



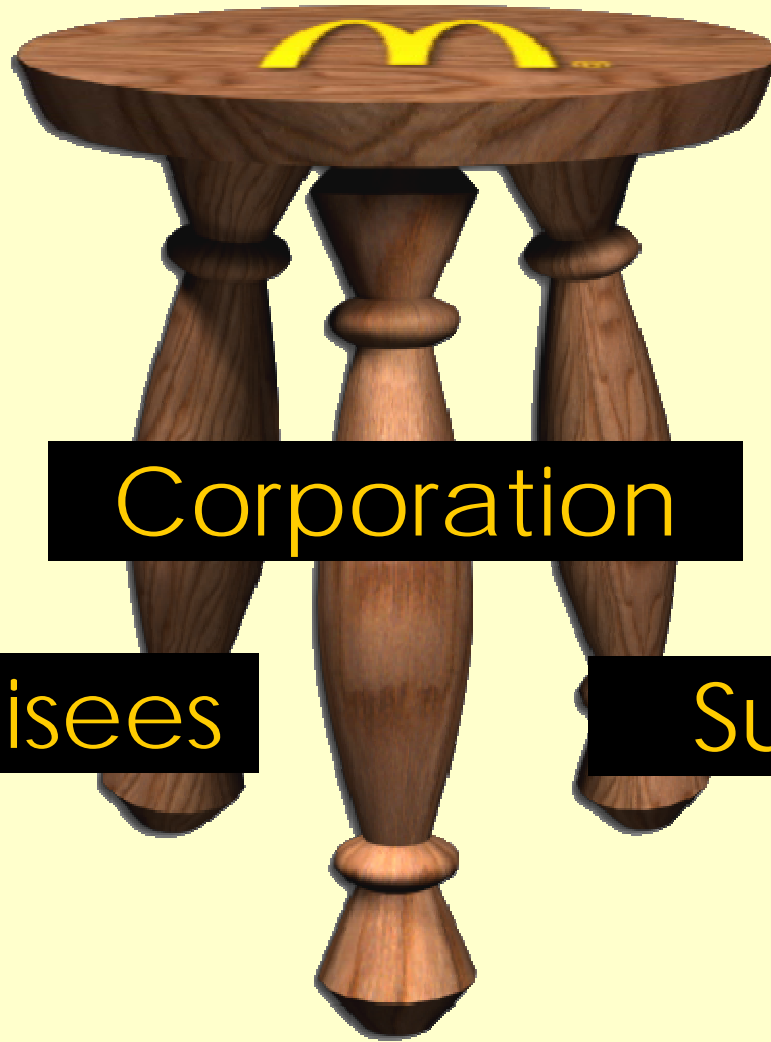
McDonald's

Painting the Golden Arches Green





- 52 Million Customers a Day
- 31,000+ Restaurants
- Over 118 Countries



Corporation

Franchisees

Suppliers

McDonald's 3-legged Stool

Corporate Responsibility

- Environmental Responsibility
 - Sustainable Supply Chain
 - Nutrition & Well-being
 - Community
-
- Published Corporate Responsibility Reports bi-annually since 2002

Environmental Responsibility

- Global Environmental Council
- Energy Efficiency
 - Energy Star 2007 Partner of the Year
- Green Restaurant Design
 - LEED certified restaurant in Savannah, GA
 - Plans to build our first company-owned LEED restaurant in 2008
- Waste Management & Recycling
 - Sustainable Packaging
 - Recycling cardboard boxes and waste oil
- Supplier Environmental Scorecard

Supply Chain Philosophy

- Work with suppliers that share the same values as McDonald's
- Suppliers that are customer focused, with a long term strategic view
- To purchase domestically in the countries we do business in and meets our food quality and safety standards

Sustainable Supply System

Vision

We envision a supply system that profitably yields high-quality, safe products without supply interruption while creating a net benefit for employees, their communities, biodiversity and the environment.

Principles

Our work toward a sustainable supply system is motivated by our commitment to our customers, leadership on the issues, and our desire to “do the right thing”. With this foundation, we will:

- Use a “systems approach” to understand how our supply chain impacts and is affected by the natural and social world and to help us find solutions.
- Maintain a long-term view when supply planning and setting expectations.
- Combine a global perspective with locally-developed responses that meet local needs and generate on-the-ground results.
- Base our strategies on the best science available.
- Work in partnership with our suppliers to promote continuous improvement.
- Balance our long-term responsibility goals with the near-term need to perform in a competitive market.

Guidelines

Social & Economic

- Protect the health and welfare of employees and contribute to the development of the communities in which they operate.
- Seek ways to increase economic profitability by increasing resource use efficiency and harnessing the benefits of ecological services.

Environmental

- Maximize water use efficiency and eliminate the release of waste into water.
- Minimize release of harmful byproducts into the air.
- Maximize energy use efficiency and use ecologically sustainable renewable sources when feasible.
- Minimize waste production, maximize recycling and ensure proper handling and disposal of solid waste.
- Maintain soil health by controlling erosion and improving structure and fertility.
- Preserve natural habitats for native species and protection of biodiversity.
- Minimize the use of chemical pest management inputs that impact human, animal and environmental health.

Animal Welfare

- Ensure that animals’ needs for food, water and space - as well as other physiological, behavioral and hygienic needs - are met consistently.

Global Sustainability Policies and Programs

SOCIAL

Supplier Code of Conduct
COC Audits

ENVIRONMENT

Environmental Scorecard
Rain Forest Beef Policy
Sustainable Fisheries

ANIMAL WELFARE

Animal Welfare Guiding
Principles
Abattoir Audits

Supplier Quality and Food Safety
Antibiotics Policy

Sustainability is a growing part of the Supplier Performance Index

Supplier Code of Conduct

- Expectations regarding treatment of employees
- Direct suppliers must ensure that subcontractors who work on McDonald's products also comply
- Compliance is a condition of doing business
- Audits: requires annual internal and external reviews

Environmental Scorecard

- Tracks energy usage, waste generation, water usage and air emissions
- Objective is greater efficiency and continuous improvement
- Piloted with 12 suppliers from five major food commodity groups in 2004-05
- Rollout underway in APMEA, UK, U.S. (bakeries), and Canada

PERFORMANCE TRENDS FROM PILOT SCORECARD,
BY COMMODITY AREA: 2003-2004

	Water Use ¹	Energy Use ²	Solid Waste ³	Air Emissions ⁴
Potatoes	↘ 10.5%	↘ 3.85%	↘ 3%	0
Poultry	↘ 0.85%	↗ 0.35%	↘ 6%	0
Pork	↘ 18%	↘ 5.5%	↘ 4%	0
Beef	↘ 56%	↘ 0.3%	↘ 3%	0
Buns	↘ 30%	↘ 9%	↘ 2%	0



Packaging Guidelines

- We strive to minimize our environmental packaging impacts and provide industry leadership in conserving natural resources:
 - ✓ ~83% of food packaging is made from renewable (i.e. wood fiber) material
 - ✓ 31.5% is made from recycled materials
- Environmental guidelines guide consumer packaging R&D:
 - ✓ source reduction
 - ✓ recyclability
 - ✓ using recycled content
 - ✓ utilizing unbleached fiber
 - ✓ favoring materials and processes that minimize pollution



KEY PERFORMANCE INDICATORS	2005
Packaging weight per transaction count	0.14 lbs.
Percent of packaging material that is recycled paper	31.5%

Sustainable Fisheries

- 2001: Began more closely monitoring the condition of suppliers' fisheries
- Worked with CI to develop a scientific “green, yellow, red” rating system to guide global purchasing
- Since 2001, shifted purchases of more than 18,000 metric tons away from “red” (unsustainable) sources



Fishery is well-managed with respect to the relevant criterion.

Management for the criterion is satisfactory but could use improvement. Intended to trigger further investigation and, if necessary, work the fishery to develop and implement a corrective action plan.

Urgent need for action. Signal to initiate a three-year improvement program, with specific annual milestones. Failure to meet the milestones can result in reduced or eliminated business.

Animal Welfare

Guiding Principles and Audits

- Beef, pork, and poultry processing plants are regularly audited for compliance with the Guiding Principles
- Audits based on objective measures of animal welfare as indicated by animal behaviors
- Passing scores require significant supplier involvement such as employee training and facility upgrades



- Failing plants have 30 days to correct problems or they are subject to suspension and loss of business
- Results are reviewed annually by AOW supply chain management teams as part of the SQI process
- 99% of suppliers were compliant in 2005

0 Grams TFA Oil

- Close partnership with suppliers (Cargill)
- Identified solution that would meet customer expectations/business needs
- Challenge: Securing volume to assure supply
- The roll-out continues (restaurant oil):
 - USA – +10,000 restaurants
 - Canada – Complete
- Completion (North America): Spring 2008

Leveraging Partnerships



CONSERVATION INTERNATIONAL

- Environmental Scorecard
- Climate Strategy



- Europe: forestry, soya, palm



- Europe:
sustainable
agriculture



Dr. Temple Grandin

- Dr. Temple Grandin
 - Animal welfare



- Packaging

Continuous Improvement

Sustainability –

It's a journey...



...NOT a destination.

