

McDonald's Corporation

2009



**WORLDWIDE CORPORATE RESPONSIBILITY ONLINE REPORT:
THE VALUES WE BRING TO THE TABLE**

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THE VALUES WE BRING TO THE TABLE

Safe, quality food. Affordability and convenience. A simple and enjoyable experience. Service you can count on...

This is our business. These are things we endeavor to offer, day in and day out.

Underlying everything we do is a foundation of values and a culture of doing the right thing. At the end of the day, responsible business is simply good business, and we've recognized that from the start.

Offering value is a complex endeavor, but value and responsibility are far from oppositional terms. We firmly believe that by running our business in the most efficient manner possible, we can achieve our business, brand and responsibility goals.

The basis for everything we do is a set of practical values that reflect how we approach achieving business success while also meeting our goal of using our size and scope to make a difference in the world.

Our values are not just words on the page or inspirational sentiments about who we strive to be. They underlie our everyday decision-making.

MCDONALD'S VALUES

We place the customer experience at the core of all we do

Our customers are the reason for our existence. We demonstrate our appreciation by providing them with high-quality food and superior service, in a clean, welcoming environment, at a great value. Our goal is Quality, Service, Cleanliness & Value for each and every customer, each and every time.

We are committed to our people

We provide opportunity, nurture talent, develop leaders and reward achievement. We believe that a team of well-trained individuals with diverse backgrounds and experiences, working together in an environment that fosters respect and drives high levels of engagement, is essential to our continued success.

We believe in the McDonald's System

McDonald's business model, depicted by the "three-legged stool" of owner/operators, suppliers and company employees, is our foundation, and the balance of interests among the three groups is key.

We operate our business ethically

Sound ethics is good business. At McDonald's, we hold ourselves and conduct our business to high standards of fairness, honesty and integrity. We are individually accountable and collectively responsible.

We give back to our communities

We take seriously the responsibilities that come with being a leader. We help our customers build better communities, support Ronald McDonald House Charities, and leverage our size, scope and resources to help make the world a better place.

We grow our business profitably

McDonald's is a publicly traded company. As such, we work to provide sustained profitable growth for our shareholders. This requires a continuing focus on our customers and the health of our System.

We strive continually to improve

We are a learning organization that aims to anticipate and respond to changing customer, employee and System needs through constant evolution and innovation.



DOING THE RIGHT THING IS IMPORTANT TO US

McDonald's faces an array of complex issues that reach from the farm level all the way to the front counter. We do not manage these issues alone. Together with our suppliers, independent franchisees and outside experts, McDonald's employees work hard to deliver our products in the most responsible way we can.

This means integrating ethical, social and environmental considerations into every aspect of our business. A values-based company manages risks and opportunities in a proactive manner. We know we do not operate in a bubble. The world around us impacts us, just as we impact the world around us. Long-term business success demands progress on our road to sustainability, and we take that business imperative, and the competitive advantage it offers, very seriously.

We're proud of our accomplishments, but we always know there is more to do. Continuous improvement is everything. We never stop thinking about how we can be a better company.

2009 - VALUES IN ACTION

Actions speak louder than words, so we let our progress speak for itself.

This report covers the progress we've made since our last report was issued in 2008. As in the past, we are primarily reporting on our nine largest markets in terms of number of restaurants – United States, Canada, United Kingdom, France, Germany, China, Japan, Australia and Brazil. Our goal is to address issues of concern openly and in a clear and comprehensive manner.

You'll see the word "values" a lot. Not surprising. We are a values-based company. For McDonald's, delivering value falls into six major areas, which are central to how we do business.

MCDONALD'S Priorities: Achieving Sustainable Success



WE'RE FOCUSED ON THE ISSUES THAT MATTER MOST TO OUR STAKEHOLDERS

As with our last report, we are using the Global Reporting Initiative (GRI) framework to prioritize key issues in this report.

Responsibility demands attention to a complex web of important issues. Setting priorities is essential to achieving sustainable progress. To help us identify appropriate priority issues, we consult a variety of sources, including:

Our global business plan, strategies developed to implement it and internal and external risk assessments

Company management and internal subject-matter experts from across the McDonald's System

Representatives of leading NGOs and expectations from socially responsible investment organizations

Reports and recommendations from government agencies and other public policy makers

McDonald's has a long history of working with a wide range of sustainability experts in areas such as food safety, supply chain, nutrition, marketing to children and labor rights. We will continue to do so. We've been at this long enough to know we can't do it alone.

ABOUT THE WAY WE ARE COMMUNICATING

This is the first year we're providing an online-only version of our full corporate responsibility report. Given the way people are getting information these days, focusing on the web makes sense. We can communicate more information, more quickly, to more stakeholders. And since a picture is worth a thousand words, we're also including videos to help tell the McDonald's story.

And, of course, less paper is a good thing.

LIVING OUR VALUES – ACTIONS SPEAK LOUDER THAN WORDS

Putting our values into practice is more about what we do than what we say. For us, being a responsible company is not just the right thing to do, it's good business.

This report epitomizes the core strengths of the McDonald's System – continuous improvement, sharing best practices and focusing on the issues that matter most to us, our customers and the communities in which we do business.

Our holistic approach to sustainability continues to deliver positive and tangible impacts on the world around us and our business success. Not surprisingly, our accomplishments are demonstrations of our values in action:

We place the customer at the core of everything we do – Our focus on offering a range of affordable and quality menu options is fundamental to our brand promise. Our set of Global Guidelines for Marketing to Children builds upon our long-standing commitment to communicating with the consumer in a responsible manner. We provide, as we have for more than 40 years, nutrition information in our restaurants, on our websites, and in other ways in every market in which we do business.

We are committed to our people – I am proud to say that McDonald's has been recognized as a Great Place to Work in more than 30 of our markets. We have also been named as a Top Company for Leaders by Fortune magazine in 2007 and 2009 and received awards for our commitment to diversity and inclusion.

We believe in the McDonald's System – Leadership on all areas related to corporate responsibility and sustainability stem from many individuals within the McDonald's System, including our franchisees, our suppliers and our employees. This report highlights best practices of environmental responsibility and community engagement initiated by our franchisees and achievements in sustainable supply chain management led by our suppliers.

We operate our business ethically – McDonald's has policies and processes in place to operate our business ethically. As a company, we have been recognized on multiple occasions as one of the 100 Most Ethical Companies by Ethisphere magazine and received the Ethisphere Ethics Inside Certification in acknowledgement of our comprehensive governance structure.

We are committed to communities – Giving back at McDonald's comes in many forms – including our long-standing support of Ronald McDonald House Charities, employee volunteerism, our franchisees' involvement in their communities, and so much more. For our collective efforts in these areas and others, we were recognized as one of the 100 Best Corporate Citizens in 2009 by Corporate Responsibility Officer magazine.

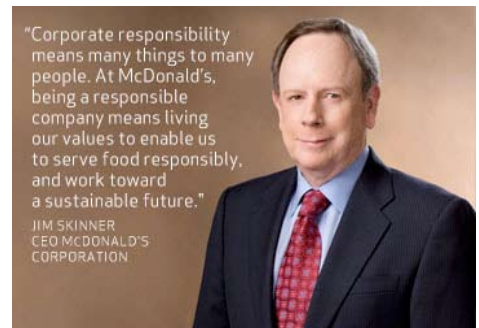
We grow our business profitably – Integrating social and environmental considerations into all aspects of our business is key to our continued profitability. Our policies, programs and progress are appreciated by the investor community, as McDonald's has been a member of the Dow Jones Sustainability Index since 2004 and has also been named to several other leading socially responsible indexes.

We strive to continually improve – In all areas of the business, we strive to be better tomorrow than we are today. Continuously enhancing energy efficiency in our restaurants, developing green building designs and finding additional ways to "reuse and recycle" are just a few examples of ways we are achieving better financial and sustainability results.

I am proud that McDonald's values have been integrated into our system, our culture and our actions, but I know there is more work to do. As a global brand, we live in a global community, and we are committed to using our size and scope to make a difference in the world.

I invite you to take a closer look at what we're thinking and doing. You might be surprised how, in every facet of our business, we put our values into practice.

Jim Skinner
Chief Executive Officer



PROGRESS SNAPSHOT—2008-2010 GOALS

In our 2008 Corporate Responsibility Report, we established goals related to key social and environmental performance categories. The Progress Snapshot below provides a current summary of our achievements and, in some cases, areas where additional work is still to be done.

While we're reporting on our progress to date here, it's important to note that many of these goals are long-term priorities that we will continue to pursue for the foreseeable future. The overarching goal of our corporate responsibility strategy is to focus on continuous improvement. Sometimes progress comes more slowly than we would like, but the key is that we are always moving forward.

| GOALS | PROGRESS (LEVELS +/++/+++ /MET GOAL) | |
|--|--------------------------------------|---|
| SUSTAINABLE SUPPLY CHAIN | | |
| Educate and communicate with our supply system about sustainability | +++ | Through the use of targeted communication tools, an internal website, and training opportunities, we have achieved a greater understanding of, and alignment around, sustainability, including how it drives our business. |
| Develop a comprehensive global forestry policy that will apply to all products we purchase | Met Goal | We developed a global Sustainable Land Management Commitment (SLMC), using a rigorous process that included global internal, supplier, and NGO input. Initial communications efforts are focused internally and with our supplier community. |
| Measure environmental impacts in our supply chain | +++ | By the conclusion of 2009, the Environmental Scorecard (ES) should be completely rolled out to all of our direct suppliers of beef, poultry, pork, potatoes and buns in McDonald's top nine markets. The ES measures water, energy, waste and air emissions metrics and promotes continuous improvement. In addition, an initial estimate of our supply chain carbon footprint is underway and will be completed in early 2010. |
| Further rollout of our global forestry standards for consumer packaging, expanding into other Areas of the World, specifically the U.S. and Asia Pacific, Middle East, and Africa (APMEA). | ++ | The APMEA market has partially implemented our forestry standards for consumer packaging, with full adoption planned by the end of 2009. As of the end of 2008, the North America market had completely rolled out the standards. |
| Continue to integrate environmental considerations into our packaging design through rollout of our global packaging scorecard into our nine largest markets. | Met Goal | The Eco-Filter 2.0 (our packaging scorecard) has been implemented in each area of the world. Packaging designers have been trained in its use. The scorecard is being used to incorporate environmental considerations, in addition to other business criteria. |
| NUTRITION & WELL-BEING | | |
| Accelerate and expand food and beverage choices for kids | ++ | We remain committed to working with our suppliers and partners to test and introduce new food and beverage items for kids on a market-by-market basis. In Spain and Australia this year we expanded the choice of Happy Meal entrée items with the introduction of a new kids' sized grilled chicken snack wrap, while in Portugal we launched carrot veggie rolls. On the beverage front, we introduced new fruit beverages across Latin America and in Australia and continue to look for other refreshing options appropriate for kids. |
| Continue to enhance children's well-being through programs and initiatives that provide "fun with a purpose" | +++ | We have leveraged the characters from our Happy Meal promotions to encourage fruit, vegetable and dairy purchases and to inspire kids to be active and creative and will continue to do so in the coming years. In 2008, many McDonald's markets, including Australia, Brazil, China and Japan, created robust opportunities for kids to experience the Beijing Olympics, whether it was as an athlete escort at the Games or sponsoring local athletic initiatives. Along with continuing to support local grassroots efforts, we use Ronald McDonald at restaurants to encourage kids to participate in activities that activate their body, mind and spirit. |
| Continue to provide useful nutrition information in ways most relevant to today's consumers | +++ | In many markets around the world, we have enhanced our merchandising efforts to make it easier for parents to make balanced food choices for themselves and their kids. In all of our top nine markets, we continue to invest in making nutritional information available in the store, as well as online. |

ENVIRONMENTAL RESPONSIBILITY

| | | |
|---|----|--|
| Continue to find ways to maximize energy usage in our restaurants | + | We continue to make steady and tangible progress. For example, the New High Density Universal Holding Cabinet (HD UHC), which will be premiered at the 2010 Worldwide Convention, has the capacity to deliver 30% energy savings per cell. We also have a new toaster in development that is projected to reduce energy consumption by 28%. The restaurant energy survey and optimization tools are being designed to deliver an average 3% energy reduction per restaurant. These initiatives, along with a new internal energy website, will help generate energy gains going forward. |
| Increase best practice sharing within our System to enhance the transfer and scaling of the most efficient and innovative initiatives | ++ | Our Global Best of Green catalogue of environmental best practices was published and shared across the System in May 2009. In addition, we are organizing a Global Energy Council to leverage best practices and to act as a clearing house to prioritize and optimize resources against the most effective opportunities. We are also developing a set of development standards due out in 2010 that will be part of our formal release process for energy testing and verifying expectations. |

EMPLOYMENT EXPERIENCE

| | | |
|---|-----|--|
| Increase the number of Hamburger University certified restaurant managers | ++ | We continue to focus our efforts on increasing the numbers of restaurant managers who are HU graduates with positive success. The percentage of restaurants in our top nine markets with managers who were graduates of HU in 2008 was 93.3%. |
| Continue to enhance our employee value proposition to drive employee engagement | +++ | To create McDonald's EVP, we conducted an unprecedented effort to gather input from crew members and managers. From these comments, we identified key themes that our employees value most working at the restaurants - "People and Culture," "Flexibility and Variety," and "Development and Opportunity." From these key themes, we developed the EVP core elements: Family & Friends, Flexibility and Future. We are currently in the initial stages of an internal launch and activation phase of the three basic elements of our EVP and have asked our market-level business units to align their People Plans with the EVP Framework. |
| Continue to integrate McDonald's values into key people programs, from hiring to training to career development | ++ | McDonald's has introduced a new Leadership Development Framework, which defines five levels of leadership in the organization. New Leadership Competencies reflecting McDonald's Values at each leadership level were also introduced and are assessed yearly as part of our performance management system. Additionally, McDonald's Leadership Institute has held internal "Leadership Conversations" with outside experts on such topics as ethics and corporate values. In 2010, we will focus on additional ways to integrate McDonald's values at all levels of the company, including at the restaurant level. |

COMMUNITY

| | | |
|---|----------|---|
| Facilitate and encourage volunteer activities through an online management tool | Met Goal | McDonald's is in the initial stages of launching an online volunteer management tool that will make a wide range of volunteer opportunities available to U.S. and corporate home office employees. |
| Increase financial and volunteer support to Ronald McDonald House Charities (RMHC) through communication outreach | +++ | Since 2002, McDonald's and its customers have raised approximately \$150 million for RMHC and other children's charities during McDonald's annual fundraiser, McHappy Day (formerly World Children's Day). In 2008, an estimated \$30 million was raised, with approximately \$8.4 million raised in the U.S. |
| Continue to increase awareness of RMHC and its core programs | +++ | To support RMHC and highlight the work the Charity does to help 4 million families a year, McDonald's utilizes several vehicles to help increase awareness. In 2009, McDonald's USA chose to air a 30-second TV commercial featuring the work of RMHC during the Super Bowl. This ad reached approximately 97 million people. In the summer of 2009, McDonald's partnered with RMHC to encourage people touched by the Charity to share their story in the digital <i>Share. Give. Hope.</i> campaign. The campaign brought to life the profound ways RMHC helps children and families. In addition, McDonald's devotes significant resources to promoting McHappy Day®, McDonald's worldwide annual fundraiser, in November. The beneficiary of McHappy Day is RMHC and other children's causes. McDonald's also makes valuable space available on its front counters and drive-thrus for RMHC Donation Boxes to raise awareness and funds for the local chapters and RMHC Global. |

MCDONALD'S KEY PERFORMANCE INDICATOR SUMMARY¹

Since first establishing key performance indicators in 2006, we have continued to refine our approach to gathering and evaluating quantitative measures of our performance. As part of this process, we recently implemented a centralized data gathering system to further ensure the accuracy of the data we are reporting and to make the performance measurement process more efficient for McDonald's personnel. As a result, we are able to continue expanding the number of markets included in our reporting efforts.

In addition, we continue to evaluate options for additional and/or alternative key performance indicators that contribute to our continuous improvement goals and meet the transparency expectations of our stakeholders.

SUSTAINABLE SUPPLY CHAIN

SUPPLIER SOCIAL ACCOUNTABILITY (WORLDWIDE)

Percent of food, packaging and tier-1 equipment suppliers that have affirmed our Code of Conduct^{2,3}

| Year | 2005 | 2006 | 2007 | 2008 |
|------|------|------|------|-----------------|
| | 89 | 93.5 | 92 | 95 ⁴ |

ANIMAL WELFARE (WORLDWIDE)

Number of supplier meat processing plants audited (including beef, pork and poultry)¹

| Year | 2005 | 2006 | 2007 | 2008 |
|------|------|------|------|------------------|
| | 521 | 562 | 513 | 484 ⁵ |

ENVIRONMENTAL IMPACTS OF CONSUMER PACKAGING⁶

Amount of packaging used, by weight in lbs. , per transaction count

| Year | 2005 | 2006 | 2007 | 2008 |
|------|--------------------|--------------------|--------------------|--------------------|
| | 0.139 ⁷ | 0.138 ⁸ | 0.135 ⁸ | 0.129 ⁹ |

Percent of packaging material that is made from recycled paper

| Year | 2005 | 2006 | 2007 | 2008 |
|------|-------------------|-------------------|-------------------|------|
| | 31.5 ⁷ | 33.1 ⁸ | 29.8 ⁸ | 30.8 |

NUTRITION & WELL-BEING

OFFERING MENU CHOICE

Average number of items, per market menu, that contain at least 1 serving of fruit or vegetables

| Year | 2005 | 2006 | 2007 | 2008 |
|------|------|------|------|------|
| | NA | 6.1 | 6.1 | 6.4 |

Average number of items, per market menu, that contain at least 1/2 serving of fruit or vegetables

| Year | 2005 | 2006 | 2007 | 2008 |
|------|------|------|------|------|
| | NA | 9.9 | 10.9 | 11.4 |

PROVIDING NUTRITION INFORMATION

Percent of nine largest markets that provide nutrition information in-restaurant (i.e. trayliners, nutrition brochures)

| Year | 2005 | 2006 | 2007 | 2008 |
|------|------|------|------|------|
| | 100 | 100 | 100 | 100 |

Percent of nine largest markets that provide nutrition information out-of-restaurant (i.e. websites)

| Year | 2005 | 2006 | 2007 | 2008 |
|------|------|------|------|------|
| | 100 | 100 | 100 | 100 |

EMPLOYMENT EXPERIENCE¹⁰

EMPLOYEE TRAINING AND DEVELOPMENT

Percent of crew members satisfied that they receive the training needed to do a good job

| Year | 2005 | 2006 | 2007 | 2008 |
|------|--------------------|------|------|------------------|
| | 80.6 ¹¹ | 82 | 84 | 85 ¹² |

Percent of managers who feel the person they report to supports their professional development

| Year | 2005 | 2006 | 2007 | 2008 |
|------|--------------------|------------------|------------------|------------------|
| | 81.6 ¹³ | 82 ¹⁴ | 83 ¹⁴ | 82 ¹² |

Percent of company-owned restaurants with HU certified restaurant managers

| Year | 2005 | 2006 | 2007 | 2008 |
|------|------|------|------|------|
| | NA | NA | NA | 93.3 |

Percent of worldwide top management team who started in the restaurant

| Year | 2005 | 2006 | 2007 | 2008 |
|------|------|------|------|------|
| | NA | 42 | 42 | 42 |

MANAGEMENT OPPORTUNITIES FOR WOMEN

Percent of company-operated restaurant managers who are women

| Year | 2005 | 2006 | 2007 | 2008 |
|------|------|------|------|------|
| | 44 | 46.2 | 49 | 47 |

Percent of worldwide leadership (VP and above) team who are women

| Year | 2005 | 2006 | 2007 | 2008 |
|------|------|------|------|------|
| | NA | 26.4 | 26.7 | 27 |

COMMUNITY

PHILANTHROPIC ACTIVITIES (WORLDWIDE)

Total corporate cash and in-kind contributions in millions

| Year | 2005 | 2006 | 2007 | 2008 |
|------|--------|--------|--------|--------|
| | \$13.3 | \$13.6 | \$10.6 | \$15.2 |

LOCAL ECONOMIC IMPACTS

Total capital expenditures in top nine markets (investments in new and existing restaurants in billions)

| Year | 2005 | 2006 | 2007 | 2008 |
|------|-------|-------|--------------------|--------------------|
| | \$1.6 | \$1.7 | \$1.8 ⁷ | \$1.8 ⁷ |

SOCIAL TAXES

Total social taxes paid by McDonald's in top nine markets in millions

| Year | 2005 | 2006 | 2007 | 2008 |
|------|---------|--------------------|--------------------|--------------------|
| | \$382.3 | \$493 ⁷ | \$621 ⁷ | \$616 ⁷ |

INCOME TAXES

Total income taxes paid by McDonald's in top nine markets in billions

| Year | 2005 | 2006 | 2007 | 2008 |
|------|------|------|--------------------|--------------------|
| | NA | NA | \$1.2 ⁷ | \$1.1 ⁷ |

¹Except as otherwise noted, figures are for our nine largest markets: Australia, Brazil, Canada, China, France, Germany, the U.K. and the U.S. Organizational structures vary by market. McDonald's Japan is a publicly traded company and is approximately 50% owned by McDonald's Corporation. Effective 2007, McDonald's Brazil is owned by a developmental licensee. Data for energy usage and greenhouse gas emissions for 2008 are in the process of being verified.

²Total number of suppliers varies from year to year based upon business needs. Includes suppliers identified to and confirmed by our program management firm as having signed the Code. Data reported are based on a cumulative total.

³Beginning in 2010 we will report new, more informative KPIs related to our Supplier Code of Conduct. A preview of our new reporting capability can be seen in the Employee Welfare section of this report.

⁴Beginning in 2008, this metric is being reported differently. Going forward, this metric will reflect only suppliers identified as active in the system, having gone through the audit process and having affirmed our Code of Conduct. This change is being made to more accurately reflect our current supplier base and those suppliers who share our values by affirming our Code of Conduct.

⁵See details on animal welfare audits for coverage and results of audits.

⁶Consumer packaging does not include pre-packaged items such as salad dressings.

⁷Not including Brazil.

⁸Not including China.

⁹In 2008, the report methodology for the US and Canada markets was changed; this resulted in an overall decrease in total packaging weight which was not solely attributed to changes in packaging design.

¹⁰Data for restaurant employees are for company-operated restaurants.

¹¹Not including Australia, Canada, China, Japan.

¹²Not including Canada.

¹³Not including Australia, Canada, China, Japan, U.K.

¹⁴Not including Japan, Canada.

THE THREE-LEGGED STOOL: McDonald's Business Model



**THE THREE-LEGGED STOOL:
MCDONALD'S BUSINESS MODEL**

The strength of the alignment between the Company and its employees, franchisees and suppliers has been critical to McDonald's success. This business model enables McDonald's to consistently provide customers locally-relevant restaurant experiences and be an integral part of the communities we serve.

Franchisees – own and operate the majority of our restaurants

Suppliers – provide food and packaging

Company employees – support and deliver restaurant operations around the world

HOW WE BRING VALUES TO THE TABLE

McDonald's is a global food service retailer with more than 32,000 local restaurants in 117 countries, serving more than 58 million customers each day. In simpler terms, we're a global brand of local restaurants. At the heart of McDonald's operations is a unique business model comprised of the Company, our suppliers and franchisees (also called owner/operators). Often referred to as a "three-legged stool," all three parts of this business model are essential to McDonald's success around the world.

MCDONALD'S FRANCHISEES - IN PURSUIT OF CONTINUOUS CUSTOMER SATISFACTION

We believe locally owned and operated restaurants are at the core of our competitive advantage, making McDonald's not just a global brand but a locally relevant one. Approximately 80% of McDonald's restaurants worldwide are operated by local business people, including conventional franchisees, joint venture partners (foreign affiliates) and developmental licensees.

For example:

Conventional franchisees – Provide a portion of the capital required by investing in equipment, seating and signage, while the Company owns or holds a long-term lease for the land. Conventional franchisees pay rent and royalties to the Company based on a percentage of sales.

Joint Venture Partner (foreign affiliates) – McDonald's jointly invests with a local business partner to own and operate McDonald's restaurants in a local market. McDonald's receives a royalty based on a percentage of sales.

Developmental Licensee (DL) – Provide the capital for the entire business, including the real estate. The DL pays a royalty based on a percent of sales. McDonald's retains the right to approve building designs, operating procedures and use of McDonald's trademarks.

The remaining 20% of McDonald's restaurants worldwide are operated by the Company.

GLOBAL RESTAURANT OPERATIONS IMPROVEMENT PROCESS (GROIP)

Our customers expect value and quality every time they visit us. By constantly working to make sure every aspect of a visit is a good one, we can increase customer loyalty.

To that end, we leverage the Global Restaurant Operations Improvement Process (GROIP) to continuously measure and improve performance and accountability at McDonald's restaurants around the world. GROIP features onsite restaurant assessments that include ratings for food quality and safety, service (fast, accurate, friendly), cleanliness and treatment of employees.

Under GROIP, both franchised and company-operated restaurants are subject to periodic onsite performance reviews (announced and unannounced) and coaching on areas of opportunity. We also conduct monthly mystery shops, assessing performance in both drive-thru and the front counter, against our quality, service, cleanliness and value (QSC&V) standards. Results of the performance reviews and mystery shops scores are shared with the restaurants for diagnostic purposes and to determine performance incentives.

All of the GROIP performance data are recorded and reported at the restaurant level via our Performance Matrix. Everyone responsible for a restaurant's performance has access to the information, which is used to identify opportunities for continuous improvement. This information is also utilized to identify people with leadership potential. An annual employee satisfaction survey also elicits valuable feedback from restaurant employees.

SUPPLIERS WHO SHARE OUR VALUES

McDonald's works with suppliers who share our values. We expect them to have a customer-centric, long-term strategic view, and to consistently meet our stringent standards related to safety, quality and sustainability performance. Here's a snapshot of how the McDonald's supply chain works:

Indirect Suppliers

Primary Processing Plants & Production Plants—Operate facilities such as grain mills and abattoirs.

Farms & Ranches—Raise cattle; grow lettuce, wheat and other ingredients.

Direct Suppliers

Distribution Centers—Coordinate purchasing and distribution to restaurants.

Final Processing Facilities—Produce finished products like meat patties, buns and beverages.

McDonald's Restaurants

Restaurants

WHERE THE FOOD COMES FROM: McDonald's Supply Chain



THE FACE OF MCDONALD'S—EMPLOYEES

McDonald's and our franchisees collectively employ more than 1.6 million people around the world. Approximately 400,000 are Company employees, about 97% of whom work in company-operated restaurants. McDonald's is dedicated to providing a respectful work environment and development opportunities for all employees, regardless of where and how they are contributing to the success of our System.

For many McDonald's restaurant employees, McDonald's is their first job. But our goal is to make sure as many as possible turn a job at McDonald's into a career at McDonald's.



DELIVERING VALUE AROUND THE WORLD – A DECENTRALIZED APPROACH

McDonald's manages its business as distinct geographic segments or Areas of the World (AOW):

Europe (42%)

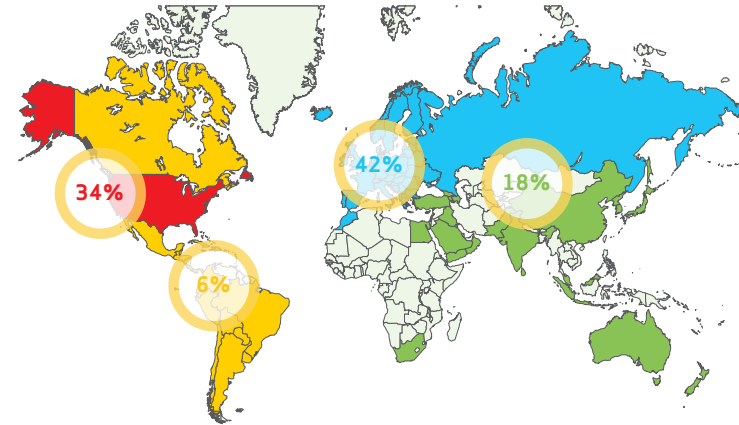
United States (34%)

Asia Pacific, Middle East and Africa (APMEA) (18%)

Latin America & Canada (6%)

Each Area of the World is led by an AOW president, who is supported by a leadership team that typically includes functional leads (Finance, Human Resources, Operations, Marketing, Business Insights, Supply Chain, etc.) along with geographic line leaders responsible for specific markets or countries in that AOW.

2008 Global Revenues by Area of the World



McDonald's operations are divided into four major geographic segments.

■ Europe ■ U.S. ■ Asia Pacific, Middle East & Africa (APMEA) ■ Latin America and Canada

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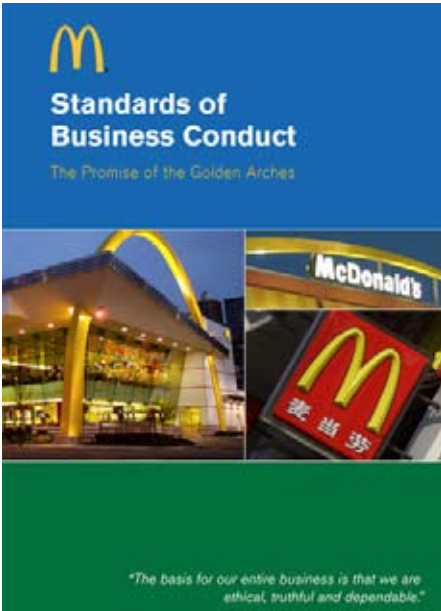
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SOUND ETHICS AND GOOD GOVERNANCE ARE PRICELESS

McDonald's is committed to being a company the public can trust. We believe that good governance is more than a collection of laws and regulations. It is the intersection of the relationships among our Board of Directors, our management and our shareholders. At the most basic level, it is informed by the values that have been the foundation of our business for more than 50 years.

Good governance starts with a Board whose independence ensures candid and constructive engagement with management on all aspects of our business. Our governance processes, set forth primarily in our Corporate Governance Principles, address matters relating to Board operations that are fundamental to shareholder interests. For example, McDonald's has a majority voting standard for uncontested Director elections. In addition, all Directors, except the Company's CEO and President, must be independent of management, and all Directors must abide by a specific Code of Conduct for the Board of Directors.

In addition to matters addressed by the full Board of Directors, Board oversight is also contributed through six standing committees, including the Corporate Responsibility Committee. This Committee acts in an advisory capacity to the Company's management regarding policies and strategies that affect McDonald's role as a socially responsible organization, such as issues related to product safety, workplace safety, employee opportunities and training, diversity, the environment and sustainable supply chain initiatives. These issues are important to the McDonald's System and a wide range of external stakeholders, including our customers. As such, ongoing dialogue at the highest levels of the company is critical.

At the corporate level, McDonald's also has a collective of cross-functional and issue-specific governing bodies that monitor and manage issues on a day-to-day basis.

Worldwide Corporate Relations Council – Guides and aligns on issue positions, approaches and communications across McDonald's System related to social & environmental issues.

Corporate Social Responsibility Department – Provides corporate staff leadership, coordination and support for our global corporate social responsibility policies, programs and reporting.

Quality Systems Board – QA directors in each of our major geographic sectors and senior-level supply chain and food safety specialists lead the development and execution of worldwide food quality strategies, including food safety.

Sustainable Supply Steering Committee – Guides the development of the strategies and tools necessary to accomplish McDonald's vision of a sustainable supply system.

Global Environmental Council – Identifies global strategic environmental priorities and acts as a forum for best practice sharing on local environmental initiatives and programs.

CORPORATE RESPONSIBILITY: Oversight and Coordination



SOUND ETHICS IS GOOD BUSINESS

Success in any marketplace isn't just about results. At McDonald's, each one of us has a responsibility to do the right thing. Our Standards of Business Conduct provide a framework for living up to this core value of the company. The Standards provide clarity, guidance and resources on a wide range of issues for operating on a daily basis with fairness, honesty and integrity.

First published more than 40 years ago, the Standards are updated regularly. In 2008, we revised our Standards once again (they were last revised in 2003). At the heart of the Standards are three basic principles—personal accountability, open communication and responsible action.

Enhancements in the 2008 Standards include:

Affirmative statements on McDonald's policies related to human rights and the right to association

Special responsibilities of supervisors and officers and a greater emphasis on our policy protecting employees against retaliation who report wrongdoing

An explanation of our anti-bribery and anti-kickback policies

The duty of employees to cooperate in internal investigations

Appropriate use of electronic communications

Importance of protecting confidential information and privacy of employee, franchisee and customer data

EMPLOYEES ARE THE HEART OF AN ETHICAL COMPANY

Maintaining high ethics and integrity is everyone's job. McDonald's employees are encouraged to speak honestly and openly. They are expected to raise questions or issues and, where appropriate, utilize the McDonald's Business Integrity Line - a telephone line reserved specifically for employee calls on ethics and compliance issues.

The McDonald's Business Integrity Line is staffed 24 hours a day, seven days a week, 365 days a year by an outside firm experienced in handling sensitive calls. Interpreters and reversal of charges are both available for callers outside of the U.S.

ONGOING EFFORTS TO STRENGTHEN OUR ETHICS AND COMPLIANCE PROGRAM

Employees are the face of our Company. They have the power to shape and strengthen the McDonald's way of doing business and protect our bottom line. So we expect them to exercise good judgment.

With this in mind, we have continued to expand our compliance efforts to be more collaborative and global in scope. One of the most effective tools we've introduced is our compliance service visits. These visits present a unique opportunity for compliance staff to collaborate with our worldwide employees and business partners to identify and respond to specific risk areas that are unique to certain countries.

McDonald's has also rolled out an expanded due diligence program, which involves cross-functional collaboration to ensure that the company is making well-informed decisions about business relationships. We communicate our anti-bribery policy to our suppliers, contractors, agents and partners and require them to certify that they will abide by all applicable laws and regulations.



PUBLIC ENGAGEMENT ON ISSUES OF CONCERN TO OUR STAKEHOLDERS

McDonald's is a company operating in a complex and continuously evolving world. Sometimes, addressing issues of concern to our business involves working with government and regulatory agencies, both directly and through trade associations of which we are members.

Not surprisingly, many of the issues involving more public engagement from McDonald's are related to our food, our restaurants and our people.

We engage with policymakers at the international, national and local level and provide education and guidance for McDonald's franchisees involved in the public policymaking process.

MCDONALD'S APPROACH TO POLITICAL CONTRIBUTIONS

In March 2006, our Board of Directors adopted a Political Contributions Policy, which formalized our long-standing practices regarding contributions to political parties, candidates for public office and political organizations. The policy recognizes that it may be in the Company's best interest to make political contributions. For those cases, the policy is intended to ensure that contributions are made in a manner consistent with the law and the company's core values.

The policy reiterates the provision in the Standards of Business Conduct that requires advance approval of political contributions, and it establishes guidelines for reviewing requests. Under the policy, management reports semi-annually to the Board's Audit Committee on political contributions that have been made. Political contributions made in the U.S. are posted semi-annually on aboutmcdonalds.com.

Sustainable Supply Chain

HOW WE BRING VALUE TO THE TABLE

As you might imagine, our supply chain is extensive and complex. It's also very efficient, which is why we are able to consistently offer our customers safe and quality food at an affordable price. But there's more to the equation.

We strive to ensure that every step of the McDonald's supply chain contributes positively to the safety, quality and availability of our final products. We also want our product ingredients to be produced in ways that contribute positively to the development of sustainable agricultural and food manufacturing practices.

Since McDonald's does not actually produce any of the food we ultimately serve our customers, it's essential that we work with suppliers who share our values, and we do.

We have a large number of direct suppliers – companies that make or deliver final products for our restaurants – as well as an even larger number of indirect suppliers – companies and farms that grow or process the ingredients that are eventually delivered to our direct suppliers.

We work closely with our direct suppliers to continuously improve the practices that impact their employees, their communities, the environment, their own suppliers and, of course, our customers. Examples of this type of work include our Social Accountability program and our Environmental Scorecard. Review of adherence to these programs, and others related to sustainable supply, are included in McDonald's Supplier Performance Index, the primary evaluation tool used to evaluate our suppliers' overall performance in serving McDonald's needs.

Our suppliers are expected to share and apply our vision of sustainable supply to their own suppliers (our indirect suppliers). We also ask them to help us understand industry-wide sustainability challenges and opportunities related to the ingredients they use to make our products.

We don't have direct control over those issues, but we can use our size and recognized brand to be a positive influence by raising questions, bringing people to the table and encouraging improvement.

Indirect Suppliers

Primary Processing Plants & Production Plants—Operate facilities such as grain mills and abattoirs.

Farms & Ranches—Raise cattle; grow lettuce, wheat and other ingredients.

Direct Suppliers

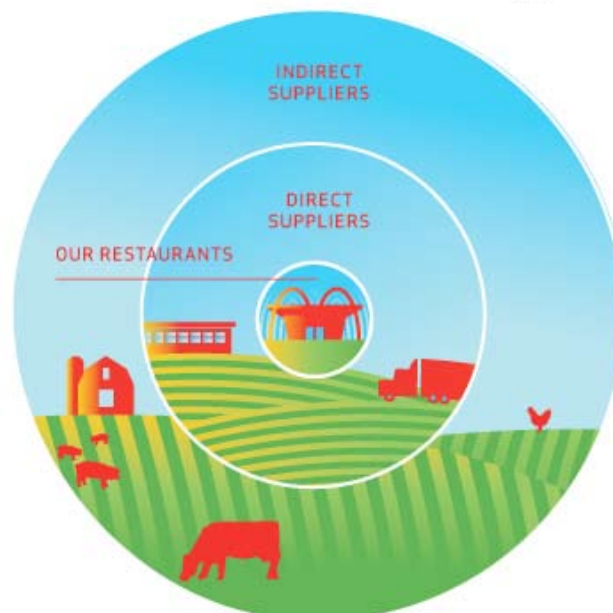
Distribution Centers—Coordinate purchasing and distribution to restaurants.

Final Processing Facilities—Produce finished products like meat patties, buns, and beverages.

McDonald's Restaurants

Restaurants

WHERE THE FOOD COMES FROM: McDonald's Supply Chain



ACTIONS SPEAK LOUDER THAN WORDS

We have been developing and implementing a range of sustainable practices in our supply chains for many years. Some recent accomplishments include:

In 2008, more than 98% of our fish was sourced from fisheries with favorable sustainability ratings.

97% of the 500 approved abattoirs (animal handling facilities) in our supply chain were audited for animal welfare in 2008, and 99% of those passed their audits.

McDonald's suppliers of beef, poultry, pork, potato, and bakery products in our nine largest markets will be using the Environmental Scorecard by the end of 2009. In addition, market and product coverage goes beyond this benchmark in some areas.

McDonald's Europe launched Flagship Farms, a program designed to share and promote best practices in sustainable agriculture.

Other recent progress and best practices related to environmental sustainability are profiled in our Best of Green report, including supplier leadership examples. Some of the most recent winners of local Sustainable Supplier Awards include Pride Pak (Canada), Smithfield Foods and Keystone Foods (U.S.), Seda (Europe), Havi Global Logistics (Europe), and McCain (Europe).

We also know there is much more to do. We will continue to work with our direct suppliers, advisors, and relevant industries to make sure our suppliers are aware of the importance of sustainability. We also continue to support the development of multi-stakeholder efforts that promote more sustainable raw material production.

OUR APPROACH: HOLISTIC VISION, STEADY PROGRESS

The McDonald's supply chain is comprised of many different local and regional supply chains around the world, which are tied together globally by strategic frameworks and policies and the McDonald's Worldwide Supply Chain department. To guide the creation and oversight of issues related to sustainability, an additional global governance structure was created in 2007.

The Sustainable Supply Steering Committee (SSSC) includes representatives from 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 toward its vision for sustainable supply by identifying global priorities and ensuring progress in ways that complement local priorities and efforts. In addition, each of our global product leaders (which we have for major purchases like beef and potatoes) takes the lead to include product-specific sustainability initiatives in their strategies.

VISION

We envision a supply chain that profitably yields high-quality, safe products without supply interruption while leveraging our leadership position to create a net benefit by improving ethical, environmental and economic outcomes.

Ethical - We envision purchasing from suppliers who follow practices that ensure the health and safety of their employees and the welfare and humane treatment of animals in our supply chain.

Environmental - We envision influencing the sourcing of our materials and ensuring the design of our products, their manufacture, distribution and use minimize lifecycle impacts on the environment.

Economic - We envision delivering affordable food, engaging in equitable trade practices, limiting the spread of agricultural diseases, and positively impacting the communities where our suppliers operate.

We view this vision and its responsibilities holistically. As sourcing decisions are made, we consider our priorities for food safety, quality and costs, as well as our ethical, environmental and economic responsibilities. Our progress on beef and coffee sustainability illustrate how we are working to bring this approach to life.

McDonald's Europe's Agricultural Assurance Program (MAAP) and Flagship Farms initiatives are additional examples of a holistic approach to sustainability.



"Customers hold McDonald's to a very high standard and, increasingly, they want to know that the companies they trust – and whose products they are buying and feeding to their kids – are working towards solutions. Overall, McDonald's is definitely one of the leaders and working constructively with suppliers to improve. McDonald's can and should do more to bring in more actors to help solve critical issues impacting their supply chain."- John Buchanan, Conservation International

THREE E'S: McDonald's Sustainable Supply Chain Vision



WHERE WE STAND ON BEEF

Beef is an important part of our menu, so we work hard to ensure it is always available as an affordable, safe, quality ingredient.

Beef is also central to our work in sustainable supply, as we are aware that beef production, from calf to hamburger patty, uses a lot of resources and, in some cases, has negative impacts. Working with our suppliers, we want to contribute to promotion of sustainable practices and the reduction of negative impacts.

In 2008, the Global Beef Board (GBB), which governs global beef purchasing strategies at McDonald's, determined that sustainability should be a top priority for 2009-2011. Specifically, the GBB is working to strengthen the impact of our longstanding commitment to sustainably sourced beef in Brazil, especially as it relates to deforestation challenges. In addition, they are exploring additional ways to promote and accelerate environmental sustainability best practice adoption throughout the global beef industry.

In addition to supporting our global efforts, our regions and suppliers also continue to make progress toward our vision for sustainable beef. For example:

Asia Pacific, Middle East & Africa (APMEA)

Supplier Australian Food Corporation (AFC), a subsidiary of Keystone Foods that supplies beef patties for McDonald's Australia, Japan, and Indonesia, has been using McDonald's Environmental Scorecard for nearly four years to measure and reduce environmental impacts. In 2009, AFC was recognized by the Environmental Protection Authority of Australia for achievements in CO2 emission reduction and better utilization of waste streams. For instance, AFC reduced waste collections by 68% per month through installment of a plastic wrap compaction system.

Europe

McDonald's Europe launched its Flagship Farms project, which included a case study on Dempsey, a beef farm in Ireland, which has demonstrated economically viable beef production with high standards of animal welfare and good environmental management. For example, the owner of the farm helps to preserve the natural habitat by planting one hectare of 'Linnet' (Land Invested in Nature, Natural Eco-Tillage) with oats and kale and leaving it in a completely natural state without chemicals or fertilizers. As a consequence, the area is used as an important food source by a great number and variety of birds throughout the seasons.

Latin America

Extending the values in our own policy, McDonald's developmental licensee in Latin America, Arcos Dorados, and our Latin American suppliers have been extremely proactive in working with us to address the industry's challenges related to unsustainable deforestation practices in Brazil. Currently, most of our direct and indirect suppliers are participating in the multi-stakeholder Sustainable Cattle Working Group to seek holistic solutions that will balance environmental conservation and economic development in Brazil.

North America

McDonald's USA conducted system-wide animal welfare training for beef and pork suppliers this year. The training featured Dr. Temple Grandin (a member of our Animal Welfare Council) and included both direct suppliers and animal handling auditors. McDonald's USA also continues to use purchasing preferences to support suppliers who advance innovative solutions to reduce waste and other environmental impacts.



VALUING THE BEANS – COFFEE WITH NO BITTER AFTERTASTE

Consumer preferences for coffee vary from market to market, so the approaches used to ensure sustainable coffee differ. Our standard approach is to work with our suppliers to balance sustainability impacts and other considerations. Some recent highlights in our work on sustainable coffee include:

Asia Pacific, Middle East & Africa (APMEA)

McDonald's Australia and New Zealand moved their entire hot coffee supply to Rainforest Alliance-certified sources between May 2008 and May 2009. A U.S.-based global non-profit, Rainforest Alliance, certifies farms that meet specific, independent and verifiable standards of production, including protecting the environment, the rights and welfare of workers and the interest of coffee-growing communities.

Europe

In January 2007, McDonald's UK became the first major retailer in the United Kingdom to source 100% of its coffee beans from Rainforest Alliance-certified farms. The coffee comes from Kenco, owned by Kraft Foods, and uses a high-quality Arabica bean. This approach has been expanded to encompass all of our 40 European markets. All countries in Europe now serve premium, freshly ground coffee from certified sustainable sources (e.g. Rainforest Alliance, Utz Certified-Good Inside) in their restaurants. Only farms that meet specific standards balancing all aspects of production—including protecting the environment, the rights and welfare of workers, and the interest of coffee-growing communities—are certified.

United States

McDonald's USA has engaged its roasters and importers to gain greater transparency into how its coffee is sourced, and has opened a dialogue with coffee industry organizations to assess their ability to partner with our suppliers to deliver certified sustainable coffee that meets our U.S. specifications.

A MAAP TO A SUSTAINABLE SUPPLY CHAIN

McDonald's Agricultural Assurance Programme (MAAP) in Europe is designed to increase the company's influence through the supply chain to the primary producer level. Ultimately, MAAP aims to raise agricultural standards and develop sustainable agriculture across Europe. The program is a framework of standards promoting food safety, quality and sustainable agricultural production methods.

McDonald's Europe has established a measurement system to ensure that we are improving year by year. Suppliers provide the volumes of raw material sourced under farm assurance schemes. These schemes are scored depending on their degree of compliance with MAAP standards. The sum of volumes from schemes for all suppliers of a given product provides the MAAP score for that product. McDonald's Europe works to improve these scores each year by developing the MAAP standards and influencing farm assurance schemes across Europe to adopt them.

In 2008, McDonald's Europe increased product scores, supplier participation and volumes sourced under independently audited schemes while also expanding MAAP to more products and markets. The goal is to increase the number of products sourced from independently audited schemes that have been certified according to a recognized accreditation. The volume of products sourced from independently audited accredited schemes has increased in most categories. We want to keep increasing these figures year after year to be confident that our raw materials are produced according to robust agricultural standards.

McDONALD'S AND THE FOOD ANIMAL INITIATIVE

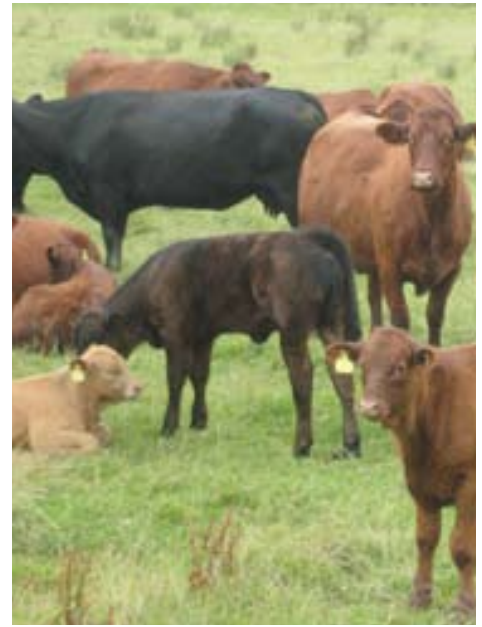
McDonald's Flagship Farms is a three-year project in conjunction with the Food Animal Initiative (FAI) in Europe that aims to further deepen McDonald's commitment and investment in sustainable agricultural practices. These Flagship Farms are used as case studies by the McDonald's European supply chain to demonstrate practices that are scientifically underpinned and endorsed by credible third-party stakeholders. For further information, visit www.flagshipfarms.eu.

ABOVE ALL, WE VALUE THE SAFETY OF OUR CUSTOMERS

The safety and well-being of our customers is our first priority. That's why we maintain rigorous, science-based standards and evaluations in critical areas throughout our entire food and toy supply chains.

Our food suppliers must have food safety management systems in place; including Good Manufacturing Practices (GMP), sanitation programs, a verified Hazard Analysis Critical Control Point (HACCP) plan, as well as crisis management and food security programs. In 2007, we updated our Supplier Quality Management System, which includes food safety and quality expectations for all of our suppliers globally.

In addition to our own programs and policies, we have been leading the effort in harmonizing food safety standards and audits within the food industry by working with the Global Food Safety Initiative (GFSI). This will allow our suppliers to reduce redundant audits and focus their resources on continuous improvement activities.





RESTRICTING ANTIBIOTIC USE

McDonald's global minimum standard prohibits the use of antibiotics belonging to classes of compounds approved for use in human medicine when used solely for growth promotion purposes. This applies to all global suppliers where McDonald's has a direct relationship in the meat purchasing supply chain process. Today, this means that poultry suppliers and our direct relationship poultry suppliers (approximately 60% of our poultry supply) around the world acknowledge their compliance with our antibiotics policy.

For suppliers with whom McDonald's does not have a direct relationship, compliance with this policy is a favorable factor in purchasing decisions. Some McDonald's markets have government regulations that supersede McDonald's policy. In Europe, for example, use of antibiotics for any purpose other than disease treatment or prevention is prohibited for all products.

MONITORING THE HEALTH AND SAFETY IMPLICATIONS OF ANIMAL CLONING FOR CONSUMERS

As agricultural practices evolve, complex considerations of what it means to deliver affordable, safe food continue to surface. McDonald's monitors these developments, and works cross-functionally to evaluate their potential implications for the safety of our food products. An example of emerging concern to consumers is the use of animal cloning technology.

Working through the McDonald's Worldwide Corporate Relations Council, the Supply Chain Leadership Board, our suppliers, and outside experts, McDonald's has been monitoring and evaluating scientific findings and consumer opinion on animal cloning for the past few years. We are not aware of any research that shows public health or safety concerns related to cloning. However, we do not currently support the use of animal products sourced from cloned animals in our supply chain.

We always look to our customers to gauge their acceptance of products from cloned animals. In the meantime, we continue to support industry-led, government-enforced traceability systems, which have multiple benefits, including the ability to better track cloned animals in the food supply. We are also aware of the animal welfare concerns related to cloning and we will continue to follow developments in this area with the help of our advisors around the world.



WE DON'T PLAY AROUND WHEN IT COMES TO TOY SAFETY

McDonald's commitment to toy safety is nothing new. It's just one of the ways we put our values to practice. Our vision is to be recognized as a leader in providing safe toys to children.

We take nothing for granted when it comes to toy safety. We pride ourselves on working with dedicated agencies, suppliers, safety laboratories, industry experts and employees who work hard every day, to make our toys safe.

We're confident our toys are safe because we impose rigorous safety protocols throughout every step of toy design, development and manufacturing. Happy Meal toys are tested time and time again by independent third-party laboratories that verify adherence to these safety protocols with on-site monitoring, inspections and third-party processes and product audits. The laboratories verify that our Happy Meal toys meet all regulations set forth by local governments, as well as our own strict safety standards.

We remain committed to monitoring our expectations and ensuring our own strict standards are met in order to provide safe toys to children.

PEOPLE ARE A VALUABLE RESOURCE

We are committed to engaging and working with suppliers who share our values and provide fair and safe working conditions for their employees. Our Social Accountability program and Code of Conduct for Suppliers set forth the substantive expectations and the process requirements for suppliers.

Before facility compliance audits take place, suppliers certify that their facilities are aware of, and will comply with, local and national laws, regulations and Code of Conduct for Suppliers requirements.

EFFORTS TO ENHANCE SOCIAL ACCOUNTABILITY IN THE SUPPLY CHAIN

The foundation of our program is our Supplier Code of Conduct for Suppliers, which lists McDonald's minimum requirements in the areas of employment and workplace practices, including health and safety. We also require our suppliers to extend the same expectations to their own suppliers.

To monitor adherence to the specific elements of our Code of Conduct—and just as importantly, to help suppliers identify opportunities for improvement—we partner with independent third-party experts to regularly track and assess their performance.

Over the last eighteen months, we have enhanced and refined our Social Accountability program and are rolling out the enhanced program on a global basis.

Examples of the enhancements include:

Supplier Guidance document—online resource document to assist with understanding McDonald's expectations regarding compliance to the Code of Conduct requirements

Online training for suppliers, their facility managers, and McDonald's supply chain staff

Online self-assessment

Streamlined audit reports sent to suppliers and facilities online

Web portal for suppliers and facilities to manage their profiles and data

Translation of documents into multiple languages

In addition to these tools and enhancements, a foundational element of our program is risk-management. We have developed tools to assist in managing risk. Specifically, we are now employing a risk assessment tool.

The risk assessment is comprised of three key elements: country risk, industry risk and facility risk, with weighting assigned to each risk factor. The country risk level analysis is based on the political, economic and social conditions within a country. The industry risk level is based on the commodity produced, coupled with the country of origin, which has varying levels of risk-related commodity, regulatory and operating processes. Finally, the facility risk level is based on each facility's unique business management practices and operating systems and is built upon the country and industry groundwork.

The combination of all factors lead to a risk profile, a tool to help facilities identify where risk may be higher.

This tool can assist with prioritizing external assessments as follows:

High-risk sites—audit every year

Medium-risk sites—audit every two years

Low-risk sites - audit every three years

Data and Progress to Date:

The 2009 goal was to have 1,913 facilities self-assessed. As of December 15, 2009, we had reached 84% of that goal.¹

The 2009 goal was to have 817 independent, third-party audits completed. As of December 15, 2009, we had surpassed that goal by 20%.²

Our targets are aggressive. We are committed to the global rollout of our enhanced social accountability program and believe that we are on track to meet target.

1. Some facilities are annually audited and not required to go through the self-assessment process.

2. Figure does not include re-audits.



95% OF OUR FOOD, PACKAGING AND TIER-1 EQUIPMENT SUPPLIERS HAVE AFFIRMED OUR CODE OF CONDUCT (UP 35% FROM 2004)

IMPROVING CONDITIONS FOR TOMATO FARM WORKERS

We expect employee safety and well-being to be a priority throughout our supply chain, and we support our suppliers' efforts in various ways. For example, in April 2007, McDonald's USA, its produce suppliers and the Coalition of Immokalee Workers (CIW) agreed to address wages and working conditions for farm workers who pick Florida tomatoes that are served in McDonald's restaurants in the U.S.

McDonald's USA and our suppliers continue to support the initiative with CIW to pay an additional penny per pound for Florida tomatoes. McDonald's is extremely pleased that East Coast Growers and Packers has decided to pay its Florida farm workers an additional penny per pound for tomatoes produced for McDonald's. We've worked with our produce suppliers to engage Florida growers, including East Coast Growers and Packers, to help us reach this objective. McDonald's produce suppliers also have been working with the CIW on the development of a strong code of conduct for Florida tomato growers and a third-party verification system for the code of conduct.

MCDONALD'S U.S. ANIMAL WELFARE COUNCIL

Dr. Jeff Armstrong - Dean, College of Agriculture and Natural Resources, Michigan State University; Chair, United Egg Producers Welfare Advisory Committee; Co-Chair of CREATE-21, an initiative with the goal of better integrating the USDA's research, extension and education programs in food, communities, agriculture and natural resources.

Dr. Temple Grandin - World-renowned expert and advocate for animal welfare; design, research and practical experience with animal handling systems in the U.S., Canada, Europe, Mexico, Australia, New Zealand and other countries; author of over 300 articles on animal-handling, welfare and facility design; Professor of Animal Science, Colorado State University.

Dr. Joy Mench - Professor, Department of Animal Science, and Director, Center for Animal Welfare, University of California at Davis; served as member of numerous committees and boards related to farm and laboratory animal welfare, including the United Egg Producers, the National Research Council Committee on Animal Biotechnology and the Council on Accreditation of the Association for the Assessment and Accreditation of Laboratory Animal Care; author of more than 100 papers, book chapters and books.

Dr. Edmond Pajor - Associate Professor, Department of Animal Sciences and Director of the Center for Food Animal Welfare, Purdue University; member of the National Pork Board's Animal Welfare Committee and Humane Farm Animal Care; former U.S. Regional Secretary, International Society of Applied Ethology; former member of the editorial boards of the Journal of Animal Science and Applied Animal Behavior Science.

Dr. Janice Swanson - Director, Animal Welfare, Michigan State University; member, United Egg Producers Scientific Advisory Committee on Animal Welfare and National Council of Chain Restaurants–Food Marketing Institute Animal Welfare Council; President, International Society for Applied Ethology; former Technical Information Specialist, USDA Animal Welfare Information Center.

HOW ANIMALS ARE TREATED IN THE MCDONALD'S SUPPLY CHAIN

McDonald's cares about the humane treatment of animals, and we recognize that being a responsible purchaser of food products means working with our suppliers to ensure industry-leading animal husbandry practices.

Our approach is based on our Animal Welfare Guiding Principles, which express our commitment to ensuring animals are "free from cruelty, abuse and neglect."

Specific practices vary slightly across the McDonald's System, depending on differences in scientific opinion or cultural norms and expectations, but our practices are always driven by the latest available scientific research, advice from respected animal welfare experts (such as those on the U.S.-based Animal Welfare Council), and potential environmental and food safety implications. We support those differences so long as each facility in our supply chain is operated in a way that aligns with our Guiding Principles. We audit all abattoir facilities to ensure they are aligned with those Principles.

Along with our suppliers, we continuously monitor research related to specific animal welfare practices (e.g., broiler stunning, laying hen housing and sow housing) to ensure that our system is aware of the most up-to-date developments. We do this by consulting with animal welfare experts and actively supporting research. McDonald's Europe, for instance, is a founding partner of the Food Animal Initiative at Oxford University, a project that combines the best evidence-based science with practical applications to create sustainable commercial farming systems, with a focus on animal welfare. McDonald's Europe was also a founding member of the European Animal Welfare Platform, which is funded under the European Union's Seventh Framework Programme for Research. It enables the establishment of a stakeholders' platform aimed at facilitating the exchange of knowledge, expertise and best practices, resulting in improved animal welfare in the food supply chain.



KEEPING A CLOSE EYE ON OUR PERFORMANCE SO WE CAN CONTINUOUSLY IMPROVE

Animal Welfare expert Dr. Temple Grandin helped develop our audit program and oversees our auditor training to ensure that our suppliers keep up with improvements in animal handling practices. Every beef, pork and poultry processing plant that serves the McDonald's supply chain around the world is required to be audited annually by independent firms and McDonald's staff. We also continue to train McDonald's staff, suppliers, and auditors to ensure we are incorporating the best advances in animal welfare standards into our audit system.

Our goal is for all of the abattoirs approved for use in our supply chain to pass an audit each year, and we aim to update our standards as needed to ensure they are taking into account the best science and encouraging continuous improvement.

We were disappointed that our poultry and pork audit rates in 2008 were down and expect to see improvements in our 2009 results. Of the five beef facilities that did not pass an audit in 2008, three remain de-listed and the other two resumed supply to the McDonald's System only after they made improvements and passed their follow-up audits in early 2009.

2007-8 GLOBAL AUDITING PERFORMANCE

PERCENT TOTAL ABATTOIRS AUDITED

| | |
|------|-----|
| 2007 | 99% |
| 2008 | 97% |

PERCENT BEEF ABATTOIRS AUDITED

| | |
|------|------|
| 2007 | 100% |
| 2008 | 100% |

PERCENT POULTRY ABATTOIRS AUDITED

| | |
|------|-----|
| 2007 | 97% |
| 2008 | 91% |

PERCENT PORK ABATTOIRS AUDITED

| | |
|------|-----|
| 2007 | 99% |
| 2008 | 94% |

PERCENT TOTAL ABATTOIRS THAT PASSED THEIR AUDIT

| | |
|------|-----|
| 2007 | 99% |
| 2008 | 99% |

PERCENT BEEF ABATTOIRS THAT PASSED THEIR AUDIT

| | |
|------|-----|
| 2007 | 99% |
| 2008 | 98% |

PERCENT POULTRY ABATTOIRS THAT PASSED THEIR AUDIT

| | |
|------|------|
| 2007 | 100% |
| 2008 | 100% |

PERCENT PORK ABATTOIRS THAT PASSED THEIR AUDIT

| | |
|------|------|
| 2007 | 99% |
| 2008 | 100% |



SPECIFIC ANIMAL WELFARE ISSUES – THE VALUE OF A HOLISTIC AND FLEXIBLE APPROACH

In general, McDonald's local supply chain leaders have the flexibility to implement country-specific requirements while working within the global Guiding Principles. They take into account scientific evidence, availability and local customer preferences. In cases where there is considerable debate and uncertainty related to a specific practice, global supply chain experts will study the issue and make a recommendation for purchasers to follow. Here are some examples of global input.

Stunning of broiler chickens

In 2007, McDonald's Global Poultry Board completed a thorough assessment of the various types of electrical and controlled atmosphere stunning (CAS) used by McDonald's suppliers. The study gathered input from poultry experts. In addition to animal welfare considerations, they examined other important areas like safety, quality, cost and the environment.

Based on its analysis, the Poultry Board recommended that McDonald's continue to support its suppliers' use of both CAS and electrical stunning, while advocating for continuous improvement in animal welfare, quality and sustainability for both systems.

This is supported by the following key points:

There is no consensus on the practice of CAS. Some experts believe it may improve animal welfare, while others disagree. It is generally understood that CAS may improve animal welfare by rendering birds insensible prior to shackling. However, other welfare implications of CAS, such as the experience of birds before insensibility, remain unclear.

McDonald's serves consumers in 117 countries with varying expectations regarding animal welfare practices. For instance, according to most religious experts, CAS is not compatible with halal requirements.

We investigate and support the development of commercially relevant technology and standards about animal welfare and other sustainability implications for all stunning systems.

Also in 2008, McDonald's USA looked to expand the primary research in this field by working with U.S. poultry suppliers to conduct a study on poultry stunning methods within a U.S. commercial operating environment. The study, completed in 2009, conducted a comparative analysis between CAS and low voltage electrical stunning within a U.S. commercial-scale setting. Analysis of the test results do not indicate that CAS or the combined CAS/low voltage electrical stunning system offers significant advantages over the low voltage electrical system already in use by U.S. suppliers, but the U.S. business continues to monitor new developments in this area, as does McDonald's Europe.



Laying Hen Housing

McDonald's Supply Chain department leaders have been working with egg suppliers for several years to understand the pros and cons of different laying hen housing options. As in the case of broiler stunning, laying hen housing options are evaluated, not just on the basis of animal welfare, but also with regard to other important impacts such as safety, quality, cost and the environment.

Based on our current knowledge, McDonald's continues to support suppliers' use of both cage and cage-free laying hen housing within our supply chain. We require the most humane treatment of hens in either case, and promote continuous improvement for all aspects of sustainability, including ethical, environmental, and economic components.

This is supported by the fact that there remains disagreement among scientists globally about how to balance the pros and cons of each laying hen housing system. Cage-free/free-range systems, for instance, allow birds to exhibit more natural behaviors, but cage systems may pose less risk with regard to the spread of infectious diseases.

We will continue to consult with animal science experts to understand the latest information and best practices for egg production. McDonald's USA, for instance, has joined a coalition to study the animal welfare and other sustainability impacts of different laying hen housing options.

Sow Housing

We continue to find evidence that supports our long-standing position to support suppliers who are phasing out sow gestation crates in our supply chain. For example, we are pleased that two of our largest pork suppliers continue to make progress in this area.

Cargill Pork - Cargill announced in the spring of 2009 that it had achieved a number of critical animal welfare objectives related to its pork business. More than 50% of Cargill Pork's contracted hog farms are in new-generation systems that do not use gestation stalls. In addition, the company will purchase hogs from farms certified under the Pork Quality Assurance Plus (PQA+) program, which has strict environmental and animal welfare control programs. Cargill also allows only livestock haulers that are certified in humane animal handling to deliver hogs to its plants and has developed an emergency response program to aid animals that have been involved in transportation accidents.

Smithfield Foods - In 2007, Smithfield announced that it would phase out gestation stalls in the U.S. market over 10 years. While the company no longer expects to complete the phase-out within ten years of the original announcement, Smithfield continues to phase out the use of individual sow gestation crates on hog farms and replace them with group housing. They have already completed surveys on several dozen company-owned farms to determine how to best conduct the conversion process, and the first pigs produced from three new open gestation stall facilities reached market in early 2009.

WE VALUE SUSTAINABLE FOOD AND PACKAGING

McDonald's is committed to minimizing the environmental impacts of our food and other products in the supply chain.

We are working with our direct suppliers to:

measure and reduce water, energy, air and waste impacts through our Environmental Scorecard

design our packaging with resource conservation in mind

improve fishing practices through our Sustainable Fisheries program.

“green” our distribution system through efforts such as using recycled frying oil as fuel

better understand the carbon footprint of our entire supply chain, based on work by McDonald's Europe

We are also trying other things to make a difference upstream in the supply chain by working with other companies and NGOs. Our sustainable land-use efforts, such as protection of high-value conservation lands like the Amazon Rainforest, are ongoing. We also support multi-stakeholder sustainable agriculture initiatives such as the Sustainable Agriculture Initiative (SAI) Platform in Europe. It was created by the food industry to actively support the development of sustainable agriculture worldwide.

You can read more about our efforts to green our supply chain as well as some specific leadership steps taken by our suppliers in our catalogue of environmental best practices, the McDonald's Global Best of Green.

TRACKING OUR PERFORMANCE—THE ENVIRONMENTAL SCORECARD AND ECOFILTER

McDonald's Environmental Scorecard for suppliers was created to help make our food suppliers aware of the resources they are using and to help drive continuous improvements related to their impacts in the categories of energy, water, air and waste.

In 2005, we began rolling out the current version of the Scorecard with a goal of reaching all of our bakery, beef, poultry, pork and potato suppliers in our nine largest markets. Last year, we decided to set a deadline of 2009 to reach that goal and are currently on track to achieve this before the end of the year.

Many suppliers who have been using the Scorecard for multiple years have reduced their use of water and energy and their production of waste.

In Canada, for example:

All direct suppliers of beef, poultry, potatoes and bakery products located in Canada completed the 2008 Environmental Scorecard

45% showed a decrease in water used per unit of finished product between 2007 and 2008

64% showed a decrease in energy used per unit of finished product between 2007 and 2008

100% showed zero air emissions violations in 2008

64% showed a decrease in waste production per unit of finished product between 2007 and 2008

In 2010, some markets will continue to expand the use of the Scorecard. Globally, we will focus our efforts on making the Scorecard easier to use and more impactful, through enhancements like online training and data collection. We also continue to encourage our direct suppliers to help our indirect suppliers become more aware of their resource use and to explore options for reductions.



“When we got together as a supply chain in 2003, McDonald's brought in Conservation International to help us understand all the different elements of sustainability. The Environmental Scorecard became a targeted initiative to measure the use of water, the use of energy, the creation of waste and the air quality that our factories are emitting”—Jeff Dearduff, Director of U.S. Bakeries, East Bait Incorporated



GREEN PACKAGING DESIGN – ECOFILTER

Why not make it sustainable from the outset? That’s the goal with our packaging. McDonald’s is implementing a global packaging scorecard to better inform the decisions we make about packaging. The scorecard builds on best practices from our European and North American markets, as well as advice from outside experts and NGOs such as the Environmental Defense Fund.

The scorecard framework focuses on our key environmental priorities for packaging:

- Minimizing weight
- Maximizing use of recycled materials
- Preference for raw materials from third-party certified sources
- Minimizing the amount of harmful chemicals used in production
- Reducing CO₂ and other greenhouse gas emissions
- Maximizing end-of-life options such as recycling



The McDonald’s System is one of the world’s largest purchasers of recycled paper. We use it in our tray liners, napkins, bags, sandwich containers and other restaurant materials such as shipping containers. Today, approximately 80.8% of the consumer packaging used in our nine largest markets is made from renewable (paper or wood-fiber) materials, and nearly 31% of the material comes from recycled fiber. This is up from 30% in 2007. This is in part due to our enhanced ability to capture and report recycled content data used in the Japan market. In the U.S. alone, the McDonald’s System purchased more than \$583 million in recycled content in 2008.

KEEPING SCORE—SUSTAINABLE PACKAGING FROM THE OUTSET

Across the McDonald’s System, we continue to find ways to reduce the packaging impacts of specific McDonald’s menu items. Here are a few recent examples:

Brazil - An operational mandate of giving each customer 2 napkins was changed to providing each customer with one; resulting in savings of approximately 1088 tons of napkin materials.

Europe - The M-Burger clamshell was awarded “Notable Accomplishment” by the DuPont Award for Packaging Innovation – Achievements in Enhanced Sustainability and Performance. When compared to the same design made from a solid board material such as Solid Bleach Sulfate, the N-Flute clamshell provides a 19% reduction on the total basis weight of paper used in the construction of the container. This reduction in paper basis weight yields a savings of approximately 113 short tons of paper. The fiber used in the N-Flute clamshell is also responsibly sourced, including 72% of the fiber coming from Forest Stewardship Council- or Programme for the Endorsement of Forest Certification- certified sources.

USA - McDonald’s USA reduced the weight of the 42 oz. polypropylene cup, saving 246 tons of resin per year and executed the “one meal, one napkin” campaign in Walmart-based restaurants in 2009, which was estimated to save more than 170 million napkins in 2009, equivalent to 497 tons of wood.

Many other examples were captured earlier this year in our catalogue of environmental best practices, McDonald’s Global Best of Green, including Canada’s unbleached bag, Europe’s paperboard salad bowl, China’s Olympics promotional packaging and Mexico’s testing of napkins made from recycled paper.



Today, approximately 82% of the consumer packaging used in our nine largest markets is made from renewable materials, with approximately 30% coming from recycled fiber.

RESPECTING THE FORESTS— MCDONALD'S COMMITMENT TO SUSTAINABLE LAND USE

We have a long history of sustainable land management practices, beginning with our commitment since 1989 to refuse beef sourced from recently deforested rainforest areas. It continues to be a priority, now led by the Global Beef Board, to ensure the integrity of this position and continued progress by the industry and the Brazilian government.

Over the past several years, we have continued to positively impact advancements in land management. In 2005, McDonald's Europe made commitments to source our packaging from sustainable forests. Other markets have since followed. This includes striving to source raw materials for our paper-based consumer packaging from certified, well-managed forests. In 2008, our primary packaging supplier, HAVI Global Solutions, continued to roll out sustainable forestry standards for our consumer packaging in North America and Japan. Some tangible examples of our progress in the field include: In Australia, cartonboard (for our sandwich clamshells) is sourced from Forest Stewardship Council (FSC) accredited suppliers. According to these suppliers, at least 35% of the material in these products comes from accredited sources. In Europe, recycled paper and virgin fibers from certified sustainable forestry sources, represented approximately 63% and 84% respectively of the renewable resources used.

WORKING WITH GREENPEACE – ODD COUPLES CAN ACHIEVE MEASURABLE RETURNS

In 2006, we began working with Greenpeace and others to address the problem of rainforest destruction related to soya production in Brazil. We didn't realize it was happening in our supply chain, but after learning about it from Greenpeace and studying it ourselves, we acted.

The challenge was finding a solution that could influence actions so far removed from our direct suppliers. McDonald's buying power was relatively small, less than 1% of soya purchases in the region. It quickly became clear that a meaningful solution required an industry-wide effort. So we reached out to our partners and advisors for help—McDonald's global, European, and Brazilian leadership; Cargill; NGOs and some large European food retailers—to urge all Brazilian soy producers and exporters to come together and create a solution.

By late July 2006, all major soya buyers announced their commitment to a two-year moratorium on purchasing soya from deforested areas in the Amazon region. The moratorium was extended again in 2008 and 2009. These extensions continue to support the development of a more transparent, independent and enforceable plan for monitoring and halting agriculture-related deforestation.

In other product areas, we have also supported significant initiatives such as the Roundtable for Sustainable Palm Oil and through our work to develop a Sustainable Land Management Commitment (SLMC) that will extend our product-specific efforts to all products in our supply chain in a more proactive manner. We are currently communicating our SLMC internally and with our suppliers and plan to report more details externally in 2010.



"I think that McDonald's moved very swiftly to support our campaign, and they were joined by many of their European competitors, and I think it was an amazing alliance."—John Sauven, Greenpeace International





In 2008, more than 98% of all McDonald's fish originated from fisheries with favorable sustainability ratings.

A FILET-O-FISH WE CAN ALL FEEL GOOD ABOUT

It tastes great, it's offered at a fair price, and it's a leadership example of sustainable sourcing. If we had to pick a single product where we have made great strides towards assuring the sustainability of our supply over the last several years, it would be the Filet-O-Fish. It's simply proof positive that a sustainable approach is not just the right thing to do, but the right thing to do for our business.

With expert guidance from the Sustainable Fisheries Partnership, our Sustainable Fisheries program defines sustainability standards that guide all of our purchases worldwide for wild-caught fish. When poorly rated fisheries do not make improvements in a reasonable timeline, we will move our purchases away from that source. In 2007, for instance, our System ceased sourcing Russian Alaskan Pollock due to serious concerns about stock status and management quality.

But our goal is not just to get away from unsustainable sources— it is to promote their improvement.

Eastern Baltic Cod provides a great example of how this approach can achieve sustainable progress. McDonald's moved away from Eastern Baltic Cod several years ago due to sustainability concerns. Through leadership from our European supplier, Espersen, and many other stakeholders, the Eastern Baltic Cod fishery has shown significant improvement and recently completed pre-assessment for Marine Stewardship Council (MSC) certification. It also now meets our own sustainability standards and will be accepted again as supply for our Filet-O-Fish sandwiches.

It is these types of results that led to Gary Johnson, Senior Director of McDonald's Worldwide Supply Chain, to be recognized on behalf of McDonald's as one of six recipients of the 2009 Seafood Choices Alliance Seafood Champions Award for work in advancing the marketplace for eco-friendly seafood.

In 2009, we began making some improvements in the way we collect data from our suppliers about the fisheries from which they source our fish, so we have a few modifications to the 2007 data that were published in our 2008 report, the major change being in the Environment and Biodiversity category, where our green ratings were much higher than previously reported. Still, more than 91% of all McDonald's fish originated from fisheries with zero unsatisfactory (red) ratings.

In 2008, we continued to show improvements in our sustainability profile. Our percentage of sources from green fisheries went up and in total, and more than 98% of all McDonald's fish originated from fisheries with zero unsatisfactory (red) ratings.²

EXTERNAL VALIDATION

McDonald's standards are consistent with the Marine Stewardship Council's (MSC) principles of environmentally responsible and sustainable fishing. The vast majority of McDonald's fish is already sourced from MSC-certified fisheries. McDonald's is supporting efforts of our remaining supply fisheries to seek additional verification of their own sustainability through MSC or other credible, third-party certification programs.

EVALUATING OUR FISHERIES: Our stoplight tool



The fishery is well-managed.

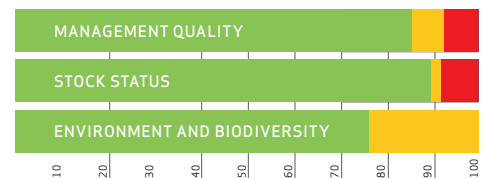


Fishery management is satisfactory but could use some improvement. There may be early warning signs that something is amiss. We may need to investigate further and/or support the fishery to develop and implement a corrective action plan.



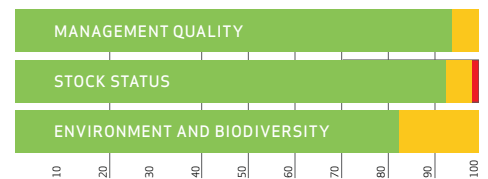
Urgent need for action is recommended. This signals the need for an improvement program with specific milestones. Failure to meet these milestones can result in reduced business or elimination from our purchasing program.

2007 RATINGS BY CRITERIA: % of metric tons of fish blocks*



*Measured in metric tons of fish blocks purchased by our suppliers.

2008 RATINGS BY CRITERIA: % of metric tons of fish blocks*



*Measured in metric tons of fish blocks purchased by our suppliers.



DIVERSITY AND INCLUSION ARE CORE TO WHO WE ARE AS A COMPANY

Even though we're a global brand, we haven't forgotten the entrepreneurial spirit that got us here today. Partnering with diverse suppliers is one way that we're trying to do our part to accelerate the development of historically under represented entrepreneurs. Leveraging the unique talents, strengths and assets of our diverse supplier workforce will help enhance the overall McDonald's customer experience and support continued economic growth.

In 2008, McDonald's U.S. restaurants purchased nearly \$5.8 billion in goods and services from minority- and women-owned companies, a 13% increase over 2007. This represents 55% of our total U.S. System spend for food, packaging, uniforms and premiums.

Today, we do business with 77 Tier 1 (direct) minority- and women-owned suppliers. During 2008, McDonald's USA brought on several new Tier 1 suppliers, such as:

Merit Provisions, a new African-American, female-owned supplier partnership between Pilgrims Pride and Joy Wallace, began supplying U.S. restaurants with chicken products.

Best Diamond Plastics, an African-American, male-owned supplier of straws, began supplying the U.S. business.



SUSTAINABLE SUPPLY CHAIN – LOOKING FORWARD

CHALLENGES AND OPPORTUNITIES

It is still true that our biggest challenge as we move toward our sustainable supply vision is the fact that we do not directly do business with many parts of our extensive supply chain. We recognize our responsibility related to sustainability in our indirect supply, and we will continue to use our size and influence to work with industries, governments and NGOs to make a positive impact. We aim to make our supply system not only more sustainable, but also safer, more efficient and more reliable.

GOALS (2008-2009)

We will continue to complete work on our goals for 2008-2009 (below) and we are currently working to finalize our priorities for 2010-2011. One thing we know we will be focusing our attention on is our contribution to more sustainable beef production.

1. **Educate and communicate with our supply system about sustainability.**
Through the use of targeted communication tools, an internal web site, and training opportunities, we have achieved a greater understanding of, and alignment around, sustainability, including how it drives our business.
2. **Develop a comprehensive global forestry policy.**
We developed a global Sustainable Land Management Commitment (SLMC), using a rigorous process that included global internal, supplier, and NGO input. Initial communications efforts are focused internally and with our supplier community.
3. **Measure environmental impacts in our supply chain.**
By the conclusion of 2009, the Environmental Scorecard (ES) should be completely rolled out to all of our direct suppliers of beef, poultry, pork, potatoes, and buns in McDonald's top nine markets. The ES measures water, energy, waste and air emissions metrics and promotes continuous improvement. In addition, an initial estimate of our supply chain carbon footprint is underway and will be completed in early 2010.
4. **Further rollout of our global forestry standards for consumer packaging, expanding into other Areas of the World, specifically the U.S. and Asia Pacific, Middle East and Africa (APMEA).**
The APMEA market has partially implemented our forestry standards for consumer packaging, with full adoption planned by the end of 2009. As of the end of 2008, the North America market had completely rolled out the standards.
5. **Continue to integrate environmental considerations into our packaging design through rollout of our global packaging scorecard into our nine largest markets.**
The Eco-Filter 2.0 (our packaging scorecard) has been implemented in each area of the world. Packaging designers have been trained in its use. The scorecard is being used to incorporate environmental considerations, in addition to other business criteria.

Nutrition & Well-Being

WELL-BEING: McDonald's Holistic Approach



MCDONALD'S 2008 GLOBAL ADVISORY COUNCIL MEMBERS

Harvey Anderson

PhD, Nutrition, University of Toronto, Toronto, CA

Tom Baranowski

PhD, Professor of Pediatrics, Baylor College of Medicine, Houston, TX

France Bellisle

PhD, Nutrition, University of Paris, Paris, FR

Dennis Bier

MD, PhD; Director, USDA Children's Nutrition Research Center at Baylor College of Medicine; Chairman, IOM Food and Nutrition Board, Houston, TX

Adam Drewnowski

PhD, MA; Prevention & Treatment of Obesity, University of Washington at Seattle, WA

Paul Gately

PhD, Professor of Exercise and Obesity, Leeds Metropolitan University, Leeds, UK

Wim Saris

MD, PhD; Professor of Human Nutrition, University of Maastricht, Maastricht, Netherlands

Ricardo Uauy

MD, PhD; President, International Union of Nutrition Scientists London, UK

Gary Wittert

MD, PhD; Nutrition, University of Adelaide School of Medicine, Adelaide, AUS

SERVING UP QUALITY, AFFORDABILITY AND THE POWER TO MAKE THE RIGHT CHOICES

McDonald's is committed to offering value at an affordable price. We're also committed to the well-being of our customers. We work together with our employees, franchisees and suppliers to serve a balanced array of quality food products, and to provide the information needed to make individual choices.

There continues to be concern about obesity rates and related risks to human well-being among consumers, governments, NGOs, and health and nutrition experts. We take these issues seriously, and we are working to do what we can to positively influence the situation. We know we cannot address this problem alone, but we are committed to being part of the solution.

As always, we encourage a "freedom within the framework" mindset with this approach and support the development of best practices in our individual markets and areas of the world. We know a "one size fits all" does not fit well within the McDonald's System. So we support innovations that meet the needs of specific countries or regions. The McDonald's France strategy for achieving holistic well-being for kids is a great example of bringing this approach to life in an impactful way.

GAINING INSIGHTS FROM THE EXPERTS - THE MCDONALD'S GLOBAL ADVISORY COUNCIL

Our Global Advisory Council (GAC) is an international team of independent experts assembled by McDonald's to provide us with professional guidance in the areas of nutrition and children's well-being. The GAC plays a pivotal role in helping us to continuously evolve our thinking and approach in these areas. GAC members provide us with valuable insights, direction and recommendations about how to continue delivering a more beneficial and valuable experience to children and families.

Since 2004, the GAC has provided McDonald's with guidance on key areas such as:

Global nutrition labeling

McDonald's "what i eat, what i do" children's well-being platform

Potential risks and issues in the marketplace

Future trends



MCDONALD'S FRANCE – BEING CHILDREN'S FAVORITE RESTAURANT GIVES US RESPONSIBILITIES

In 2007, McDonald's France launched a comprehensive set of commitments that epitomize a holistic approach to children's well-being. Building on best practices from France and other parts of the McDonald's System, these four commitments establish a concrete framework designed to guide McDonald's France in their interaction with children, their families and the world at large.

Quality and safety – This is the first priority across all McDonald's markets and in every McDonald's restaurant. McDonald's France is committed to upholding quality and safety standards and pursuing additional policies and procedures to ensure the safety and quality of McDonald's products for all consumers.

Happy Meal choice – Adjusting to the taste preferences and dietary needs of consumers is an ongoing priority for the entire McDonald's System. Choice in Happy Meals is especially important. McDonald's France Happy Meals offer a choice of meat, fish, vegetables, mineral water, dairy products and fruits.

Responsible marketing – McDonald's France encourages children to play sports. Through various physical activity programs and our Ronald Gym Club areas, McDonald's shows its commitment to supporting children's healthy lifestyles.

Environmental responsibility – Preserving the environment is a priority for the entire McDonald's System. McDonald's France continues to make enhancements in all aspects of its operations to minimize environmental impacts. For example, in many French restaurants, used cooking oil is transformed into biodiesel and used in McDonald's delivery fleet, and environmental education programs, designed to help children understand how they can minimize their impacts, are currently under development.





“A lot of people are a little bit surprised when they hear that McDonald’s has a chef, and they say, ‘Well, McDonald’s is just hamburgers...’ I don’t think people really truly understand all of the different evolutions that the McDonald’s menu has gone through over the years.”
-Chef Dan Coudreaut, McDonald’s USA

GIVING CUSTOMERS WHAT THEY WANT—CHOICE AND REGIONAL VARIETY AT THE RIGHT PRICE

Many equate the Golden Arches with classics such as the Big Mac and our world-famous French fries. These consumer favorites are part of our core menu, but we have continued to expand our selection of food and beverage choices to meet the diverse needs and preferences of customers in every country where we operate.

McDonald’s has continued to develop new menu offerings to meet the needs of our diverse markets around the world. For example, McDonald’s India has a menu with vegetarian selections to suit local tastes. No beef or pork items are offered, but there are chicken and fish choices. In Israel, McDonald’s operates both kosher and non-kosher restaurants. We’ve also introduced a line of premium salads in the majority of our nine largest markets and several premium chicken offerings, including smaller portion-sized offerings like the Petit Plaisir sandwiches in France and snack wraps in the U.S., UK and Germany.

Regardless of the location, our menu options are always developed with the customer’s lifestyle and financial needs in mind.



CHILDREN VALUE CHOICE AND BALANCE, TOO

Our Happy Meals provide portion sizes suitable for young children. They also deliver essential nutrients that growing children need—protein, calcium, vitamins A and C and others. In our Happy Meals, we provide choices in the form of entrée, side-dish and beverage options that help balance children’s preferences with their nutritional needs. All of our nine major markets have added fruit and/or vegetable options such as fruit bags, cherry tomatoes, whole grain corn cups and Apple Dippers.

In many markets, customers can mix and match main course, side beverage and dessert choices to create custom-tailored Happy Meals. Yogurt desserts with fruit are also available in most of the major markets, as are sugar-free soft drinks. 100% fruit juice is also on a number of menus worldwide. Market-level offerings include:

McDonald’s France offers a choice of entrées, three side dishes, fruit bags, nine beverages and four desserts. Sides include cherry tomatoes and two types of potato offerings. Beverages include bottled water, two juice options with no added sugar, and two soft drinks with no sugar. For dessert, customers may choose a drinkable applesauce, a yogurt drink or sliced fruit.

Happy Meal choices in the UK include carrot sticks, bottled water, juice, a soft drink with no sugar added, along with a fruit bag side/dessert and semi-skimmed, organic milk.

In Hong Kong, Happy Meal choices include whole grain corn as side and for beverages, juice, low-fat milk, or soy milk.

In the U.S., Happy Meals can be ordered with Apple Dippers and 100% apple juice or 1% low-fat milk as a beverage.

McDonald’s Australia Happy Meal offerings include the Seared Chicken Snack Wrap, Apple Slices, Apple Juice, Low Fat Calcium Enriched Chocolate Milk and a Sparkling Fruit Juice Drink (Apple & Blackcurrant).



LISTENING AND RESPONDING TO CONSUMERS—REDUCING AND ELIMINATING TRANS FATS

In response to customer requests, and as part of our ongoing dedication to offering quality products and balanced choices, McDonald's restaurants in several markets have effectively eliminated—or substantially reduced—the trans fatty acids (TFAs) in our cooking oils.

McDonald's USA

All McDonald's USA restaurants are now serving fried menu items with 0 grams of trans fat per serving. This includes French fries, hash browns, all chicken choices, and the Filet-O-Fish sandwich.

After spending several years working with our suppliers to develop and test many different oil options, McDonald's selected a canola oil blend that delivers the great taste McDonald's customers expect at our restaurants.

McDonald's USA also successfully reformulated the baked goods on our national core menu to contain 0 grams trans fat per serving. This includes McGriddles, biscuits and McDonaldland cookies. Apple pies and baked cookies were reformulated by the end of 2008.

McDonald's Australia

In 2004, McDonald's Australia introduced a liquid canola oil blend containing less than 20% saturated and trans fat. Two years later, a second-generation alternative cooking oil was introduced. The current oil used in Australia is a blend that includes canola and high-oleic sunflower oils. It is virtually trans fat free, contains less than 13% saturated fat, and is high in monounsaturated fat.

French fries, Filet-O-Fish, Chicken McNuggets, McChicken, Hot Apple Pie, hash browns, and Crumbed Chicken Breast Filets are all cooked in this premium oil blend.

McDonald's Europe

McDonald's Europe has completed its plan to substantially reduce trans fatty acids in our cooking oil in more than 6,600 restaurants across the continent. The new oil blend is the result of years of intensive research and planning in conjunction with suppliers to improve the nutritional value of cooking oil and to guarantee the availability of the product to meet our needs across Europe.

McDonald's Europe replaced the previously used rapeseed and sunflower oils with blends containing high-oleic (low-linolenic) rapeseed oil and/or high-oleic sunflower oil. By doing so, a significant reduction to a maximum of 2% TFA content was achieved, while also limiting the saturated fats to a maximum of 12% in frying oils. The change of cooking oil substantially reduces trans fatty acids in French fries, fried chicken and fish products, fried pies and other promotional fried products.

CONSUMERS WANT NUTRITION INFORMATION, AND WE'RE HAPPY TO PROVIDE IT

Experts and consumers agree that being able to understand and read nutrition labels is essential to making informed diet and lifestyle choices. We couldn't agree more. McDonald's was one of the first restaurant companies in the world to provide customers with nutrition information about the products we offer, starting in 1973.

Since then, the ways we make our nutrition information available have evolved with the changing communications landscape. Initially, we offered it on in-store trayliners, posters and brochures, then on the internet, and in 2006, on our packaging. Our expansion of alternative ways to provide nutrition information helps customers make informed choices based on facts, not perceptions.



THE NUTRITION INFORMATION INITIATIVE (NII) AND BEYOND

As projected, we completed rollout of our nutrition information initiative to 20,000 restaurants worldwide at the end of 2007. This industry-leading initiative provides easy-to-understand and bar chart icons to illustrate the amount of calories, fat, sodium, carbohydrates and protein that are in our core products.

The development of this iconic approach to communicating nutrition information involved extensive research and consultation with our Global Advisory Council, the McDonald's Europe Nutritionist Steering Group, and other independent experts and government officials. We also solicited customer perspectives on the most user-friendly ways to communicate nutrition information.

The resulting format enables customers to grasp, at a glance, how our food can fit into a balanced diet. For example:

The format focuses on the five elements experts agree are most relevant to consumer understanding of nutrition—calories, protein, fat, carbohydrates and sodium/salt.

For each of these elements, the percentage of the daily recommended intake the product provides is indicated.

The format is icon-based and was designed to be understood independent of language. And although it provides a global model, the format is flexible enough to adapt to local needs, customs, menus and regulations.

INFORMING CONSUMERS IN THE FUTURE

We are reviewing the effectiveness of this approach and exploring other ways to make nutrition information practical for today's consumer. Many McDonald's markets are already using the latest advancements in technology to make nutrition information even more available. In several of our markets, customers can create their own McDonald's meal and get its nutrition facts – all with a few key strokes on a computer. McDonald's Japan uses a code on packaging that allows customers to access nutrition information via web-enabled cell phones.

While we continuously work internally, and with outside experts, to develop better ways to communicate nutrition information, we are also committed to complying with local laws and regulations that lead to alternative methods of informing consumers. The recent legislation involving menu board labeling in a few U.S. cities is an example.

We will continue to monitor the effectiveness of this approach, and we remain confident that as customers learn more about the nutrition profile of our food and the choice and balance we offer, it will reflect positively on our commitment to consumer well-being.

COMMITTED TO COMMUNICATING IN A CLEAR AND RESPONSIBLE MANNER

First and foremost, we are committed to communicating responsibly. And second, we want to use our brand to make a difference. For many years, our global marketing guidelines have helped to ensure that our advertising and marketing is clear, appropriate and truthful, and that it addresses age-appropriate communications to children.

Last year, we strengthened our position through enhancements to our Children's Global Marketing Guidelines, which further unified our System around a common set of principles for marketing to children. Ultimately, they will further improve our strategic framework and guidance to the McDonald's System so that our performance in responsible marketing practices to children continues to improve.



MCDONALD'S CHILDREN'S MARKETING GLOBAL GUIDELINES

Communicate to children balanced food choices that fit within a child's nutritional needs.

Use our licensed characters and properties to encourage activity and balanced food choices for children to make food, such as fruit and vegetables, fun to eat.

Promote to children positive messages that support their well-being, body, mind and spirit.

Provide nutrition information for our food to help parents and families make informed food choices.

Engage the support of subject-matter experts and informed third parties to help guide our efforts for children and families worldwide.

BRINGING THE MARKETING GUIDELINES TO LIFE AROUND THE WORLD

The marketing guidelines are facilitated by our worldwide Marketing Officers, and in turn, are used by marketing agencies with whom we work to communicate about McDonald's products at country and regional levels.

Bringing the guidelines to life has taken many innovative forms:

Featuring licensed characters on packaging for fruit bags, carrot sticks, and milk (UK)

Sponsoring activities involving Ronald McDonald appearances and educational programs for children on a variety of well-being topics (Brazil)

Partnering with China Olympic athletes to promote food quality and safety through product packaging and in-store communications (China)

Featuring active children playing outside in commercials (Japan)

Implementing a long-term advertising program focusing on fruits and vegetables and helping to increase the consumption of fruits and vegetables by diversifying and updating menu offerings in the restaurant (France)

LEADING BY EXAMPLE – MARKET AND REGIONAL-LEVEL ADVERTISING INITIATIVES

Some McDonald's markets have collaborated with others in the food service industry and nongovernmental partners to continuously improve our marketing practices to children.

McDonald's Europe

Encompassing 39 countries with different legislative and marketing environments, McDonald's Europe has recently developed a number of principles around children's advertising to ensure we continue to engage children in a fun, informative and responsible way. These commitments build upon global guidelines to recognize our unique environment in Europe, creating an aligned and accepted level of responsible marketing to children across the continent. For example, one of McDonald's Europe's new Principles states that all Happy Meal advertising that features food will include fruit or vegetables and drinks with only naturally occurring or no sugar.

McDonald's Europe also has a comprehensive balanced lifestyles framework based on three pillars: expanded menu choice (including Happy Meal menu items such as carrot sticks, fruit bags, juices and milk products), consumer-friendly nutrition information and investing in partnerships and incentives to promote physical activity, particularly among children.

McDonald's Australia

McDonald's Australia took a leadership role in the initiation, development and introduction of the Australian Quick Service Restaurant Industry Code for Responsible Advertising and Marketing to Children in July 2009. The Code provides a common framework for defining acceptable foods to promote to children under the age of 14. The Code is based on nutritional parameters defined by a team of Accredited Practising Dietitians in consultation with national guidelines and other authorities on children's nutrition. The voluntary Code also calls for nutrition labeling on packaging within quick service restaurants to help consumers make informed choices.

McDonald's Brazil

In August 2009, Arcos Dorados, the developmental licensee operating McDonald's restaurants in Latin America, joined 23 other food and beverage companies in Brazil to sign onto Voluntary Responsible Advertising – Public Commitment, developed by the Brazilian Advertising Association and Brazilian Food Industry Association. This industry pledge is an evolution of McDonald's existing Voluntary Advertising Code in Brazil, which has been in place since 2007. Through this commitment, McDonald's Brazil will only advertise products that fulfill a specific nutrition criterion when more than 50% of the audience is comprised of children 12 years of age or younger. Along with complying with the advertising guidelines, McDonald's Brazil will help promote the importance of a balanced diet and physical activity to children in the context of its marketing and advertising.

McDonald's USA

In November 2006, McDonald's USA signed on as one of 10 charter members to the Council for Better Business Bureau's Children's Food and Beverage Advertising Initiative. As part of the initiative, McDonald's USA announced specific pledges to use advertising and marketing resources to promote children's well-being. National commercials geared toward children under 12 only feature meals that meet specific nutrition criteria consistent with healthy dietary choices (no more than 600 calories, no more than 35% of calories from fat and 10% of calories from saturated fat, and no more than 35% total sugar by weight). McDonald's USA also advertises healthy lifestyle messages and limits use of third-party licensed characters to scenarios that promote healthy lifestyle choices.

McDonald's Canada

McDonald's Canada signed on as a charter member to a similar Canadian initiative in which participants agree to devote at least 50% of their advertisements directed to children under 12 to the promotion of healthy dietary choices and/or active living messages.

INSPIRING KIDS TO GET ACTIVE AND EMBRACE FUN WITH A PURPOSE

We've long been known for encouraging kids and adults alike to get active through sponsorships like the Olympics and the FIFA World Cup. Additional country-level, local and franchisee-led programs have provided an outlet, and an incentive, for physical activity for decades.

We all know that fun, exciting activities are what inspire children—and so they're a great way to deliver positive messages. Partnering with entertainment organizations like DreamWorks and Fox has allowed us to provide a meaningful and relevant experience for children – and deliver fun with a purpose.



Madagascar: Escape 2 Africa™ © 2008 DreamWorks Animation L.L.C.

Madagascar: Escape 2 Africa

In addition to continuing to make balanced food choices fun by branding fruit, vegetable and dairy packaging with the beloved characters from *Madagascar*, McDonald's used these characters worldwide to encourage kids' activity that cultivated their body, mind and spirit through the *One Minute to Move It* promotion. The *One Minute to Move It* promotion, which ran in November 2008, empowered kids to take an active role in their own well-being by creating a minute of joyful self-expression. To further advance the message in the U.S., Olympic gold medalist Shawn Johnson made a guest appearance in McDonald's U.S. *One Minute to Move It* communications. This global campaign included a fun, interactive website, with an activity generator to help inspire creativity and provide kids with activities to further the development of their body, mind and spirit.



Monsters vs. Aliens

In 2009, McDonald’s Europe—through its *Monsters vs. Aliens* promotion—ran a competition challenging kids to tap their imagination and nourish their creative talents to create a monster that could help make a positive difference in the world. Ten countries throughout Europe participated in the promotion, which rewarded the most creative submissions with a trip to DreamWorks Animation SKG studios in Los Angeles, California, to have their monsters brought to life in cinema-quality animation.

Mighty Me Mighty Us

McDonald’s Australia enabled kids to fulfill their desire to have a voice, make a difference and give back to their community by creating the Mighty Me Mighty Us program. Working through the Happy Meal offering, this program donates a portion of every Happy Meal sale to a charitable cause voted on by children. The first installment of the program ran during the annual month-long McHappy Day fundraising event and asked kids to vote online where the proceeds should go within Ronald McDonald House Charities. For the second promotional window, Happy Meals partnered with Australia Zoo and invited kids to go online to vote and decide which cause the proceeds should benefit: Tiger Protection in Sumatra, Australian Wildlife Hospital or Elephant Conservation. With more than 50% of the votes, kids voiced their opinion and chose to donate their funds to the Australian Wildlife Hospital.

UK Public Alliance

As a responsible advertiser and to reinforce existing UK government work, McDonald’s UK has taken leadership action to support and seamlessly integrate key government and charity initiatives, 5-A-Day and Hydration messaging, into its marketing communications to children. Using beloved licensed characters from *Madagascar Escape 2 Africa* in 2008 and *Ice Age 3* in 2009, McDonald’s UK promoted the importance of consuming five servings of fruit and vegetables a day, as well as the value of drinking plenty of water to stay hydrated in a fun, relevant way that resonated with kids.



LOOKING AHEAD

CHALLENGES AND OPPORTUNITIES

Since we launched our increased efforts on nutrition and well-being in 2003, our ongoing challenge has been finding additional ways to make positive impacts on the lives of children and their families. We have made substantial progress in the area of increasing menu choices and identifying additional balanced food options that are appealing to our consumer base. In general, increased menu choices have helped our business grow, and we think that, as more customers become aware of the choices we offer, our expanded product offerings will contribute to sustainable financial performance for McDonald’s.

GOALS (2008-2010)

1. Accelerate and expand food and beverage choices for kids.

We remain committed to working with our suppliers and partners to test and introduce new food and beverage items for kids on a market-by-market basis. In Spain and Australia this year we expanded the choice of Happy Meal entrée items with the introduction of a new kids’ sized grilled chicken snack wrap, while in Portugal we launched carrot veggie rolls. On the beverage front, we introduced new fruit beverages across Latin America and in Australia and continue to look for other refreshing options appropriate for kids.

2. Continue to enhance children’s well-being through programs and initiatives that provide “fun with a purpose.”

We have leveraged the characters from our Happy Meal promotions to encourage fruit, vegetable and dairy purchases and to inspire kids to be active and creative and will continue to do so in the coming years. In 2008, many McDonald’s markets, including Australia, Brazil, China and Japan, created robust opportunities for kids to experience the Beijing Olympics, whether it was as an athlete escort at the Games or sponsoring local athletic initiatives. Along with continuing to support local grassroots efforts, we use Ronald McDonald at restaurants to encourage kids to participate in activities that activate their body, mind and spirit.

3. Continue to provide useful nutrition information in ways most relevant to today’s consumers.

In many markets around the world, we have enhanced our merchandising efforts to make it easier for parents to make balanced food choices for themselves and their kids. In all of our top nine markets, we continue to invest in making nutritional information available in the store, as well as online.

Environmental Responsibility

ENVIRONMENTAL RESPONSIBILITY OFFERS DOUBLE GREEN BENEFITS

We've long recognized the value of minimizing our environmental footprint. It's not only good for the world in which we operate, it's a strong contributor to our long-term financial success.

More than 30 years ago, we initiated energy conservation measures. In 1990, we formally established our Global Environmental Commitment and forged a groundbreaking alliance with the Environmental Defense Fund. During the 1990s alone, we eliminated 300 million pounds of product packaging by redesigning and reducing materials.

Since then, we've continued to seek ways to improve our environmental performance. Efficiency and innovation are natural byproducts of thinking "green." After all, when we conserve energy, produce less waste and minimize resources used by our suppliers, we use less and spend less.

Given our decentralized structure, and the variability of environmental issues across regions, there is no "one size fits all" approach. We see this as a benefit, because we have a virtual laboratory of environmental initiatives across our marketplace that we can learn from, share and scale when it makes sense. Given the breadth and scope of our business operations, we also need to understand what is most important from a global standpoint. At the restaurant level, we are focused in three areas:

Energy conservation—Find further ways to increase energy efficiency in our restaurants in order to save money and reduce our environmental impacts

Sustainable packaging and waste management—Continue exploring ways to reduce the environmental impacts of our consumer packaging and waste in our restaurant operations

Green building design—Enhance our strict building standards to incorporate further opportunities for environmental efficiencies and innovation in the design and construction of our restaurants

On all of these priorities, we continue to engage with experts and NGOs like the World Wildlife Fund, Conservation International, Environmental Defense, the U.S. Green Building Council and similar organizations around the world to get their best thinking on how we can improve our environmental performance.

ENVIRONMENTAL RESPONSIBILITIES IN THE RESTAURANT



"The energy program likes to say that the cheapest and most environmentally friendly kilowatt hour you can use is the one that you don't use, and that is really where our energy program starts and ends."

—Steve DePalo, Director of Energy, McDonald's USA

ENERGY EFFICIENCY IS CRITICAL TO OUR ENVIRONMENTAL AND FINANCIAL PERFORMANCE

Climate change is an important issue, generating growing interest from many sectors of society – from individuals and NGOs, to governments and corporations. The seriousness of this issue means that everyone has a role to play to reducing impacts, including companies like McDonald’s.

As a global food service company, we have developed a multifaceted effort focusing on energy efficiency and sustainability that stretches from our stores to our supply chain. We’re working to reduce the energy consumption in our restaurants, which in turn reduces our environmental impacts and helps us save money. McDonald’s restaurants’ use of electrical energy and natural gas accounts for the bulk of our restaurant greenhouse gas emissions.

More efficient use of these resources helps us save money and reduces our environmental impact. Within the restaurant, our two key areas of focus are the heating/cooling systems and the cooking appliances, which together account for approximately 80% of a typical restaurant’s energy use.



In 2008, McDonald’s scored 27/100 and ranked second among food service companies by Climate Counts, designating the Company in the organization’s “Starting” category as a “better choice for the climate conscious consumer.” Climate Counts is a nonprofit organization that ranks companies on their efforts for mitigating climate change. Rankings were based on greenhouse gas emissions, climate change emissions reduction programs, engagement in public policy initiatives relevant to climate change, and levels of public reporting on emissions, risks and actions.



WHERE WE ARE NOW – UNDERSTANDING OUR FOOTPRINT

We recognize the value of evaluating our environmental impacts, so we continue to make strides in developing impact assessments to guide our strategies for enhancing future environmental performance. For example, McDonald’s Europe has completed a carbon footprint of the business along the entire value chain – starting from primary agricultural production (including manufacturing and transport) to restaurants and offices, as well as customer travel and end-of-life product disposal. This significant effort incorporated data from across our 39 markets in Europe, as well as data from suppliers of food, beverage, packaging and operating supply chains to cover more than 80% of supply into the System based on spend.

The carbon footprint assessment has been externally verified by SGS, an independent auditing firm, and McDonald’s Europe is using the measurement to build on existing initiatives and develop new plans as part of a comprehensive strategy to reduce GHG emissions while working in collaboration with markets, restaurants and suppliers throughout Europe. This work will be used to inform future global efforts in carbon footprinting.

CONTINUOUSLY IMPROVING OUR ENERGY MANAGEMENT PRACTICES



We are always looking for ways to leverage our global System by testing green technologies at the restaurant and market levels—and to then expand the best practices to other markets when it makes sense. We've formed a Global Environmental Council, with representation from all of our major markets, to share best practices related to environmental management.

Energy Management Systems (EMS) are used in many of our restaurants to control energy usage in the restaurant. They help automate the on/off function of the HVAC and exterior lights, saving up to 10% of a restaurant's energy use, while ensuring a comfortable environment for our customers and crew. Our building and equipment teams are currently evaluating the possibility of expanding the items controlled by the EMS to include kitchen equipment.

McDonald's Germany developed new lighting systems for its restaurants' kitchens together with Trilux, a supplier of lighting systems. Forty-six McDonald's restaurants in Hamburg equipped their kitchens with a new generation of low-consumption fluorescent lighting. Lighting represents a significant cost and consumption savings opportunity, and tests revealed that on average, each restaurant saves 11,000 kilowatt hours (kWh) of electricity for lighting each year. The investment in these fluorescent tubes pays for itself in about 3-4 years through savings in energy costs. With the energy savings achieved, the McDonald's restaurants in Hamburg greatly contributed to making McDonald's Europe winner of the EU Greenlight Award in 2005. Since 2007 this lighting system has been standard in Germany.

McDonald's Mexico is testing the use of solar hot water heating to reduce the consumption of liquefied petroleum (LP) gas to heat water in four of their restaurants. Solar collectors were installed in four McDonald's restaurants in 2008. These collectors store water that is then heated by the sun, providing nearly 75% of the hot water used in the restaurants. The participating restaurants have seen a decrease of 2.7% in the monthly consumption of LP gas, and a 19% reduction in CO₂ emissions.

McDonald's France designed an interactive software-based energy management system, EcoProgress, to help monitor and reduce energy consumption in restaurants in 2006. This tool enables each restaurant to learn about key indicators related to energy and the environment. It also records the restaurant's monthly energy consumption and compares it to that of similar restaurants. The tool includes specific advice and improvement tools, such as an ignition plan for cooking equipment designed to suit each restaurant's individual characteristics, audit tools and a best practice guide. Restaurant users of the EcoProgress software reduced their electricity consumption by up to 8-12% in the first few years of use, and the program is now being piloted in Germany to determine the potential for further European rollout.

McDonald's UK restaurants have had access to electricity consumption graphs, detailing consumption by the half hour, since 2004. McDonald's worked with Siemens to develop a new website that would push these data out to restaurants, rather than them having to access the website to obtain it. Since April 2009, the Siemens Sie-Smart website automatically e-mails daily electricity consumption graphs to each restaurant by midday of the next day. Managers have been trained to spot and resolve the opportunities that may be available, such as high overnight consumption and incorrect equipment fire-up times. This tool is part of a range of measures that have enabled the UK to achieve more than 12% underlying electrical consumption reductions.

McDonald's USA's Restaurant Energy Survey is a restaurant operations tool that quickly focuses restaurant managers and crew on the greatest opportunities to save utility costs, resulting in net benefits for the bottom line. This survey allows restaurant managers to look at energy usage in the restaurant—from the roof to the interior of the kitchen. The survey is weighted on known savings opportunities, with the goal of improving energy efficiency and reducing operational costs. McDonald's restaurants in the United States have experienced savings of up to \$3,000-\$6,000 per year by using the energy survey.

The Low Oil Volume Fryer (LOV) is our next generation of fryer. Utilizing an innovative design, it allows restaurants to cook the same amount of product while using approximately 40% less oil. This design improves cooking efficiency, requires less maintenance and provides enhanced environmental benefits through increased energy efficiency, reduced packaging waste for markets using "jug-in-box" oil delivery, and results in less oil used for recycling or rendering. Testing indicates that the electric fryers use approximately 4% less energy than standard fryers.

EXPLORING THE VALUE AND FEASIBILITY OF ALTERNATIVE ENERGY TECHNOLOGIES IN THE RESTAURANT

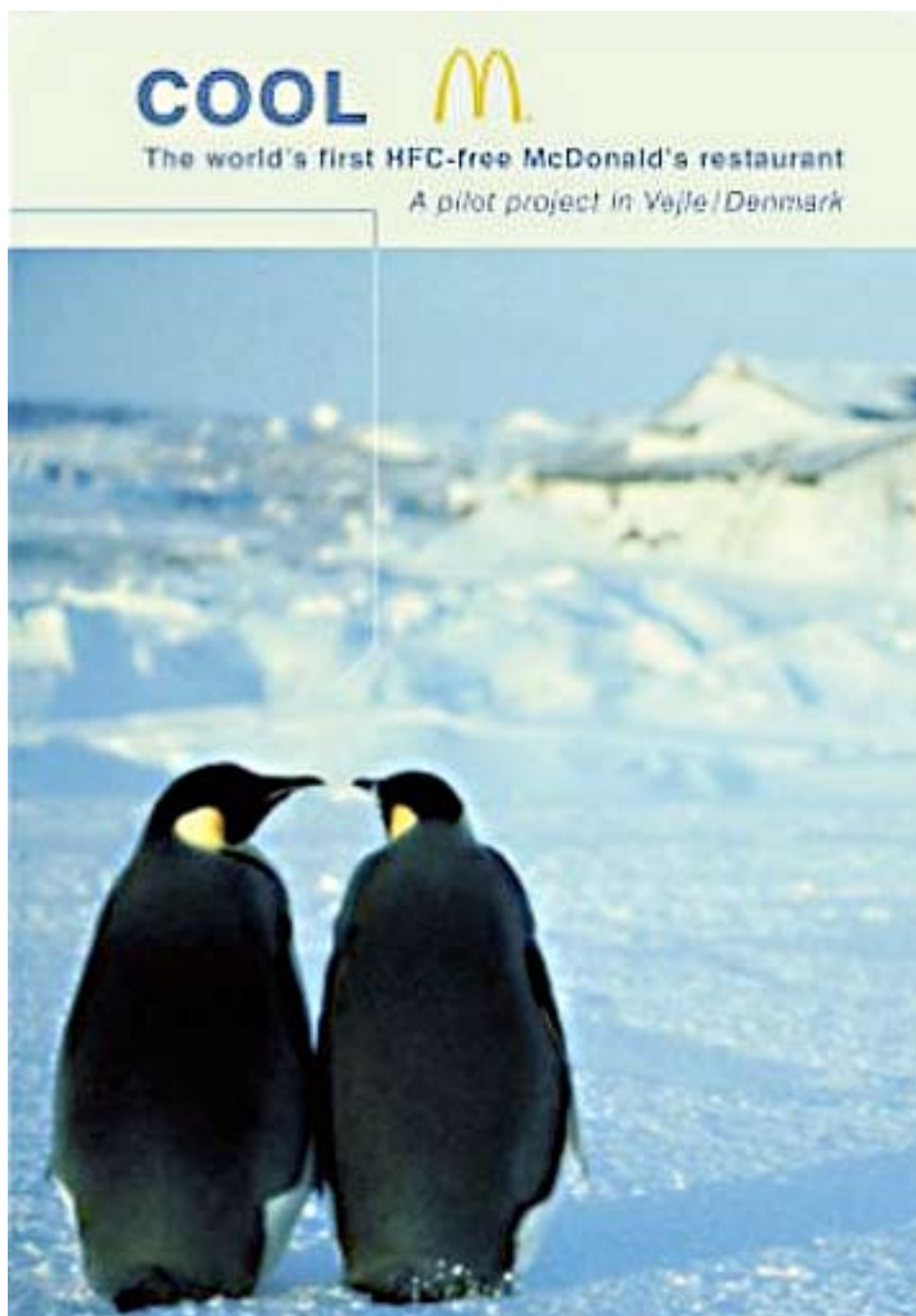
Though the use of alternative energy is not currently a strategic priority for us, we continue to take incremental steps to identify and assess small-scale alternative energy solutions in the restaurant.

For example, McDonald's Belgium, Sweden and Netherlands are beginning to source renewable energy for their restaurants. In other markets, onsite generation of renewable energy is already underway. For example, Arcos Dorados, McDonald's developmental licensee in Latin America, has committed to investing in renewable energy in Brazil. In May 2008, the company started testing a turbine in the Fortaleza restaurant to produce wind power, generating up to 1.8 kilowatts that are used in the restaurant.

Renewable energy is also used in the Ecological Restaurant in Brazil. Photovoltaic sheets were installed in the restaurant's roof to capture solar energy and turn it into electric energy. The energy, in turn, is used in external light posts and to heat water in showers and faucets. In addition to the renewable energy in this special restaurant, solar panels capture solar power to heat water in 15 other restaurants in Brazil.

Alternative Refrigerants

McDonald's has been actively working with our suppliers to utilize restaurant equipment that is less harmful for the environment. One example is the use of hydrofluorocarbon-free refrigerants in our restaurants. We continue to seek and support alternatives to hydrofluorocarbon (HFC) based refrigerants, since HFCs are known to be greenhouse gases that contribute to climate change. McDonald's refrigerant usage is very small compared to other industries. Nevertheless, we are collaborating with our suppliers to find viable alternatives that are better for the environment, safe for people to use, economically viable and aligned with our operational standards.



We opened the first HFC-free restaurant in Europe in January 2003. McDonald's Europe is currently developing additional HFC-free alternatives in their restaurants and a second HFC-free restaurant opened in Denmark at the end of 2008.

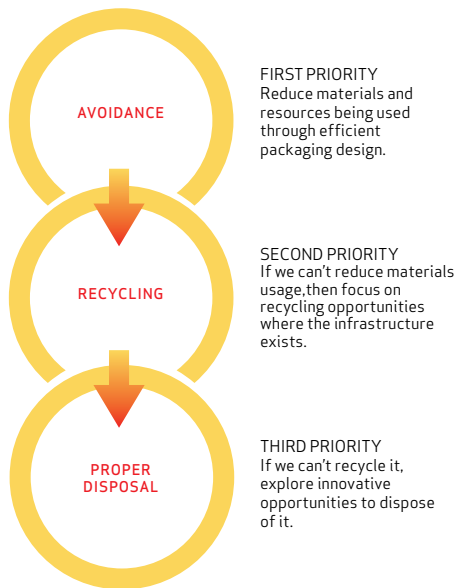
We continue our membership in Refrigerants Naturally! - the award-winning initiative we created in 2005 with Coca Cola, Unilever, Carlsberg, IKEA, Pepsi, the UN Environmental Programme (UNEP) and Greenpeace—on efforts to promote HFC-free alternative technologies for business implementation.

WHEN IT COMES TO SUSTAINABLE PACKAGING AND WASTE, LESS IS MORE

Environmental impact is one of five criteria incorporated into McDonald's process of developing food and beverage packaging. The other four criteria are functionality, cost, availability of materials and impact on operations. From an environmental perspective, we focus on reducing the impact of our packaging and improving waste-management practices.

Our approach considers a product's entire lifecycle: It starts with where we source our materials and the design of our food packaging. Finally, we look at "end of life" options such as recycling and composting.

PACKAGING AND WASTE: A Closed-Loop Hierarchy



RECYCLING IN THE RESTAURANT – FOCUSING ON OPERATIONAL OPPORTUNITIES

While our primary focus is on waste reduction, we continue to seek ways to incorporate reuse and recycling into our restaurant operations.

One of the biggest challenges to recycling for McDonald's, and the food industry as a whole, is that food packaging is not widely accepted by recyclers. As a result, the majority of our recycling currently happens behind the front counter, and that's where we see the greatest opportunity for continued improvement.

Today, many of the restaurants in our nine largest markets recycle corrugated cardboard and used cooking oil in the course of normal restaurant operations. This can have a big environmental impact because these two items can represent nearly 35% of the total waste (by volume) generated by an average restaurant. To put this in perspective, the average U.S. company-owned restaurant recycles over 17 tons of corrugated cardboard per year and approximately 13,000 pounds of used cooking oil.

BIODIESEL: CONVERTING OUR RECYCLED COOKING OIL TO FUEL INTO A BUSINESS ASSET

McDonald's strives to find ways to recycle its used cooking oil for operational purposes. For example, in Europe, more than 80% of used oil is currently being converted into biodiesel. About 30% of the fuel used in the European logistics trucks comes from biodiesel. Approximately 16% of this fuel comes from biodiesel generated from used cooking oil, and McDonald's Europe is looking to increase this percentage going forward.

By the end of 2008, McDonald's UK was recycling 100% of its used cooking oil for biodiesel to fuel delivery trucks in that market. This equates to an emission savings of over 3,500 tons of CO₂, which is equivalent to 1,500 family cars being removed from the road each year.

MCDONALD'S USA'S COOKING OIL DELIVERY AND RETRIEVAL PROGRAM

Similarly, McDonald's USA has achieved significant results by making concerted efforts to maximize this valuable resource. Starting nearly 10 years ago, working with supplier RTI, McDonald's USA began implementing a bulk cooking oil delivery and retrieval program. This program includes delivery of fresh cooking oil to the restaurants in bulk via a portal on the exterior of the restaurant to a large tank in the store. At the same time, waste oil is collected from a separate tank and taken back to a larger distribution facility where it is sold for re-use to a variety of vendors, including biodiesel companies.

Today, nearly 75% of the eligible U.S. restaurants are enrolled in this program, representing more than 7,800 U.S. restaurants. Additional restaurants are being converted as infrastructure advancements develop. Today, the average U.S. restaurant participating in bulk oil collection recycles nearly 13,000 pounds (1,700 gallons) of used cooking oil per year. In addition to more efficient restaurant operations, significant amounts of plastic and corrugated packaging have been eliminated because cooking oil no longer needs to be delivered in 35-pound plastic jugs packed in corrugated boxes. This eliminates the creation of packaging in the first place and keeps additional packaging waste from going to the landfill.

In addition, our restaurants in Hawaii have their used cooking oil picked up and processed into biodiesel fuel, a portion of which goes into the distribution trucks that deliver food and paper to our restaurants.

Other McDonald's markets are making progress on the biodiesel front as well. In McDonald's Brazil, Chile and Argentina, Arcos Dorados (McDonald's developmental licensee in Latin America) has joined local organizations to transform used cooking oil into biodiesel. In Brazil, the biodiesel will be used by the trucks of Martin-Brower (logistics company in the country) in a sustainable project called Reverse Logistics. The money raised by this project from the sale of the oil is also donated to Ronald McDonald House Charities and other local charities.





RECYCLING OPPORTUNITIES FOR MCDONALD'S CUSTOMERS IN OUR RESTAURANTS

While customer-focused recycling options in our restaurants have been limited because of challenges related to recycling food packaging, some markets have made progress. For example:

McDonald's Germany's restaurants have an overall recycling rate of over 90%. Packaging and food waste is collected on a tray cart in the lobby of the restaurant and taken into the back room to be sorted by staff. McDonald's Brazil is using bins to allow consumers to separate organic waste and recyclable materials to facilitate recycling.

In collaboration with other businesses around Shinjuku, McDonald's Japan participated in a pilot program to examine the feasibility of recycling paper cold cups. Beginning in 2005, 10 McDonald's restaurants in Shinjuku participated in the pilot, along with three office buildings from Coca-Cola and Japan Beverage, to generate enough volume for the collection. In-store communications near the waste receptacles provided an explanation of the program and the procedures for customers to follow. After lids are removed and liquid is dumped out, the cups are collected and transported to the recycling factory. A total of 11 tons of paper cups are currently being recycled annually.

After commissioning a study of the waste generated at its restaurants and running a one-year pilot program in five restaurant outlets in 2008, McDonald's Brazil began to gradually implement selective waste collection in Sao Paulo. Nearly 75 restaurants received two-compartment waste bins, one for organic food waste and one for recyclables (paper and plastics). The design also includes a receptacle for liquid waste (ice-cream, soda, juice) in order to ensure that the quality of recyclables will not be compromised by excessive moisture.

In Canada, selected restaurants recycle paper, plastics, cans and glass.



MANAGING THE IMPACTS OF THE LEFTOVERS

We continue to assess different ways to manage waste, such as “waste to energy” and innovative composting programs. At the market level, a number of pilot tests are already underway.

McDonald’s UK began diverting refuse from eleven of its restaurants in Sheffield, England in August 2007 as part of their aim to send zero waste to landfill. This trial tested out an alternative method of disposal and resulted in a 54% reduction in carbon emissions, as audited independently by The Carbon Trust. The process has been implemented permanently for the restaurants in the area. As a result, each restaurant will avoid sending approximately 65 tons of waste to landfill, and the energy generated from this waste will be used to provide heat to approximately 130 local buildings. The pilot has now been extended to 11 restaurants in the London area.

McDonald’s Canada has had a composting pilot operating in selected restaurants around the greater Toronto area since 2006.

WORKING TO KEEP NEIGHBORHOODS LITTER-FREE

McDonald’s and our franchisees want the same thing our communities want a clean neighborhood for people to live and work in. Our standard restaurant training includes a strong litter-management component, with McDonald’s staff conducting frequent clean-ups of our restaurant grounds and the public spaces surrounding our restaurant parking lots. We also encourage our customers to help us by participating in anti-littering programs and we include anti-littering messages on many of our packages around the world.

McDonald’s Australia

McDonald’s Australia has a nationwide Clean Streets program to keep the restaurant grounds and nearby streets clean of litter. Crew members participate in Litter Patrols, which are a regular part of their work day. Messaging on packaging, signage in the parking lot, trayliners and trash bins are also used to help remind consumers not to litter. Australia has also been a major sponsor of Clean Up Australia Days since they began in 1989.

McDonald’s Germany

In addition to litter patrols and anti-litter slogans on outside waste bins, McDonald’s Germany supports local and national awareness-raising campaigns. Since 2001, they have been a part of the Clean Countryside Campaign, an initiative founded to raise environmental awareness and fight littering. The program provides educational brochures and promotional materials as well as support for countryside and local clean-up events.

McDonald’s USA

McDonald’s USA continues to support Keep America Beautiful, and has been a member of the organization since the early 1990s. As part of this commitment, logos and messaging are included on consumer packaging encouraging consumers to avoid littering and put trash in its correct place.

McDonald’s Canada

McDonald’s Canada has been a champion-level sponsor of Waste Reduction Week since its inception in 2004. This is a national event recognizing the importance of waste minimization and conservation. Included as part of this program are tools and resources for businesses, municipalities, individuals and schools to get involved and help deliver the message that we all have a role to play in waste reduction.

McDonald’s France

In 2007, McDonald’s France engaged a large-scale study to find better solutions to anti-littering. McDonald’s France led this work through a dialogue process over the course of two years that included associations, customers, manufacturers of packaging and garbage cans, and was supported by the Ministry of Ecology. The resulting proposals were successfully tested in two cities, and McDonald’s France noted a significant decrease of the amount of littering. This led in October 2008 to the signing of a national agreement between McDonald’s France, AMF (French Mayors’ Association) and SNARR (National Labour Syndicate of the Food and the Fast Food) to spread the program in partnership with local authorities. The program focuses on more and better-positioned waste bins, better collection of waste, and partnerships with the cities and communities where the restaurants operate.

McDonald’s UK

McDonald’s UK litter patrollers walk an average 3,000 miles a week picking up litter from streets around restaurants in the UK.

McDonald’s Brazil

Keeping restaurant surroundings litter-free is part of Arcos Dorados (McDonald’s developmental licensee in Latin America) good neighbor policy. In Brazil, commitment to maintaining a litter-free environment is part of restaurant crews’ daily work schedule. They wear a specially designed uniform and use appropriate equipment to go on periodic litter-picking round-ups within two blocks of the restaurants where they work.



Green restaurant in Brazil

GREENER CONFINES – MAKING OUR RESTAURANTS MORE SUSTAINABLE

Beyond the food and packaging, the places where our customers enjoy our offerings – our restaurants – have an impact on the environment as well.

While McDonald's already has green components in our existing restaurant standards, we strive for continuous improvement and are working to enhance our currently strict building standards for our restaurants around the world. As these standards are being developed, several of our markets, including France, Canada, Germany, Brazil, Costa Rica and the U.S., currently have plans in place to install and track the performance of new sustainable features to improve energy efficiency in restaurants. Many markets are also already operating or planning to build and open restaurants that feature environmental attributes.

The full range of elements featured vary by location, but generally, our focus is on innovation and efficiency in the design and construction of the restaurant; reduction of energy and water use in equipment and operations; incorporation of green décor options in the restaurant; and practices that enhance indoor air quality and promote natural lighting.

SOME AREAS OF THE WORLD AND INDIVIDUAL MARKETS MAKING STRIDES IN THIS AREA INCLUDE:

McDonald's Europe

There are a number of activities taking place in Europe centered around green building design.

Green Building Guidelines for remodeled restaurants within Europe have been established and are being rolled out. The purpose of these guidelines is to ensure that a set of minimum environmental standards and improvements are achieved on each remodeling project. In addition, a number of countries are constructing green restaurants to pilot new green building designs and technologies.

McDonald's France opened its first green restaurant in Plaisance du Touch, near Toulouse, which used the French HQE green building certification for commercial buildings as a basis for design and construction. The design of the restaurant has been developed to minimize disruption from architectural, sound and odor perspectives and includes the use of renewable energy technologies such as solar hot water heaters. Additional focus is placed on natural resource conservation – like reducing water use through waterless urinals and rainwater harvesting.

The learnings from Plaisance du Touch will provide the basis for the establishment of a new set of guidelines for European new restaurant development.

McDonald's Germany opened its EE-Tec restaurant focused on energy efficiency in Achim, near Bremen, Germany. The restaurant's goal is to reduce energy consumption by 30% relative to a traditional restaurant. It uses innovative technologies, including geo-thermal heating, wind generation, highly effective heat recovery and photo-voltaic cells.

In addition to activity at the restaurant construction level, an increasing level of engagement is achieved by partnering with suppliers of materials and furniture to further enhance environmental performance. Some examples include floor tiles with a high recycled content, laminates used in place of wood veneers where possible, and optimizing lighting products for maximum efficiency. These suppliers are also pursuing initiatives that include waste management and the use of alternative energy sources.

McDonald's USA

McDonald's joined the U.S. Green Building Council (USGBC) in early 2007 and is a member of the LEED for Retail Pilot Program. LEED is a nationally recognized green building rating system that outlines specific standards for sustainable site development, water savings, energy efficiency, material selection and indoor environmental quality. Along with other companies in the pilot program, McDonald's has provided feedback from its green building learnings to the USGBC.

The overall goal of the McDonald's U.S. green building strategy is to gain insight and experience that will give evidence towards green component implementation within our prototypical building designs, as well as future designs.

In 2008, McDonald's USA opened a green restaurant in Chicago that has achieved Gold LEED Certification by the U.S. Green Building Council. Sustainable design elements include high efficient rooftop mechanical equipment and boilers, high efficient interior lighting with skylights and daylight controls, water conserving toilets and plumbing fixtures, a vegetated green roof, stormwater management with permeable parking lot pavement and rain gardens, high-efficiency LED lighting for exterior signage and parking lots, and green power purchased through renewable energy credits.

McDonald's USA also recently opened an additional green restaurant targeting LEED certification in Cary, NC. This restaurant is similar to the McDonald's Gold LEED-certified Chicago restaurant, and employs an LED interior lighting design and two EV (electric vehicle) charging stations in the parking lot.

McDonald's Brazil

McDonald's first green restaurant in Latin America was opened in December 2008. It combines the best environmental practices from existing restaurants into a single project – the most efficient applications for efficient use of water and electricity, innovative sustainable building solutions and the use of renewable and regionalized production materials.

The green restaurant in Sao Paulo is a test cell for new eco-friendly technologies. The restaurant's combined features are projected to result in annual savings of 217,000 liters of water and a decrease of 14% in energy consumption annually.

McDonald's Canada

The first Canadian McDonald's restaurant built to LEED specifications opened in December, 2008. It was completed in Beauport, Quebec by owner/operator Guy Dionne, in partnership with the Canadian Green Building Council. The restaurant features many innovative sustainable design features, including a solar wall for the preheating of fresh air in the winter, an Electrical Energy Optimizer System, use of Forest Stewardship Council (FSC) wood materials, and bicycle storage and changing rooms/showers for employees.



McDonald's France Beaugrenelle restaurant in Paris



As part of our Corporate Meetings & Events team's focus on green meetings, they diverted over 70% of the waste generated at our 2008 Worldwide Convention, keeping approximately 244 tons of material out of the landfill.

LEADING BY EXAMPLE— WALKING THE TALK FROM THE CENTER

While much of our environmental focus occurs in our local markets and at the restaurants, McDonald's has also made progress at our own corporate offices by engaging employees and making our corporate office campus more environmentally friendly.

EMPLOYEE ENGAGEMENT— “GREEN TEAM”

Employee engagement is critical to driving behavioral changes that will result in positive environmental impacts. To enhance environmental awareness and accountability among employees, McDonald's has launched several efforts to engage corporate employees on the issues, and to encourage them to minimize their individual impacts, both at work and at home.

This multi-pronged initiative includes the formation of a volunteer “Green Team”, quarterly lunch and learn sessions, an annual Green Week employee event, the launch of an internal “Green and Growing” website and ongoing intranet communications that highlight sustainability efforts and results achieved.

In June 2009, the Green Team hosted Green Month at our corporate home office, with eight field offices participating. Over 1,350 employees participated in 45+ events. At our home office alone, over 15 pallets of electronics and 2,900 gallons of personal shredding were collected for recycling. Other events included clothing and food drives, plant sales, product fairs and sustainability lunch and learn sessions.

GREENER CORPORATE OFFICE BUILDINGS

In 2007, McDonald's corporate office building received an Energy Star Certification of 91 out of total of 100 points. In 2009, the building was awarded LEED Platinum for Existing Buildings Certification.

Enhancements leading to this recognition include:

Energy-efficient lighting and automated lighting equipment for common areas, conference rooms and restrooms.

Temperature regulation to reduce use of heating or air conditioning during non-business hours.

Shifted purchases of company cars toward vehicles that achieve better mileage per gallon. During the most recent order cycle, over 70% of the vehicles ordered were classified as environmentally friendly based on their fuel economy.

Installation of sensors on toilets and faucets to help control water utilization in our restrooms.

All waste from campus facilities is brought to a recycling station, where items are separated for recycling. In the first half of 2008, we diverted approximately 58% of our waste, representing over 50 tons of waste kept out of the landfill.

Our corporate headquarters are situated in a woodland area that was carefully preserved during construction. We incorporate sensitivity to the environment in maintaining this area – planting with native plants, restoring natural woodland areas, and using natural compost where possible.



LOOKING FORWARD

CHALLENGES AND OPPORTUNITIES

As a business, we continue to grow. The challenge lies in balancing our interest in minimizing our impacts as we expand menu offerings and operating hours in many of our markets. Still, we see plenty of solid business opportunities. In today's world, environmental conservation goes hand-in-hand with fiscal responsibility and cost efficiency. For example, the two largest environmental impacts of our restaurant operations are energy use and waste generation. If we can reduce these impacts, we benefit from reduced operating costs.

Our decentralization is a real strength as well. Individual restaurants, franchisees, suppliers and company staff continue to experiment and test some very innovative environmental initiatives, from “no straw” day in Korea, to solar panels in Germany. We can see what works and scale successful programs efficiently throughout our System.

GOALS (2008-2010)

1. Continue to find ways to maximize energy efficiency in our restaurants.

Continue to partner with markets to test, evaluate and implement new technologies for continuous improvement of our energy-efficient building standards.

Improve the measurement and tracking of the energy performance of our existing restaurants.

We continue to make steady and tangible progress. For example, the new High Density Universal Holding Cabinet (HD UHC), which will be premiered at the 2010 Worldwide Convention, has the capacity to deliver 30% energy savings per cell. We also have a new toaster in development that is projected to reduce energy consumption by 28%. The restaurant energy survey and optimization tools are being designed to deliver an average 3% energy reduction per restaurant. These initiatives, along with a new internal energy website, will help generate energy gains going forward.

2. Increase best practice sharing within our System to enhance the transfer and scaling of the most efficient and innovative initiatives.

Our Global Best of Green catalogue of environmental best practices was published and shared across the System in May 2009. In addition, we are organizing a Global Energy Council to leverage best practices and to act as a clearing house to prioritize and optimize resources against the most effective opportunities. We are also developing a set of development standards due out in 2010 that will be part of our formal release process for energy testing and verifying expectations.

Employment Experience



“When I started with McDonald’s way back when, people said ‘Oh, that’s all you’re doing?’ But it’s turned into a wonderful career, and I am very pleased with where I am today with McDonald’s.” – Laura Cudebec, McDonald’s Restaurant Manager

MCDONALD’S IS COMMITTED TO ITS PEOPLE

It goes without saying that we support fundamental human rights for all people. We comply with employment laws in every market where we operate, and we will not employ underage children or forced laborers. We respect the right of employees to associate or not to associate with any group, as permitted by and in accordance with applicable laws and regulations.

But these things are just the greens fees to running a successful, sustainable business in today’s world.

Delivering on responsible food and customer expectations demands an engaged, committed and talented workforce. McDonald’s knows this, and so do McDonald’s franchisees. People are absolutely fundamental to our brand and to building our business. That’s why we make people a priority.

THE CHALLENGES WE FACE

Maintaining a stable and qualified workforce, especially at the restaurant level, is a challenge in the 21st century global economy. The mobility of today’s workforce, and poor perceptions of employment in some areas of the quick service industry, present special challenges for McDonald’s.

As a company, we continue to be adversely impacted by the negativity associated with the term “McJob” in some of the markets where we operate. So, we recognize that we need to distinguish ourselves as a great place to work, both at the staff level, and in the restaurants.

PEOPLE PRIORITY: McDonald’s Approach



OUR APPROACH

We take a modern, strategic approach to addressing these and other challenges. Business is strong, and we need high performing employees to help us continue that trend. Our operations span a range of cultural environments. We’re diverse by design. Our people policies and programs are designed to meet employee needs through three strategic priorities - respect, commitment enhancement and talent management.

Respect - Create a diverse and inclusive culture where everyone feels valued and respected.

Commitment Enhancement - Enhancing our employment value proposition to drive high levels of employee commitment.

Talent Management - Attract, develop and retain the most talented people at all levels.



BACK TO SCHOOL – TEACHING DIVERSITY AND INCLUSION

Another critical component of diversity and inclusion at McDonald's is teaching people how to work with others different than themselves. The core of our education framework includes formal presentations, workshops, seminars and informal training designed to practice the skills and behaviors needed to effectively work and lead people in an inclusive, diverse workforce.

Our U.S.-based seminars and workshops include:

Winning with Inclusion and Diversity

GenderSpeak – Working Together Successfully

Asian Career Development

Hispanic Career Development

Diversity & Inclusion from a White Male Perspective

Women's Career Development

We also have a number of employee networks based at our U.S. headquarters, including:

McDonald's African American Council

Women's Leadership Network

Working Mom's Council

Gays, Lesbians and Ally Network

Young Professionals Network

Asian Employee Network

EMBRACE, EMPOWER...EXCEL

Embracing and empowering a diverse workforce has been a part of the McDonald's culture for decades. In the mid 1970s, then-McDonald's CEO Fred Turner developed an initial diversity framework, and in 1980, the company hired our first official head of diversity. Back then, it was just the right thing to do. Today, it is a business imperative. In the words of our Global Chief Diversity Officer and VP of Inclusion and Diversity, Patricia Harris, in her recently released book, *None of Us Is as Good as All of Us- How McDonald's Prospers by Embracing Inclusion and Diversity*.

“Any company that hopes to serve a diverse customer base across the United States, and around the world, must reflect that same diversity in the restaurants, where we meet our customers face to face, and throughout our organization, where we design our products and services with the distinct wants and needs of our customers in mind. And our business results reflect the validity of mirroring our customers throughout our System very clearly.”

While the definition of “inclusion” remains relatively constant across geographic boundaries, the word “diversity” denotes a very different meaning from place to place. Globally within McDonald's, gender diversity has been identified as a priority. Our Global Diversity Officer, Patricia Harris, is currently working with leaders in all areas of the world to develop a comprehensive framework for this aspect of diversity at McDonald's and metrics to monitor our progress.

IT'S NICE TO BE RECOGNIZED.

Financial Times UK, Top 50 Companies Where Women Want to Work

Fortune Magazine, Top Places for Minorities to Work

Working Mother Magazine, Top 10 Diversity Champions

Hispanic Magazine, Top 50 Corporate Women in America

Black Enterprise Magazine, 40 Best Companies for Diversity

AT THE FRONT COUNTER – ENGAGED AND COMMITTED EMPLOYEES

High turnover rates are a challenge for any company in the food service industry, including McDonald's. We understand how important it is to attract and retain the very best in our restaurants. Our Restaurant People Strategy is designed to offer a compelling employment value proposition by providing unique benefits, training and opportunities that meet the needs of today's workers.

This will help us drive higher levels of employee commitment in the countries where we operate, which in turn, will continuously improve employee retention rates. We believe progress on these fronts has, and will continue to, improve customer satisfaction and positively impact our business results.

BUILDING A COMPELLING EMPLOYMENT VALUE PROPOSITION

An employment value proposition (EVP) expresses the value of what a company offers to crew and managers that they receive in exchange for their commitment and performance on the job. In essence, it is the promise that we make to current and potential restaurant employees, just as our Brand Promise clarifies what we deliver to our customers and reflects and reinforces our core McDonald's values and commitment to our employees worldwide.

To create McDonald's EVP, we conducted an unprecedented effort to gather input from crew and managers. We received responses from nearly 7,700 restaurant employees from 31 countries about what they love most and least about working at McDonald's.

From these comments, we identified key themes that our employees value most about working at the restaurants. The identified key themes are as follows: "People and Culture," "Flexibility and Variety" and "Development and Opportunity." Although the value of the themes may alter in different cultures, to leave its mark, the basic elements of our EVP must be consistent across all countries and reinforced over time.

The emerged themes were simplified into three pillars: "Family and Friends," "Flexibility" and "Future," where each one had its own employee-based definition.

The definitions were as follows:

Family and Friend – "I work in an enjoyable energizing atmosphere where everyone feels part of the team."

Flexibility – "I have a challenging, varied job that has the flexibility to fit into my lifestyle."

Future – "I have an opportunity to grow and progress by learning personal and work skills that will last me a lifetime, whatever I choose to do."

We are currently in the initial stages of an internal launch and activation phase of the three basic elements of our EVP and have asked our market-level business units to do the following:

Align their People Plans with the EVP framework, which is currently in development

Ensure their plans deliver on the three core elements that our crew and managers told us were important: Family and Friends, Flexibility and Future

Share best practices with other markets within the McDonald's System on how they are bringing the EVP to life in their markets

Know and understand how strong people practices support our EVP and have a positive impact on business results

Use the People Practice (QSC) Playbook and local Operations & Training Manuals as resource guides

Seek the engagement of employees when developing a commitment survey action plan that builds on the strengths and addresses key areas of opportunities within their restaurants.





MODERN BENEFITS FOR TODAY'S WORKFORCE

When we think about the term “benefits” at McDonald’s, we think very broadly. It’s not just about wages, and it can vary from market to market.

NOT BAD FOR A “MCJOB” – MCDONALD’S EUROPE

Offering workplace flexibility and mobility is another way to meet the needs of today’s workforce. This is especially true in our European markets. As a result, in September 2006, McDonald’s Europe introduced the “McPassport” program, designed to help employees move and work in other McDonald’s restaurants across Europe with relative ease. Since the program was launched, more than 2,000 employees have applied for inclusion in the program.

McDonald’s UK has taken an even deeper approach by confronting the negatively charged term “McJob” head on. A proactive communications campaign designed to redefine how the public views employment in a McDonald’s restaurant, along with newly introduced flexible hours, educational training and benefits like company cars for restaurant managers, have succeeded in reducing turnover by 20%.

SAVING FOR THE FUTURE – MCDONALD’S PROFIT SHARING AND SAVINGS PLAN – MCDONALD’S USA

Just like corporate McDonald’s staff, U.S. restaurant employees are offered the opportunity to invest in their future in the McDonald’s Profit Sharing and Savings Plan, a 401(k) plan.

McDonald’s feels very strongly that the 401(k) plans are the sole retirement vehicle for many employees, so we have taken specific measures to ensure that eligible restaurant managers and staff are enrolled in the program. Through a combination of automatic enrollment and targeted communications, we have been able to achieve an average participation rate of 93% across all ethnic groups.

The company matches the first 1% an employee contributes with a 3 to 1 match. The next 4% of employee contributions are matched dollar for dollar. So, an employee contribution of 5% will lead to a company match of 7%. McDonald’s may also make a discretionary match of up to 4% for all employees participating in the 401(k), based on company performance. From 2006 through 2008, the discretionary match was 4%, meaning that an employee who contributed 5% received 11% from the company.

Since January 2007, improvements to the plan include the addition of five new investment funds, bringing the total to twelve. These funds are designed to give participants wider array of choices by including such asset classes as commercial real estate, a small company index fund and a global fund.

Participants who are confused as to what investment fund(s) to pick and how much to save can get advice from GuidedChoice. Participants can get advice for free. If they prefer to have GuidedChoice manage their account, such an option is available for a small fee. Currently, about 23% of participants use the managed account service.



HOW WE'RE DOING – WHAT MCDONALD'S EMPLOYEES AND OTHERS ARE SAYING

Our annual employee survey is one way we measure progress. In 2006, we implemented a standardized restaurant employee satisfaction survey in all countries covered by our Global Restaurant Operations Improvement Process (GROIP), which includes approximately 96% of McDonald's restaurants worldwide as well as an Annual Employee Commitment survey. According to 2008 survey results, 84% of restaurant crew members in McDonald's nine largest markets reported that they would recommend working at McDonald's.

Recognition from credible third-party experts is another way to gauge our performance. McDonald's is proud to be the recipient of workplace excellence recognitions in several of our markets. Over the past several years, McDonald's has been recognized as a Great Place to Work by the Great Place to Work Institute in over thirty countries where we operate. In 2007 and 2009, McDonald's was also recognized as a top company for leaders by *Fortune* magazine.

MCDONALD'S SINGAPORE – EVERY CREW MEMBER CAN BE A MANAGER

McDonald's Singapore's vision, "Every crew member can be a manager", empowers restaurant employees who wish to make McDonald's a long-term career. For those who want to work at McDonald's on a short-term basis, the company promises the best service training in Singapore by offering an adaptable and portable set of skills that will benefit them in a wide range of career paths.

True to the company's deep commitment to inclusion and diversity, especially in the area of gender equality, McDonald's Singapore is focused on providing a work culture that empowers women and encourages their advancement into leadership positions.

Like other McDonald's business units, McDonald's Singapore offers a unique training opportunity through the McDonald's University Accredited Programme, which allows restaurant managers to fulfill their ambitions for higher learning as they grow in their careers at McDonald's



Embracing Talent. Winner Natércia Pintor, a McDonald's employee from Lisbon, Portugal, brought 13,000 people to their feet at the 2008 "Voice of McDonald's" finals in Orlando, Florida. Her powerhouse rendition of the Dreamgirls anthem, "And I Am Telling You I'm Not Going" won her the competition.

CELEBRATING UNIQUE TALENTS

It's not all about working. Building a caring, warm community for employees is important to us. McDonald's offers a variety of programs that franchised and company-operated restaurant employees can participate in to grow and develop, both personally and professionally.

Voice of McDonald's singing competition - For the third time, we're celebrating the outstanding talent of the people who work in our restaurants as only McDonald's can—a singing contest open to our 1.6 million employees in 117 countries. McDonald's created this competition to show our commitment to our employees through the ultimate, international language of music, and to offer them a world-class opportunity to achieve their dreams. It's one of the ways we make McDonald's a great place to work, delivering the core attributes of our Employee Value Proposition of "Family/ Friends, Flexibility and Future."

Through the Voice of McDonald's competition and other programs that celebrate the spirit and talents of our people, we also recognize their skills to deliver simple, easy and enjoyable experiences for our customers.

In addition to winning a paid trip (with a guest) to the McDonald's 2010 Worldwide Convention in Orlando, Florida, USA, each of 12 Global Finalists will to compete for top honors:

- Grand Prize: US\$25,000*
- First Runner-Up: US\$10,000*
- Second Runner-Up: US\$5,000*
- Other finalists: US\$1,500*

Twenty McDonald's markets held local Voice of McDonald's contests prior to the global competition, bringing even higher levels of local relevance and involvement. Almost 10,500 McDonald's employees from 51 countries have participated in the 2009–2010 competition.

FOUNDATIONS FOR SUCCESS

The best people lead to the best business results. We want to ensure that we have leaders who can take McDonald's into the future. Over the last eight years, we have strategically increased our focus and investment in talent management, from implementing a consistent and rigorous talent planning process, to the continuous investments at our own learning academy, Hamburger University, to the creation of accelerated development programs and the McDonald's Leadership Institute.

These investments are part of a comprehensive global talent management strategy to ensure we have high-performing, committed leaders, a diverse pool of candidates for the future, and a culture that both requires and supports learning and development.

CONTINUING TO BUILD A VALUES-BASED CULTURE

As a company, we believe that the values that drive our everyday decision-making are key to our success. As a result, we have continued to find ways to fully integrate our company values into every aspect of our business, including leadership development and performance assessments.

McDonald's values were recently integrated into our Global Leadership Competency Model, which has in turn, been embedded into our Performance Development System. As a result, every McDonald's employee's performance is assessed not only on their work plan accomplishments, but also on the extent to which they demonstrate the Global Leadership Competency Model and McDonald's values.

In addition, several questions regarding our values have been added to our annual Employee Commitment Survey and a session focused specifically on the company's values, and how they are brought to life within the business, has been incorporated into our accelerated development programs for high potential directors and officers and the Transition Program for recently promoted directors. These programs ensure that McDonald's leaders (director and above) understand the values and their responsibility in leading the business in alignment with those values.

At other levels of the company, additional progress continues. For example, all classes taught by our Diversity and Inclusion department now incorporate McDonald's values into their teaching materials and discussions. Corporate recognition programs such as the President's Award and the Ray Kroc Award include living our values as a criteria on potential recipients.

There is currently an effort underway to determine the best approach to communicating the values all the way through the organization to our restaurant managers and crew to guide their behaviors and ensure they are acting as ambassadors of our values-based approach to operating the business.

A CENTER FOR EXCELLENCE: LEADERSHIP INSTITUTE

In mid-2006, we introduced the McDonald's Leadership Institute, a virtual learning community of guidance and resources to support and develop employee leadership and talent. It gives McDonald's leaders opportunities to grow and develop through structured learning with other McDonald's leaders, participate in challenging development experiences, and access a wide variety of development tools and best-practices resources.

The Institute provides leaders with a range of opportunities and support to develop critical leadership skills needed to address major business challenges that are affecting the corporation in both the long- and short-term.

Under the auspices of the Institute, accelerated leadership development programs for high-potential directors and officers are offered annually across all areas of the world. As of the end of 2008, 226 employees from 43 countries had participated. Over 35 percent of those who graduated have received promotions. In total, over the past two years, 1,349 employees have participated in the internal courses and programs offered by the Institute.



PROVIDING EDUCATIONAL OPPORTUNITIES: HAMBURGER UNIVERSITIES AND OTHER EDUCATIONAL OPPORTUNITIES

Currently, we have seven Hamburger Universities – state of the art training centers for restaurant employees and corporate staff - around the world. Since its inception, Hamburger University training has emphasized consistent restaurant operations procedures, service, quality and cleanliness. It has become the company’s global center of excellence for McDonald’s operations training and management development. The curriculum is comprehensive, thought-provoking, and the perfect foundation for building a successful career.

The fact that McDonald’s is the only restaurant organization awarded college credit recommendations from the American Council on Education is indicative of the value the Hamburger Universities bring to our System and our employees. These credits can be applied toward a college degree. 100% of the restaurant manager and mid-management curriculum is eligible for approximately two years of college credit—a total of 46 credits.

We continue to focus our efforts on increasing the number of restaurant managers who are HU-certified. The percentage of restaurants in our top nine markets with managers who are graduates of HU in 2008 was 93.3%.

OFFERING SKILLS AND EDUCATIONAL OPPORTUNITIES – MCDONALD’S UK

McDonald’s UK has embedded a National Vocational Qualification into their Crew Development Program and offers math and English instruction online via My “Learning” on their employee online community, ourlounge.co.uk.

As part of the wider UK government focus on skills and the involvement of business in developing the skills of the workforce, the Qualifications and Curriculum Authority has developed the Qualifications and Credit Framework (QCF). The QCF has been developed to support the awarding of qualifications based on their complexity and size - whether the qualifications are from formal education or vocational qualifications. As part of the development of the QCF, McDonald’s became an awarding body, allowing us to develop and award our own qualifications. Becoming an awarding body is a natural extension to the training and qualifications McDonald’s already offers.

This means that we can provide nationally recognized, industry-approved qualifications to our staff, which serves to reinforce the training systems and standards at McDonald’s. The McDonald’s Apprenticeship Program incorporates business, hospitality and basic liberal arts skills.

Participation rates in all facets of the program are impressive. For example:

Apprenticeships

800 restaurants currently active

6,000 apprenticeships in 2009

10,000 apprenticeships in 2010

McDonald’s will become the largest provider of apprenticeships in the UK

Accreditation

3,000 level 3 diplomas awarded in 2009

Math and English Skills

Over 5,000 individuals currently studying math and English online via My Learning on ourlounge.co.uk



MCDONALD’S AUSTRALIA – MATHS ONLINE

McDonald’s Australia is the largest employer of youth in the country, and introduced Maths Online as part of its employee benefits package in late 2007. When impressive numbers of crew members took up the program and gave excellent feedback, McDonald’s and its franchisees decided to make Maths Online available to all high school students.

McDonald’s Australia prides itself on being a learning organization and believes that this ethos should extend beyond its own employees into the communities in which its franchisees operate their restaurants. These small businessmen and women are committed to giving back to their communities, and providing this service is one of the ways they have collectively decided to do this.

Maths Online is provided free of charge to every secondary school student in Australia. High schools have unlimited access to the program, with the option to register an entire school, maths; class or individual. Students can also go online and register themselves for immediate access.

Currently, about 450 schools a day are registering and over 10,000 families have signed on to use the training.



LOOKING FORWARD

CHALLENGES AND OPPORTUNITIES

Our biggest challenge is to truly live up to our commitment to our people, day-in, day-out, in our busy restaurants. The food-service sector is fast paced, and McDonald's is one of the busiest companies in the industry. In this type of bustling environment, maintaining our focus on people is a business imperative. Without good people, good business results are hard to come by. It will be our people who will drive our business forward, making that "moment of truth" at the front counter or drive-thru an experience that the customer wants to repeat time and time again.

GOALS (2008-2010)

1. Increase the number of Hamburger University-certified restaurant managers

We continue to focus our efforts on increasing the numbers of restaurant managers who are Hamburger University (HU) graduates with positive success. For example, percentage of restaurants in our top nine markets with managers who were graduates of HU in 2008 was 93.3%.

2. Continue to enhance the employment value proposition to drive employee engagement

To create McDonald's EVP, we conducted an unprecedented effort to gather input from crew and managers. From these comments, we identified key themes that our employees value most working at the restaurants - "People and Culture," "Flexibility and Variety," and "Development and Opportunity." From these key themes, we developed the EVP core elements: Family & Friends, Flexibility and Future. We are currently in the initial stages of an internal launch and activation phase of the three basic elements of our EVP and have asked our market-level business units to align their People Plans with the EVP Framework.

3. Continue to integrate McDonald's values into key people programs, from hiring to training to career development

McDonald's has introduced a new Leadership Development Framework, which defines five levels of leadership in the organization. New Leadership Competencies reflecting McDonald's Values at each leadership level were also introduced and are assessed yearly as part of our performance management system. Additionally, McDonald's Leadership Institute has held internal "Leadership Conversations" with outside experts on such topics as ethics and corporate values. In 2010, we will focus on additional ways to integrate McDonald's values at all levels of the company, including at the restaurant level.

Community

COMMITTED TO USING OUR SIZE AND SCOPE TO MAKE A DIFFERENCE IN THE WORLD

Giving back has always been fundamental to our business—since Ray Kroc founded McDonald's more than 50 years ago. Our communities give us so much in return—not just by supporting our business— but by increasing our brand visibility and strengthening our relationships with our stakeholders. McDonald's uses three key strengths—our scope, our people and our profits—to make a meaningful and lasting impact on the global communities where we live and work.

For McDonald's, giving back comes in many shapes and sizes. It can be a local franchisee sponsoring her local youth soccer team. It may bring to mind our well-known and long-time support of Ronald McDonald House Charities. Or it can involve Olympic sponsorship and feeding the athletes. Whatever shape it takes, the intent remains the same – to make a positive difference in the lives of our customers and the communities where we operate.

Community Support: McDonald's Approach



HEALING AND HOPE FOR KIDS

McDonald's believes in the power of community to transform the world. This is particularly true when it comes to empowering young minds and hearts. So, it's natural that our charity of choice should be Ronald McDonald House Charities (RMHC). Since 1974, McDonald's has continued to strengthen our support of RMHC through various means originating in all parts of the McDonald's System.

McDonald's Corporation provides free use of facilities, equipment, materials and a portion of general and administrative costs for the global office of RMHC. This helps defray costs that RMHC would otherwise incur and allows donations to be distributed directly to grants and program services that benefit children.

McDonald's franchisees, restaurant and regional staff members and suppliers provide additional funding and volunteer support. McDonald's customers also support RMHC through a variety of fundraising events and programs, including donations in RMHC Donation Boxes and McDonald's McHappy Day® – a global fundraiser that takes place each November.

MCDONALD'S RAISES \$25 MILLION FOR RMHC CANADA – 10 CENTS AT A TIME.

In January 2004, McDonald's Restaurants of Canada created the 10 Cent Happy Meal Donation program. Through this program, RMHC Canada receives 10 cents from the sale of every Happy Meal purchased, at every Canadian McDonald's restaurant, every day of the year. It is RMHC Canada's largest source of funding, reaching a milestone in 2009 of CA \$25 million in total donations since inception.

SIMPLY RED IS SIMPLY GREEN FOR MCDONALD'S KINDERHILFE GERMANY

In 2008, McDonald's Germany restaurants, online and SMS donation "Helping Hands" campaign culminated with Simply Red performing at a fundraising gala event. The proceeds from the event, attended by members of the McDonald's family, notable government officials and the media, benefited McDonald's Kinderhilfe, a local RMHC Chapter which supports 15 Ronald McDonald Houses and a Ronald McDonald Oasis (Family Room). In total, the campaign generated over US\$2,000,000 for the Chapter.



GLOBAL REACH, GLOBAL IMPACT

McDonald's has a long-standing history of sponsoring global events that create strong, relevant connections with our customers in every market around the world. Our continued sponsorships of the Olympic Games and the FIFA World Cup are compelling examples of programs that help to enrich the lives of children and adults alike through once-in-a-lifetime opportunities and bringing the spirit of sports to life in our restaurants worldwide.



THE OLYMPIC GAMES

McDonald's has been a proud supporter of the Olympic Movement for over 40 years. As a System, we believe in the spirit of the Games and their unique ability to engage the world in a way that is constructive, positive and inspirational. We recognize the power of the Games to reinforce excellence, unity and achievement among people the world over. Our goal is always to bring that spirit to our customers. That is what our Olympic sponsorship is all about.



MCDONALD'S HISTORY WITH THE OLYMPICS – A SNAPSHOT

McDonald's takes great pride in being a long-time Olympic supporter. Here's a brief history of our commitment to the Olympic Games.

1968: Just 13 years after opening our first restaurant, McDonald's began our support of the Olympic Movement by airlifting hamburgers to U.S. athletes competing in Grenoble, France, where they reported being homesick for American hamburgers.

1976: McDonald's became an Official Sponsor of the Olympic Games at the 1976 Olympic Games in Montreal.

1996: McDonald's became a Centennial Olympic Games Partner of the Atlanta Games and was invited to operate the first-ever branded restaurant in the Olympic Village. McDonald's restaurants on-site provided 15,000 athletes, coaches and officials with a "familiar taste of home."

1998: For the first time in history, McDonald's became the Official Restaurant of the Olympic Games and provided food service for athletes at the Olympic Winter Games in Nagano, Japan. This also was McDonald's first Games as a Worldwide Partner, bringing the fun and excitement of the Olympic Games to our customers around the world through our official global and local promotions.

2009 and beyond: McDonald's continues our Worldwide Sponsorship of the Olympic Games and our commitment to serving food to millions of athletes, coaches, their families and fans. The Vancouver 2010 Olympic Games will mark McDonald's seventh Olympic Games as a Worldwide Partner and eighth as the Official Restaurant of the Olympic Games.

The Vancouver Games mark the first Games to set a goal of being carbon neutral. In support of the Vancouver Organizing Committee's work to achieve this, McDonald's was one of the first sponsors to volunteer to participate in a special program that will offset carbon emissions related to travel to and from the Games and accommodations onsite in February 2010. In addition, we will feature energy-efficient equipment and lighting in our Olympic venue restaurants, and the McDonald's Olympic Champion Crew will sport uniforms made of recycled bamboo and plastic.

McDonald's current sponsorship will continue through the 2012 Games in London.



BRINGING THE OLYMPIC GAMES TO LIFE

As part of McDonald's ongoing commitment to children and our people, we launched several initiatives that make a strong connection to the Olympic movement.

McDonald's Champion Kids

The Beijing 2008 Olympic Games marked the debut of the McDonald's Champion Kids program. We created this program to engage young people worldwide in activities that reinforce sports, fitness and fun. This grassroots outreach provided more than 200 kids from 40 countries around the world with the opportunity to travel to the Games in China and serve as youth correspondents to share their stories and experiences with their local communities and hometown news outlets. Children had a chance to see Olympic events, meet Olympic athletes, visit cultural sights and interact with their peers from across the globe.

For the 2010 Olympic Winter Games, we will once again bring kids from around the world to Vancouver to experience to excitement of the Winter Games first-hand. For North America, McDonald's will send ten children from the United States to join 11 kids from host country Canada. The selected kids will enjoy an exclusive "taste" of the Olympic experience with kids from other winter sport countries, including Germany, Poland and the Ukraine.

FEEDING THE WORLD'S ATHLETES

McDonald's is the Official Restaurant of the Olympic Games, and we are proud of our role in feeding the athletes in the Olympic Village, as well as members of the media in the Main Press Center. The athletes enjoy a variety of menu favorites, from the Big Mac sandwich to Premium Chicken offerings, salads and Fruit n' Yogurt Parfaits. A new menu item will be introduced for the athletes and media at the Vancouver 2010 Games.

FIFA WORLD CUP: UNITING CUSTOMERS THROUGH THE THRILL OF FOOTBALL

Continuing our commitment to children's well-being and our support of football on both the global and grassroots levels for more than 30 years, McDonald's has served as an Official Partner of the FIFA World Cup since 1994. As a sponsor, we're bringing the world's passion for football to life for millions of fans through special creative promotions, contests and in-store activations in more than 100 countries around the world.

The centerpiece of our FIFA World Cup sponsorship is the McDonald's Player Escort Program. Through this initiative, 1,408 children ages 6-10 have the once-in-a-lifetime opportunity to live their dreams of walking onto the field hand-in-hand with their football heroes before each official FIFA World Cup match. The Player Escort Program will once again be the cornerstone of our sponsorship at the 2010 FIFA World Cup in South Africa. In addition, we are featuring programs such as McDonald's FIFA Fantasy Football, McDonald's World Cup Predictor Game and the McDonald's Fan Dancers.

As a local family restaurant, McDonald's encourages thousands of families and children to participate in community football activities, including club sponsorships, youth football schools and junior tournaments.



IN EACH AND EVERY COMMUNITY...MAKING A DIFFERENCE

The real strength of McDonald's community involvement lies with our franchisees—the restaurant owner/operators who provide grassroots support to their local neighborhoods. Day in and day out, McDonald's franchisees and company-operated restaurants give back to their communities in dynamic ways—whether it's helping local educational efforts, offering scholarships, serving on local boards or supporting community causes, these independent business men and women are committed to contributing positively to the communities in which they operate. Here are just a few:

Lionel Whitehead (New Zealand)

Upon opening the first McDonald's restaurant in 1976, Lionel Whitehead immediately began seeking out ways to help McDonald's make positive impacts and contributions to the local community. He began helping to raise funds for local schools and used his restaurant as the base to assist community groups with their fundraising activities.

In the mid-1980s, Lionel became the leader and franchisee spokesperson for establishing the first Ronald McDonald House in New Zealand. After considerable personal effort, the first Ronald McDonald House was opened in Wellington, New Zealand in 1991. Lionel was not only instrumental in opening the first house, but he went on to serve as vice-chair of the local chapter for 15 years, contributing both time and money to see it succeed.

Lionel currently serves as Chair of RMHC New Zealand. Under his leadership, the chapter is ready to launch its second Ronald McDonald Care Mobile program. In addition, he is leading a process to enhance organizational alignment across the three separate Ronald McDonald Houses in New Zealand to improve consistency and operational efficiencies.

For his dedication of support of Ronald McDonald House Charities and other community involvement activities, Lionel Whitehead was honored by the Gerry Newman McTLC Award of Excellence in 2008.

Jonah and Lynn Kaufman (USA)

Jonah and Lynn Kaufman, long-time owner/operators in the U.S., are very active in raising awareness and funds for RMHC. In fact, Jonah was a board member for the RMHC Chapter in New York and worked alongside fellow Owner/Operators to promote, support and advertise the work RMHC does to support children through the McDonald's U.S. Marketing Calendar.

In addition to the support of RMHC, Jonah and Lynn are also active philanthropists in the communities in which they do business. Jonah was one of the first owner/operators to promote the hiring of individuals with special needs. Lynn has served on the boards of organizations such as the Huntington School District, Huntington YMCA and Family Service League of Long Island.

For their community involvement and support of children, Jonah and Lynn Kaufman were honored in 2009 by RMHC with the Gerry Newman McTLC Award.

MCDONALD'S EMPLOYEES GIVE BACK

Giving one's time and expertise for the benefit of others is not uncommon among our employees.

At our corporate headquarters in Oak Brook, Illinois, a number of departments spearhead their own community involvement activities in the area. For example, the McDonald's Legal Department initiated a pro bono program in 2000. Through this program, McDonald's works with numerous public service organizations to provide legal assistance to low-income individuals and to help elementary and secondary students from diverse backgrounds develop the skills, knowledge and attitudes necessary to serve their communities as active, responsible citizens.

McDonald's is also developing a more formalized corporate volunteer program that includes an online volunteerism management and tracking tool through a recently initiated partnership with VolunteerMatch. Similarly, in the U.S., McDonald's is engaged with the Corporate Roundtable on National Service, a consortium of business leaders designed to share best practices in volunteerism and raise awareness of the importance of giving back among the general population in the United States.

THE MCDONALD'S FAMILY GIVES BACK

McDonald's has a Matching Gifts Program that gives McDonald's corporate employees the opportunity to double the impact of their charitable giving. McDonald's will match donations dollar for dollar up to \$5,000 for McDonald's corporate employees and up to \$10,000 for McDonald's Officers and Board of Directors of qualified contributions in a calendar year. In 2008, more than \$950,000 was distributed in matching gifts. As of September 2009, nearly \$650,000 had been distributed.

As of January 2008, McDonald's has made it even easier for corporate employees to contribute support to the charities of their choice. Through a partnership with America's Charities, a nonprofit federation of charities representing approximately 250 organizations, McDonald's created an automatic payroll deduction program. Now, McDonald's corporate employees can make voluntary contributions through America's Charities to qualified charitable organizations, including Ronald McDonald House Charities, McDonald's charity of choice. As an added bonus, payroll deductions set up through America's Charities receive automatic matching gifts from McDonald's.



PROVIDING A HELPING HAND IN THE FACE OF DISASTER

When tragedy arrives, the McDonald's system responds. McDonald's employees, franchisees and suppliers mobilize to provide assistance in many forms. Over the last several years, our System has provided food and other assistance to victims of such disasters as the 9/11 tragedy in New York City, Pennsylvania and Washington, DC in 2001, the tsunami in Southeast Asia in 2004 and the devastating hurricane season in the U.S. in 2005, and most recently in the aftermath of Hurricane Ivan and Hurricane Gustav in 2008.



COMING TO THE AIDE OF EARTHQUAKE VICTIMS IN CHINA

In 2008, the McDonald's System mobilized to respond to another disaster: the May 12 earthquake in China. All told, McDonald's China served almost 40,000 meals to earthquake victims, relief workers, military, hospitals, and police and fire department officers.

In the days immediately following the earthquake, McDonald's made 2,000 food deliveries to Deyang Hospital and to earthquake survivors in Mianyang Stadium. We announced McDonald's China's one million rmb donation to relief efforts. 17,000 meals were also delivered to hospitals that were running out of food and to front-line relief workers, the army, police and fire officers. We also delivered 15,000 meals to front-line workers throughout the region.

In addition, McDonald's China set up several food and beverage stations adjacent to blood donation centers in the Sichuan region and launched in-store promotional posters in all 930 restaurants, informing customers encouraging them to participate in the blood drive. Anyone who gave blood was offered a free sandwich and an orange juice at McDonald's.

As recovery efforts progressed, McDonald's China and RMHC China co-funded the building of new schools in the region, and Ronald McDonald House Charities, Inc. donated ten new ambulances.





LOOKING FORWARD

CHALLENGES AND OPPORTUNITIES

We continue to look for opportunities to support the community involvement activities of our independent franchisees. As a company, McDonald's is committed to using our scope and size to make a difference in the world, but it's our independent franchisees who bring that commitment to life in communities around the world, each and every day. We want to do more to empower these men and women and find additional ways to lead from the center in the future.

GOALS (2008-2010)

1. Facilitate and encourage volunteer activities through an online management tool.

McDonald's is in the initial stages of launching an online volunteer management tool that will make a wide range of volunteer opportunities available to U.S. and corporate home office employees.

2. Increase financial and volunteer support to Ronald McDonald House Charities (RMHC) through communications outreach.

Since 2002, McDonald's and its customers have raised approximately \$150 million for RMHC and other children's charities during McDonald's annual fundraiser, McHappy Day®, (Formerly World Children's Day). In 2008, an estimated \$30 million was raised, with approximately \$8.4 million raised in the U.S.

3. Continue to increase awareness of RMHC and its core programs.

To support RMHC and highlight the work the Charity does to help four million families a year, McDonald's utilizes several vehicles to help increase awareness. In 2009, McDonald's USA chose to air a 30-second TV commercial during the Super Bowl featuring the work of RMHC. This ad reached approximately 97 million people. In the summer of 2009, McDonald's partnered with RMHC to encourage people touched by the Charity to share their story in the digital Share. Give. Hope. Campaign. The campaign brought to life the profound ways RMHC helps children and families. In addition, McDonald's devotes significant resources to promoting McHappy Day®, McDonald's worldwide annual fundraiser, in November. The beneficiary of McHappy Day is RMHC and other children's causes. McDonald's also makes valuable space available on its front counters and drive-thrus for RMHC Donation Boxes to raise awareness and funds for the local Chapters and RMHC Global.

Where We Are Going From Here

LIVING OUR VALUES

From the beginning, values have been central to delivering responsible food at McDonald's. Our values, as well as our commitment to living them each and every day, are the foundation of our success.

As we look to the future, we know there is even more we can do to make living our values a natural part of every day for our employees, our owner/operators and our suppliers.

ONGOING MCDONALD'S VALUES INTEGRATION

Educate – Making the McDonald's System more aware of the true meaning of our values and how they contribute to our success; engaging in open discussion on the potential tensions between specific values; and sharing innovations and best practices that stem from putting our values into 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 our annual employee commitment survey and employee performance appraisals

We believe that taking these types of actions will help continue our positive financial performance and help us achieve our environmental and social goals. Values are the key ingredient to delivering responsible food and striving toward a sustainable future.



GOALS 2008-2010

SUSTAINABLE SUPPLY CHAIN

1. Educate and communicate with our supply system about sustainability.
2. Develop a comprehensive global forestry policy that will apply to all products we purchase.
3. Measure environmental impacts in our supply chain.
4. Further rollout our global forestry standards for consumer packaging, expanding into other Areas of the World, specifically the U.S. and Asia Pacific, Middle East, and Africa (APMEA).
5. Continue to integrate environmental considerations into our packaging design through rollout of our global packaging scorecard into our nine largest markets.

NUTRITION & WELL-BEING

1. Accelerate and expand food and beverage choices for kids.
2. Continue to enhance children's well-being through programs and initiatives that provide "fun with a purpose."
3. Continue to provide useful nutrition information in ways most relevant to today's consumers.

ENVIRONMENTAL RESPONSIBILITY

1. Continue to find ways to maximize energy efficiency in our restaurants.
2. Increase best practice sharing within our system to enhance the transfer and scaling of the most efficient and innovative initiatives.

EMPLOYMENT EXPERIENCE

1. Increase number of Hamburger University-certified restaurant managers.
2. Continue to enhance our employment value proposition to drive employee engagement.
3. Continue to integrate McDonald's values into key people programs, from hiring, to training, to career development.

COMMUNITY

1. Facilitate and encourage volunteer activities through an online management tool.
2. Increase financial and volunteer support to Ronald McDonald House Charities (RMHC) through communication outreach.
3. Continue to increase awareness of RMHC and its core programs.

Appendix

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 McDonald's Corporation in an honest, fair, diligent and ethical manner. This Board has long believed that good corporate governance is critical to our fulfilling our obligations to shareholders. We firmly believe that good governance is a journey, not a destination. Therefore, we are committed to reviewing our governance principles at least annually, with a view to continuous improvement. As our governance processes evolve, we will change this document. One thing that we will not change, however, is our commitment to ensuring the integrity of the Company in all of its dealings with stakeholders. Our continued focus on leadership in corporate governance is an integral part of fulfilling our commitment to shareholders.

Adopted by the Board of Directors with effect as of January 24, 2008

CODE OF CONDUCT FOR THE BOARD OF DIRECTORS OF MCDONALD'S CORPORATION

The members of the Board of Directors of McDonald's Corporation acknowledge and accept the scope and extent of our duties as directors. We have a responsibility to carry out our duties in an honest and businesslike manner and within the scope of our authority, as set forth in the General Corporation Laws of the State of Delaware and in the Certificate of Incorporation and By-Laws of McDonald's Corporation. We are entrusted with and responsible for the oversight of the assets and business affairs of McDonald's Corporation in an honest, fair, diligent and ethical manner. As Directors we must act within the bounds of the authority conferred upon us and with the duty to make and enact informed decisions and policies in the best interests of McDonald's and its shareholders. The Board of Directors has adopted the following Code of Conduct and our Directors are expected to adhere to the standards of loyalty, good faith, and the avoidance of conflict of interest that follow:

Board Members will:

Act in the best interests of, and fulfill their fiduciary obligations to, McDonald's shareholders;

Act honestly, fairly, ethically and with integrity;

Conduct themselves in a professional, courteous and respectful manner;

Comply with all applicable laws, rules and regulations;

Act in good faith, responsibly, with due care, competence and diligence, without allowing their independent judgment to be subordinated;

Act in a manner to enhance and maintain the reputation of McDonald's;

Disclose potential conflicts of interest that they may have regarding any matters that may come before the Board, and abstain from discussion and voting on any matter in which the Director has or may have a conflict of interest;

Make available to and share with fellow Directors information as may be appropriate to ensure proper conduct and sound operation of McDonald's and its Board of Directors;

Respect the confidentiality of information relating to the affairs of the Company acquired in the course of their service as Directors, except when authorized or legally required to disclose such information; and

Not use confidential information acquired in the course of their service as Directors for their personal advantage.

A Director who has concerns regarding compliance with this Code should raise those concerns with the Chairman of the Board and the Chair of the Governance Committee, who will determine what action shall be taken to deal with the concern. In the extremely unlikely event that a waiver of this Code for a Director would be in the best interest of the Company, it must be approved by the Governance Committee.

Directors will annually sign a confirmation that they have read and will comply with this Code.

Adopted by the Board of Directors as of May 22, 2003

MCDONALD'S CORPORATION POLITICAL CONTRIBUTIONS POLICY

Philosophy

Generally, the Company does not make contributions to political parties, candidates for public office or political organizations. However, because public policy issues have the potential to impact the Company's business, its employees, franchisees and the communities in which McDonald's restaurants operate, the Company's management believes that in certain cases it may be appropriate and in the Company's best interests to use its resources to make political contributions. Therefore, McDonald's Corporation Board of Directors has adopted this Political Contributions Policy (the "Policy") to ensure that such contributions are made in a manner consistent with the Company's core values and to protect and/or enhance shareholder value.

While Company employees may participate as individual citizens in the political process, decisions to do so are entirely personal and voluntary. Employees engaging in political campaign activities are expected to do so as private citizens, and must at all times make clear that their views and actions are their own, and not those of the Company. Employees must not use their position with the Company to coerce or pressure other employees to make contributions to or support or oppose any political candidates or elections.

Definitions

For purposes of this Policy:

The "Company" includes McDonald's Corporation and its majority-owned subsidiaries, except for those subsidiaries whose stock is publicly traded.

A "political contribution" is any gift, loan, advance or deposit of money or anything of value, made: (a) for the purpose of influencing any election for federal, country, state or local office or a ballot initiative; or (b) to pay debt incurred in connection with any such election or ballot initiative.

Contribution Approval Guidelines

Any political contribution made by the Company must be approved in advance by the head of the Government Relations Department of McDonald's Corporation, and must support a political candidate or ballot initiative that the head of the Government Relations Department determines is beneficial to the long-term interests of the Company and its system of restaurants. In determining whether or not to approve a request to make a political contribution, the head of the Government Relations Department may examine many factors, including, but not limited to, the merits of the candidate, election or ballot initiative, the value of the contribution to the election or ballot initiative, the quality and effectiveness of the organization to which the contribution will be made and the appropriateness of the Company's level of involvement in the election or ballot initiative. When possible, the Company should avoid making political contributions through a conduit or intermediary organization.

All political contributions must also: (1) comply with all current applicable laws and regulations in the jurisdictions in which the contributions are made (including the Foreign Corrupt Practices Act); (2) adhere to this Policy and McDonald's Standards of Business Conduct; and; (3) not be made to any organization in the United States required to report their contributions and expenditures to the IRS under 26 USC Sec. 527. However, even where applicable law would permit the Company to make a political contribution, the decision may be to deny the contribution request. In making any determination, the head of the Government Relations Department may consult with legal counsel, compliance personnel, and members of the Company's management.

In addition to the approval of the head of the Government Relations Department, any request for political contributions to a single candidate, political party or ballot initiative that will aggregate to more than U.S. \$100,000 in a calendar year shall require the approval of the McDonald's area of the world president of the market in which the contribution will be made. Also, McDonald's Board of Directors, by resolution, may establish an annual aggregate spending limit for the Company's political contributions.

Oversight

Management will report semi-annually to the Audit Committee of the Board of Directors of McDonald's Corporation regarding political contributions made by the Company pursuant to this Policy. Political contributions in excess of the spending limit established by the Board or any other exceptions to this Policy, must be approved in advance by the Audit Committee.

Disclosure

The Company shall at all times comply with all current applicable laws and regulations relating to the reporting requirements of corporate political contributions. In addition, on a semi-annual basis, McDonald's Corporation will publish the corporate political contributions made in the United States pursuant to this Policy on its website at www.mcdonalds.com.

Amendments to the Policy

Amendments to the Policy must be approved by the Board of Directors.

MCDONALD'S CORPORATION CORPORATE RESPONSIBILITY COMMITTEE CHARTER

I. Statement of Purpose

The Corporate Responsibility Committee is a standing committee of the Board of Directors. The purpose of the Committee is to act in an advisory capacity to the Board of Directors and management with respect to policies and strategies that affect the Company's role as a socially responsible organization. As it is management's responsibility to direct the Company's role as a socially responsible organization, management retains authority for all communications with the public and investors relating to social policy issues.

II. Organization

Charter. At least annually, this charter shall be reviewed and reassessed by the Committee and any proposed changes shall be submitted to the Board of Directors for approval.

Members. The members of the Committee shall be appointed by the Board of Directors and shall consist solely of non-employee Directors, the majority of whom meet the independence requirements of the New York Stock Exchange and applicable policies of the Board of Directors. The Committee shall be comprised of at least three members. Committee members may be removed by the Board of Directors. The Board of Directors shall also designate a Committee Chairperson.

Meetings. The Committee shall establish a schedule of meetings each year. Additional meetings may be scheduled as required.

Agenda, Minutes and Reports. The Chairperson of the Committee shall be responsible for establishing the agendas for meetings of the Committee. An agenda, together with materials relating to the subject matter of each meeting, shall be sent to members of the Committee prior to each meeting. Minutes for all meetings of the Committee shall be prepared and circulated in draft form to all Committee members to ensure an accurate final record, and shall be approved at a subsequent meeting of the Committee. The minutes shall be distributed periodically to the full Board of Directors. The Committee shall make regular reports to the Board of Directors.

III. Responsibilities

Areas of Oversight. *The following shall be the principal areas in which the Committee shall provide advice and counsel to the Company's management:*

- Health and safety matters*

- Environmental matters*

- Employee opportunities and training*

- Balanced lifestyles initiatives*

- Diversity initiatives*

- Consumer and community relations in the communities where the Company does business*

- Shareholder proposals relating to social policy issue*

Corporate Reports. The Committee shall review the Company's periodic corporate responsibility reports, and business conduct standards for Company employees and suppliers to the Company's business.

Committee Performance Evaluation. The Committee shall evaluate its own performance periodically and develop criteria for such evaluation.

Delegation. When appropriate, as permitted under applicable law and the listing standards of the New York Stock Exchange, the Board or the Committee may delegate any of its responsibilities to a subcommittee comprised of one or more members of the Committee, the Board or members of management.

Other Duties. The Committee shall also carry out such other duties as may be delegated to it by the Board of Directors from time to time.

*Approved by the Corporate Responsibility Committee on January 22, 2005
Approved by the Board of Directors on March 24, 2005*

ANIMAL WELFARE GUIDING PRINCIPLES

McDonald's commitment to animal welfare is global and guided by the following principles. These principles apply to all the countries in which McDonald's does business.

Safety

First and foremost, McDonald's will provide its customers with safe food products.

Food safety is McDonald's number one priority.

Quality

McDonald's believes treating animals with care and respect is an integral part of an overall quality assurance program that makes good business sense.

Animal Treatment

McDonald's supports that animals should be free from cruelty, abuse and neglect while embracing the proper treatment of animals and addressing animal welfare issues.

Partnership

McDonald's works continuously with our suppliers to audit animal welfare practices, ensuring compliance and continuous improvement.

Leadership

McDonald's will lead our industry working with our suppliers and industry experts to advance animal welfare practices and technology.

Performance Measurement

McDonald's sets annual performance objectives to measure our improvement and will ensure our purchasing strategy is aligned with our commitment to animal welfare issues acting as a responsible purchaser.

Communication

McDonald's will communicate our process, programs, plans and progress surrounding animal welfare.

Issued: 2001

MCDONALD'S CODE OF CONDUCT FOR SUPPLIERS

McDonald's believes that all employees deserve to be treated with dignity and respect. In each and every aspect of the employment relationship, employers need to act towards their employees as they would themselves want to be treated. The 100% satisfaction of our internal customers – our employees – is essential to the 100% satisfaction of our external customers. Moreover, McDonald's is committed to a policy of complying with the law wherever it does business, and to maintaining high standards of business conduct. As a result, McDonald's has established a well-respected record and reputation for business honesty and integrity. These principles apply globally, form the basis for McDonald's own ethical business practices, and are cornerstones to McDonald's success.

McDonald's strongly believes that those suppliers who are approved to do business with the McDonald's System should follow the same philosophy, and, in the best interest of the System, McDonald's will refuse to approve or do business with those who do not uphold, in action as well as words, the same principles. McDonald's recognizes that its suppliers are independent businesses. Indeed, it honors that very independence because it provides strength to the relationship. Nonetheless, actions by those with whom McDonald's does business are sometimes attributed to McDonald's itself, affecting its reputation and the goodwill it has with its customers and others. It is only natural then that McDonald's expects its partners in business to act with the same level of honesty and integrity.

For these reasons, McDonald's has established the following policy. Compliance with this policy is required of all suppliers, and is the responsibility of each individual supplier. Suppliers shall ensure that their Subcontractors comply with this policy for employees working on product supplied to McDonald's. Failure to comply with this policy will be sufficient cause for McDonald's to exercise its right to revoke a supplier's approved status. McDonald's reserves the right, as a condition of continuation of approval, to conduct (or have its designee conduct) periodic, unannounced inspections of suppliers and their facilities and business practices to verify compliance with these standards.

Compliance With Applicable Laws And Standards

All business activities of McDonald's suppliers must conform to all applicable national and local legal requirements, customs, and published industry standards pertaining to employment and manufacturing. If statutory requirements and published industry standards conflict, suppliers must, at a minimum, be in compliance with the one which, by law, takes precedence.

Employment Practices

Prison or Forced Labor: The use of prison or forced labor by a supplier is absolutely forbidden. Likewise, the use of labor under any form of indentured servitude is prohibited, as is the use of physical punishment, confinement, threats of violence or other forms of physical, sexual, psychological or verbal harassment or abuse as a method of discipline or control. Suppliers will not themselves utilize factories or production facilities that force work to be performed by unpaid or indentured laborers or those who must otherwise work against their will, nor shall they contract for the production of products for McDonald's with Subcontractors that utilize such practices or facilities.

Child Labor: The use of child labor by suppliers is strictly prohibited. Suppliers are prohibited from using workers under the legal age of employment for the type of work in the country where the suppliers performs work for McDonald's. If the country in which the supplier is doing business does not define "child" for purposes of minimum age of employment, the minimum age of employment shall be 15 years of age, and the employment of any individual in the production of products for

McDonald's below that age shall be strictly prohibited. If local law allows the minimum age of employment to be 14 years of age or younger, the minimum age of employment shall be 14 years of age, and the employment of any individual in the production of products for McDonald's below that age shall be strictly prohibited. In either situation, minors between the ages of 14 and 16 may only be employed to work and only be permitted to work during periods of time when they are not required by law to attend school (except as may be permitted under apprenticeship or other similar programs in which the minor is lawfully participating).

Working Hours: Suppliers must ensure that all employees working on products supplied to McDonald's do so in compliance with all applicable national and local laws and with published industry standards pertaining to the number of hours and days worked. Such employees are to be provided with reasonable daily and weekly work schedules and adequate allowance is to be made for time off. Except in extraordinary business circumstances, employees will not be required to work more than either (a) the limits on regular and overtime hours allowed by local law; or (b) 60 hours per week, inclusive of overtime. Adequate time off shall be at least one day off per week, except in extraordinary business circumstances. In the event of conflict between a statute and a published industry standard pertaining to this issue, compliance must be with the one taking precedence under national law.

Compensation: Supplier employees working on product supplied to McDonald's must be fairly compensated and provided with wages and benefits that comply with applicable national and local laws. This includes appropriate compensation for overtime work and other premium pay situations required by applicable national and local laws. If local laws do not provide for overtime pay, suppliers will pay at least regular wages for overtime work.

Non-Discrimination: Suppliers shall implement a policy that conforms to local and national law prohibiting discrimination in hiring and employment practices on the ground of race, color, religion, sex, age, physical ability, national origin, or any other applicable prohibited basis.

Workplace Environment: Suppliers shall provide their employees with safe and healthy working and, where provided, living conditions. At a minimum, potable drinking water, adequate, clean restrooms, adequate ventilation, fire exits and essential safety equipment, an emergency aid kit, access to emergency medical care, and appropriately-lit work stations must be provided. In addition, facilities be constructed and maintained in accordance with the standards set by applicable codes and ordinances.

Notification to Employees: Suppliers shall notify employees of the terms of these standards and post the terms, on the supplier's letterhead and in the local language, in a prominent place accessible to all employees.

Inspections

By Suppliers: Each supplier shall designate one or more of its management staff to be responsible for monitoring their factories and production facilities, and the production facilities of their Subcontractors used in the production of products for McDonald's, for compliance with the standards set forth herein. Each supplier must conduct such monitoring no less frequently than on an annual basis.

By McDonald's: McDonald's reserves the right to conduct or have its designee conduct unannounced inspections of suppliers' and their business practices, records, facilities, and, where provided by supplier, housing accommodations, as well as private interviews with employees. Suppliers will keep all information necessary to document compliance with these standards readily accessible. Any supplier who refuses to allow such inspections or interviews, or who does not comply with these standards, is subject to immediate termination of its status as an approved supplier.