



McDonald's – Consumer Goods Forum's Forest Positive Coalition 2022 Reporting

In 2022, McDonald's joined the Consumer Goods Forum's (CGF) Forest Positive Coalition (FPC). The coalition is a multi-company initiative to stop commodity-driven deforestation and address global climate change issues across consumer goods manufacturers and retailers.

The FPC encourages members to work on ensuring their own volumes are deforestation and conversion free (DCF), to work with suppliers who are taking self-managed action across their own businesses to eliminate deforestation, to invest with others in landscape scale solutions to address deforestation, and to transparently report progress.

As part of this membership, McDonald's will be publicly reporting on an agreed set of key performance indicators (KPIs) to maintain ongoing transparency and accountability. This document serves as the primary repository of McDonald's progress against the FPC's reporting requirements, as of year-end 2022.

Commodities include Palm Oil, Soy, PPP (Pulp, paper and fiber-based packaging), and Beef .

McDonald's Commitments to Forest Positive Goals:

We aim to eliminate deforestation from our global supply chains by the end of 2030.

This builds on the momentum of our 2020 milestones where we tackled deforestation for our primary commodities: Beef; Soy (for chicken feed); Palm oil; Coffee; and Fiber (for guest packaging).

Our Commitment on Forests and its Supporting Addendum for Commitment on Forests set out our vision for achieving our goal. The commitment applies to all priority commodities and every sourcing region, covering both direct and indirect suppliers. Importantly, our commitment extends beyond forests to other areas of high conservation value, safeguarding the people and communities globally who depend on these natural spaces.

We will work throughout our supply chains to achieve the following:

- No deforestation of primary forests or areas of High Conservation Value,
- No development of High Carbon Stock forest areas,
- No development on peatlands, regardless of depth, and the utilization of best management practices for existing commodity production on peatlands,
- Respect human rights,
- Respect the right of all affected communities to give or withhold their free, prior and informed consent for plantation developments on land they own legally, communally or by custom,
- Resolve land rights disputes through a balanced and transparent dispute resolution process,
- Verify origin of raw material production and
- Support smallholders, farmers, plantation owners and suppliers to comply with this commitment.



Commodity-Specific Reporting

Palm Oil

| CGF Forest Positive Coalition Indicator | McDonald's 2022 Response |
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| <p>Policy Commitments to the forest positive (NDPE) goals</p> | <p>McDonald's is committed to eliminating deforestation from our global supply chains. We will work throughout our supply chains to achieve the following:</p> <ul style="list-style-type: none"> • No deforestation of primary forests or areas of High Conservation Value, • No development of High Carbon Stock forest areas, • No development on peatlands, regardless of depth, and the utilization of best management practices for existing commodity production on peatlands, • Respect human rights, • Respect the right of all affected communities to give or withhold their free, prior and informed consent for plantation developments on land they own legally, communally or by custom, • Resolve land rights disputes through a balanced and transparent dispute resolution process, • Verify origin of raw material production and • Support smallholders, farmers, plantation owners and suppliers to comply with this commitment. <p>We are committed to eliminating deforestation in our supply chains to reduce our emissions from land use change.</p> |
| <p>Timebound action plan summary</p> | <p>When we set our commitment in 2015, we prioritized action and measurement with public milestones for 2020 for the products we use in the greatest volumes and with the potential to have the greatest impact on forests.</p> <p>Palm oil sourced for McDonald's restaurants or as ingredients in McDonald's products must meet the requirements of RSPO certification. All countries are considered high priority regions for palm oil and all volumes are required to be covered by RSPO certification or credits.</p> <p>McDonald's is committed to increasing traceability by requiring physical certification for the palm oil used in the McDonald's System in the greatest volumes.</p> <p>The scope of our commitment includes all palm oil (including crude palm oil, palm kernel oil, derivatives and fractions) sourced for McDonald's restaurants for use as restaurant cooking oil and all palm oil sourced by McDonald's suppliers and used directly as an ingredient in a McDonald's product and listed on the product's ingredient statement.</p> <p>Includes all suppliers of products containing palm oil in the McDonald's System and all McDonald's restaurants owned and operated by the Company and its Franchisees that use palm oil. All countries are currently identified as high deforestation priority regions for palm oil and all volumes are required to be covered by Roundtable on Sustainable Palm Oil (RSPO) certification or credits.</p> |



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| | <p>All RSPO supply chain models applicable to RSPO are applicable to McDonald's: RSPO Identity Preserved (IP), RSPO Segregated (SG), RSPO Mass Balance (MB) and Book and Claim (BC), although McDonald's is committed to increasing traceability by specifying physical certification for the palm oil used in the McDonald's System in the greatest volumes (IP, SG or MB).</p> <p>Excluded from this commitment are palm oil, palm kernel oil or their derivatives used as secondary ingredients in McDonald's products. This is when palm oil is used as an ingredient within an ingredient, for example, an emulsifier.</p> |
| % volume that is forest positive (or NDPE). | <p>All palm oil suppliers of restaurant cooking oil, supplier par-fry oil used in global core products and suppliers of global core products that contain palm oil ingredients must report into McDonald's annual data collection known as TraQtion. Through TraQtion we collect volume and origin data as well as chain of custody and other sustainability related information.</p> <p>In 2022, 100% of palm oil sourced for McDonald's restaurants and used as an ingredient in McDonald's products supported the production of sustainable palm oil and deforestation-free supply chains through RSPO certification.</p> |
| Volumes of RSPO physically certified palm, split out by % Mass Balance and % Segregated.) | <p>All palm oil suppliers of restaurant cooking oil, supplier par-fry oil used in global core products and suppliers of global core products that contain palm oil ingredients must report into McDonald's annual data collection known as TraQtion. Through TraQtion we collect volume and origin data as well as chain of custody and other sustainability related information.</p> <p>In 2022, 74.5% of palm oil sourced for McDonald's restaurants and used as an ingredient in McDonald's global core products was physically certified, including 25.6% RSPO Segregated and 48.9% RSPO Mass Balance. We purchased RSPO book and claim credits to support sustainable production relating to the remaining volume of 25.5%.</p> |
| Priority production landscapes identified | <p>We use the data we collect annually from suppliers to identify priority production areas for further engagement. As well as deforestation risks, we cross reference these locations against potential human rights issues to understand priority regions for heightened due diligence. Our priority production landscapes are Malaysia, Indonesia and Thailand.</p> <p>We have also identified priority palm oil supply chains for our business to engage in. We have recently engaged with Wilmar on a series of projects to improve transparency and sustainability outcomes for our Palm Oil supply chain, alongside our joint partners in Proforest.</p> <p>Across Wilmar and McDonald's, we share a commitment to the sustainable sourcing of Palm oil and to supporting the delivery of NDPE (no deforestation, no expansion on peat and no exploitation) in palm oil production. We have both been engaged in the development of the NDPE Implementation Reporting Framework (NDPE IRF) which provides an overview of progress towards NDPE for all palm oil mills supplying a refinery. Through this collaboration, we will build on the progress made to date across the sector to drive greater improvement in NDPE IRF Deforestation and Peat profiles as well as Land and Labor Profiles within our supply</p> |



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| | chains. Our work also includes greater engagement with smallholders to improve traceability and sustainability outcomes. |
| Number of landscape initiatives currently engaged in | We have recently engaged with one palm oil initiative in Indonesia. |
| For each landscape initiative your company is currently engaged in, information on: | |
| a. Name, location, timeline and other partners involved | Sustain-Kutim, is a new sustainable landscape initiative in Kutai Timur, Indonesia. Initial project dates (2023-2027). |
| b. Report on type of engagement | McDonald's will contribute to the initiative through disbursed financial support. |
| c. Specific actions or projects that are supported | <p>Project objectives include:</p> <ul style="list-style-type: none">• Support the Kutai Timur District Government in the implementation of the East Kutai Declaration and Sustainable Plantation Plan 2021-2030, including monitoring land use management and identifying HCV areas.• Support smallholders in meeting certification standards (ISPO and RSPO) and village land-use planning working with cooperative farmer groups and communities. <p>Sustainable Village Program: community-based approach including support to secure land, monitor and manage community forests, improve agricultural practices and support alternative livelihoods.</p> |
| d. How the actions intend to address systemic issues and contribute to delivering forest positive goals | As this is a new initiative, we are finalizing details and will share more details shortly. |



Soy

| CGF FPC Indicators | McDonald's 2022 Response |
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| Policy commitments to the forest positive goals | <p>McDonald's is committed to eliminating deforestation from our global supply chains. When we set this commitment in 2015, we prioritized action and measurement with public milestones for 2020 for the products we use in the greatest volumes and with the potential to have the greatest impact on forests.</p> <p>One of the primary environmental impacts of raising chickens comes from the use of soy in their feed. Every year, we ensure that 100% of soy sourced for the feed of chicken used in McDonald's products globally supports deforestation-free supply chains. We support responsible soy production through the purchase of Round Table on Responsible Soy (RTRS) credits. A number of our chicken suppliers to Europe also use physical certification through ProTerra standards.</p> |
| Soy footprint | <p>We calculated that 534,122 tonnes of whole soybean were associated with our chicken supply in 2022.</p> |
| Methodology for soy footprint calculation | <p>We have identified the regions where our suppliers source soy that have high deforestation risks. We have also taken a conservative approach and assumed that all soy used in the feed of chickens supplied to our restaurants in Europe, APMEA and Latin America may originate from high deforestation-risk regions, until further traceability is established as to their origin. This approach was informed by a traceability analysis we completed which demonstrated that the soy produced in Latin America is flowing into the chicken supply chain of Europe, APMEA and Latin America.</p> <p>Our strategy to achieve our goal states that, approved third party certification will cover all soy volumes used in poultry feed where the soy is produced in Argentina, Brazil or Paraguay. We also reviewing alternative programs to determine if they can verify that soy is produced under conditions that meet all of our Commitment on Forests criteria.</p> <p>To achieve this, we engage with multi-stakeholder initiatives including the RTRS. We have also developed a calculator to assess the soy equivalent associated with our global chicken supply to inform the investment in certification needed. We use this to calculate our global soy footprint from our chicken supply and ensure we meet our commitments.</p> <p>We track our chicken volumes, origin and any soy certification associated with this from suppliers annually through the TraQtion system to ensure we can meet our commitments and can report transparently through our website and CDP.</p> |
| Proportion of direct suppliers engaged with on Forest Positive Approach and its implementation. | <p>All of our global chicken suppliers are requested to disclosure their use of forest risk commodities within their supply chain to CDP Forests annually. Every globally managed chicken supplier responded in 2022.</p> <p>Through our CDP Supply Chain engagement program, we have shared information on the principles of the Forest Positive Approach with these suppliers, and we provide annual feedback on the actions they are taking to conserve forests across their business along with areas for further focus.</p> |



Paper Pulp and Packaging

| CGF FPC Indicators | McDonald's 2022 Response |
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| <p>PPP Sourcing Policy including commitment to the forest positive goals</p> | <p>McDonald's is committed to eliminating deforestation from our global supply chains. We will work throughout our supply chains to achieve the following:</p> <ul style="list-style-type: none"> • No deforestation of primary forests or areas of High Conservation Value, • No development of High Carbon Stock forest areas, • No development on peatlands, regardless of depth, and the utilization of best management practices for existing commodity production on peatlands, • Respect human rights, • Respect the right of all affected communities to give or withhold their free, prior and informed consent for plantation developments on land they own legally, communally or by custom, • Resolve land rights disputes through a balanced and transparent dispute resolution process, • Verify origin of raw material production and • Support smallholders, farmers, plantation owners and suppliers to comply with this commitment. <p>We are committed to eliminating deforestation in our supply chains to reduce our emissions from land use change.</p> <p>We set a goal to source all primary fiber-based packaging for McDonald's restaurants from recycled or certified sources, and support deforestation-free supply chains by the end of 2020.</p> <p>This target supports our larger goal of ensuring that, by the end of 2025, all of McDonald's guest packaging will come from renewable, recycled or certified sources.</p> |
| <p>Timebound action plan summary</p> | <p>Primary fiber-based packaging refers to products that are used to package guest food on premises at McDonald's restaurants. This type of packaging includes containers, cups, wraps, bags for food, beverages, napkins, folding cartons, clamshells, food service bags, napkins, salad bowls, Happy Meal cartons, drink carriers, cup carriers and plastic alternatives such as wood stirrers and cutlery, and paper straws and lids.</p> <p>Our commitment includes all suppliers of primary-based packaging to the McDonald's System and all McDonald's restaurants owned and operated by the Company and its Franchisees. All volumes of contingency items sourced from suppliers compliant with our standards but not integrated into our data reporting system are counted as non-compliant.</p> <p>McDonald's requires that our primary fiber supply is obtained from Forest Stewardship Council (FSC) certified or FSC controlled wood sources, with full chain of custody certification when the country of fiber origin includes Argentina, Cambodia, China, Indonesia, Laos, Malaysia, Russia or Vietnam.</p> |



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| | Excluded from this commitment are primary fiber-based packaging in food packaged off-site McDonald's restaurants; tray liners and limited locally sourced items. |
| % recycled, % virgin fiber | In 2022, through our supplier survey, TraQtion, we determined that: <ul style="list-style-type: none"> • 44% of our fiber supply was from recycled content. • 56% of our supply was virgin fiber. |
| % of virgin supply certified, per scheme and CoC | <ul style="list-style-type: none"> • 97% of our virgin fiber supply was certified to the following schemes: <ul style="list-style-type: none"> ○ 57% FSC (Forest Stewardship Council). ○ 41% PEFC (Programme for Endorsement of Forest Certification). ○ 1% SFI (Sustainable Forestry Initiative). |
| % of virgin supply traceable to origin. | <p>98% of our virgin fiber supply was traceable to countries of origin.</p> <p>In some cases, country of fiber origin reported is representative of a 'potential' country source for the mill for the specific paper type, since it may not be represented in the specific finished packaging item.</p> <p>For example, in the case of multiple countries of origin, the actual country of fiber origin is not traced from harvest to finished product. We report the counties of origin from which fiber is procured from specific mills that are generally used by the mill to make specific finished products.</p> |
| % of supply from high priority sources | <p>10% of our fiber supply was from high priority regions. For most of that, the high risk is considered to be mitigated either by using FSC certified fiber or through an FSC controlled wood process. <1.3% of volume is from a high priority region and not mitigated. This is due to a few specific cases and is being phased out.</p> <p>"High priority regions" are defined as countries, biomes, municipalities, postcodes or farms/ plantations that are identified as areas where deforestation occurs or is projected to occur as determined through regular assessments that rely on the latest supply chain data and trends. McDonald's assesses this risk annually with third parties, including WWF, to take into account the latest supply chain data and trends.</p> |
| Actions being taken for supply from high priority sources | McDonald's requires that our primary fiber supply is obtained from Forest Stewardship Council® (FSC) certified or FSC controlled wood sources, with full chain of custody certification when the country of fiber origin includes Argentina, Cambodia, China, Indonesia, Laos, Malaysia, Russia or Vietnam. |
| Proportion of suppliers informed about the Forest Positive Suppliers approach | <p>We request that our top 80% of packaging suppliers by volume report to CDP Forests on their use forest risk commodities within their supply chain.</p> <p>Through our CDP Supply Chain engagement program, we have shared information on the principles of the Forest Positive Approach with these suppliers and we provide annual feedback on the actions they are taking to conserve forests across their business along with areas for further focus.</p> |



Beef

| CGF Forest Positive Coalition Indicators | McDonald's 2022 Response |
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| <p>Policy commitments to the forest positive goals</p> | <p>McDonald's is committed to eliminating deforestation from our global supply chains. We will work throughout our supply chains to achieve the following:</p> <ul style="list-style-type: none"> • No deforestation of primary forests or areas of High Conservation Value, • No development of High Carbon Stock forest areas, • No development on peatlands, regardless of depth, and the utilization of best management practices for existing commodity production on peatlands, • Respect human rights, • Respect the right of all affected communities to give or withhold their free, prior and informed consent for plantation developments on land they own legally, communally or by custom, • Resolve land rights disputes through a balanced and transparent dispute resolution process, • Verify origin of raw material production and • Support smallholders, farmers, plantation owners and suppliers to comply with this commitment. <p>We are committed to eliminating deforestation in our supply chains to reduce our emissions from land use change.</p> <p>McDonald's is committed to eliminating deforestation from our global supply chains. When we set this commitment in 2015, we prioritized action and measurement with public milestones for 2020 for the products we use in the greatest volumes and with the potential to have the greatest impact on forests.</p> <p>McDonald's requires that all the beef we source meets the requirements of our Deforestation-Free Beef Procurement Policy and Commitment on Forests. We currently have more detailed requirements within this policy for beef sourced from Brazil, Paraguay, Argentina and Australia.</p> |
| <p>Timebound action plan summary</p> | <p>The McDonald's Deforestation-Free Beef Procurement Policy (DFBPP or 'Policy') was developed to implement the McDonald's Commitment on Forests in the McDonald's beef supply chain ahead of 2020 and is integrated within our ongoing sourcing requirements. A summary of the Policy and specific requirements in Brazil can be found here.</p> <p>This Policy established cut off dates in line with sectoral requirements and the process to be followed by all McDonald's Finished Product Suppliers and their Raw Material Suppliers (slaughterhouses and meat packers) sourcing cattle for McDonald's beef supply from countries with identified priority regions.</p> <p>Monitoring and public reporting on Key Performance Indicators (KPIs) are integrated into the policy, as well as a commitment on supplier engagement. The Policy is reviewed on a regular basis and considers inputs from stakeholders.</p> |



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| <p>Beef footprint</p> | <p>Globally, we sourced 879,686 metric tonnes of beef in 2022.</p> |
| <p>Percentage of total cattle products purchased per known origin and risk level. Methodology for 'known origin' should be disclosed – approaches could include; country of slaughter, or if a country is high risk, cattle origins traced back to slaughterhouse or municipality.</p> | <p>We estimate that the volume coverage through our annual raw material survey of suppliers, TraQtion, is 99.62% of our global raw material beef volume. We add an extrapolated volume to account for missing data.</p> <p>We track all beef to a country level. In high priority countries of Argentina, Australia, Brazil and Paraguay, we work with Proforest and local stakeholders to enact our Deforestation-Free Beef Procurement Policy tailored to each priority sourcing country.</p> <p>We partner with Agrottools, a certified B-Corp, using cutting-edge satellite mapping and national government datasets to determine which areas to prioritize and assess for deforestation.</p> <p>A farm's location may make it a priority, but that does not mean deforestation is happening. When threats to forests are identified, our suppliers are expected to address the findings through corrective action plans where required.</p> |
| <p>Progress on ensuring beef is free from deforestation, conversion and conflict for high-risk areas.</p> | <p>Of our global beef volumes in 2022:</p> <ul style="list-style-type: none"> • 94.8% are sourced from low priority areas • 3.7% are sourced from high priority areas and in compliance with our Deforestation-Free Beef Procurement Policy • 1.2% was found not compliant with our Policy • 0.4% was extrapolated data due to missing volumes from suppliers. • <0.00% of our global beef supply was traced back to indirect cattle suppliers (this is a sourcing Policy requirement for any beef sourced from the Amazon biome). <p>We engage our suppliers through our DFBPP reviews and are engaged in groups like the CGF Forest Positive Coalition to also engage with suppliers collaboratively on an industry basis.</p> |
| <p>Summary of the Forest Positive Approach provided for meatpackers and our approach for assessing and monitoring progress towards forest positive.</p> | <p>Through our CDP Supply Chain engagement program, we have shared information on the principles of the Forest Positive Approach with our globally managed beef suppliers and we provide annual feedback on the actions they are taking to conserve forests across their business along with areas for further focus.</p> |
| <p>T1 suppliers to whom the Forest Positive Approach and its implementation have been communicated</p> | <p>All of our global beef suppliers are requested to disclosure their use of forest risk commodities within their supply chain to CDP Forests annually. Every globally managed beef supplier responded in 2022.</p> <p>Through our CDP Supply Chain engagement program, we have shared information on the principles of the Forest Positive Approach with these suppliers and we provide</p> |



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| | <p>annual feedback on the actions they are taking to conserve forests across their business along with areas for further focus.</p> |
| <p>Proportion or number of meatpackers sourcing from high-risk origins that have been engaged and are being evaluated</p> | <p>The McDonald's DFBPP establishes the overall requirements and process to be followed by all McDonald's Finished Product Suppliers and their Raw Material Suppliers (slaughterhouses and meat packers) sourcing cattle for McDonald's beef supply from countries with identified priority regions.</p> <p>We engage Finished Product Suppliers to ensure they implement the McDonald's DFBPP within their supply chain, and they must ensure that all of their Raw Material Suppliers are compliant with the Policy.</p> |