



MCDONALD'S CORPORATION:

McDonald's finds tasty recipe for supply chain sustainability

Overview

McDonald's is the leading global foodservice retailer with more than 32,000 local restaurants in more than 100 countries. About 80 percent of McDonald's restaurants worldwide are owned and operated by franchisees, and the company spends about \$20 billion on food and paper alone.

Social Responsibility Issue

People have always expected their meals to taste good, but a growing number of consumers also want to know that the food is supplied by companies that follow sound environmental, safety, and social practices. It's one thing to assure that in North America; it's another to make it a global practice and at the same time balance program costs with affordability.

Solutions

McDonald's works closely with its direct suppliers to continuously improve the practices that impact employees, communities, the environment, and—most important—customers. In 2007, the company created a global governance structure, the Sustainable Supply Steering Committee (SSSC), which includes representatives from its worldwide supply chain management, supply chain departments from each area of the world, corporate social responsibility, and corporate communications.

This committee is responsible for guiding McDonald's in its vision for sustainable supply by identifying global priorities and ensuring progress in ways that complement local priorities and efforts. In addition, suppliers that represent global product leadership for major purchases such as beef or dairy participate to include product-specific sustainability initiatives in their strategies. Finally, the company has extensive stakeholder engagement with NGOs and universities to listen, learn, and provide credibility, according to Bob Langert, vice president of corporate social responsibility.

Some initiatives were developed as a reaction to public pressure, but the company's efforts have become much more proactive by setting its own priorities and actively seeking ways to build public trust. Best farming practices are being advanced through Europe with McDonald's Flagship Farms program, which includes a Web site (www.flagshipfarms.com) to help share sustainable farming concepts.

From a business perspective, its efforts mean McDonald's is providing a consistent supply—no one wants to run out of potatoes for french fries. "But it's not

SOCIAL RESPONSIBILITY

Company name: McDonald's Corporation

Location: Oak Brook, Illinois

Web site: www.aboutmcdonalds.com

Founded: 1948

Scope: Global

Employees: Not disclosed

just about making McDonald's better. It's about making the broader system better, too. We're working with the suppliers to understand industry-wide sustainability challenges and opportunities related to their products. McDonald's can use our size and recognized brand to be a positive influence by raising questions, bringing people to the table, and encouraging improvement," Langert said.

Measurement

Through cooperative efforts, the SSSC integrated sustainability measures into the company's Supplier Performance Index, which is used to evaluate overall environmental, social, and financial attributes. Recent measurements include:

- More than 98 percent of the fish was sourced from fisheries with favorable sustainability ratings
- Some 97 percent of the 500 approved abattoirs (animal handling facilities) were audited for animal welfare, and 99 percent of those passed their audits.

Other SR Involvement

McDonald's involves its SR values in many ways:

- **Educate.** Making the McDonald's system more aware of the true meaning of its values and how they contribute to success; engaging in open discussion on the potential tensions between specific values; and sharing innovations and best practices that stem from putting its values to practice in tangible ways.
- **Integrate.** Integrating values in key business processes such as employee orientation and training and the development of leadership competencies.
- **Measure.** Incorporating values into an annual employee commitment survey and employee performance appraisals.



McDonald's Corporation is committed to engaging and working with suppliers who share its values and provide fair and safe working conditions for their employees.

