develops employees for success, values their contributions, and fosters diversity and inclusion so that all employees have the chance to achieve their full potential.





## OUR CORE VALUE DRIVES US TO GIVE BACK TO OUR COMMUNITIES

Giving back to the community is a core McDonald's value and a foundation of McDonald's culture. As a global company, we collaborate with our employees, Franchisees, suppliers, and charitable organizations to create and support programs that help address the local needs and societal issues of concern to stakeholders in the communities where we operate.

While we all share a commitment to giving back, how that passion comes to life varies from country to country and community to community. McDonald's is a collection of independently franchised and Company-owned restaurants. True to the entrepreneurial McDonald's spirit, employees and Franchisees take the initiative to identify a wide range of programs that make a difference in their local communities.

## ELEVATING THE IMPACT OF OUR GIVING

In 2012, the Company began developing a global strategy that will focus and align our numerous community programs to elevate the impact of our giving, volunteering, and other outreach efforts, such as disaster relief. In 2013, we established a Global Community Leadership Board to foster worldwide collaboration and partnership and develop a more comprehensive approach to community involvement around the world. We have dedicated additional resources to help us understand the breadth of our local and global initiatives and how we can work with internal and external partners to be even more impactful.

## GOOD COMMUNITIES

- **IMPROVING THE LIVES OF CHILDREN AND THEIR FAMILIES** through support of Ronald McDonald House Charities and other organizations.
- **STRENGTHENING COMMUNITIES** by addressing needs such as education and physical activity.

FOR OVER 50 YEARS, THE McDONALD'S SYSTEM HAS BEEN COMMITTED TO GIVING BACK TO THE COMMUNITIES IN WHICH WE OPERATE AND LIVE. WE DO THIS THROUGH OUR SUPPORT OF RMHC, OUR "CHARITY OF CHOICE," AND OTHER LOCAL ORGANIZATIONS THAT MAKE A MEASURABLE IMPACT ON THE WELL-BEING OF CHILDREN AND THEIR FAMILIES. THIS CORE VALUE HAS BEEN A KEY INGREDIENT OF OUR SUCCESS AND WILL CONTINUE TO BE AN INTEGRAL PART OF OUR COMPANY.

### J.C. GONZALEZ-MENDEZ

Senior Vice President

Global CSR, Sustainability & Philanthropy, McDonald's Corporation



## RONALD McDONALD HOUSE CHARITIES

RMHC is an independent charity that receives support from multiple organizations, including all three legs of the McDonald's System, our customers and the public at large. RMHC is recognized as a public charity under U.S. Internal Revenue Code section 509(a) with 501(c)(3) status. The mission of RMHC is to create, find, and support programs that directly improve the health and well-being of children.

## MY JOURNEY IS ABOUT...

# BEING A GOOD CORPORATE CITIZEN, STARTING WITH MY RESTAURANTS

“ AS A MCDONALD'S OWNER/OPERATOR, GIVING BACK TO THE COMMUNITY IS AT THE FOUNDATION OF BEING A GOOD CORPORATE CITIZEN. ONE WAY IN WHICH I DO THIS IS THROUGH MY COMMITMENT TO RONALD MCDONALD HOUSE CHARITIES, OR RMHC. AS A BOARD MEMBER OF RMHC AUSTRALIA, A VOLUNTEER ROLE, I HELP ASSESS THE FEASIBILITY AND IMPACT OF PROJECTS, LIKE THE RMHC AUSTRALIA LEARNING PROGRAM, AND OVERSEE THE PERFORMANCE OF LOCAL CHAPTERS AND NATIONAL FUND-RAISERS.

WHAT I LOVE MOST, PERSONALLY, IS HOW OUR CREW AND MANAGERS SUPPORT MANY ACTIVITIES THAT BENEFIT RMHC. THE ANNUAL WEEK-LONG CHARITY BIKE RIDE—WHICH TRAVELS OVER 650 KILOMETERS AND VISITS MANY TOWNS—IS A HIGHLIGHT EACH YEAR. THIS INITIATIVE RAISES APPROXIMATELY \$140,000 (AUSTRALIAN DOLLARS). WE GAIN A SENSE OF TEAMWORK AND PRIDE IN HELPING FAMILIES THAT ARE DEALING WITH A TOUGH SITUATION. AS A PARENT, MY HEART GOES OUT TO THESE FAMILIES, WHICH IS WHY I DO MY BEST TO SUPPORT THE MISSION OF RMHC.

”

### MIKE BOLTON

McDonald's Franchisee and  
RMHC National Board Member

Australia

Around the world, the way we support communities is very local. Franchisees like Mike Bolton play a key role by lending their time and support to organizations that benefit people in the communities where we operate. Mike has been a proud member of the McDonald's family for 30 years. After working as a manager and regional manager for McDonald's for more than two decades, he became a Franchisee in 2005. Since then, he and his wife Jan have earned a number of awards for their six restaurants, including the National People Excellence Award, National Golden Spatula Award, the Regional Outstanding Restaurant Award, and the Golden Arch Award. Mike has been a committed RMHC supporter for many years and a member of the RMHC National Board in Australia and several Chapter boards.

### CHLOE TANG LIAO

RECENT GUEST OF RONALD MCDONALD HOUSE CHARITIES OF  
CHICAGOLAND AND NORTHWEST INDIANA

## OUR JOURNEY CONTINUES |

## 2012 - 2013 HIGHLIGHTS

- MCDONALD'S SUPPORT HAS HELPED RMHC TO IMPACT THE LIVES OF 7 MILLION CHILDREN AND THEIR FAMILIES EACH YEAR.
- RAISED MORE THAN \$26 MILLION FOR RMHC IN OUR RESTAURANTS, IN THE U.S. ALONE.



RONALD McDONALD  
HOUSE CHARITIES

# IMPROVING THE LIVES OF CHILDREN AND THEIR FAMILIES THROUGH OUR SUPPORT OF RMHC

Doing our part to help children grow up happy and well has been part of McDonald's culture since our beginnings. We work to make a positive difference in the lives of children and their families by supporting organizations that foster children's well-being, as well as through our employee volunteer programs, charitable contributions, and community development in emerging economies. For 40 years, RMHC has been McDonald's "Charity of Choice," providing continued support that has enabled RMHC to provide stability and resources to millions of families and children.

## McDONALD'S CHARITY OF CHOICE HELPS 20,000 FAMILIES EACH DAY

Globally, over 290 RMHC Chapters support three core family-centered programs:

- **RONALD McDONALD HOUSES** provide a "home away from home" for families with seriously ill children receiving treatment at nearby hospitals. More than 8,000 families stay in Ronald McDonald Houses each night.
- **RONALD McDONALD FAMILY ROOMS** offers families a place to relax and refresh in the hospital setting. The Family Rooms provide comfort to more than 4,000 families each day.
- **RONALD McDONALD CARE MOBILES** are state-of-the-art mobile clinics that deliver pediatric health care services to 154,000 children in vulnerable rural and urban communities every year.

Through these programs and other initiatives, RMHC provides a bridge to quality care and gives children and families the time they need together to heal faster and cope better. Every day, more than 20,000 families benefit from RMHC programs around the world. Annually, RMHC impacts the lives of 7 million children and their families.



**BY THE NUMBERS**  
(AS OF DECEMBER 31, 2013)

**336**  
HOUSES  
IN 35 COUNTRIES  
AND REGIONS



**192**  
FAMILY ROOMS  
IN 23 COUNTRIES  
AND REGIONS



**50**  
RONALD McDONALD  
CARE MOBILES™  
IN 9 COUNTRIES  
AND REGIONS



## HOW THE McDONALD'S SYSTEM HELPS RMHC KEEP FAMILIES TOGETHER

The Company's employees, Franchisees, suppliers, and customers are involved at every level of RMHC—globally, nationally, and locally. For instance, members of the System serve as volunteers on the boards and committees of local RMHC Chapters, working alongside community members. RMHC also benefits from in-restaurant fundraising, awareness-raising about its mission, volunteering by Company employees, and assistance with administrative costs for its global office. The Company is the largest corporate donor for the charity, with additional income coming from the generosity of other corporations, individuals, and customers, such as:

- **RMHC DONATION BOXES** placed on the counter and the drive-thru at participating McDonald's restaurants. This is the largest source of fundraising for the charity. In 2013, more than \$26 million was raised through RMHC Donation Boxes in the U.S. alone.
- **McHAPPY DAY/GIVE A HAND**, an annual fundraiser supported by McDonald's restaurants around the world through a variety of fun activities.
- **PORTIONS OF THE PROCEEDS** from Happy Meals or other items in participating markets also support RMHC and its local Chapters throughout the year.
- **OTHER FUND-RAISERS**, such as open houses, garage sales, fun runs, bowling events and golf tournaments sponsored by restaurant owners and other organizations provide donations throughout the year.

And, while every RMHC initiative reflects a shared mission and values, strategic direction in each country is based on cultural relevance, community engagement, and need. For example, in the Philippines, the Bright Minds Read Program teaches children how to read. In Australia, the Ronald McDonald Learning Program helps seriously ill children catch up on the education they missed due to illness, improving academic performance, self-esteem, and confidence when returning to school.



**RMHC DONATION BOX**

## HOW THE CHARITY HAS GROWN DURING 2013

During 2013, with support from the McDonald's System and other donors, RMHC added:

- **15 RONALD McDONALD HOUSES**, offering 12,500 more families a year a place to find comfort and support to be close by their hospitalized child.
- **21 RONALD McDONALD FAMILY ROOMS**, providing a respite for 5,250 more families who spend countless hours in hospitals, helping their children cope better and heal faster.
- **2 RONALD McDONALD CARE MOBILES**, offering more medical care, dental services, and health education to 6,160 more children.





# McHAPPY DAY

## A 36-YEAR TRADITION THAT CAN CHANGE CHILDREN'S LIVES

No event better illustrates McDonald's commitment more than helping children through McHappy Day. Since 1977, when the first McHappy Day took place in Canada, this initiative has expanded worldwide, uniting McDonald's restaurants around the globe to raise funds for RMHC and other local charities. Depending on the location, restaurants donate some or all of the proceeds from Happy Meals, Big Mac sandwiches, fries, or other popular items, along with individual customer contributions (e.g., "Give A Hand" cutouts), which add up to huge benefits in the lives of children and their families.

McHappy Day has inspired creativity at McDonald's restaurants around the world. The System and its employees often participate, along with local dignitaries and community members.

“ I LIKE THE FACT THAT McHAPPY DAY ALLOWS THE RESTAURANTS TO GIVE DIRECTLY TO A LOCAL CAUSE THAT HELPS CHILDREN. WHEN WE RALLY TO HELP AND SUPPORT THIS INITIATIVE, WE KNOW THAT THE DOLLARS WE ARE SPENDING ARE DIRECTLY IMPACTING OUR COMMUNITIES AND THIS IS SOMETHING I STRONGLY BELIEVE IN. ”

### JAIME DAMAK

Parent and McDonald's Customer

Canada



# CELEBRATING McHAPPY DAY

## IN RUSSIA,

McDonald's helped the dreams of children with special needs come true by helping RMHC build a children's playground in Sochi.

## IN CANADA,

sports and media personalities, politicians, and local celebrities join staff to greet customers and work behind the counter.

## McDONALD'S IN HONG KONG,

hosts an annual "Kidathon," to raise funds to support RMHC.

## IN GUATEMALA,

McDia Feliz features celebrities, journalists, sports personalities, and members of the national media volunteering at McDonald's restaurants.

## IN AUSTRALIA,

restaurants sell items like Helping Hand cutouts, donating 100% of the profits to RMHC.

McHappy  
Day 

# PROMOTING EDUCATION AND PHYSICAL ACTIVITY

In collaboration with local cultural, civic and non-profit organizations, McDonald's empowers local communities to grow strong.

## MORE THAN 100,000 KIDS AND PARENTS PARTICIPATE IN NUTRITION PROGRAMS

Through the Food Education Time and Tasty! Smile Project initiatives, McDonald's Japan used educational tools to engage school-aged children and their parents in identifying good food choices for balanced diets and encourage active lifestyles. Using digital educational tools, such as a Nintendo DO Food education game trial, booklets, and seasonal events, McDonald's Japan aimed to help growing kids see the fun in, and understand the importance of, maintaining balanced lifestyles.



## MCDONALD'S MAKES READING FUN WITH HAPPY MEAL BOOKS

McDonald's is inviting families to celebrate the joy of reading through fun Happy Meal books. This global program follows in the tradition of McDonald's first book giveaway, which took place in Sweden in 2001. In 2012, McDonald's Europe distributed over 30 million printed books to parents and children in 37 languages and in the summer of 2013 launched Europe's biggest ever giveaway of digital, interactive books.

As part of the global program, McDonald's USA provided more than 17 million books to families across the U.S. through the Happy Meal during November 2013. Families enjoyed four original books that brought nutrition, imagination, and play to life in a fun way. McDonald's USA will give families access to a new interactive digital book each month through the end of 2014.

## MCDONALD'S AUSTRALIA ORCHESTRATES SCHOLARSHIPS AND GRANTS TO ADVANCE PERFORMING ARTS STUDIES

For the past 25 years, McDonald's Australia has sponsored the McDonald's Sydney Eisteddfod, the country's largest performing arts competition with an 80-year history and 30,000 participants. McDonald's Australia also funds two major scholarships for ballet and opera studies. In 2013, McDonald's Australia awarded 25 grants to celebrate its partnership with the McDonald's Sydney Eisteddfod.





Scopri un mondo  
innevato, tra  
iceberg giganti,  
feroci orsi polari e  
pinguini affettuosi.

- meraviglie
- giochi divertenti
- un sacco di adesivi



# L'Arctique et l'Antarctique



# GETTING KIDS ACTIVE

## BRINGING THE SPIRIT OF THE OLYMPIC GAMES TO CHILDREN EVERYWHERE



McDonald's has been a proud sponsor of the Olympic Movement for 37 years. We believe in the spirit of the Games and their unique ability to engage and inspire the world. The Olympic Games reinforce excellence, unity, achievement, and well-being—goals we strive for in our restaurants. As the Official Restaurant of the Olympic Games since 1996, we are proud to feed the world's best athletes, along with coaches, officials, media, and spectators. We have committed to Olympic sponsorship through the 2020 Games.

## CREATING CHAMPIONS OF PLAY

McDonald's is dedicated to making a positive difference in the lives of children around the world. The Champions of Play program is an effort to emphasize the importance of play and being active, and create a unique experience for kids and families. In 2012, nearly 200 children from 33 countries traveled to London, where they attended Olympic sporting events, met athletes and visited the Athletes' Village, participated in chef demonstrations with McDonald's Executive Chef, and experienced the sights and sounds of London.



These "Champions of Play" children from around the world got a behind-the-scenes look at select venues, and learned firsthand the value of physical activity and sport. In addition, an exclusive play room offered games and physical activities. McDonald's markets developed their own local programs:

**IN THE U.K.:** McDonald's featured the Great McDonald's Mascotathon in which children used Happy Meal toys to get active and "power the Mascots" to the Opening Ceremonies by logging their hops, skips, and jumps online.



## CHAMPIONS OF PLAY

**IN AUSTRALIA:** McDonald's sponsored an essay contest that encouraged kids to address what they love most about their sports club.

**WORLDWIDE,** "Champions of Play" Playbooks encouraged physical activity and provided tips on being active. A special website featured Olympians in a series of imaginative challenges led by five-time U.S. Olympic Swimmer and 12-time medalist Dara Torres as the Global Ambassador of the program. Kids participated in these challenges by doing real-life activities of their own and logging those activities online.



## MAKING CHILDREN'S DREAMS COME TRUE AT FIFA WORLD CUP™

McDonald's has supported soccer or "football," at the global and grassroots levels for more than 25 years. As a Worldwide Sponsor of the FIFA\* World Cup™ since 1994, McDonald's has been bringing the world's passion for football to life through in-restaurant activities and promotions during the tournament. The unique McDonald's Player Escort Program is part of our ongoing commitment to children's well-being, encouraging them to participate in sports while providing an experience they will never forget. The initiative gives children ages 6 to 10 from around the world the once-in-a-lifetime opportunity to walk onto the field hand-in-hand with the world's best football players and experience the excitement of the FIFA World Cup™ firsthand.

\*Fédération Internationale de Football Association



## 2 MILLION HOURS OF FOOTBALL FOR YOUTH

For more than 15 years, McDonald's U.K. has encouraged young people to get active through football and in 2002 became the Official Community Partner of the four U.K. Football Associations (FAs). McDonald's U.K. supports training and recognition for the individuals who donate their time coaching young people. Over the years, McDonald's, in association with the four Home Nation FAs, has helped drive the training and recruitment of more than 25,000 new community football coaches, and offer more than 2 million hours of quality football to young people.



## CHILDREN IN FRANCE GET ACTIVE ON McDO KIDS SPORT TOUR IN 2013

Over five months in more than 100 towns and cities throughout France, McDonald's and the French National Olympic and Sports Committee organized the McDo Kids Sport for children ages 5 to 12. The tour featured educational workshops around four Olympic sports and a workshop at a multi-sport center hosted by a local sports club. As one of the largest, free, multi-sport tours in France, McDo Kids Sport provides children with the chance to enjoy the simple pleasure of physical activity and develop a desire to get moving—all in a non-competitive environment.



## LITTLE ATHLETICS COMPETITION IN AUSTRALIA ENCOURAGES PHYSICAL ACTIVITY

For over 30 years, McDonald's Australia has supported the Little Athletics, a community track and field competition and training program for children of all ages in Queensland. In the 2012/2013 season, more than 100,000 children participated in Little Athletics, a 20% increase from the previous year. McDonald's Franchisees support the events through sponsorships and equipment donations.

## PUBLIC SCHOOL SPORTS FESTIVAL IN PUERTO RICO HELPS YOUNG ATHLETES

In 2013, McDonald's teamed with the Government of Puerto Rico Sports and Recreation Department to begin supporting a popular intramural sports festival. The annual event promotes athletics, sports education and development, and active lifestyles. Among other resources, McDonald's will provide uniforms for participating youth athletes.

## PLAYGROUNDS FOR CHILDREN WHO NEED THEM MOST

During 2012 and 2013, the McDonald's Foundation partnered with the non-profit organization KaBOOM! to build 12 playgrounds in the U.S., focusing on neighborhoods that don't have many places for kids to play outdoors. While donations are vital to programs like this one, McDonald's recognizes that lasting change occurs when community members share a common commitment to a strong and vibrant community. KaBOOM! uses a community-build model that empowers communities to improve their neighborhood and inspires community volunteers to stay involved. Building safe places to play is directly connected to our long-standing commitment to help children be active.





AS A COMMUNITY-CENTERED NON-PROFIT DEDICATED TO BRINGING PEOPLE TOGETHER FOR YOUTH DEVELOPMENT, HEALTHY LIVING AND SOCIAL RESPONSIBILITY, COLLABORATING ON A NEW PLAYGROUND WITH THE McDONALD'S FOUNDATION AND K&BOOM! WAS A NATURAL FIT FOR US. THE PLAYGROUND NOT ONLY GIVES CHILDREN A WONDERFUL PLACE TO PLAY AND GET ACTIVE, BUT ALSO HELPED OUR LARGER COMMUNITY COME TOGETHER FOR THE COMMON GOOD.

**RICHARD MALONE**

President and CEO

YMCA of Metropolitan Chicago

**THE FIRST "PLAY DAY" SPONSORED BY THE McDONALD'S FOUNDATION AND K&BOOM! PARTNERSHIP TOOK PLACE AT A NEWLY BUILT PLAYGROUND IN CHICAGO'S SOUTH SIDE. K&BOOM! IS DEDICATED TO GIVING KIDS THE CHILDHOOD THEY DESERVE BY BRINGING PLAY TO THOSE WHO NEED IT MOST.**



# BUILDING THRIVING COMMUNITIES

In addition to being focused on community outreach, the Company positively affects local communities through the Company's business operations. Along with Franchisees and suppliers, the Company generates significant economic impacts, such as by creating jobs and making capital investments that can contribute to stronger communities around the world.



## McDONALD'S ECONOMIC FOOTPRINT IN EUROPE

In 2011, London Economics undertook a detailed analysis to objectively quantify McDonald's Europe's contribution to the European economy. An updated analysis is currently being conducted, but was not completed in time for the release of this report. Below is a summary of key highlights from the 2011 Report, which provides a preview of the extent of the Company's extensive contributions.

Employ approximately

**400,000**  
**PEOPLE**

in Europe



An estimated

**€9.5B**

(\$13.1 billion U.S.)  
to EU GDP

Created around

**60,000**  
**NEW JOBS**

between 2007 and 2010

**€7.6B** (\$10.5 billion U.S.)

Estimated total impact on regional/local economies of salaries and wages paid by McDonald's Europe and Franchisees

## 30,000 NEW JOBS FOR YOUNG LATIN AMERICANS

Youth unemployment is a serious challenge in Latin America. As the largest McDonald's Franchisee in the world, Arcos Dorados gives thousands of Latin Americans their first job every year.

Arcos Dorados wanted to go further. At the 2012 Summit of the Americas Arcos Dorados joined the New Employment and Opportunities (NEO) program led by the InterAmerican Development Bank. In all, NEO aims to add a million youth jobs in Latin America within 10 years.

As an NEO founding partner, Arcos Dorados committed to creating 30,000 new jobs. Arcos Dorados is proud to make a difference in 20 countries in Latin America and the Caribbean, one job at a time.

“ONE OF THE WAYS WE ARE MAKING A DIFFERENCE IS WITH OUR YOUTH WITH A FUTURE OR 'JÓVENES CON FUTURO' PROGRAM. WE OFFER 18 TO 24 YEAR OLDS A CHANCE TO COMBINE ON-THE-JOB TRAINING WITH SKILLS CERTIFICATION. BEFORE WE HIRE THEM, THEY HAVE NO JOBS AND HAVEN'T FINISHED SCHOOL. ONCE WE HIRE THEM, THEY WORK AT McDONALD'S FOUR TIMES A WEEK, WITH SALARY AND MEDICAL COVERAGE. THEY ALSO TAKE TRAINING 6 HOURS A WEEK AT TECHNICAL SCHOOL. SINCE WE BEGAN THE PROGRAM IN ARGENTINA IN 2011, 91 YOUNG MEN AND WOMEN HAVE TAKEN PART. AT THE END OF THE 10 MONTH PROGRAM, THEY GRADUATED AS MAINTENANCE TECHNICIANS, WITH A CERTIFICATE RECOGNIZED BY THE MINISTRY OF LABOR. THAT'S WHY WE WANT TO GROW JÓVENES CON FUTURO: TO GIVE MORE YOUNG LATIN AMERICANS A CHANCE TO HAVE A WHOLE NEW FUTURE.”



**WOODS STATON**

CEO

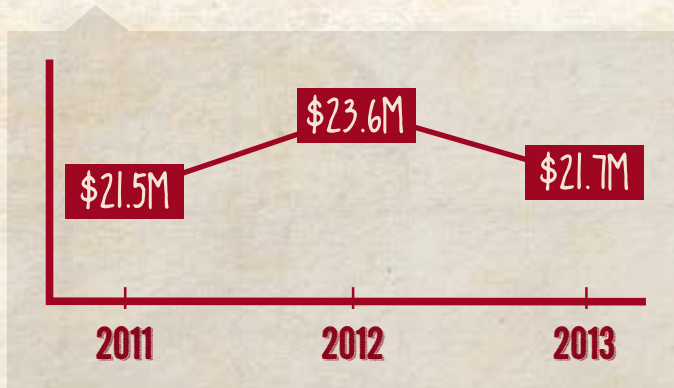
Arcos Dorados



# COMMUNITY IMPACTS 2011-2013

## PHILANTHROPIC ACTIVITIES- CASH AND IN-KIND CONTRIBUTIONS

### MCDONALD'S CORPORATION AND ITS CONSOLIDATED SUBSIDIARIES



## INCOME TAXES PAID

### MCDONALD'S CORPORATION AND ITS CONSOLIDATED SUBSIDIARIES



## CAPITAL EXPENDITURES

### MCDONALD'S CORPORATION AND ITS CONSOLIDATED SUBSIDIARIES



## EMPOWERING McDONALD'S EMPLOYEES TO ENGAGE IN THE COMMUNITY

McDonald's employees have long been volunteering in local communities. In 2010, we established our Home Office Volunteer Program to bring more structure to these efforts. As part of the program, employees may take at least one day off a year to volunteer and we organize various group volunteer activities throughout the year. For example, throughout the summer months, the Company sponsors "Helping Hands" activities that allow employees to volunteer with their children in the Chicago area.

Moving forward, we will expand McDonald's Employee Volunteer Program and work to better coordinate efforts throughout the world. In the meantime, several of our markets already empower their employees to volunteer.

**McDONALD'S COMMUNITY CREW DONATES 2,700 VOLUNTEER HOURS**

In 2012, more than 350 McDonald's restaurants across the Pittsburgh, Pennsylvania, region each sent one crew member to work at a local charity as part of the first McDonald's Community Crew Week. These crew members provided more than 2,700 hours in just one week. Charities benefiting from the first McDonald's Community Crew Week included RMHC, Special Olympics, Habitat for Humanity, as well as local food banks, hospitals, libraries, and animal shelters. McDonald's restaurants paid all participating McDonald's Community Crew their regular wages during their charity work.

**GOOD NEIGHBORS IN BRAZIL**

The McDonald's spirit of supporting healthy communities is alive and well in Brazil. Since 2003, the Good Neighbor Program, or Gincana Bom Vizinho, has fostered community spirit in McDonald's restaurants throughout the country. Organized as a national competition, the program determines "winners" by quantifying the positive impact of each participating restaurant's community activities. More than 21,000 activities have taken place to date, including donating blood, planting seedlings, supporting health campaigns, and collecting books, clothes, and toys for charity. The competition encourages volunteering, unifies restaurant teams, and energizes crew members, all while giving back to local communities. The 2013 program mobilized 7,620 volunteers—an increase of 108% over 2012. Participants hailed from 254 McDonald's restaurants, 40% more than the year before.

**SPREADING HAPPINESS AND HOPE - THE CHINA VOLUNTEER CLUB**

The McDonald's China Volunteer Club enables employees to get active in charitable activities. Through the club, employees visit orphanages and volunteer their time to make a positive difference in the lives of children and their families.

## DOUBLING EMPLOYEE GENEROSITY

The Company's Matching Gifts Program is designed to encourage employee support of qualified education, arts and culture, medical research, youth, civic, and social organizations. The program, which is open to eligible Company employees based in the U.S., provides matching funds for donations totaling up to \$5,000 per eligible employee (\$10,000 for Company Officers) in a calendar year. In 2013, the Company matched 2,125 employee gifts, contributing almost \$1.2 million.

## PRO BONO HELP WITH LEGAL NEEDS

In the U.S., the Company's legal department maintains a pro bono program that provides legal assistance to low-income individuals and helps elementary and secondary students from diverse backgrounds develop the skills and knowledge to serve their communities as active, responsible citizens. Through the award-winning program, the Company's attorneys and legal staff collaborate with various legal service and community development organizations to deliver support and resources to individuals and families.



“THE GOOD NEIGHBOR PROGRAM IS VITAL BECAUSE IT BRINGS PEOPLE TOGETHER. IT IS A WIN-WIN INITIATIVE FOR OUR COLLABORATORS AND SOCIETY. WHEN CUSTOMERS LEARNED ABOUT THE PROGRAM, THEY GOT EXCITED ABOUT CONTRIBUTING, AND AS FOR OUR EMPLOYEES, THEY FEEL HAPPY AND PROUD TO WORK AND HELP THE COMMUNITY.”

**KELLI CAMPOS DA SILVA**

Restaurant Manager

McDonald's Brazil

# HELPING COMMUNITIES COPE WHEN DISASTER STRIKES

As part of the fabric of every community where we operate, when disaster strikes, McDonald's does what it can to help people who have been affected.

## HURRICANE SANDY RELIEF

When Hurricane Sandy hit the U.S. East Coast in late 2012, it displaced thousands of people and left many without heat, clean water and other basic resources for weeks. The Company made a \$500,000 donation to the American Red Cross to be used for Hurricane Sandy disaster relief efforts. We also provided housing alternatives and transportation support to staff members and employees affected by the disaster.

The McDonald's Family Charity, Inc. provided additional financial assistance to McFamily members personally affected by the hurricane. Created to facilitate contributions from McFamily members to help other McFamily members directly affected by disaster, McDonald's Family Charity provided direct financial support to employees and their families after Hurricane Sandy. McFamily members eligible to receive funds included employees working at any of the Company's restaurants and offices worldwide, as well as employees of McDonald's suppliers. Employees and others within the McDonald's System can also provide support in the aftermath of natural disasters. Since its formation in 2000, McDonald's Family Charity has distributed more than \$4 million to thousands of individuals who have lost homes or belongings during natural disasters.

## RECOVERING FROM THE TSUNAMI IN THE PHILIPPINES

When Typhoon Haiyan struck the Philippines in November 2013, it affected an estimated 14.1 million people and displaced hundreds of thousands of people. Among the affected population, 343 worked for the Company or our Franchisees. Of the 30 McDonald's restaurants in Visayas, the typhoon damaged six and completely destroyed one, a restaurant in Tacloban owned by Franchisee Caroline Andrade. More than 30 employees saw damage to their homes. In the chaotic days and weeks that followed this disaster, Caroline and McDonald's worked diligently to locate and support affected crew members and managers. For employees in all affected areas, the Company provided immediate relief items, along with medical and financial assistance. Crew and managers were given the option to work in other nearby McDonald's restaurants while their restaurants are restored.

Beyond helping Company and Franchisee employees, the Company also contributed \$300,000 toward the relief effort to the American Red Cross. RMHC announced a \$100,000 donation to support the cause as well. Just a few days after the typhoon struck, with a second donation from the Company, local RMHC chapters also opened the McDo Bigay Tulong Center, where volunteers assembled and distributed nearly 15,500 relief packs plus 4,150 Christmas packages to affected areas. More than 1,000 McDonald's employees volunteered during November and December.



## GOOD COMMUNITIES - WHERE WE'RE GOING

As we continue on our shared journey to give back to the communities where we operate, we will continue working toward a global strategy that can further align our extensive community programs. We hope this will elevate the collective impacts of our corporate giving, volunteering, and disaster relief efforts. McDonald's will continue supporting the work of RMHC and promoting physical activity and education. We will continue striving to understand the societal issues and causes closest to our customers, employees, Franchisees, and suppliers around the world. And as good neighbors, we will continue fostering collaboration throughout the System to drive our shared journey together for good.



# ETHICS AND GOVERNANCE

## AT McDONALD'S IT'S HOW WE RUN OUR BUSINESS

We aspire to be our customers' favorite place and way to eat and drink. To achieve this vision, our actions must reflect our shared commitment to be ethical, truthful and dependable. Our Values, Standards of Business Conduct and a multifaceted compliance program help us live up to this commitment by providing a solid foundation for the Company and by offering direction and resources for many of the complicated issues and decisions impacting McDonald's.

## BOARD OF DIRECTORS: STEWARDSHIP AT THE TOP

The Board of Directors of McDonald's Corporation is a group of diverse and experienced business leaders committed to advancing strong corporate governance. The Board is actively engaged in overseeing and reviewing the Company's strategic direction and objectives, taking into account (among other considerations) the Company's risk profile and exposures. Six standing Board committees—Audit, Compensation, Governance, Executive, Finance, and Sustainability and Corporate Responsibility—support the Board's oversight. With the exception of the Executive Committee, all the committees are made up of independent members of the Board. Please see our corporate website ([www.aboutmcdonalds.com](http://www.aboutmcdonalds.com)) for committee charters.

## McDONALD'S CORE VALUES

# WE

- ... place the customer experience at the core of all we do
- ... are committed to our people
- ... believe in the McDonald's System
- ... operate our business ethically
- ... give back to our communities
- ... grow our business profitably
- ... strive continually to improve

## THE RESPONSIBILITIES OF THE SUSTAINABILITY AND CORPORATE RESPONSIBILITY COMMITTEE INCLUDE:

- Overseeing the Company's policies and strategies related to matters of sustainability and corporate responsibility that are of significance to the Company and its stakeholders
- Reviewing reports related to social, political, economic and environmental trends that may have a significant impact on the Company's business activities and performance
- Reviewing global sustainability and corporate responsibility reports issued by the Company in connection with the Global Reporting Initiative and review the Company's disclosure controls and procedures related to those reports
- Overseeing the Company's charitable giving policies and programs

“THE BASIS FOR OUR ENTIRE BUSINESS IS THAT WE ARE ETHICAL, TRUTHFUL AND DEPENDABLE ... WE ARE BUSINESS PEOPLE WITH A SOLID, PERMANENT, CONSTRUCTIVE ETHICAL PROGRAM THAT WILL BE IN STYLE ... YEARS FROM NOW EVEN MORE THAN IT IS TODAY.”

**RAY KROC, 1958**

McDonald's Founder



## CORPORATE GOVERNANCE PRINCIPLES

McDonald's Corporation's Board of Directors is entrusted with, and responsible for, the oversight of the assets and business affairs of the Company in an honest, fair, diligent and ethical manner. The Board believes that good corporate governance is critical to fulfilling its obligations to shareholders and is committed to reviewing its governance principles at least annually, with a view to continuous improvement. One thing that will not change, however, is the Board's commitment to the integrity of the Company in its dealings with stakeholders.

## CSR & SUSTAINABILITY INTEGRATION

At the global management level, various cross-functional and issue-specific groups provide leadership on CSR & Sustainability topics. For example:

### GLOBAL SUSTAINABILITY COUNCIL

Chaired by the Senior Vice President of Global CSR, Sustainability & Philanthropy, it includes business unit leaders and leaders of each CSR pillar and advises on the development of strategy and targets to achieve McDonald's CSR & Sustainability priorities.

### CSR & SUSTAINABILITY DEPARTMENT

Provides corporate staff leadership, coordination and support for global policies, programs and reporting across our CSR & Sustainability Framework—Food, Sourcing, People, Community and Planet.

### GLOBAL ENVIRONMENTAL COUNCIL

Acts as a forum for sharing best practices on local environmental initiatives and programs.

### WORLDWIDE CORPORATE RELATIONS COUNCIL

Guides and aligns positions, approaches and communications across the McDonald's System related to social and environmental issues.

### QUALITY LEADERSHIP BOARD

Leads the development and execution of worldwide food quality strategies, including food safety. Includes senior-level supply chain and food safety specialists, as well as quality assurance directors from each of the Company's major geographic sectors.

### WORLDWIDE SUSTAINABLE SUPPLY STEERING COMMITTEE

Guides development of the strategies and tools necessary to accomplish McDonald's vision for sustainable sourcing.

### GLOBAL COMPLIANCE AND PRIVACY DEPARTMENT

Oversees compliance with the Standards of Business Conduct and many other Company policies.



“McDONALD'S SUCCESS IS BUILT ON A FOUNDATION OF INTEGRITY AND TRUST. THE COMPANY HAS EARNED THIS TRUST BY BEING ETHICAL, TRUTHFUL, AND DEPENDABLE OVER MANY YEARS, AND BY HAVING MANAGEMENT THAT SUPPORTS POSITIVE OUTCOMES FOR PEOPLE AND THE PLANET, THROUGH THEIR SUPPLY CHAIN PRACTICES, EMPLOYMENT PRACTICES AND PHILANTHROPY. AS CONSUMER EXPECTATIONS CONTINUE TO RISE AND THE ENVIRONMENT FOR BUSINESS OPERATIONS GETS INCREASINGLY COMPLICATED, IT'S ESSENTIAL THAT THE COMPANY CONTINUES TO INTEGRATE CSR & SUSTAINABILITY THINKING INTO CORE BUSINESS STRATEGIES AND OPERATIONS.”

#### WALTER E. MASSEY

Member, McDonald's Board of Directors

Chair, Sustainability and Corporate Responsibility Committee

## STANDARDS OF BUSINESS CONDUCT

For Company employees worldwide, the framework for ethical business practices is the Standards of Business Conduct. First published more than 40 years ago, the Standards of Business Conduct have been continually revised to reflect the changing business environment and were last updated in 2013. The Standards of Business Conduct apply to Company employees worldwide and can be found on our corporate website.

Non-employee members of McDonald's Corporation Board of Directors must abide by the Code of Conduct for Directors, which is posted on our corporate website. The Standards of Business Conduct do not apply to our Franchisees, suppliers, or any of their directors or employees. However, as members of the McDonald's System, we encourage them to develop their own policies, procedures, and training programs consistent with the spirit of the Standards of Business Conduct and McDonald's Core Values, and to fully support our employees in complying with the Standards of Business Conduct.

## ETHICS AND INTEGRITY ARE EVERYONE'S RESPONSIBILITY

Central to the Standards of Business Conduct are three principles—personal accountability, open communication, and responsible action. Company employees are asked to recognize that they can “keep the shine on our Arches by doing the right things in the right way,” by acting according to the principles, and exercising good judgment.

In 2012, we further enhanced the Standards of Business Conduct to affirm our alignment with the United Nations Universal Declaration of Human Rights and in 2013, updated a variety of sections in the Standards including:

- New sections referencing existing policies on: Dating and Nepotism, Fraud, Financial Crime, Money Laundering and Anti-Terrorism, Export/Import Controls, and Related Persons
- Revisions to reflect changes in law and the Company's policies and practices related to: Confidential Information, Data Privacy and Protection, Human Rights, Conflicts of Interest, Business Records and Communications, Anti-Corruption, and Internal Investigations

## TRAINING TO LIVE BY EVERY DAY

Employees are the face of our Company. They are empowered to shape and strengthen the McDonald's way of doing business and share a responsibility to protect our brand. Training helps employees fully understand and apply the Standards of Business Conduct, and recognize their obligations under applicable laws, regulations and Company policies. A series of online courses for corporate staff covers topics such as:

- An overview of the Standards of Business Conduct, employee responsibilities, and available resources
- Confidential information and records management
- “E-compliance” associated with email and web-based communications
- Anti-trust policy for employees responsible for supplier relationships
- Anti-corruption training



## COMPLIANCE IS FUNDAMENTAL

The Global Compliance Office oversees compliance with the Standards of Business Conduct and many other Company policies. Local and regional business units also play an important role in implementing policies for legal compliance throughout our markets. Numerous policies and guidelines outline the requirements and procedures for a variety of topics ranging from confidentiality to conflict of interest. Additional elements of our global compliance program include:

### • COMPLIANCE SERVICE VISITS

Global Compliance staff train employees in identifying and responding to the highest risk areas for particular markets.

### • EXPANDED DUE DILIGENCE

Global Compliance staff members engage with service providers to help conduct due diligence on third parties to support well-informed decisions about business relationships.

### • ANTI-CORRUPTION

The Global Anti-Corruption Policy includes, among other things:

- Guidance on complying with anti-corruption laws
- Prohibitions on facilitating or “grease” payments
- Prohibitions on commercial bribery
- Guidance on appropriate gifts, favors and business entertainment
- Guidance on dealing with government officials, suppliers, contractors and agents appropriately
- Importance of keeping accurate books and records

## THE ETHICS CHAMPION PROGRAM RECOGNIZES EMPLOYEES ACROSS THE GLOBE WHO ARE ADVANCING ETHICS AND INTEGRITY BY:

- Taking a leadership role in promoting awareness
- Coaching others on ethical decision-making
- Helping the Global Compliance team coordinate training
- Going above and beyond expectations in demonstrating ethics

## ANTI-CORRUPTION PRACTICES

McDonald's Global Anti-Corruption Policy is the foundation for the anti-corruption compliance program. This Policy applies to all directors, officers and employees of the Company, as well as third parties acting on the Company's behalf. Examples of such third parties include consultants, contractors, tax advisors, brokers, architects, attorneys, lobbyists, licensing or permitting agents, public relations firms and others who are retained to represent the Company.

The Global Compliance team provides anti-corruption training for Company employees, with priority given to markets considered to have high levels of corruption based on a risk matrix. In addition to in-person compliance visits, in 2013 a new mandatory online training course focused on anti-corruption was distributed to all Company employees. This specialized training supports compliance with all applicable anti-corruption laws, including the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and local laws and regulations.

The Global Anti-Corruption Policy has also been translated into numerous languages, and was updated in 2013. Additionally, a two-page quick reference summary was developed for Company employees on key policy and procedural requirements.

## OPEN LINES OF COMMUNICATION

McDonald's employees are encouraged to speak honestly and openly. They are expected to raise questions or issues and, where appropriate, use the McDonald's Business Integrity Line, a phone line reserved for employee calls about ethics and compliance issues. The Business Integrity Line is staffed 24 hours a day, 7 days a week, 365 days a year by an outside firm experienced in handling sensitive calls. Calls are free of charge, regardless of an employee's location, and interpreters are available. Employees may report anonymously, where allowed by law, and no attempt will be made to identify them. The Company follows a strict No Retaliation Policy, which ensures that employees are safe in speaking up and reporting concerns.

## SUPPORTING PUBLIC POLICY

McDonald's operates in a complex and constantly changing world. Sometimes addressing issues of concern to our business involves working with government agencies, both directly and through trade associations. We engage with policy makers at the international, national, state and local levels, and provide education and guidance for McDonald's Franchisees involved in the public policy making process. McDonald's Global Political Activity Guidelines help Company employees around the world determine which political activities are permissible and which are not.

Not surprisingly, many of the issues on which we engage are related to food. For example, we have supported strong food safety regulations for many years, sharing our technical expertise with government agencies in several countries. In addition, we have advocated our position on regulations and policies for responsible marketing to children, nutrition labeling and tracking systems for increased traceability in the beef supply chain.

## POLITICAL CONTRIBUTIONS

McDonald's Political Contribution Policy, which has been in place since 2006, was amended in 2011 to reaffirm our long-standing practices regarding contributions to political parties, candidates for public office and political organizations.

Generally, the Company does not make political contributions to political parties, candidates for public office or political organizations. However, because public policy issues have the potential to affect McDonald's restaurants and the communities in which McDonald's operates, political contributions may be appropriate in certain cases. The Political Contributions Policy is designed to ensure that contributions are consistent with law and our Standards of Business Conduct and appropriate in the overall context of our business and meet other requirements, including advance approval. In the U.S., the Company does not make any independent expenditure or pay for any electioneering communications, as those terms are defined by applicable law.

In keeping with the policy, management reports semi-annually to the Board of Director's Sustainability and Corporate Responsibility Committee on corporate political contributions. Contributions made in the U.S. are also disclosed semi-annually on our corporate website.

## ADDITIONAL POLICIES

A variety of other standards, codes, policies and frameworks that provide guidance about the Company's commitments, expectations, and practices can be found on our corporate website. Examples include:

Animal Health & Welfare Guiding Principles

Global Children's Marketing Guidelines

Energy and Climate Change Position

Global Environmental Commitment

Political Contribution Policy

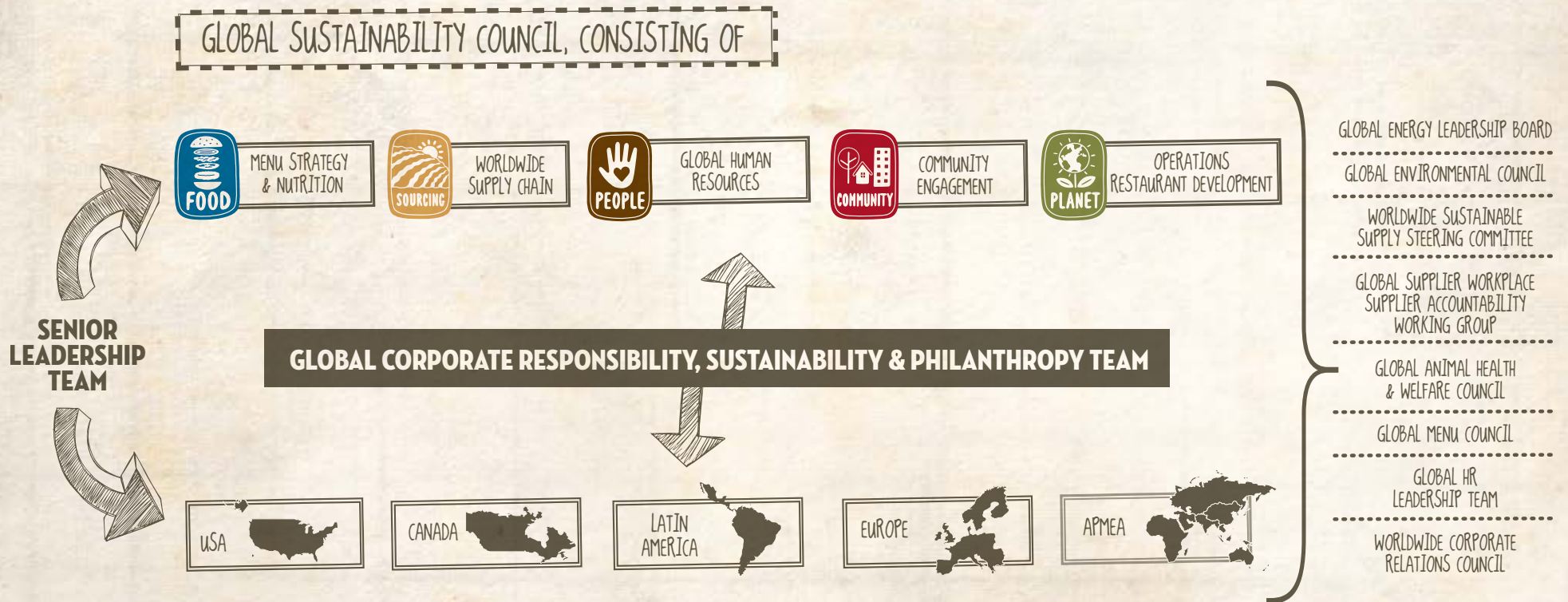
Global Policy on Antibiotic Use in Food Animals

Rainforest Policy

Supplier Code of Conduct

# ORGANIZING THE COMPANY FOR CSR & SUSTAINABILITY

In 2012 the Company also implemented a new organizational structure for CSR & Sustainability to improve alignment, decision-making and integration with core business strategies and initiatives. Advised by McDonald's Global Sustainability Council, our new organization includes various groups working on key elements of our CSR & Sustainability strategy. These investments put our CSR & Sustainability approach on solid footing for the future.





## PERFORMANCE METRICS

Since establishing our social and environmental indicators in 2006, we have continued to refine our approach for gathering and evaluating quantitative measures of our performance. In addition, we continue to evaluate options for additional key performance indicators that contribute to our continuous improvement goals and meet the transparency expectations of our stakeholders.

This report includes 2012 and 2013 performance data, as well as historical data for indicators established in previous years. We have established 2012 as our baseline year for tracking progress toward our 2020 goals, with the exception of our energy efficiency goal.

In addition, select indicators from the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, as described in GRI 3.1, are included in this report. **The GRI Index**, available as a separate addendum on our corporate website, details our alignment with the GRI guidelines. Because application levels have been eliminated with the latest iteration of the GRI guidelines, we have not declared an application level, but we are pleased that this report includes more indicators than our last report in 2010 and reflects continued growth in our reporting. Specific performance periods are shown in the appropriate chapters of the report.

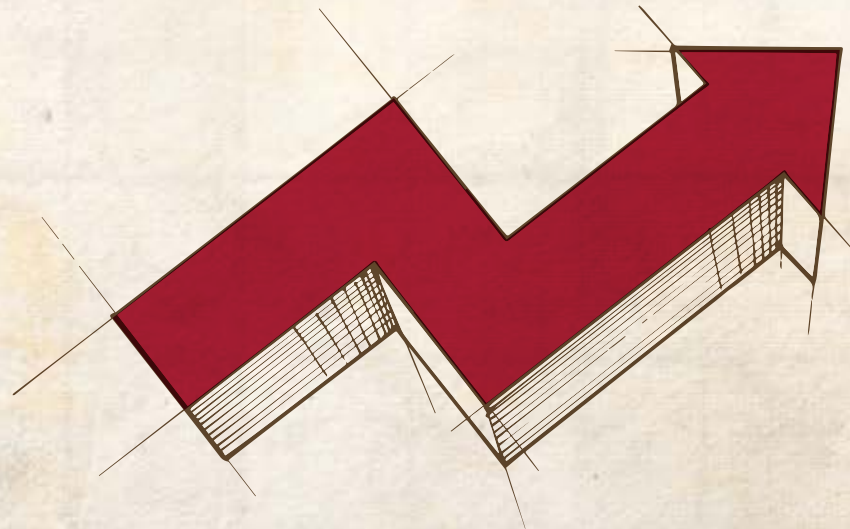
Of course, good work is not limited to our top 9 markets, so we have also included stories from other markets around the world. Some of these initiatives were launched in 2012 or 2013, while others began earlier but achieved a milestone during the reporting period.

## BETTER DATA TRACKING AND REPORTING

During 2012 and 2013 we worked to improve our data collection, analysis and tracking. We enhanced the global database we use to compile performance data from our markets and provided additional training and support to those who track performance in McDonald's markets. Calculation methodologies and any assumptions or estimates are explained in the appropriate chapters. Going forward we will continue investing in our measurement, performance tracking and validation systems to ensure ongoing consistency and quality of reported data.

**BETTER  
PERFORMANCE  
MEASUREMENT**

=



**CLEARER  
PROGRESS  
TOWARD  
OUR GOALS**

---

## 2011 ENTERPRISE CARBON FOOTPRINT METHODOLOGY DETAILS

As stated on page 57, to deepen our understanding of our global carbon footprint and GHG emissions, in 2012-2013 we worked with scientists at Enviance and outside experts to develop a hybrid LCA using both input-output and process LCA methods to estimate 2011 GHG emissions associated with our restaurant operations, Company offices, and food and packaging supply chains worldwide using an approach compliant with the World Resources Institute/World Business Council for Sustainable Development GHG Protocol.

The GHG Protocol categorizes direct and indirect emissions in three scopes.

- **SCOPE 1:** All direct GHG emissions
- **SCOPE 2:** Indirect GHG emissions from consumption of purchased electricity, heat, or steam
- **SCOPE 3:** Other indirect emissions, including those from our supply chain and Franchises

For McDonald's, Scopes 1 and 2 reflect GHG emissions associated with our Company-owned restaurants and offices, and include purchased fuel, electricity, and refrigerants. Most Scope 3 emissions are mostly associated with Franchisee restaurants and our supply chain.

## CARBON FOOTPRINT METHODOLOGY

- Please note that the results of Enviance's analysis are approximate, based on limited best available data, as described above.
- Enviance quantified our 2011 Scope 1, 2, and 3 GHG impacts based on our available data to identify the greatest sources of impacts throughout our System and determine priorities. For Scope 1 and 2 analyses, Enviance utilized fuel and country-specific emissions factors from the GHG Protocol.
- The analysis of 2011 data excluded information on Company vehicles (Scope 1), Capital Goods (Scope 3), and Purchased Goods and Services beyond the Food and Packaging supply chain (Scope 3), due to lack of available data in the format Enviance's analysis required. We intend to include all relevant, but currently excluded, GHG Protocol emissions categories in future analyses as data becomes available.

- Enviance used available data on energy consumption and refrigerants from our top 9 markets to extrapolate and estimate worldwide restaurant emissions, Company office energy consumption, expenditures on our top 20 commodities, and restaurant waste data adjusted for recycling.
- Our global carbon footprint based on Enviance's analysis accounted for carbon impacts at each tier of the McDonald's supply chain, extending from the distribution centers that purchase raw materials from suppliers to the farm.
- Enviance applied the GHG Protocol Scope 1, 2, and 3 accounting standards.
- Enviance incorporated input-output data to refine results.
- We compared results to previous assessments conducted in 2007 and 2010.
- Together with Enviance we further investigated the Scope 3 results to identify hotspots within the supply chain, including activities such as farming and environmental outcomes such as methane production from livestock.

## DISCLAIMER

Care and diligence has been taken in collecting and processing the data contained in this report. Nevertheless, it is not always possible to exclude errors and inaccuracies entirely. This report contains statements about future developments in addition to past occurrences, and is based on information presently available and on assumptions derived from current forecasts. Even where great care has been taken in preparing the latter, numerous variables that cannot now be anticipated may result in deviations.



**McDonald's**



# WHO WE'RE MADE OF

At McDonald's, our CSR & Sustainability journey is a collective effort that includes the contributions of individuals from all legs of our three-legged stool—Our Company employees, our Franchisees and our suppliers. We all have a role to play. Below are just a few of the people who are helping us advance our commitment to creating shared value for our business and society.



**J.C. GONZALEZ-MENDEZ**  
Senior Vice President  
Global CSR, Sustainability & Philanthropy  
McDonald's Corporation



**FRANCESCA DEBIASE**  
Vice President, Strategic Sourcing,  
World Wide Supply Chain Management  
McDonald's Corporation



**CYNTHIA BOOTH**  
Franchisee  
Cincinnati, Ohio, USA



**STEPHEN HOBBS**  
Beef farmer, Buckinghamshire, U.K.



**ANNE WALNWRIGHT**  
Franchisee  
Leeds and Wakefield, Yorkshire U.K.



**KELLI CAMPOS DA SILVA**  
Restaurant Manager  
McDonald's Brazil



**PAT HARRIS**  
Global Chief Diversity Officer  
McDonald's Corporation



**NICOLA PITMAN**  
Senior Food Development Manager  
European Food Studio, McDonald's Europe



**EMILY PANG**  
Vice President, Training, Learning & Development,  
Dean of Hamburger University, China  
McDonald's China



**RIC RICHARDS**  
Franchisee  
Raleigh and Cary, North Carolina, USA



**KELLY LUDWIG**  
Manager  
Strategic Supply Team  
McDonald's USA



**PIERRE WORECZEK**  
Senior Vice President and Chief Brand and Strategy Officer  
McDonald's Europe

# LET'S CONTINUE THE JOURNEY

Visit us at our website to learn more at: <http://www.aboutmcdonalds.com/mcd/sustainability.html> Contact: Kathleen Bannan, [Kathleen.Bannan@us.mcd.com](mailto:Kathleen.Bannan@us.mcd.com).

This report was printed on FSC-certified, recycled paper using environmentally friendly LED UV Technology.  
©2014 McDonald's All trademarks used herein are the property of their respective owners. Published 4/30/2014.

